

TO: Supervisor Jason Haas, Chairman
Committee on Intergovernmental Relations

FROM: Liz Stephens, Legislative Liaison

DATE: January 30, 2015

RE: Milwaukee County's 2015-17 Biennial Budget Priorities

Attached for your consideration is the 2015-17 Biennial Budget Legislative Priorities. These priorities are intended to provide the framework for Milwaukee County to work with the State Legislature, Governor, state agencies, organizations, trade associations, civic organizations and business interests to pursue legislative action on budgetary issues of important to Milwaukee County.

These priorities are based on input from the various cabinet directors appointed by the County Executive, the Chairwoman of the County Board, the Chairman of the Committee on Intergovernmental Relations (IGR), County Board Supervisors, key administrative staff the Wisconsin Counties Association (WCA), industry stakeholders and community partners.

Upon adoption by the County Board, County IGR staff will have the authority to communicate these priorities to state policymakers and state agencies, as well as to coordinate with other entities to promote these priorities.

As this list is not exhaustive, staff may seek additional direction on matters for which there is no established Milwaukee County policy. It may also be necessary to make non-substantive updates to this document as new information is obtained.

Legislature Overview

In 2014, a record 29 incumbent state legislators left office. Among that group, 18 members retired while 11 members ran for higher office. As a result of these retirements and the defeat of incumbents in the November 2014, 29 new members (26 members of the Assembly; 3 members of the Senate) of the Wisconsin State Legislature were sworn into office on January 5, 2015.

Republicans increased their majority in both houses of the Legislature. In the Assembly they maintain a 63-36 majority. Twenty-six members of the Assembly have no prior state legislative experience and 71 of 99 assembly members have served four or fewer years. Fifty-three members have two or fewer years' experience. Fewer than one-quarter of the members of assembly have eight or more years of experience. The 2014 elections reflect a continuing trend: In 2010, 30 new members elected to the Assembly; in 2012 and 25 in 2012.

Republicans hold an 18-14 (there is one vacancy) majority in the state Senate. A spring special election in the 20th Senate District will be held to replace now-Congressman Glenn Grothman. It is expected that Republicans will maintain control of that seat, bringing their majority to 19-14. Seven senators were newly elected to that chamber in the November elections.

Of the Senate's seven new members, two are women, which brings the number of women in the Senate to eleven, a new high for that chamber. The number of women representatives stands at 22, down from the prior session. Women now hold 33 of 132 (25 percent) seats in the legislature, a percentage slightly higher than the 2014 national average of 24.2 percent.

2015-17 Biennial Budget Process

Governor Walker is expected to introduce his biennial budget bill on February 3rd. Although the fiscal year, and the statutory deadline for enacting the 2015-17 biennial budget is July 1, the Governor has expressed his desire that the Legislature complete its action in advance of that deadline.

As with prior budgets, 2015-17 budget process began last summer when the Governor issued instructions to state agencies for drafting their budget requests. Most agency budget requests were submitted to the Governor prior to the September 15th statutory deadline. On November 20th, the state Department of Administration combined the agency budget requests into a single report and made it publicly available. The non-partisan Legislative Fiscal Bureau (LFB) subsequently prepared a Summary of Major Budget Requests, which included a limited summary of large or transformational items included in agency budget requests.

After the Governor submits his budget to the Legislature, it will be introduced by the Joint Committee on Finance (JFC). The 2015-17 budget bill is expected to be introduced as an Assembly Bill this cycle, which means that the Senate will be the final body to take action on the bill before it is submitted to the Governor for his review.

After the LFB completes its summary document of the budget bill, JFC will hold public hearings around the state. This year, the public hearing process is expected to be condensed, both in terms of time and the number of hearings held. Once the JFC completes its public hearings on the spending document, it will hold a series of executive sessions to review and modify the bill. The JFC has broad authority to consider all bills related to expenditures and revenues prior to their passage by the legislature.

Once JFC has completed its work on the budget, the bill will be presented to the Legislature for its consideration. As with all other bills, the budget must be passed in identical form by both the assembly and senate before it can be submitted to the Governor. The governor's signature is required for the budget bill to become law. In Wisconsin, the Governor has broad power to remove or modify items from the bill before signing it. Any of the Governor's vetoes can be overridden by a two-thirds vote in both the senate and

assembly.

State Fiscal Condition

State agencies have asked to spend \$37.2 billion in 2015-16, or 6.1 percent more than the current year, and \$38.4 billion in 2016-17, or a 3.3 percent increase over the first year of the biennium. State agencies also requested 4.8 percent increase in general fund support the first year and 6 percent in the second. That includes the tax and fee increases from the Transportation Department as well as nearly \$700 million additional school aid requested by the Department of Public Instruction. Based on agency requests for funding submitted in November 2014, the Legislative Fiscal Bureau (LFB) estimates that the state faces a \$2 billion deficit in the 2015-17 budget cycle.

The state began this year with a positive general fund balance of \$516.9 million. However, according to recently revised estimates by the LFB, the 2015-17 cost-to-continue budget will face an approximately \$650 million shortfall. The state faces a \$283 million shortfall for the fiscal year that ends June 30 and a roughly \$2 billion budget hole for 2015-17, new state estimates show. The two-year spending shortfall, which includes agency budget requests that may not be fulfilled, is slightly less than the previous estimate of \$2.2 billion.

According to these estimates, the current-year deficit grew by about \$151.3 million from the \$132.1 million estimated by Gov. Scott Walker's administration in November, according to the nonpartisan Legislative Fiscal Bureau. The LFB projections, compared to the Administration's November 20 report, indicate estimates are \$173.5 million lower in 2014-15, \$110.9 million higher in 2015-16, and \$65.9 million higher in 2016-17. The LFB analysis shows a gross balance of -\$283.4 million at the end of the current biennium, which is greater than 0.5% of the estimated general fund appropriation, the amount necessary to trigger a gubernatorial plan for correcting the imbalance. However, the Wisconsin Department of Revenue released a letter to Department of Administration Secretary Mike Huebsch indicating its belief that revenue collections for FY 15 will be \$99 million above the total amount estimated by the LFB.

Major Issues Expected

A number of major issues are expected to be considered as part of the state's \$75 billion spending document, including workforce development initiatives; flexibility and funding decisions for the University of Wisconsin System; the Transportation Fund shortfall; property tax cuts; and K-12 funding and policy.