



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

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**Date:** May 10, 2012

**To:** The Honorable Scott Walker  
Governor, State of Wisconsin

**From:** Mike Huebsch, Secretary *MH*  
Department of Administration

**Subject:** General Fund Tax Collections and Fund Condition

In February, the Legislative Fiscal Bureau reduced its estimates for general fund tax collections for the 2011-2013 biennium by a total of \$272.8 million compared with the Legislative Fiscal Bureau's previous estimates as adopted in the 2011-2013 biennial budget.

Pursuant to the fiscal responsibilities required of the Department of Administration Secretary as outlined under s. 16.50, Wis. Stats., I have continued to work with the Department of Revenue to monitor ongoing revenue collection in an effort to manage state expenditures across state government accordingly.

Based on this, the Department of Revenue has notified me that the general fund tax collections for fiscal years 2011-12 and 2012-13 are projected to be higher than the Legislative Fiscal Bureau's February estimates. These revised projections take into account tax collections data through April, federal Bureau of Economic Analysis data revisions, and an improved economic forecast as presented by IHS Global Insight.

The Department of Revenue currently projects total general fund tax revenues to be \$13,388,000,000 in fiscal year 2011-12 and \$13,675,200,000 in fiscal year 2012-13. These amounts are \$193.4 million and \$71.6 million higher than the Legislative Fiscal Bureau February 9 estimates for fiscal years 2011-12 and 2012-13, respectively, for a biennial total increase of \$265 million. Accompanied with this projection is the potential that an additional \$45.4 million will be transferred to the budget stabilization fund at the end of fiscal year 2011-12, per s.16.518, Wis. Stats., which requires 50 percent of general fund tax revenues collected above amounts estimated in the biennial budget act (2011 Wisconsin Act 32) for that fiscal year to be transferred to the budget stabilization fund at the end of the fiscal year.

This improvement in general fund tax revenue projections relates to several items. General fund revenue collections through April were ahead of forecast and refunds were lower than anticipated. In addition, the federal Bureau of Economic Analysis has issued data revisions that raised its estimates of personal income for Wisconsin. These revisions indicate that 2011 income growth was stronger than anticipated at the time of the February revenue estimates. Further, the federal Bureau of Labor Statistics has released its Quarterly Census of Employment and Wages. This reported stronger growth in employment for the third quarter of 2011 than previously

estimated. The Department of Revenue also incorporated the most recent forecast by IHS Global Insight, which reports a stronger 2011 base and growth for personal income than the February forecast.

In addition to the revised revenue forecast, the state has completed the structural refunding authorized by Act 32 and other debt refinancing, which is creating reduced debt service costs for the 2011-13 biennium. The projected savings from these transactions are approximately \$78 million over the biennium (compared to assumptions and estimates included in the February 9, 2012 Legislative Fiscal Bureau memorandum). Combined with the improved revenue estimates, the general fund closing net balance for fiscal year 2012-13 is projected to be \$89.5 million, as shown in the following general fund condition statement.

**Table 1: 2011-13 General Fund Condition Statement**

(\$ in thousands)	<u>FY12</u>	<u>FY13</u>
<b>Revenues</b>		
Opening Balance	\$85,567.0	\$229,718.3
Taxes	13,388,000.0	13,675,200.0
Departmental Revenues		
Tribal Gaming	27,154.4	28,645.2
Other	<u>648,056.0</u>	<u>576,997.7</u>
<b>Total Available</b>	<b>\$14,148,777.4</b>	<b>\$14,510,561.2</b>
<b>Appropriations, Transfers and Reserves</b>		
Gross Appropriations (through 2011 Act 286)	\$13,996,042.8	\$14,765,969.3
Sum Sufficient Reestimates	(106,310.3)	(16,383.3)
Transfers to:		
Transportation Fund	22,500.0	137,627.0
Injured Patients & Families Comp Fund	233,747.1	
Veterans Trust Fund	5,000.0	
Compensation Reserves	28,790.0	61,910.0
Less Lapses	<u>(306,093.0)</u>	<u>(593,034.8)</u>
<b>Net Appropriations</b>	<b>\$13,873,676.6</b>	<b>\$14,356,088.2</b>
<b>Gross Balance</b>	<b>\$275,100.8</b>	<b>\$154,473.0</b>
Transfer to Budget Stabilization Fund	<u>(45,382.5)</u>	<u>(0.0)</u>
<b>Remaining Gross Balance</b>	<b>\$229,718.3</b>	<b>\$154,473.0</b>
Required Statutory Balance	<u>(65,000.0)</u>	<u>(65,000.0)</u>
<b>Net Balance</b>	<b>\$164,718.3</b>	<b>\$89,473.0</b>

When you signed the 2011-13 Biennial Budget as Act 32, the projected ending net balance for fiscal year 2012-13 was \$9.4 million. The following table reflects the changes to the projected biennial balance since Act 32.

**Table 2: Change in Biennial Balance since Act 32**

<b>Biennial Totals</b> (\$ in thousands)	<b>LFB Estimate</b>		
	<b><u>2011 Act 32</u></b>	<b><u>Feb. 9, 2012</u></b>	<b><u>May 10, 2012</u></b>
Total Revenues & Balances	\$28,449,770.4	\$28,164,520.3	\$28,384,237.8
Total Appropriations, Transfers and Reserves	<u>28,375,354.7</u>	<u>28,307,686.0</u>	<u>28,229,764.8</u>
Biennial Gross Balance	\$74,415.7	(\$143,165.7)	\$154,473.0
Required Statutory Balance	<u>(65,000.0)</u>	<u>(65,000.0)</u>	<u>(65,000.0)</u>
<b>Biennial Net Balance</b>	<b><u>\$9,415.7</u></b>	<b><u>(\$208,165.7)</u></b>	<b><u>\$89,473.0</u></b>

Pursuant to s. 16.50(7), Wis. Stats., if I determine that previously authorized expenditures will exceed revenues in the current or forthcoming fiscal year by more than .5 percent of the estimated GPR appropriations for that fiscal year, I am required to notify you. As Governor, you would then be required to submit a budget adjustment bill to solve the shortfall. This memorandum is to update you on the status of the general fund condition and to notify you that the potential shortfall previously identified by LFB in February is not projected to occur.

Moving forward, I will continue to work with the agency leaders from across state government to manage state expenditures and with the Department of Revenue to monitor revenue collections.

cc: Robert Wm. Lang, Director, Legislative Fiscal Bureau  
 State Senator Alberta Darling, Co-Chair, Joint Committee on Finance  
 State Representative Robin Vos, Co-Chair, Joint Committee on Finance