The Hamilton Consulting Group
Legislative, Regulatory & Information Services

The Wisconsin State Budget Update

Final Action by Legislature
The Hamilton Consulting Group
June 20, 2003

Governor Doyle's proposed budget was introduced on February 20, 2003 as Senate Bill 44. In total the Governor's plan laid out his recommendations for spending roughly $49 billion over the next two fiscal years (July 1, 2003 – June 30, 2005). As promised, the Governor did not propose to increase general fund taxes. Instead, he relied on a number of "one-time" revenues, borrowing, and state agency spending cuts to deal with the estimated $3.2 billion general-purpose revenue (GPR) budget deficit.

On June 4, 2003, after seven weeks of voting on various elements of the bill, the Republican controlled Joint Finance Committee (JFC) concluded its action and rolled all of its changes into Senate Substitute Amendment 1 to SB 44. On June 18-19, the Senate completed its work, making some changes to the JFC version. On June 19-20, the Assembly passed the Senate version with one amendment that is expected to be concurred on by the Senate early the week of June 23. **Changes to the JFC version by the Senate and Assembly are noted in bold.**

The summaries below identify some of the major funding provisions contained in the Governor's proposal compared to action taken by the Legislature. Other summaries below outline major provisions in specific subject areas monitored by The Hamilton Consulting Group. Other provisions not reported on here may affect your organization.

Major Fiscal Items

Transportation Fund and Shared Revenue/School Aids

Governor – Transfers $500 million from the Transportation Fund for Shared Revenue ($400 million) and School Aids ($100 million). Partially restores base funding for transportation with new transportation revenue bonding authority of $1.2 billion overall, with $331 million for expenditure this biennium. Fully funds shared revenue in 2004, at $1.1 billion, with an $80 million reduction in 2005. Eliminates requirement that state fund 2/3 of school costs and provides $125 million in school aids over current base.

JFC – Approved the Governor's transfers for shared revenue and school aids. Provided an additional $90 million in school aids and $20 million in shared revenue. Used $182 million in federal tax relief for shared revenue funding in 2003-04. Restored base funding for major state highway projects, and non-Marquette SE WI projects. Deleted $438 million in transportation revenue bonding over the next six years. Used $377 million in GPR supported GO bonding to offset the impacts of one-time transfers from the transportation fund. (See Motion 457 and Motion 709.)

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Medical Assistance

Governor – Relied on $434 million in enhanced federal funding via Intergovernmental Transfers (IGT) to essentially maintain current law benefits and eligibility under major health assistance programs (Medical Assistance, BadgerCare, SeniorCare). Later revised recommendation to capture similar amount via long-term care federal waiver request, which is still being pursued.

JFC – Essentially maintained current benefits and eligibility in the major health programs. Utilized $434 million in enhanced federal revenue as a starting point but cut $65 million in new spending initiatives in long-term care programs pending actual receipt of federal waiver dollars. Budgeted $151 million of total $331 in Federal Tax Relief funds. MA funding ultimately relies on obtaining $218 million in additional federal support through the long-term waiver request. (See Motion 178.)

Patients Compensation Fund

Governor – Transfer $200 million from the Patients Compensation Fund to support MA provider payments and other MA benefits.

JFC – Delete proposed transfer of funds from the Patients Compensation Fund. Instead, provided $200 million GPR for MA benefits funding in 2003-04. (See Motion 709.)

State Government Spending

Governor – Reduce state government operations and other base reductions by approximately $500 million.

JFC – Generally approved Governor's recommended reductions but further reduced state spending by a rough estimate of $300 million. Overall, the committee reduced total spending (all funds) by $545 million compared to the original bill. Established a three-year freeze on state spending (FY 2004,05,06), which provides that total GPR appropriations for state operations may not exceed the total appropriated in FY 03.

Tribal Gaming Revenues

Governor – Included $237 million in increased revenue resulting from estimate of renegotiated tribal gaming compacts.

JFC – Included new revenues at $80 million less than proposed based on actual signed compacts. Approved the Governor's recommendation to offset this loss by restructuring retirement fund obligation bonds. (See LFB Paper 131 and Paper 132.)

Property Tax

Governor – Impact of eliminating requirement to provide 2/3 funding for schools and other local government provisions created an estimated average increase in property taxes of 9.5 percent. (See LFB memo on property taxes.)

JFC – Approved elimination of two thirds funding. Provided additional school aid and shared revenue funding (noted above). Imposed a three-year freeze on local spending. Cities, villages, towns and counties are prohibited from increasing their total levy in 2003, 2004 and 2005 by any more than the percentage increase in equalized value due to new construction. Technical college districts are limited to 2.6 percent. (See Motion 709.)

HMO Tax

Governor – Created a 1 percent gross receipts tax on Health Maintenance Organizations to generate $80 million. Would use part of these funds to provide HMO MA rate increases of 6.1 percent to maintain current fee-for-service equivalent discount.

JFC – Deleted proposed tax. Provided $22 million GPR to fund base contracts. No rate increase approved. (See Motion 178.)

Business and General Tax Matters

Assessment of Manufacturing Property
Currently, assessment of manufacturing property is done at the state level, with GPR funding. The Governor recommended shifting this assessment function to local governments, where local money would cover the cost of the assessment programs. (See LFB Paper 685 on the Governor's recommendation.)

The JFC did not adopt this recommendation; instead they kept manufacturing property assessment at the state level (for consistency in evaluations, methods, etc.) and provided funding of one-half GPR and one-half local money. (See Motion 149, adopted 12-4 in lieu of alternatives.)

Sales Tax Enforcement
The committee approved the Governor recommendation to strengthen enforcement of the sales and use taxes by creating a periodic reporting system (from DOR to DOA) listing out-of-state sellers who refuse to collect and remit Wisconsin sales and use taxes. Listed vendors, and their affiliates, would be banned from entering into state contracts to provide goods or services. The Governor estimates that implementing these procedures would generate additional revenue of $5.4 million in 2003-2004 and $7.2 million in 2004-2005. (See Paper 351.)

Replace Tax Appeals Commission
The Governor recommended replacing the Tax Appeals Commission (TAC), an independent agency, with the Office of the Commissioner of Tax Appeals (OCTA), under DOA. Although the offices would perform relatively the same functions, the Governor would downsize the commission – from 3 commissioners to 1, and 3 support staff to 1, for an estimated savings of $317,700 GPR per year. (See Paper 352.)

JFC rejected the Governor's proposal and adopted Motion 257, which retains the TAC with 3 commissioners, and 2 support staff.

IRC Code Update
The JFC adopted DOR's recommendations to update Wisconsin's tax code to include changes to the Federal tax law enacted since Dec. 31, 2002. Under these changes, projected individual income tax revenue would decrease by $1.8 million in 2003-04, and $400,000 in 2004-05. Corporate and business income tax revenue would decrease by $250,000 in 2003-04, and $650,000 in 2004-05. (See Paper 353, Alternative 1, unanimously adopted.)

HMO Tax
The Governor's recommendation to adopt a 1 percent gross receipts tax on HMOs was deleted by adoption of DHFS omnibus motion on medical assistance. (See Motion 178, below under "Health Care." See also Paper 386 on the HMO tax.)

Individual and Corporate Income and Franchise Taxes
Under the 2001-03 biennial budget, corporations doing business in the Beloit Development Opportunity Zone (BDOZ), a designated area of the City of Beloit, were made eligible for certain tax benefits. The motion adopted allows businesses other than corporations, within the BDOZ, to claim those same tax credits. The motion is estimated to result in a minimal increase in amounts of tax credits claimed during the 2003-05 biennium. (See Motion 142, adopted unanimously.)

Transportation

On Friday, May 16th the Joint Finance Committee adopted a major transportation package (Motion 457) on a party line 12-4 vote. The proposal keeps 99 statewide road projects and the Marquette Interchange on the current time schedule. The proposal is similar to the plan put forward by Gov. Doyle in that it shifts $500 million from the transportation fund to shared revenue ($400 million) and school aids ($100 million). The JFC version, however, uses $377 million general obligation bonding rather than transportation revenue bonds to restore the Governor's recommended cuts in the state highway program and to maintain base funding for transportation projects.

The Committee also included some revenue enhancements for the transportation fund, which is currently funded almost exclusively by gas taxes and vehicle registration fees. These include increases in title and registration fees and, beginning on July 1, 2005, 20 percent of the sales tax collected on the sale of new vehicles in the preceding calendar year. Highlights of the package are summarized below.

State Highway Rehabilitation and Major Highways Programs
JFC action restores base level funding for the State Highway Programs. Increases funding for rehabilitation by $166 million and by $42 million for major highways over the biennium compared to the Governor's proposal. (See also Paper 760.)

Southeast Wisconsin Freeway Rehabilitation
The Governor proposed $79 million in SEG and FED in each year of the biennium and $85 million in new transportation revenue bonds in FY 05. (Biennial total of $244 million – all of which would be allocated to the Marquette Interchange project.) (See also Paper 761.)

Under the JFC proposal, base funding is restored at $95 million per year, plus an additional $50 million in FY 05, earmarked for the Marquette Interchange. Transportation revenue bonding of $85 million in FY 05 is eliminated and replaced with $100 million in existing transportation fund supported general obligation bonding authority. (Total funding of $95 million in FY 04 and $245 million in FY 05 or a biennial total of $340 million.) Of these amounts, $49 million per year would be allocated to southeast Wisconsin freeway projects other than the Marquette Interchange. Consequently, total funding for the Marquette Interchange would be $46 million in FY 04 and $196 million in FY 05 or $242 million over the biennium.

Transportation Revenue Bonding
The omnibus JFC motion reduces the total amount of long-term bonds over a six year period (2003-09) by $437.8 million compared to the $1.16 billion in transportation revenue bonding authority in the Governor's proposal. Debt service would be reduced by $143.8 million over this same time period.

In this biennium, the Governor proposed increased use of transportation revenue bonding to provide $191 million in FY 04 and $242 million in FY 05 to help fund rehabilitation, major highway and Marquette Interchange projects. Associated debt service costs in the transportation fund would increase by nearly $8 million in FY 04 and over $33 million in FY 05. (See also Paper 738 and Paper 739.)

Under the JFC plan, proposed increases in transportation revenue bonding are replaced with $377 million in GPR supported general obligation bonds. The JFC proposal also includes the use of $100 million in existing transportation fund supported general obligation bonding, and authorizes an increase of over $6 million each year in transportation revenue bonds. GPR debt service would increase by over $8 million in FY 04 and over $29 million in FY 05. Compared to the Governor's proposal, transportation fund debt service would be reduced by a net $8 million in FY 04 and $33 million FY 05.

The JFC motion also provides for a dedicated revenue source to pay debt service on the general obligation bonds. Beginning July 1, 2005, 20 percent of the sales tax collected on the sale of new vehicles in the preceding calendar year would be deposited in the transportation fund, which is estimated at roughly $48 million. Starting with the next biennium, sales tax revenue would be used to pay debt service on the general obligation bonds used for transportation, which is estimated at $44.5 million per year once all the bonds are issued.

> **The Senate modified the proposal to reduce 20 percent to 10 percent. (See SA 1 to SA 119.)**

Transportation Fund Transfer to General Fund/Shared Revenue/School Aids
The omnibus JFC motion maintains the transfer of $530 from the transportation fund to the general fund with important modifications. In essence, the JFC plan uses $100 million in existing transportation fund supported general obligation bonding plus $377 million in new GPR supported general obligation bonding to offset the impacts of one-time transfers out of the transportation fund of $530 million for shared revenue, school aids and general fund support.

Over the 2003-05 biennium, the Governor proposed transferring $30 million from the transportation fund to the general fund, $400 million to fund municipal shared revenue and $100 million to K-12 school aids. All of the transfers were intended to be one-time measures with the exception of $60 million in FY 05 for school aids, which the Governor's plan would have maintained as a permanent draw on the transportation fund.

Under the JFC proposal, all of these transfers would be retained but the school aid appropriation would be sunset at the end of the biennium like the other transfers. On a go forward basis, the sunset of these transfers would result in $245 million in uncommitted transportation fund revenue going into the 2005-07 biennium. Under the JFC plan, these funds would be used to replace the bonding used in the 2003-05 biennium for state highway rehabilitation and major highway projects, with the balance being divided among southeast Wisconsin rehabilitation, Marquette Interchange and the major highway development appropriations. Accordingly, $128 million would be allocated to state highway rehabilitation, $64 million for major highway, and $53 million for the Marquette Interchange**.**

State Highway Maintenance and Traffic Operations
Maintenance program activities include the installation of traffic signals, highway lighting, highway signs, pavement markings and intelligent transportation systems. JFC deletes $18.7 million in two-year increases proposed by the Governor. It also deletes $7.4 million annually the Governor included in the program base. (See also Paper 762.) JFC also deleted language that allows these activities to be funded from the state highway rehabilitation program, and converts the maintenance fund SEG appropriation from a biennial appropriation to a continuing appropriation.

Local Transportation Programs
The JFC plan maintains base level funding for local transportation programs, which represents a decrease in funding compared to the Governor's proposal to provide 2.5 percent inflationary increases (See also Paper 755.) Compared to the Governor, funding for local road aids is reduced by $18.7 million; mass transit is reduced by $4 million; and, the local roads improvement program is reduced by $4.3 million.

Title & Registration Fee Increases
The JFC motion includes the $10 increase in title and registration fees proposed by the Governor but moves the effective date to October 1, 2003 (as opposed to January 1, 2004 assumed in the Governor's proposal) to increase transportation fund revenues by $12 million in FY 04. (See also Paper 737.)

Revenue Re-estimates
After the Governor's proposal was introduced, federal funding estimates were increased and estimates of transportation fund revenues were decreased. JFC utilizes this additional net $95.5 million in updated revenue estimates to help fund its transportation proposal.

Enhanced Mobility
In a separate motion, JFC established a $6 million grant program for traffic marking enhancements for elderly drivers and pedestrians if the state receives federal incentive grant funding linked to having a 0.08 blood alcohol level intoxicated driving law. (See Motion 471.)

License Plate Program
The JFC adopted alternative reduced funding for the license plate replacement program by $513,200 SEG annually. (See Paper 770. Alternative 1 adopted 14-2.)

Oversize/Overweight Vehicle Permit Surcharge
The Governor proposed extending the sunset date of the 10 percent surcharge on oversize/overweight permit fees from June 30, 2003, to June 30, 2005, which would increase estimated transportation fund revenue by $403,700 annually. (See Paper 772, Governor's position adopted.)

Commuter Rail System Development Grant Program
JFC's motion precludes funding for a light rail system from the commuter rail grant program created under the bill. (See Motion 527**,** adopted 14-2.)

0.08 Blood Alcohol Content
JFC deleted the Governor's proposal to lower the BAC level from 0.1 to 0.08. Instead, JFC is relying on the passage of AB 88 (which has already passed the Assembly) to reduce the BAC level. The BAC change must be signed into law by July 15, 2003 to qualify for federal incentive funds this year. (See Paper 773, amended alternative 3 adopted 15-1.)

Health Care

DHFS – Medical Assistance – Republican Omnibus Motion
The Governor's original medical assistance budget was built to maintain current law eligibility and benefits under Wisconsin's major health care programs; Medical Assistance, BadgerCare and SeniorCare. Given projected enrollment and medical cost increases, maintaining these programs at current service levels would require significant funding increases in GPR and associated federal matching funds. Faced with a GPR deficit, the Governor's proposal was funded with a number of new revenue sources, including: (a) $434 million in Federal Intergovernmental Transfer (IGT); (b) $200 million transfer from the Patients Compensation Fund; (c) a 1 percent gross receipts tax on HMO's estimated at roughly $80 million over the two-year period, and; (d) increasing the nursing home bed tax from $32 a month to $116 month to essentially leverage additional federal funding of roughly $150 million over the biennium.

Shortly after introduction, it became apparent that the federal government was not likely to approve the Governor's proposal to retroactively claim IGT funds. The Administration then developed a federal waiver for enhanced federal support for long term care and disabled services; that waiver and associated funding is still being pursued. On May 21, the Administration recommended that the Joint Finance Committee assume that Wisconsin will receive $434 million in enhanced federal support through a combination of the waiver request they were still pursuing and funding for states included under the Federal Tax Relief Act of 2003 (P.L. 108-27).

The Joint Finance Committee, faced with politically unpopular new revenue sources and uncertainty surrounding the Governor's proposal(s) for enhanced federal funding, made substantial changes to the MA budget. On a party line 12-4 vote the committee adopted a Republican sponsored Motion 178. Democrats introduced an alternative proposal (Motion 497), which was rejected 4-12. Summarized below are selected provisions of the MA package that passed, with comparative commentary on the Governor's proposal and the alternative advanced by Democrat members of the committee.

- Provides base funding for MA, BadgerCare and SeniorCare. Maintains base funding for the state's major health care programs consistent with Governor's recommendations (dollar estimates revised) and the Democrat package. (See Paper 375 [MA], Paper 376 [BadgerCare], and Paper 377 [SeniorCare].)

- Deletes roughly $65 million in spending on new initiatives in long-term care and disabled services to reflect uncertainty of obtaining enhanced federal funding. Consistent with the Governor's revised recommendation and the minority package – except that JFC Democrats would have authorized DHFS to fund the new initiatives through a 14 day review process in the event federal waiver funding was secured. (See also Paper 379.)

- Utilizes $151 million of the total $333 million Wisconsin is expected to receive under the Federal Tax Relief Act (P.L. 108-27) to support MA Benefits. The Democrat package would have utilized the full $333 million to support MA benefits – consistent with the Administration's May 19th recommendation. (See Paper 379.)

- Increases the nursing home bed tax from $32 to $75 per month, compared to $116 per month recommended by the Governor. (Democrat package proposed $75 per month). Under the adopted change, the increased bed tax revenue would leverage roughly $66 million in federal funding compared to $150 million under the higher bed tax proposed by the Governor. (See Paper 400)

  The Senate included a provision to provide a refund able tax credit on $43 per month for tax year 2003 for bed assessments paid after July 1, 2003. Credit is estimated to cost $4.4 million per year once it is fully implemented. (See SA 119.)

- Eliminates the Governor's proposed 1 percent gross receipts tax on HMOs, which would have generated roughly $80 million over the biennium. Provides $22 million base GPR, but fails to fund HMO managed care rate increases of 6.1 percent annually necessary to maintain the current discount at 11.4 percent of fee-for service equivalent costs. Democrat package would have similarly eliminated the HMO tax, but would have provided an additional $30 million GPR to fund HMO rate increases at 6.1 percent as proposed by the Governor. (See Paper 386.)

In later action, the JFC adopted Motion 638 to direct that savings beyond estimates, for prior authorization and supplemental rebates for drugs, be used for HMO rate increases. (See Motion 638.)

- Increases the SeniorCare enrollment fee from $20 to $30, the co-pay for brand name drugs from $15 to $20, and the deductible from $500 a year to $850 for individuals with income above 200 percent of the federal poverty level (FPL). The Governor proposed increasing the enrollment fee to $25 for individuals with income up to 200 percent of the FPL and to $30 for individuals above 200 percent of the FPL. He also proposed increasing the deductible from $500 to $750 for individuals between 200 and 240 percent of the FPL, and to $850 for individuals above 240 percent of the FPL, with no proposed increase in co-pays. The Democrat package would have retained current law in all three categories at a cost of roughly $9 million GPR over the biennium. (See Paper 387 and Paper 388.)

- Restores $22.4 million GPR to reimburse pharmacies for prescription drugs under MA, BadgerCare and SeniorCare at the average wholesale price (AWP) less 12 percent, rather than the 15 percent recommended by the Governor. (Democrat package also proposed AWP – 12 percent) (Current law = AWP less 11.25 percent) (See Paper 389.)

- Provides $19.4 million ($8 million GPR/$11 million FED) to partially fund the Graduate Medical Education Program, or roughly one-third of current state/fed funding of $56 million for GME direct and indirect costs. The Governor proposed to cut all funding for GME this biennium. The Democrat package would have restored half of current funding ($12 million GPR and $16.6 million FED). (See Paper 390.)

  JFC funding was provided for direct GME costs only. The Senate modified the provision to require DHFS to use $2 million of the total 8 million GPR (and associated federal match) for indirect GME costs. (See SA 121.)

- Provides $42 million state/fed funds to fully fund intensive in-home services for autistic children. Same as the Governor's revised recommendation and the Democrat package. (See Paper 392.)

Private Employer Health Care Coverage Program (PEHCCP)
The Governor recommended $210,900 GPR annually to support staffing in the Department of Employee Trust Funds for the Small Business Insurance Pool. JFC created a task force, appointed by the Assembly Speaker and the Senate Majority Leader, to provide recommendations for statutory changes to the program by Jan. 1, 2004. Funding for staff was placed in the JFC appropriation pending recommendations and reduced by $105,000 in FY 04 to reflect that positions would remain vacant the first half of the fiscal year. (See Motion 304, adopted 12-4; also see Paper 310.)

DHFS – Wisconsin Health Insurance Risk Sharing Plan (HIRSP)
In lieu of the Governor's recommendation, JFC adopted Motion 408, relating to the Wisconsin Health Insurance Risk Sharing Plan (HIRSP), by a 14-2 vote. (See also Paper 415.) The motion does the following:

- Adopts the Governor's recommendation to delete all GPR funds (approximately $10 million per year) used to help fund HIRSP.

- Approves the Governor's recommendation to fully fund the HIRSP program with SEG funds. However, the motion rejects the Governor's recommendation to change allocation of the costs to: 58 percent policyholders, 21 percent insurers, and 21 percent providers. Instead, the motion retains the current allocation of 60 percent policyholders, 20 percent insurers, and 20 percent providers.

- Reduces the Governor's projected funding for both HIRSP benefits and HIRSP administration to reflect updated estimates of 5 percent increase in program enrollment per year.

- Adopts the Governor's recommendation to authorize DHFS to pay subsidies for low-income policyholders for prescription copay and premium costs, and approves the Governor's recommendation to allocate these costs evenly between insurers and providers.

- Adopts the Governor's recommendation to repeal current requirement that the HIRSP plan administrator be the MA fiscal agent, and provides that the HIRSP plan administrator may be selected through a competitive bidding process. The motion modifies this recommendation, however, by adding a requirement that DHFS prepare a request-for-proposal (RFP) for selection of a plan administrator within 6 months of the bill's effective date and submit the RFP to the JFC before soliciting bids.

Department of Workforce Development – Economic Support and Child Care
On May 20th, the committee unanimously adopted a TANF Omnibus funding Motion 156 covering these papers: 845, 846, 850, 851, 852, 853, 855, 856, and 857. The motion included the following highlights:

- Approves the Governor's recommendation to separately appropriate funding for W-2 services and W-2 administration (currently, there is no distinction between the two for funding purposes). Reduces funding for both W-2 services and W-2 administration by amounts that slightly exceed the Governor's recommended reductions – the total cost savings of this item total roughly $44.8 million for the biennium. (See Paper 846.)

- Approves the Governor's recommendation to provide additional funding for W-2 cash benefits, wages, and stipends to reflect recent increases in W-2 case benefits caseloads, and projected increases in these three areas over the next 18 months. (See Paper 847.)

- Rejects the Governor's estimated cost savings in each year of the biennium from reducing funding for direct child care services in 2003-04. Adopted motion increases funding for child care subsidies by $527,400 over the biennium. (See Paper 850.)

Pharmacy Purchasing Pool
The Governor recommended that all government employers (including local government units) that provide or are required to provide health insurance coverage to their employees be required to create and participate in a common purchasing pool for pharmacy benefits that uses a preferred list of covered prescription drugs by January 1, 2005. The JFC motion requires only that the pool be created, and State government employers be participating in the pool, by January 1, 2005. Under the motion, local government units would be authorized to participate, but not required. Additionally, the motion authorizes small employers to participate in the pool. (Motion 710 was adopted unanimously in lieu of alternatives to Paper 304.)

Patients Compensation Fund
JFC deleted the Governor's proposed transfer of $200 million from the Patients Compensation Fund to support MA provider payments and other MA benefits. Instead, the committee adopted a motion that provides $200 million GPR for MA benefits funding in 2003-04. (See Paper 378 ; see also Motion 709.)

DHFS – Assistant Area Administrators
The Governor proposed to delete 3.5 DHFS assistant administrator positions. Instead, JFC adopted motion 206 to eliminate all DHFS assistant administrators (the remaining 15 positions). (See Motion 206, adopted 12-4.)

Public Employer Group Health Insurance/Group Health Insurance Payments
The committee approved the Governor's recommendation to lower the amount of State contribution to state employee health care coverage plans, except that the committee specifically authorizes the Group Insurance Board to make modifications to the operation of the Standard Plan. (See Paper 303, Alternative 1 adopted 15-1.)

Public Employer Group Health Insurance
JFC adopted a provision that allows counties, municipalities, school districts and technical college districts to unilaterally convert their group health insurance coverage provided to nonprotective service employees to the state health plan or other health care coverage plan, including a self insured plan that is substantially similar to the state plan. Employers' decisions to convert health coverage would be a prohibitive subject of bargaining starting with contracts made after the effective date of the bill. (See Motion 709.)

Group Health Insurance Payments for Part-time State Employees
JFC adopted a provision that would require employees at halftime to three quarter employment (0.50 to 0.74 FTE) to pay 50 percent of their health insurance premium. Requirement is made as a prohibited subject of bargaining and would first apply to represented employees when current contracts expire. Generates $21 million GPR saved and GPR revenue over the biennium. (See Motion 709.)

> **The provision was modified in the Senate to exempt permanent or project employees of the UW Hospitals and Clinics Authority. Those employees would continue to be eligible for current coverage. (See SA 121.)**

Economic Development

Funding for Forward Wisconsin
JFC approved the Governor's recommendation to reduce $95,000 annually plus cut an additional $60,000 annually in funding for Forward Wisconsin (a total reduction of $310,000 GPR over the biennium). (See Motion 59, adopted 14-2; see also Paper 215.)

Rural Economic Development Program
JFC approved the Governor's recommendation to delete $50,000 GPR annually from the Rural Economic Development (RED) program plus an additional $237,700 GPR in 2003-2004, but increased expenditure authority for the RED repayments appropriation by $237,700 PR in 2003-2004. (See Paper 216, Alternative 2 adopted 12-4.)

Minority Business Development Program
The adopted alternative approves the Governor's recommendation to delete $25,000 GPR annually from the MBD grant and loan program. (The current base level funding for MBD is $279,200 GPR and $317,200 PR). Further, the alternative authorizes reducing GPR funding by an additional $254,200 in 2003-2004, and increases expenditure authority for the MBD repayments appropriations by $254,200 PR in that year. (See Paper 217, Alternative 2 adopted 12-4.)

Further, adopted Motion 803 requires Commerce to make an annual grant of $100,000 from the Wisconsin Development Fund (GPR funded) to the Wisconsin Minority Business Opportunity Committee as matching funds for federal grant money. (See Motion 803, adopted unanimously.)

> **The Senate added a provision requiring Commerce to develop, by rule, a statewide uniform process for certification of minority businesses. (See SA 121.)**

Certified Capital Companies Administration Lapse
The Governor made no recommendation as to this lapse. However, the adopted alternative would require that any year-end balance left in the CAPCO administration appropriation fund would lapse to the general fund as "GPR-Earned" money. (See Paper 219, Alternative 1 adopted 16-0.)

Wisconsin Development Fund – Grants for Plant Closing
The adopted JFC motion requires Commerce to allocate $1 million in 2003-2004 for grants from the Wisconsin Development Fund for individuals, communities, and businesses that are affected by a plant closing on or after February 1, 2001. (See Motion 322, adopted 15-1.)

Main Street Program/Manufacturing Extension Grants
Adopted JFC motion moves $100,000 GPR annually from the Main Street program to a new GPR appropriation for grants for the Wisconsin Manufacturing Extension Partnership. (See Motion 208, adopted 14-2.)

Administrative Services Lapse
The adopted alternative approves the Governor's recommendation to decrease expenditure authority for PR administrative services appropriations by $449,000 PR and 8.4 PR positions per year of the biennium. However, the alternative authorizes Commerce to develop a plan to reallocate all or a portion of the lapse and submit the plan to the Secretary of Administration for approval. (See Paper 218, Alternative 2 adopted 16-0.)

Environment

Consolidated Brownfields Grant Program
The committee rejected the Governor's proposal to repeal four existing brownfields-related programs within the DNR and Commerce, and consolidate all brownfields programs into one program, administered by the DNR. Instead, the motion retains Commerce's brownfields grant program ($7 million/year), DNR's green space program ($500,000/year), and DNR's site assessment grant program ($1.7 million/year), and repeals DNR's sustainable urban development zone program. The motion also restores $308,400 annually and 2.5 positions to Commerce for administration of Commerce's brownfields grant program. Additionally, the motion provides that DNR and Commerce grant applications received between October 2002, and January 2003 may be reviewed and funded using 2003-04 money. (See Motion 121, adopted 12-4, in lieu of Paper 573.)

On June 3rd, JFC adopted another motion relating to brownfields funding that alters Motion 121, above, by providing further funding ($230,300) and 3 positions for DNR's administration of brownfields operations. (See Motion 353, adopted 12-4.)

Vehicle Environmental Impact Fee
The committee rejected a vehicle environmental impact fee increase proposed by the Governor (from $9 to $10.50), but extends the Dec. 31, 2003 sunset of the fee until Dec. 31, 2005. (See Motion 122, adopted 12-4; see also Paper 572.)

PECFA – Revenue Obligation Authority
JFC approved $94 million in additional revenue bonding for the PECFA program as opposed to $115 million recommended by the Governor. In addition, the Committee transferred $12 million ($6 million each year) from the petroleum inspection fund to the general fund. (See Paper 220, Alternative 4 adopted 12-4.)

The JFC also approved the Governor's proposal to allocate $6.3 million from the petroleum inspection fund for the DOT Vehicle Emission Inspection Program in 2004-05.

> **The Senate modified the provision to transfer the inspection fund money to the General Transportation Fund rather than to a newly created appropriation in DOT. (See SA 121.)**

Environmental Improvement Fund – Clean Water Fund Program
JFC increased revenue obligation bonding authority, decreased general obligation bonding authority, and caps the "present value subsidy" of the Clean Water Fund Program at $55.1 million. (See Paper 330, Alternative 5 adopted, 13-3.)

Agricultural Chemical Cleanup Program (ACCP)
JFC adopted a motion that increases the fertilizer surcharge amount (which primarily funds the ACCP), and reduces the ACCP reimbursement for cleanup costs incurred prior to January 1, 2004. Additionally, the motion approves the Governor's recommendation to eliminate the minimum balance requirement (previously $2 million) for the ACCP account. Finally, the motion provides that DATCP may not inspect for agricultural contamination before it determines there is probable cause to suspect contamination, or before it determines either that there are available ACCP funds for reimbursement of cleanup costs or there is reason to believe the discharge poses a significant health risk. (See Motion 241, adopted 16-0; see also Paper 152.)

Environmental Repair Bonding Authority
The JFC adopted alternative rejects the Governor's proposal to add $6 million annually (from $41 to $47 million) to DNR's general obligation bonding authority for use in remedial action for contamination cleanups.(See Paper 574, Alternative 3 adopted 12-4.)

Recycling Fund Transfer/Tipping Fee Exemption
The JFC adopted a motion that exempts from the recycling tipping fee, sludges, river sediments, or dredged materials containing PCBs relating to remediation of contaminated sediments. Additionally, the motion approves the Governor's proposal to transfer $3 million in 2003-04 from recycling fund to the general fund, and creates further transfers of $4 million SEG in 2003-04, and $6.6 million SEG in 2004-05 from the recycling fund to the general fund. The motion also adds provisions for exemption from the tipping fee. (See Motion 118, adopted 12-4 in lieu of Paper 575.)

Recycling Market Development Board
The committee approved the Governor's recommendation to lapse $1.2 million PR to the general fund each year from RMDB loan repayments appropriation account. But the committee recommends further savings by modifying this lapse to include the RMDB Fund's July 1, 2003 balance and all revenues deposited in the appropriation during the biennium (an estimated $2.1 million). Additionally, the committee lapses all RMDB loan repayments to the general fund. (See Paper 221; Alternative A2, 3b adopted 9-5, Alternative B1 adopted 11-3.)

Warren-Knowles Gaylord Nelson Stewardship 2000 Program
JFC adopted several controversial motions that reduce bonding authority from $572 million to $327million, and requires DNR to sell $20 million of public land each year of the biennium, or

otherwise submit a plan to the committee explaining why they were unable to sell this amount. (See Motion 268, adopted 11-5, and Motion 280, adopted 12-4, in lieu of Paper 529.)

Clean Sweep Grant Program
The committee's motion transfers administration of the Clean Sweep Program (CSP) from DNR to DATCP. Also creates a $30 licensure fee for household pesticides. But, deletes both fee increases suggested by the Governor (the fertilizer tonnage fee increase and the commercial feed inspection fee increase). (See Motion 513, adopted 16-0 in lieu of Paper 570; see also Paper 571.)

DNR Air Program Funding
The Governor's proposal to delete $1,085,100 PR annually, and 11.5 PR air management positions was adopted by the committee. (See Paper 576.)

Asbestos Inspections Fees
Alternatives adopted by JFC increases the statutory maximum combined inspection and construction permit fee to $400 or $750, depending on the size of the removal project. DNR is also authorized to charge for laboratory testing of nonresidential asbestos demolition and renovation projects. (See Paper 577, Alternative A1, B6, C1 adopted 16-0.)

Waterway and Wetland Permitting
JFC deleted the Governor's recommendation to provide $275,000 annually to fund limited-term employee staff to assist processing of waterway and wetland permits. (See Paper 560, adopted alternative 4)

Energy/Utilities

Public Benefits Fund
For 2004-05, the Governor proposed diverting $20 million from the Public Benefits Fund for county and municipal aid payments and $7.1 million for earned income tax credits. JFC modified that proposal to increase the Public Benefits Funds contribution to earned income tax credits by $2.37 million. (See Paper 116, alternative 2 adopted, 14-2; also see Paper 115.)

By motion, JFC provided $17.6 million in 2003-04 from the balance in the Public Benefits Fund for shared revenue payments. (See Motion 709, paragraph 13) In addition, JFC prohibits the Public Service Commission (PSC) from requiring utilities or rate payers to pay additional funds due to the transfer of money from the public benefits fund. (See Motion 810.)

Ethanol Grant Program
Under current law, a total of $2.9 million per year is provided in grants to ethanol producers. ($1.9 million tribal gaming revenue and $1 million GPR funded). The Governor proposed eliminating $1 million GPR. JFC provided an additional $1 million in tribal gaming revenue and later provided $1 million GPR to provide a total of $3.9 million per year. (See Motion 750 and Motion 193.)

Financial Institutions

Mortgage Banking and Licensed Financial Services
The committee rejected the recommendation to require the Department of Financial Institutions (DFI) to develop and maintain an internet-based system through which mortgage bankers, mortgage brokers, and loan originators could apply for, renew, and pay for an operating license. (See Paper 342, alternative 2 adopted 13-3.)

LLC Filing Requirement
JFC adopted alternatives require domestic LLCs to file an annual report with the DFI. Currently, only LLCs foreign to Wisconsin are required to file an annual report. The adopted alternatives provide that domestic LLCs will pay a $25 filing fee per year, and that those fees will fund processing of the reports. However, any fee revenue left over at the end of the year will lapse to

the general fund. (It is estimated that this provision will create PR revenues sufficient to support DFIs review program, with funds left over to lapse to the general fund). (See Paper 343, alternatives 1a, 1b, and 4 adopted 13-3.)

Miscellaneous

Department of Administration – Homeland Security
The Governor recommends that the Office of Justice Assistance, under the Department of Administration, be responsible for the receipt, and expenditure of federal aid for State homeland security. The committee adopted a modification of this recommendation that designates the Division of Emergency Management, under the Department of Military Affairs, be in charge of applying for contracts, receiving and expending federal aid for State homeland security. Additionally, JFC provides that the Governor may not authorize expenditure of any federal funds for State homeland security unless the expenditure is first approved by the JFC. (See Paper 121; Alternatives 2 & 3 adopted 13-3.)

Office of the Commissioner of Insurance (OCI)
The Governor proposed to transfer a total of $436,400 from segregated accounts in OCI (Patients Compensation Fund, Local Government Property Insurance Fund, and State Life Insurance Fund) to the general fund. JFC deleted the proposed SEG fund transfers and instead reduced the agency's general program operations budget by $436,400. (See Paper 457, Alternative D.1 adopted.) The Governor's proposal to lapse $1.2 million from the OCI general program operations account to the general fund was approved by JFC.

Department of Administration - Attorney Transfers to the Department
The Governor recommended consolidation of most state agency attorneys into DOA. 23 attorney positions would be deleted. JFC rejected the transfer of attorney positions and voted to eliminate 31 (mostly vacant) by Jan. 2, 2004, instead of 23 attorney positions. The Governor also proposed deleting three DNR attorney positions. JFC action deletes a total of eight DNR attorney positions. (See Motion 552 , Motion 525; and Paper 105.)

DATCP – Consumer Protection
The Governor's proposal to transfer certain consumer protection functions from DATCP to the Department of Justice was deleted by JFC. Additional position cuts were included as part of the JFC motion. (See Motion 483, adopted 12-4; see also Paper 156.)

To receive further information on these or other political/policy issues in Wisconsin, contact a Hamilton Consulting Group lobbyist at (608) 258-9506, or email:

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