The Hamilton Consulting Group, LLC
Legislative, Regulatory & Information Services

2015-2017 State Budget
Summary

The Hamilton Consulting Group
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Late on the evening of July 8, 2015, the state budget was passed in the Assembly on a 52-46 vote ending a longer than expected process that featured a number of twists and turns but ended just in time to get the bill to the governor so he can sign it before making his candidacy for president official.

Each budget process follows its own narrative, and this one was no different. Pressures from tightened budget projections weighed on the legislature and were exacerbated by the governor's Presidential aspirations allowing for little flexibility. In its wake, the state budget left some frazzled relationships as well as some lingering questions as to the future of transportation and education in the state.

While vetoes are expected from Governor Walker, the budget as amended by the legislature will stay largely intact. Before any vetoes, the biennial budget spends over $73 billion, continuing the trend of growing larger to meet expanded state demands.

In addition to the tough fiscal decisions legislators wrestled with, they also added dozens of non-fiscal items, ranging from the headline grabbing prevailing wage reform and the controversial teacher licensing provision to smaller non-fiscal policy that will only affect small segments of Wisconsinites. Some of these items may have resulted in a closer than expected margin in the Assembly's final tally as 11 republicans jumped ship and voted against the budget. Many of the 11 who voted against the budget are in swing districts heading into the 2016 elections, revealing that there is concern over how independent voters might view approval of the current budget. Passage in the Senate was largely party line (18-15) with only Republican Senator Rob Cowles voting against his party's budget.

Whether or not there is fallout from newly strained relationships remains to be seen; summer months have a tendency to ameliorate budget grudges. It is clear however, that what will likely remain is a legislature more conservative than most in recent memory, willing to address the state's problems in a different way than before. For some, this is a breath of fresh air, for others, it's a problem that needs addressing. Luckily for all of us, we'll have a solid 18 months before the next budget gets rolled out and we can start all over again.

Governor Scott Walker signed the budget on Sunday, July 12, just days after the legislature passed the budget bill. Before signing the budget, the governor issued 104 vetoes – double the number of vetoes he issued in previous budgets.

The 2015-2017 state budget was published as 2015 Wisconsin Act 55 on July 13, the same day Governor Scott Walker announced his candidacy for president.

All provisions detailed in the summary below, unless noted as changed by the legislature, are included in the budget bill passed by the state senate and assembly.

Transportation

The governor's recommended transportation budget did not include tax or fee increases to help balance the Department of Transportation (DOT) budget. Overall, the governor's transportation budget recommended providing $6.4 billion to build and maintain transportation projects and relied on $1.3 billion in new bonding to fund transportation projects. His proposal also included $836.1 million over the biennium for major highway projects, such as the Zoo Interchange, Stillwater Bridge and Hoan Bridge.

More specifically, the governor recommended total funding for the Major Highway Program of $836.1 million, an increase of $108.4 million over the 2013-2015 funding levels. The governor stated that this would keep the widening of I-39/90 between Madison and the Illinois border on schedule.

For the State Highway Rehabilitation Program, the governor recommended total funding for rehabilitation projects of over $1.6 billion – largely maintaining current program funding levels. The governor recommended providing $623.2 million for the Zoo Interchange to ensure the project remains on schedule for the 2018 completion date. In addition, the governor proposed to delay the I-94 North/South project between Milwaukee and the Illinois border for one year and enumerate the I-94 East/West Project to allow DOT to begin substantive work.

The governor recommended $36.8 million for bridge projects over the biennium for the completion of the Stillwater and Hoan bridge projects. Of this funding, $20 million was to be provided to the Stillwater Bridge project and $16.8 million to the Hoan Bridge project.

Joint Finance Committee (JFC) modified the DOT budget to reduce the level of bonding from the governor's recommended $1.3 billion in new bonding to $500 million, and allows an additional $350 million in general obligation bonds to be issued upon approval by JFC. This $350 million in contingent bonding could be used for either major highway development or state highway rehabilitation projects. JFC can approve no more than $200 million in additional bonding in 2015-16.

The overall, net effect of the committee changes, compared to the governor's recommendations, includes a $200 million reduction to the Zoo Interchange project, which would delay the north leg, a $350 million reduction to the Major Highway Program and a $100 million reduction to State Highway Rehabilitation Program. According to the Legislative Fiscal Bureau, under the committee's action, 20.6 percent of transportation fund revenues will be dedicated to debt service in 2016-17. Under the governor's recommendation, 22.3 percent of transportation fund revenues would have been dedicated to debt service. By comparison, debt service was 7 percent of transportation fund revenues in 2001-02.

In addition, JFC made the following changes to the DOT budget:

Freight Rail Preservation Program: Provide $35 million in bonding, compared to the governor's recommendation of $43 million in bonding.

Harbor Assistance Program: Provide $14 million in total funding over the biennium.

State Highway Program Audit: Request a performance evaluation audit of the state highway program. Included in this audit will be an evaluation of the state's traffic forecasting methodologies, an evaluation of the state's factors to select the timing and scope of state highway improvements and an audit of the state's bidding practices related to the state highway program, among other issues.

Prevailing Wage

After much debate over whether prevailing wage reform would be passed as separate legislation, the changes were ultimately placed into the state budget and passed. Senator Frank Lasee (R-De Pere) and Representative Hutton (R-Brookfield) led the effort to include prevailing wage in the budget. Otherwise known as the "Lasee/Hutton Plan," the changes reformed the state's prevailing wage laws. The reform language included two main provisions: exempting all local governments, technical colleges, schools, municipal utilities and off-site trucking from Wisconsin's prevailing wage laws; and uses federal rates on state projects.

In February, Sen. Leah Vukmir (R-Wauwatosa) and Rep. Hutton introduced AB 32/SB 49, which repealed prevailing wage entirely. The companion bills each had daylong public hearings in committee in the Senate and the Assembly, respectively. The original legislation failed to pass the Senate labor committee on a 2-3 vote and passed the Assembly labor committee 5-4. In April, the first murmurings of including prevailing wage reform in the state budget bill began and three GOP state senators stated publicly that they would vote no on the budget bill unless prevailing wage reform was included.

Last week, GOP leadership announced that prevailing wage reform would be considered outside of the budget. However, on during the final JFC meeting on the budget, the committee stood informal at 10:20 p.m. after all three final agenda items were passed. Though no official announcement was made, the press and those inside the capitol speculated Republican leaders were considering advancing changes to the prevailing wage law. After a lengthy delay, at 11:30 p.m., the committee reconvened without any consensus on prevailing wage. When legislators came back from the Fourth of July weekend to debate and pass the budget, the Senate announced prevailing wage changes *would* be included in the budget bill.

The prevailing wage reforms were adopted into the budget bill in the Senate with a vote of 17-16, along party lines with GOP Sen. Howard Marklein (R- Spring Green) and Sen. Rick Gudex (R-Fond du Lac) joining the Dems.

Currently in Wisconsin, Wisconsin's prevailing wage law requires state and local units of government to pay "prevailing wages" – not market wages – to workers who work on certain public works projects. To determine prevailing wages in Wisconsin, the Wisconsin Department of Workforce Development (DWD) collects wage data via employer surveys and uses a statutorily-set process to set wages to be paid on public works projects.

The prevailing wage reforms included in SB 21 would take effect on January 1, 2016.

Health

As a major aspect of state budget, the state's health services always take up a significant amount of airtime during state budget deliberations. This biennium was certainly no exception for the JFC, as they made changes to the governor's proposed changes to state's long-term care and medical assistance program.

Medical Assistance

Governor Walker proposed a significant change for participants in the Wisconsin SeniorCare program, one of Wisconsin's most well-known benefits. SeniorCare helps the elderly purchase prescription drugs at a lower cost and the federal government offers a similar program, Medicare Part D. The governor recommended, as a condition of eligibility to the SeniorCare program, that seniors must first enroll in Medicare Part D. If they qualified for Medicare Part D, they would participate in the federal program in lieu of SeniorCare. Estimated savings for the initial plan is about $100 million when all monies - GPR, federal (FED) and program revenue (PR) – are combined. Because of the popularity of this program, JFC committed to the additional spending and deleted the governor's recommendation.

JFC agreed with Governor Walker's recommendation to recommit the state's participation in disproportionate share hospital payments (DSH). These hospitals serve a significant amount of medical assistance and low-income patients and these payments help offset uncompensated care. JFC voted to appropriate $70 million (GPR and FED) over the biennium for DSH payments.

Governor Walker proposed moving to a prospective payment system (PPS) for federally qualified health centers (FQHCs). FQHCs are community health centers that provide care to underserved populations and their supporters immediately opposed the changes, which meant significant cuts to their budgets. JFC decided to delay full implementation and phase the new payment system in over the next four years.

Long Term Care

One of Governor Walker's most controversial budget proposals was the expansion of FamilyCare statewide and the elimination of the IRIS program. Governor Walker faced quick opposition to his proposal even though the budget did suggest there would be a self-directed care option in FamilyCare similar to the current program, IRIS.

JFC voted to expand FamilyCare statewide upon approval by the Center for Medicare and Medicaid Services (CMS), but required additional items to be included in the waiver to CMS. Items include a request to increase geographic regions currently served by managed care entities, a requirement there be no less than five regions, a request that multiple health agencies serve each region and the availability of a consumer-directed option under the long-term care program.

Health Insurance

During last night of budget deliberations, JFC approved additional items that will have an impact on the health insurance industry in Wisconsin. The additional changes include:

1. Require any pharmacy benefit manager (PBM), in a contract with a pharmacy, to do a variety of items including update maximum allowable cost (MAC) pricing information at least every seven days and reimburse pharmacists for drugs and devices with the updated

lists. In addition, the motion outlines new requirements for a PBM and pharmacy contract to include a process to appeal, investigate and resolve disputes related to MAC pricing. The provisions will take effect in July of 2016.

2. Require the Insurance Commissioner to promulgate rules that provide for a fast, fair, cost effective and binding independent process for resolving disputes related to insurer conduct with respect to statutory requirements for chiropractic coverage, access and reimbursement.
3. Specify that a risk retention group that has not been issued an authorization to do business in the state as a nondomestic insurer ("foreign risk retention group") is authorized to sell health care liability policies if the risk retention group is approved by the Insurance Commissioner and it has and maintains a risk-based capital ratio of at least 300%, as determined under the risk-based capital instructions adopted by the National Association of Insurance Commissioners. This proposal is based on 2013 AB 808 as amended.
4. Modify current law provisions that allow two or more school districts or two or more local units of government (cities, towns, and villages) that together have at least 100 employees to provide health insurance on a self-insured basis to allow school districts to combine with local units of government for the purpose of reaching the 100 employee threshold for self-insurance.

Education

K-12 Education

Republicans in the legislature made restoring over $100 million in cuts the Governor made to K-12 funding a top priority. In addition to doing that, they made a number of policy changes to both the charter and choice programs in Wisconsin, including allowing for broader expansion in both arenas.

Teacher licensing standards were relaxed, deductions for parents sending their kids to private schools were expanded, a new ratings system was implemented and a high-school civics test was mandated.

The omnibus also included specific directives for Milwaukee Public Schools. Giving the Milwaukee County Executive authority to appoint an individual to take five failing public schools over the next two years and convert them into an independent charter or voucher school. This would continue after 2017, when a special commissioner would be allowed to do the same with no more than five schools every school year after 2017.

UW System

Early in the process Governor Walker's budget proposal for the University of Wisconsin System was one of the most talked about provisions. The legislature reduced the governor's cut by $50 million and settled on a $250 million GPR cut. The governor's plan to give more authority to the UW system was rebuffed and removed, while a two-year freeze on tuition remained. A somewhat controversial item relating to how tenure is addressed within the system was also adopted. Early on, it appeared that the majority of the cuts will hit the system's flagship campus in Madison.

The budget committee also removed the governor's proposal to end the Minnesota-Wisconsin tuition reciprocity agreement, costing the state a payment of $6.4 million GPR to Minnesota annually.

Natural Resources

With a few exceptions, the debate over the Department of Natural Resources (DNR) budget was mostly pedestrian. The one exception was the proposal by the governor to remove rulemaking and policymaking authority of the Natural Resources Board, which in effect would have made them merely an advisory council. A firestorm of opposition by conservation and environmental groups resulted in the JFC removing the governor's provision, much to the disappointment of the business community.

Other noteworthy initiatives included the substantial relaxation of shoreland zoning programs for nonconforming structures, limits to the stewardship program, the phase-out of the petroleum environmental cleanup program (PECFA) and changes to environmental improvement fund.

There were also significant debates relating to the elimination of 29 DNR educator and scientist positions. Overall, the budget reduced DNR positions from 2,642 to 2,549, a reduction of 93, many of which were vacancies. Funding for the department also was reduced from $1.15 billion to $1.12 billion over the biennium, amounting to a 2.8% funding reduction.

Natural Resources Board

As noted, Governor Walker proposed making the Natural Resources Board (NRB) advisory. Critics of the change argue such a move would lessen opportunities for citizen participation, cause less transparency, or eliminate needed checks and balances to DNR actions. Business groups responded that such an assertion was unfounded given the statutory process that requires all DNR actions be subject to rigorous notice and comment requirements under Chapter 227 administrative procedures provisions.

The debate in many respects mirrored the divisive debates over whether the DNR secretary should be appointed by the governor or the NRB. In that debate, Gov. Tommy Thompson prevailed with the enactment of legislation, which made the secretary a gubernatorial appointed position. In this budget debate, however, environmental groups won the day by defeating Gov. Walker's proposal to make the NRB advisory.

Shoreland Zoning Standards and Ordinances

JFC made significant changes to requirements relating to county shoreland zoning ordinances and by DNR. They deleted the reference to "buildings" for the purposes of setbacks and instead provided a new definition for "structure."

The new law specifies that DNR, or a county shoreland zoning ordinance, may not impair the interest of a landowner in shoreland property with regard to several aspects land-use:

- **Lighting:** DNR and counties may not require approval to install or maintain outdoor lighting or otherwise prohibit and regulate lighting designed or intended for residential use.

- **Nonconforming Structures*:*** DNR and counties cannot require approval or impose fees or otherwise prohibit or regulate the maintenance, repair, replacement or remodeling of a nonconforming structure if the activity does not expand the footprint of the structure.
- **Vertical Expansion:** DNR counties may also not require any approval or impose fees or otherwise prohibit or regulate the vertical expansion of a nonconforming structure if the expansion does not exceed 35 feet above grade level.

DNR or an ordinance cannot require inspections and upgrades as conditions for sale or transfer of a structured. The provisions also prohibit the regulation of certain impervious surfaces. County shoreland zoning ordinances may not regulate activities more restrictively than DNR shoreland zoning administrative rules. County zoning ordinances may also not require vegetation buffer zones under certain circumstances.

County shoreland zoning ordinances, construction site erosion control and storm water management zoning ordinances, or wetland zoning ordinances will not apply to lands adjacent to artificially constructed drainage ditches, ponds or storm water retention basins that are not hydrologically connected to a natural navigable body of water.

In addition, JFC added provisions to the statute that exempts construction or placement of culverts, as well as their maintenance, from waterway permitting requirements. If a culvert is replacing an existing culvert and is placed substantially in the same location replacement culverts must be installed using best management practices. Also pertaining to water management, JFC included budget provisions restricting the authority of Dane County with respect to area water quality management planning, including the requirements that DNR approve or reject proposed revisions to any area wide water quality management plan for Dane County. In addition, under the provision, the governor is prohibited from designating Dane County, or any subunit, from developing the areawide water quality management plan. The governor partially vetoed this provision by reinstating the governor's designation authority to develop the area water quality management plan for Dane County.

JFC also authorized a municipality to request an extension of water or sewer services from another municipality for areas not already having such services. The provision contains various requirements relating to such requests; for example, a requirement that the water or sewer utility approve or disapprove the request in writing within 45 days. Requests cannot be disapproved less the utility has insufficient capacity to serve the subject area or if the request will have a significant adverse effect on utility. An amendment passed by the Senate and adopted into the budget, however, limited these provisions to Kenosha County.

JFC adopted provisions that limit towns and counties from imposing requirements that are expressly preempted by federal or state law as conditions for proving a conditional use permit. However, it appears this provision is a mere restatement of existing law.

This provision also prohibits any town or county from imposing insurance requirements on an operator of an interstate hazardous liquid pipeline if the pipeline company has comprehensive general liability coverage for sudden and accidental pollution.

Relating to land grants, the governor proposed a moratorium on land acquisition subprogram linked to reducing the level of debt service. Based on the administration projections, this would institute a moratorium until 2028. Under the Warren Knowles- Gaylord Nelson stewardship program, DNR requires land and provides grants to local units of government and nonprofit conservation organizations for land acquisition, easements, and nature-based outdoor recreational property development activities.

JFC deleted the governor's proposal and instead specified that DNR may not obligate more than $33.3 million in each year from 2015-16 through 2019-20 under the reauthorized stewardship program. They also reduced the amount of total bonding authority from $1.365 to $1.277 billion. The governor vetoed JFC's provision and instead requires proceeds from land sales to be directed towards reducing existing debt related to the acquisition of the property.

Under environmental improvement fund**,** the governor's budget prohibited Petroleum Environmental Cleanup Fund Award (PECFA) eligibility for new sites after February 3, 2015. Costs incurred at eligible sites after June 30, 2017, would ineligible for reimbursement under the program. JFC modified the sunset dates to July 1, 2017 (instead of February 3, 2015) and required the owner or operator to submit a claim for reimbursement within 180 days after incurring the eligible costs, or by the first day of the seventh month after the effective date of the budget, whichever is later. Claims missing those deadlines would not be eligible for reimbursement. Governor Walker exercised his partial veto authority to specify that the department must receive notification before July 20, 2015.

Also, the governor proposed changes to the environmental financing programs for local governments: the Clean Water Fund Program (CWFP) and the Safe Drinking Water Loan Program (SDWLP). Under the SDWLP, the governor proposed to increase general obligation bonding authority of $7.5 million. JFC voted instead to increase bonding authority by $5.3 million, which is based on a federal funding level of $37.7 million over two years.

The governor's budget expanded eligibility under the SDWLP to private owners of community water systems and nonprofit noncommunity water systems. JFC voted unanimously to expand eligibility instead to just private owners of community water system for a municipality. In addition, JFC voted maintain eligibility of the principal forgiveness component of the program and not expand it to private owners.

Lastly**,** the governor's proposal required that in order for the municipality to be eligible for a reduced interest rate under the CWFP, two-thirds of the initial wastewater flow for a new wastewater collection systems be from residences that were in existence for 20 years prior to the application's submissions date to DNR.

Taxes

The governor proposed cutting property taxes by increasing state spending one the school levy tax credit by $211 million over two years. Under the budget bill, the governor's tax credit increase will be delayed, by moving all the payments back one cycle, leaving one payment to the fiscal year after the biennial budget, effectively freeing up $105 million GPR for the 2015-2017 budget for K-12 education.

JFC created a sales and use tax exemption for goods sold to construction contractors for school, municipal and nonprofit facility projects. This exemption amounts to $11 million over the biennium. The committee also reduced the manufacturing and agricultural (MAC) credit from

5.526% to 5.025% for tax year 2015. By reducing this tax credit, taxes on eligible companies is estimated to increase by is $16.8 million in 2015-16. The committee did not adjust the 7.5% MAC credit for tax year 2016.

Another provision increased the standard deduction for married couples, which will result in a $20.9 million decrease in individual income taxes in 2016-17. The deduction for married-joint filers would increase by an estimated $550 and be set at $19,010 in 2016. For married-separate filers, the deduction would increase by an estimated $260 and be set at $9,030.

The committee also voted to federalize the alternative minimum tax exemption starting in tax year 2017. This provision is estimated to save Wisconsin taxpayers $6 million in 2017, $25.4 million in 2018 and $29.9 million in 2019. This adjustment reflects the difference in how Wisconsin defines adjusted gross income.

Another significant shift in the revenue estimates relates to re-estimations of the veterans property tax credit, the Illinois reciprocity payments and earned income tax credits. The total re-estimate for those credits and payments lowers funding projections $21.4 million over the biennium.

The committee adopted the governor's request for 102 positions at Department of Revenue (DOR) to increase audits and supposedly collect more taxes. DOR must issue a report after the next five fiscal years on the amount of tax revenue generated by the additional auditors.

Some additional changes were made to the tax and retail sale of hard cider. Effective January 1, 2016, hard cider made from pears would be imposed with the hard cider tax, instead of the wine tax.

The governor's budget included a provision that would expand the amount of the information to be included on the property tax bill extensively. JFC deleted the governor's proposal and made alternative changes to the information on a property tax bill.

Economic Development

The governor's budget included several provisions to modify and increase the state's economic development programs. This included $55 million for a new regional revolving loan fund, merging the Wisconsin Economic Development Corporation (WEDC) and the Wisconsin Housing and Economic Development Authority to form a new state economic development and housing agency and the consolidation of tax credit programs into a new refundable Business Development Tax Credit.

In addition to not advancing the new merged agency (see Mergers section below), JFC rejected many of the governor's economic development proposals. The committee deleted the proposed regional revolving loan fund and the provision to provide open records exemptions to businesses receiving financial assistance from WEDC. At the governor's request, JFC removed the governor from the WEDC Board of Directors.

The committee repealed the governor's changes to the Historic Tax Credit program, including the program cap. Current law will continue, with the exception of narrowing the provision to pre-1936 buildings.

The committee voted to repeal the exclusion for job creation. Beginning in tax year 2015, repeal the current law exclusion from income under the individual income tax and the corporate income/franchise tax for increased employment in Wisconsin equal to:

- $4,000 multiplied by the increase in the number of FTE employees for businesses with gross receipts of $5 million or less in the tax year;
- Or, $2,000 per FTE employee for businesses with gross receipts of $5 million or more.

JFC adopted the governor's proposal for a new Business Tax Development Credit: JFC increased the governor's allocation of $10 million in each year to $17 million in 2016 and $22 million in 2017 and each year after. In addition, the committee adopted the reestimate of the Job Tax Credit that includes a modification to the refundable jobs tax credit. This will decrease payments by $3.4 million GPR in 2015-2016 and increase payments by $800,000 in 2016-2017.

The committee approved the governor's request to phase out lending at WEDC. Current levels will be reduced to $10 million in fiscal year 2015-2016 and $5 million in fiscal year 2016-2017. WEDC cannot originate any new loans as of June 30, 2017. WEDC will be able to continue to lend under the Technology Development Loan program will continue but will be capped at $3 million a year.

Lastly, JFC reduced WEDC's operations and programs appropriation and reallocated the unassigned balance. JFC placed these funds ($16.3 million in 2015-16 and $12.4 million in 2016-17) in their supplemental appropriation. The governor objected to the placement of these funds in JFC's supplemental appropriation and directed the funds to instead be allocated to the general fund. However, in his veto he directs DOA to not allot these funds.

The governor also vetoed a JFC provision to provide $750,000 for WEDC to make grants to specific organization and reallocated these funds back to WEDC to ensure that they have the flexibility to determine which organizations should receive grants.

Agency Mergers

As requested by the governor, JFC removed the proposed agency mergers from the budget. The governor proposed to create a new Department of Financial Institutions and Professional Standards from the Department of Financial Institutions (DFI) and the DSPS. In addition, the governor proposed to consolidate WEDC and the Wisconsin Housing and Economic Development Authority (WHEDA) into the Forward Wisconsin Development Authority.

Broadband

The governor's budget proposed to change the broadband expansion grants appropriation from a continuing appropriation to a biennial appropriation and authorizes the use of the universal serve fund revenues to fund the grant program. Currently, grant expenditures of up to $500,000 annually from a continuing appropriation, but the governor's proposal would set the appropriation amount at $6 million biennially.

JFC modified the governor's proposal and allocated $1.5 million each year for four years, until 2018-19, on top of providing $6 million out of the universal service fund for broadband projects.

The governor's budget proposed to increase expenditure authority of the PSC's appropriation of the state broadband office by $250,000 PR annually. JFC increased the expenditure authority for

PSC's utility regulation appropriation by $125,000 to fund the state broadband office. JFC specified that the funding would be one-time and not be included in the base for the next biennium.

The governor vetoed the provision that limits the expenditure authority for the PSC for the operations of the State Broadband Office to just the 2015-17 biennium. The funding will instead be included in the base in the next biennium.

Expansion of Wisconsin Fast Forward

The governor's budget included a proposal to expand the Wisconsin Fast Forward program, which is administered by DWD. The governor's proposal reallocated $3 million GPR annually from the Department of Public Instruction (DPI) to DWD, to eliminate the DPI funding for grants to school districts for career and technical education. Under the governor's proposal, DWD would be given the flexibility to administer a career and technical education incentive grants programs to provide grants to school districts for programs that focus on mitigating industry workforce shortages and student assistance to go into these industries.

JFC voted to transfer $3 million annually to DWD from DPI, but maintained the funding be used for the career and technical education grants to school districts, as under current DPI program.

State Judiciary Budget and Corrections

In the realm of courts and corrections, JFC's actions varied between adopting, modifying and rejecting the governor's proposals. Overall, JFC approved the governor's proposals to create a new supreme court and circuit court block grant. JFC slightly modified the circuit court block grant by delaying the consolidations of appropriations under the new block grant until the second year of the biennium. JFC deleted the governor's proposal to remove various fee exemptions from the civil clerk fee and justice information fee and rejected the governor's proposal to move the appropriations of the Judicial Commission under the supreme court's purview.

The governor's budget also provided the attorney general authority to appoint, in the unclassified service, a solicitor general and no more than three deputy solicitors general. Further, the governor's recommendation provides the Attorney General authority to assign assistant attorneys general to assist the Solicitor General. In a slight revision to the governor's recommendation, the budget committee voted to eliminate four vacant positions in the agency in exchange for creating these four new appointed positions.

JFC modified the governor's proposal to delete 60 positions for the third shift staffing in guard towers at correctional institutions across the state. While maintaining most of the staff reductions, JFC voted to retain six positions and funding at the Waupun Correctional Institution, sunsetting the funding for the six positions in January 2017.

Tourism

Office of Marketing

The governor's big proposal for the Department of Tourism in his 2015-2017 proposed budget included moving all marketing positions in each state agency to the Office of Marketing in the Department of Tourism. The governor's proposal established eight positions to staff the Office of Marketing and provided $734,700 PR in 2015-2016 and $693,000 PR in 2016-2017. In addition, his proposal deleted 29.8 marketing positons in other agencies and reallocated funding from salary and benefits to supplies and services for agency payments. JFC voted to cut the governor's new funding in half, therefore only creating four new positions for the new Office of Marketing. JFC maintained the governor's proposal to delete the 29.8 positions in other agencies.

Room Tax Changes

The JFC offered and approved changes to the state's room tax structure. Under current law, municipalities are authorized to impose a room tax on establishments providing rooms or short-term lodging. In 1993, the room tax law was changed. Municipalities were allowed to implement a maximum tax rate of up to eight percent and directed at least 70% of revenues from the room tax towards tourism promotion and development. The remaining 30% of local room tax revenue can be used for purposes unrelated to tourism promotion and development under the municipalities' discretion.

The JFC approved changes current law to require 70% of the room tax revenue be passed on to a tourism commission or entity to use the revenue on tourism promotion and development. The tourism commission or entity would be in charge of spending the funds on tourism and development instead of the municipality. Municipalities subject to the eight percent room tax rate that currently retain more than 30 percent of local room tax revenue for non-tourism purposes could potentially face a phase-in process for right-sizing the appropriate revenue retention. These municipalities would face a 5-year phase-in to reduce these amounts to the greater of 30 percent or by 2020, the dollar amount that was retained in 2009.

The full legislature made some modifications to the JFC provision. They extended the time frame for full implementation, extended the date for when a tourism entity needed to be in existence and pushed back the date in regards to when a municipality is subject to a contract that needs room tax revenues to satisfy the terms of the agreement. These amendments were adopted in the budget passed by the Senate and the Assembly.

Before signing the budget, the governor partially vetoed the definition of "tourism entity," which eliminated the extended date for a tourism entity needed to be in existence. In addition, the governor vetoed the provision that would have allowed additional time for new contracts to be created.

Public Service Commission

Relating to the Public Services Commission (PSC), the Joint Finance Committee (JFC) repealed authorization for grants to certain nonprofit corporations and reduced the compensation rate for consumer groups and consumer representatives from 100% of the costs of the participating in a PSC hearing to 50% of that cost. The governor vetoed this provision when signing the budget.

The governor's budget included a proposal to allocate no more than $250,000 PR in 2015-16 to study health issues related to wind energy systems. The PSC would be required to submit its report a little over one year after the biennial budget goes into effect. JFC amended the provision to require the PSC to review studies previously conducted to ascertain the health effects of industrial wind turbines on people residing near a wind turbine. Unlike the governor's provision, the motion did not include an increase of any appropriations to the PSC.

JFC also made various changes related to the condemnation authority of oil pipeline companies modified the regulation of alternative telecommunication utilities (which was then vetoed by the governor) and changed the definition of essential telecommunication services. In addition, JFC specified the chairperson of the PSC is a distinct appointment, deferring from that of a Commissioner, for compensation purposes.

Worker's Compensation

The governor's original proposed budget included a provision to move the worker's compensation division in DWD to the Office of the Commissioner of Insurance (OCI). During budget committee deliberations, JFC removed the governor's provision, from the budget bill.

However, JFC did accept the governor's proposal to transfer most adjudicatory functions relating to disputed worker's compensation claims to the Division of Hearings and Appeals (DHA) in the Department of Administration (DOA). To address concerns by worker's compensation practitioners over retention of expertise, the provision requires the 18 administrative law judges to be transferred allocate a minimum of 80% of their time to worker's compensation issues.The governor partially vetoed this provision to removee the specific time allocation, allowing the division administrator's discretion to decide the allocation.

JFC approved the governor's recommendation to terminate reimbursements for self-insured employers for supplemental benefits paid by self-insured employers and to terminate reimbursements to insurers for supplemental benefits paid by insurers from the work injury supplemental benefits fund. Insurers paid supplemental benefits will instead be entitled to annual reimbursement from the worker's compensation operation fund.

Motion #999

The wrap-up motion, also referred to as Motion #999, is the final omnibus motion introduced by JFC in every budget. The motion is always a grab bag of surprises as it can include nearly anything, and is not released to the public until official introduction to the committee. Most of the provisions described below were included in the final budget bill. However, the legislature removed the contentious open records provision, the changes to the Joint Survey Committee on Retirement Systems and modified the extension of water or sewerage service between municipalities provision.

Open/Public Record Provisions

The biggest and most contentious item included in the wrap up motion were sweeping changes to Wisconsin's open records laws. After widespread opposition to the provision from the press, legislators on both sides of the aisle, Attorney General Brad Schimel, conservative and liberal think tanks and the public, GOP leadership agreed to drop all public records provisions included in the budget. The governor's office and other legislative leaders have announced plans to create a study committee to evaluate open records laws in Wisconsin.

Open records reforms included protecting legislative and legislative serving agency documents. All "deliberative materials" would not to be considered a public records for the purpose of the state's public records law. The motion also provided legislators legal privilege or right to refuse to disclose, and to prevent current or former staff members from disclosing, a long list of communications and related records. These provisions would also direct legislative service agencies to observe the confidential nature of all communications, records, and information that may be subject to these legislative privileges. Additionally, the motion also deletes requirements that LRB maintained drafting records from prior sessions or otherwise provide legislative history services. All of these provisions were removed from the budget.

Joint Survey Committee on Retirement Systems (#22a)

The motion restructured the Joint Survey Committee on Retirement Systems to be entirely comprised of legislators, opposed to the current make-up of six legislators and four non-legislator positions.

The legislature removed these changes from the budget.

Extension of Water or Sewerage Service Between Municipalities (#66)

The motion would authorize a municipality to request an extension of water or sewer services from another municipality for areas not already having such services. The provision contains various requirements relating to such requests; for example, a requirement that the water or sewer utility approve or disapprove the request in writing within 45 days. Requests cannot be disapproved less the utility has insufficient capacity to serve the subject area or if the request will have a significant adverse effect on utility.

The Senate amendment, adopted into the budget, limited this provision to just the county that borders Lake Michigan and Illinois (Kenosha County).

Limits on Local Authority (#55)

The motion limits towns or counties from imposing requirements that are expressly preempted by federal or state law as conditions for proving a conditional use permit. However, it appears this provision is a mere restatement of existing law.

This provision also prohibits any town or county from imposing insurance requirements on an operator of an interstate hazardous liquid pipeline if the pipeline company has comprehensive general liability coverage for sudden and accidental pollution.

Lead Paint Liability & Toxic Substance Enforcement (#33)

The motion changes the definition of "lead-bearing paint" and deletes current statutory provisions allowing for administrative rules to supersede this definition. The committee also increase the maximum forfeitures for violations of Chapter 254 provisions relating to lead paint from $1,000 to $5,000 per violation. Knowing violations of these provisions will result in criminal penalties not less than $100 or more than $5,000 per violation.

PSC Provisions (#51-54)

The committee made various changes related to the condemnation authority of oil pipeline companies, modified the regulation of alternative telecommunication utilities, and changed the definition of essential telecommunication services. The motion specifies that the chairperson of the PSC is a distinct appointment, deferring from that of a Commissioner, apparently for compensation purposes.

One Day of Rest in Seven (#56)

This provision inserts the language of Assembly Bill 118 into the budget bill. The provision allows employees to voluntarily choose to work without one day of rest in seven. Current law requires every factory or mercantile employer allow each employee 24 hours of rest in every consecutive seven days.

Military Property Program (#16)

The Military Property Program, under a bipartisan motion passed earlier in the budget process, received new processes for state or local law enforcement to participate in the program. These processes are removed in the wrap up motion. The new provisions would have required law enforcement to receive approval from the local government, file reports on the use of equipment obtained, and other oversight policies.

Special Prosecutor Positions for DOJ (#15)

The wrap up motion included a provision, which supplemented the allocation to the DOJ in order to allow them to hire more special prosecutors.

Specifically the motion will provide $220,000 GPR annually to provide funding to DOJ for two assistant attorney general positions. The two assistant attorney general positions would act as special prosecutors in cases related to gun violence and other offenses involving the use of a firearm.

The allocation is contingent upon DOJ submitting a plan to JFC, under Wis. Stat. § 13.10, which would specify how DOJ will use the funds.