



2005 SENATE BILL 144

March 29, 2005 – Introduced by JOINT LEGISLATIVE COUNCIL. Referred to Joint Committee on Finance.

1 **AN ACT** *to renumber* 16.002 (1); *to amend* 13.093 (2) (a), 16.40 (3) (title), 16.50
2 (7) (b), 16.518 (title), 20.875 (1) (a) and 25.60; *to repeal and recreate* 16.46 (9);
3 and *to create* 13.95 (1m) (c), 16.002 (1g), 16.40 (3m), 16.50 (8), 16.518 (4) and
4 (5), 20.877, 25.17 (1) (fr) and 25.64 of the statutes; **relating to:** the budget
5 stabilization fund, the generally accepted accounting principles deficit
6 reduction fund, the general fund deficit based on generally accepted accounting
7 principles, and making appropriations.

Analysis by the Legislative Reference Bureau

This bill is explained in the NOTES provided by the Joint Legislative Council in the bill.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

JOINT LEGISLATIVE COUNCIL PREFATORY NOTE: This bill was introduced at the recommendation of the Joint Legislative Council's Special Committee on Improving Wisconsin's Fiscal Management.

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The provisions in the bill relate to the state's budget stabilization fund and the state's general fund deficit based on generally accepted accounting principles (the GAAP deficit).

Budget Stabilization Fund

1985 Wisconsin Act 120, which created the budget stabilization fund, established that the fund was to be used to "provide state revenue stability during periods of below-normal economic activity when actual state revenues were lower than estimated revenues." This statutory language was deleted by 2001 Wisconsin Act 16, and currently moneys in the budget stabilization fund may be used for any purpose specified by the legislature. The governor may also request under current law that moneys in the fund be used to address a fiscal emergency when authorized expenditures exceed projected revenues.

The budget stabilization fund is currently funded through two mechanisms. First, if actual tax revenues deposited into the general fund during the fiscal year are greater than had been projected, an amount equal to 50 percent of the difference is transferred from the general fund to the budget stabilization fund in that fiscal year. Second, as a result of 2003 Wisconsin Act 33, the net proceeds from the sale or lease of state surplus land or buildings, and from the sale of any state surplus supplies, materials, and equipment are, in general, deposited in the budget stabilization fund.

The bill does the following to the budget stabilization fund:

- Transfers from the general fund to the budget stabilization fund each fiscal year an amount equal to the statutory reserve for the fiscal year until the budget stabilization fund reaches a balance of 5 percent of the estimated expenditures from the general fund during the fiscal year.
- Specifies that moneys in the budget stabilization fund are reserved for a transfer from the fund to the general fund to provide state revenue stability during periods of below-normal economic activity when actual general fund revenues are 98 percent or less of the estimated general fund revenues published in the biennial budget act.

GAAP Deficit

Currently, the Department of Administration (DOA) prepares a state financial statement based on GAAP under its general authority. The bill explicitly directs DOA to prepare this statement and identifies it as the comprehensive annual financial report (CAFR).

The bill creates a GAAP deficit reduction fund. The bill:

- Transfers to the fund from the general fund each fiscal year that a transfer is not made to the budget stabilization fund an amount equal to the statutory reserve for the fiscal year, until the unreserved balance of the general fund in the CAFR for the previous year is no longer a negative amount.
- Specifies that moneys in this fund may only be used to increase any unreserved balance of the general fund reported as a negative amount in the most recent CAFR.

The bill also creates a mechanism to address the worsening of the state's GAAP deficit. In particular, the bill directs the governor, when the unreserved general fund balance in the most recent CAFR is a larger negative amount than the unreserved general fund balance reported in the CAFR for the previous year, to recommend legislation to eliminate this increase.

Currently, the biennial state budget report prepared by the secretary of DOA under the direction of the governor must contain a number of specified types of information, including the effect of the recommendations in the biennial budget bill or bills on the GAAP deficit. The bill clarifies this requirement by removing ambiguous text and simplifying this requirement.

The bill creates two other provisions to provide the legislature additional information on the effects of legislation on the state's general fund balance based on GAAP. These provisions:

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- Direct the Legislative Fiscal Bureau to identify, where feasible, recommendations in specified versions of a biennial budget bill that may have a significant impact on the GAAP general fund balance.
- Expand the fiscal estimate process to include an estimate of the effects of a bill, other than an executive budget bill, on the GAAP general fund balance.

Effective Dates

In general, the bill takes effect on the day after publication. The expansion of the fiscal estimate process in the bill takes effect nine months after publication. The transfer by the bill of moneys in the general fund to the budget stabilization fund and the GAAP deficit reduction fund and the duty of the governor to recommend legislation to address any worsening of the GAAP deficit take effect on July 1, 2007.

1 **SECTION 1.** 13.093 (2) (a) of the statutes is amended to read:
2 13.093 (2) (a) Any bill making an appropriation, any bill increasing or
3 decreasing existing appropriations or state or general local government fiscal
4 liability or revenues, and any bill that modifies an existing surcharge or creates a
5 new surcharge that is imposed under ch. 814, shall, before any vote is taken thereon
6 by either house of the legislature if the bill is not referred to a standing committee,
7 or before any public hearing is held before any standing committee or, if no public
8 hearing is held, before any vote is taken by the committee, incorporate a reliable
9 estimate of the anticipated change in appropriation authority or state or general
10 local government fiscal liability or revenues under the bill, including to the extent
11 possible the impact of such changes on the general fund balance in the most recently
12 published comprehensive annual financial report, as defined in s. 16.002 (1g), and
13 a projection of such changes in future biennia. For purposes of this paragraph, a bill
14 increasing or decreasing the liability or revenues of the unemployment reserve fund
15 is considered to increase or decrease state fiscal liability or revenues. Except as
16 otherwise provided by joint rules of the legislature or this paragraph, such estimates
17 shall be made by the department or agency administering the appropriation or fund
18 or collecting the revenue. The joint survey committee on retirement systems shall
19 prepare the fiscal estimate with respect to the provisions of any bill referred to it

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1 which create or modify any system for, or make any provision for, the retirement of
2 or payment of pensions to public officers or employees. The director of state courts
3 shall prepare the fiscal estimate with respect to the provisions of any bill that
4 modifies an existing surcharge or creates a new surcharge that is imposed under ch.
5 814. When a fiscal estimate is prepared after the bill has been introduced, it shall
6 be printed and distributed as are amendments.

7 **SECTION 2.** 13.95 (1m) (c) of the statutes is created to read:

8 13.95 **(1m)** (c) The legislative fiscal bureau shall prepare a report identifying,
9 where feasible, recommendations in each version of the biennial budget bill or bills
10 that may have a significant impact on the general fund balance in the most recently
11 published comprehensive annual financial report, as defined in s. 16.002 (1).

12 **SECTION 3.** 16.002 (1) of the statutes is renumbered 16.002 (1m).

13 **SECTION 4.** 16.002 (1g) of the statutes is created to read:

14 16.002 **(1g)** "Comprehensive annual financial report" means a financial
15 statement prepared under s. 16.40 (3m).

16 **SECTION 5.** 16.40 (3) (title) of the statutes is amended to read:

17 16.40 **(3)** (title) PREPARE BUDGETARY BASIS ANNUAL FINANCIAL STATEMENT.

18 **SECTION 6.** 16.40 (3m) of the statutes is created to read:

19 16.40 **(3m)** PREPARE ANNUAL FINANCIAL STATEMENT BASED ON GENERALLY ACCEPTED
20 ACCOUNTING PRINCIPLES. Prepare at the end of each fiscal year not later than
21 December 31, a financial statement for the state in accordance with generally
22 accepted accounting principles as promulgated by the governmental accounting
23 standards board.

24 **SECTION 7.** 16.46 (9) of the statutes is repealed and recreated to read:

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1 16.46 (9) The estimated impact of the recommendations in the biennial budget
2 bill or bills on the general fund balance in the most recently published comprehensive
3 annual financial report.

4 **SECTION 8.** 16.50 (7) (b) of the statutes is amended to read:

5 16.50 (7) (b) Following such notification, the governor shall submit a bill
6 containing his or her recommendations for correcting the imbalance between
7 projected revenues and authorized expenditures, including, if the imbalance is
8 caused by actual general fund revenues being 98 percent or less of estimated general
9 fund revenues under s. 20.005 (1) as published in the biennial budget act or acts, a
10 recommendation as to whether moneys should be transferred from the budget
11 stabilization fund to the general fund. If the legislature is not in a floorperiod at the
12 time of the secretary's notification, the governor shall call a special session of the
13 legislature to take up the matter of the projected revenue shortfall and the governor
14 shall submit his or her bill for consideration at that session.

15 **SECTION 9.** 16.50 (8) of the statutes is created to read:

16 16.50 (8) DEFICIT INCREASE. (a) If following the publishing of any comprehensive
17 annual financial report the secretary determines that the unreserved balance of the
18 general fund in that report is a larger negative amount than the unreserved balance
19 of the general fund in the comprehensive annual financial report for the previous
20 fiscal year, the secretary shall immediately notify the governor, the presiding officers
21 of each house of the legislature, and the joint committee on finance of the difference.

22 (b) Following such notification, the governor shall submit a bill containing his
23 or her recommendations for eliminating the difference, so that the unreserved
24 balance in the most recently published comprehensive annual financial report, as
25 adjusted by the governor's recommendations, is no less than the unreserved balance

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1 in the comprehensive annual financial report for the previous fiscal year. If the
2 comprehensive annual financial report that contains the larger negative unreserved
3 balance was published in an even-numbered year, the governor may include his or
4 her recommendations in an executive budget bill introduced under s. 16.47 (1m).

5 **SECTION 10.** 16.518 (title) of the statutes is amended to read:

6 **16.518 (title) Transfers to the budget stabilization fund and the cash**
7 **building projects generally accepted accounting principles deficit**
8 **reduction fund.**

9 **SECTION 11.** 16.518 (4) and (5) of the statutes are created to read:

10 16.518 (4) (a) Subject to par. (b) and after making any transfer under sub. (3)
11 or determining that no transfer is required under sub. (3), the secretary shall
12 annually transfer from the general fund to the budget stabilization fund an amount
13 equal to the amount of the general fund balance that is required under s. 20.003 (4)
14 for that fiscal year.

15 (b) If the balance of the budget stabilization fund on June 30 of the fiscal year
16 is at least equal to 5 percent of the estimated expenditures from the general fund
17 during the fiscal year, as reported in the summary, the secretary may not make the
18 transfer under par. (a).

19 (5) (a) Subject to par. (b), the secretary shall annually transfer from the general
20 fund to the generally accepted accounting principles deficit reduction fund an
21 amount equal to the amount of the general fund balance required under s. 20.003 (4)
22 for that fiscal year.

23 (b) 1. The secretary may not make the transfer under par. (a) in a fiscal year if
24 the secretary made a transfer in the fiscal year under sub. (4).

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1 2. If the unreserved balance of the general fund in the comprehensive annual
2 financial report for the previous fiscal year is at least \$0, the secretary may not make
3 the transfer under par. (a).

4 **SECTION 12.** 20.005 (3) (schedule) of the statutes: at the appropriate place,
5 insert the following amounts for the purposes indicated:

	2005-06	2006-07
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7 **20.877 Generally accepted accounting**
8 **principles deficit reduction fund**

9 (2) TRANSFERS FROM FUND

10 (a) Generally accepted accounting
11 principles deficit reduction fund

12 transfer	GPR A	-0-	-0-
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13 **SECTION 13.** 20.875 (1) (a) of the statutes is amended to read:

14 20.875 (1) (a) *General fund transfer.* A sum sufficient equal to the amount that
15 is required to be transferred under s. 16.518 (3) and (4).

16 **SECTION 14.** 20.877 of the statutes is created to read:

17 **20.877 Generally accepted accounting principles deficit reduction**
18 **fund.** (1) TRANSFERS TO FUND. There is appropriated to the generally accepted
19 accounting principles deficit reduction fund:

20 (a) *General fund transfer.* A sum sufficient equal to the amount that is required
21 to be transferred under s. 16.518 (5).

22 (2) TRANSFERS FROM FUND. There is appropriated from the generally accepted
23 accounting principles deficit reduction fund to the general fund:

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1 (a) *Generally accepted accounting principles deficit reduction fund transfer.*

2 The amounts in the schedule to be transferred no later than October 15 of each year.

3 **SECTION 15.** 25.17 (1) (fr) of the statutes is created to read:

4 25.17 (1) (fr) Generally accepted accounting principles deficit reduction fund.

5 (s. 25.64).

6 **SECTION 16.** 25.60 of the statutes is amended to read:

7 **25.60 Budget stabilization fund.** There is created a separate nonlapsible
8 trust fund designated as the budget stabilization fund, consisting of moneys
9 transferred to the fund from the general fund under ss. 13.48 (14) (c), 16.518 (3) and
10 (4), and 16.72 (4) (b). Moneys in this fund are reserved for a transfer from the fund
11 to the general fund to provide state revenue stability during periods of below-normal
12 economic activity when actual general fund revenues are 98 percent or less of
13 estimated general fund revenues under s. 20.005 (1), as published in the biennial
14 budget act or acts.

15 **SECTION 17.** 25.64 of the statutes is created to read:

16 **25.64 Generally accepted accounting principles deficit reduction**
17 **fund.** There is created a separate nonlapsible trust fund designated as the generally
18 accepted accounting principles deficit reduction fund, consisting of moneys
19 transferred to the fund from the general fund under s. 16.518 (5). Moneys in this fund
20 are reserved to increase any unreserved balance of the general fund reported as a
21 negative amount in the most recent comprehensive annual financial report, as
22 defined in s. 16.002 (1g).

23 **SECTION 18. Effective dates.**

24 (1) This act takes effect on the day after publication, except as follows:

