



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Joel Brennan, Secretary

April 23, 2021

The Honorable Howard Marklein, Co-Chair
Joint Committee on Finance
316 East, State Capitol
Madison, WI 53702

The Honorable Mark Born, Co-Chair
Joint Committee on Finance
308 East, State Capitol
Madison, WI 53702

Dear Senator Marklein and Representative Born:

As with every biennial budget process, modifications are necessary to address items that better reflect the Governor's intent in preparing the budget.

Since Governor Evers' budget was introduced on February 16, 2021, significant state and federal laws have been enacted that impact the Governor's budget, resulting in the need to both modify and delete certain recommendations. As a result, updated estimates for sum sufficient appropriations are now available. Many of these represent significant bipartisan progress on our shared goals since the time the budget was introduced. In addition, Wisconsin has the opportunity to save over \$1 billion in additional general purpose revenue (GPR) from the Medicaid program as a result of federal action in the American Rescue Plan Act.

Given the significance of these developments, the Governor respectfully requests to have the conceptual changes outlined below added to, modified, or removed from 2021 Assembly Bill 68 and 2021 Senate Bill 111 (AB 68/SB 111). The net result of these changes will increase the state general fund balance by \$1,018,689,000 over the 2021-23 biennium.

1. Medicaid Expansion (pp. 253-256 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

As you know, the Governor included provisions in his 2021-23 budget bill that would implement full Medicaid expansion in Wisconsin, effective on July 1, 2021. The Governor's recommendation estimated savings of \$328,788,000 GPR in the fiscal year 2021-22 and \$305,925,400 GPR in the fiscal year 2022-23 when the bill was submitted in February 2021.

Subsequent to the Governor's budget bill submission, President Biden signed the American Rescue Plan Act (ARPA) into law on March 11, 2021. Under the act, any non-expansion state that expands Medicaid under the federal Patient Protection and Affordable Care Act would receive a 5 percent increase to their state's Federal Medical Assistance Percentage for two years.

This paragraph accounts for the fiscal impact of the Medicaid expansion provision of ARPA on the Medicaid provisions in the Governor's budget. The appropriation under s.

20.435(4)(b) should be reduced by \$529,500,200 GPR in the fiscal year 2021-22 and by \$509,421,800 GPR in the fiscal year 2022-23.

2. Updating sum sufficient reestimate for the Electronic & Information Technology Manufacturing (EITM) Zone refundable credits.

As you are aware, the terms of the agreement with Foxconn for receipt of awards under the EITM Zone were renegotiated by the Evers Administration and approved by the Wisconsin Economic Development Corporation Board on April 20, 2021. This renegotiation will save taxpayers \$2.77 billion compared to the previous contract.

To reflect the recently updated contract terms, we respectfully request that the estimates for the EITM Zone refundable credits be updated to reflect an anticipated expenditure of \$37.4 million for the 2021-23 biennium, with up to \$29,100,000 in the fiscal year 2021-22 and up to \$8,300,000 in the fiscal year 2022-23.

3. Modifying the Medical Care Insurance Deduction for Self-Employed Individuals (p. 210 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget bill also includes provisions to modify the current law deduction for medical care insurance premiums that are paid by individuals who are self-employed.

This provision, among many others, was signed into law by the Governor as 2021 Wisconsin Act 1.

Thus, we respectfully request that these provisions, since they are now current law, be removed from AB 68/SB 111.

4. Federalize Provisions Related to College Savings Accounts (pp. 216-217 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget bill includes provisions to adopt changes to the Internal Revenue Code related to qualified distributions from 529 plans for expenses associated with registered apprenticeship programs and principal or interest on qualified student loans of the account's beneficiary or sibling of the beneficiary.

These provisions, among many others, were signed into law by the Governor as 2021 Wisconsin Act 1.

Thus, we respectfully request that these provisions, since they are now current law, be removed from AB 68/SB 111.

5. Lottery Multijurisdictional Games (pp. 515-516 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget bill includes provisions to expand the scope of multijurisdictional lottery games that may be offered by the Wisconsin Lottery to include games that extend into other countries beyond the United States and Canada.

These provisions were signed into law by the Governor as 2021 Wisconsin Act 6.

Thus, we respectfully request that these provisions, since they are now current law, be removed from AB 68/SB 111.

6. Pay Progression for Assistant State Public Defenders (pp. 453-454 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget includes \$10,591,800 to provide pay progression to assistant state public defenders over the biennium. In addition, the Governor's budget includes a provision to allow the State Public Defender to exceed the 10 percent limitation on the maximum salary adjustments for assistant state public defenders in the fiscal year 2021-22.

On March 1, 2021, the Governor signed 2021 Wisconsin Act 7, which allows the State Public Defender to exceed the 10 percent limitation on the maximum salary adjustments for assistant state public defenders in the fiscal year 2020-21.

As the exemption on the maximum salary adjustment has already occurred, we respectfully request to remove the provision to allow the State Public Defender to exceed the 10 percent limitation on the maximum salary adjustments for assistant state public defenders in the fiscal year 2021-22 from AB 68/SB 111.

7. Licensure and Regulation of Pharmacy Benefit Managers (pp. 321-326 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget bill includes provisions that provide additional oversight over pharmacy benefit managers, requiring their licensure to operate in the state as well as additional transparency and reporting requirements, and increased transparency between pharmacy benefit managers and contracted pharmacies.

Some of these provisions were signed into law by the Governor as 2021 Wisconsin Act 9.

Thus, we respectfully request that the applicable provisions related to this item in 2021 Wisconsin Act 9 be removed from AB 68/SB 111 since these provisions are now current law.

8. Intervenor Compensation for Citizens Utility Board and Low-Income Advance Intervenor Compensation (p. 506 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget bill includes provisions related to restructuring the intervenor compensation grant program by providing additional funding directly from utilities to the consumer advocate, which would continue to represent customers in rate case decisions before the Public Service Commission.

Since the vast majority of these provisions were signed into law by the Governor as 2021 Wisconsin Act 24, we respectfully request that the provisions already enacted be removed from AB 68/SB 111.

In addition to the modifications due to enacted federal and state legislation, the Governor requests that the following changes be included in AB 68/SB 111 to clarify the intent of his recommendations.

9. In-Person Absentee Voting Period Extension (p. 168 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget includes a provision that eliminated the restriction on how soon a person may complete an absentee ballot in person. The provision also included a change to the deadline to complete an absentee ballot, making it no later than 7:00 p.m. on the

Friday preceding the election. The change to the deadline was erroneously included and should not have modified the current law deadline of the Sunday preceding the election.

Thus, we respectfully request that the provision relating to changing the deadline by which a person has to complete an absentee ballot be removed.

10. Medicaid Emergency Physician Rate Increase (pp. 267-268 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget recommends providing a temporary Medicaid reimbursement rate increase for emergency physicians. This provision was intended to provide a permanent and ongoing Medicaid rate increase for emergency physicians. To meet this intent, we respectfully request the appropriation under s. 20.435(4)(b) should be increased by \$1,983,000 GPR in the fiscal year 2022-23 and the appropriation under s. 20.435(4)(o) should be increased by \$3,235,500 FED in the fiscal year 2022-23.

11. FoodShare Electronic Benefit Transfer Processing Equipment Grants (pp. 275-276 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget bill included a provision to provide grants to farmers markets and farmers that directly market food for FoodShare electronic benefits transfer (EBT) processing equipment to expand locations where FoodShare EBT can be used for the purchase of healthy foods.

The Governor intended to provide for the use of all forms of payment at farmers markets or farmers who sell food directly to the public. Therefore, we respectfully request that the allowable uses of the grant funds include the purchase of credit and debit card processing equipment as well as FoodShare EBT processing equipment.

12. Nursing Home and Community-Based Residential Facility Rate Setting Methodology and Home- and Community-Based Waiver Programs Rate Bands (p. 257 and p. 297 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget recommended directing the Department of Health Services (DHS) to modify the methodology used in setting Medicaid payments to nursing homes and licensed community-based residential facilities by repealing the Resource Utilization Groupings methodology and instead using a facility's case-mix index for determining acuity. The Governor's budget also recommended directing the department to develop a statewide rate band that would establish equitable and sustainable minimum rates for home- and community-based long-term care supports. Further, the Governor recommended requiring DHS to include a proposal to implement the statewide rate band in its 2023-25 biennial budget request.

The budget was intended to include administrative funding to implement these important changes. Thus, we respectfully request that you add \$50,000 GPR annually to the appropriation under s. 20.435(4)(bm) and \$50,000 FED annually to the appropriation under s. 20.435(4)(pa).

13. Violence Interruption Grants (pp. 370-371 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget provides \$1,000,000 in each fiscal year for violence interruption grants through the Department of Justice. The Governor intended to set aside \$500,000 in each fiscal year for community organizations located in the City of Milwaukee, but this provision did not make it into the final bill. We respectfully request that AB 68/SB 111 be

amended to specify that \$500,000 in each year of the violence interruption grant funds be provided to community organizations located in the City of Milwaukee.

14. Nurse Educator Program (p. 608 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget includes \$5 million for a program to address the shortage of teachers and educators for college nursing programs. The program will provide fellowships and student loan repayment assistance to qualified individuals who commit to teaching nursing for at least three years.

As currently drafted, the funding is provided to the University of Wisconsin System, and eligible individuals are those that make a teaching commitment to a UW System institution's nursing program. However, the program is intended to be broader, in order to address the nurse educator shortage (and therefore increase the number of nursing graduates) in a variety of higher education institutions. Therefore, we respectfully request that: (a) the program and related funding be provided to the Higher Educational Aids Board instead of the System; (b) stipend eligibility is expanded to those in programs offering master's degrees for nurse educators; and (c) the program's limits for eligibility as they relate to teaching only at the System be removed.

15. Wisconsin Initiative for Agriculture Exports (p. 60 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget provides \$2,166,600 for a program through the Department of Agriculture, Trade and Consumer Protection to promote exports of Wisconsin-produced agricultural products. The provision provides that no more than 50 percent of the funds may be used by the department to promote dairy exports and no more than 50 percent of the funds may be used by the department to promote vegetable, meat, and fish exports. The program is intended, however, to be broader and to apply to all Wisconsin agricultural products. Therefore, we respectfully request that "fruits and other agricultural products" be included in the non-dairy allocation of the program in AB 68/SB 111 to reflect the program's full breadth more accurately.

16. Farm Business Consultant Grants (p. 60 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget provides \$100,000 each year for the Department of Agriculture, Trade and Consumer Protection to award grants to help farmers hire business consultants and attorneys to develop business plans and farm succession plans. The provision includes a reference to the grants being awarded to the University of Wisconsin-Extension. We respectfully request that the reference to the University of Wisconsin-Extension be removed from AB 68/SB 111 to maximize the flexibility for the department to award grants to assist farmers in developing these plans.

17. University of Wisconsin System Borrowing Authority (pp. 604-605 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget provides the University of Wisconsin System with new and significant flexibility to directly obtain extensions of credit and engage in short-term borrowing. The budget permits the System to pledge revenues from athletics programs to secure these arrangements.

The budget bill specifies that proceeds from these arrangements may be used for any athletic or educational purpose. To provide the System with maximum flexibility to address short-term cash flow issues, we respectfully request that "research" be added as a permissible use of proceeds.

18. **Tuition Promise Expansion** (p. 604 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

The Governor's budget includes \$39 million GPR over the biennium for scholarships for University of Wisconsin System students (other than those attending UW-Madison, which already has implemented such a program) to supplement the gap between the student's financial aid award and the full cost of tuition and fees at the institution. Among other requirements, the Governor's budget specifies that eligible students are those from a household with an annual federal adjusted gross income of \$60,000 or less.

Although \$60,000 closely aligns with the current median household income for the state, the median household income will change over time. Using a statutorily specified adjusted gross income cap does not permit flexibility to align program eligibility requirements with the state's economic changes in future academic years. Therefore, we respectfully request that the Board of Regents have the authority to set the adjusted gross income limit for the program, as long as the limit does not exceed the state's most recent median household income as determined by the United States Census Bureau.

19. **Reinvestment of Budgeted Funds for University of Wisconsin System** (pp.603-604 of the Legislative Fiscal Bureau Summary of Governor's Budget Recommendations)

As with all agencies, the Governor's budget includes standard budget adjustments for the University of Wisconsin (UW) System that are intended to reflect agency costs to continue. For the 2021-23 biennium, the budget provides the System with \$18.3 million GPR across the biennium for adjustments to salary and fringe benefit expenditures.

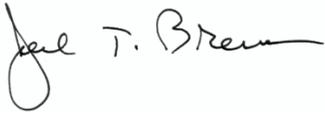
According to the UW System, the System's needed fringe benefit adjustment was overestimated by approximately \$10 million GPR over the 2021-23 biennium in its budget submission last fall. Nonetheless, the System continues to grapple with the effects of the COVID-19 pandemic while serving as a major pipeline for the state workforce, which is critical to employers that cannot fill job openings.

To bolster these efforts, we respectfully request that an additional \$2.5 million GPR annually be provided to the UW System in the Governor's General Program Operations recommendation. Also, to further support students enrolling in UW institutions throughout our state, we respectfully request that an additional \$2.5 million GPR annually be provided to the UW System through the Governor's Tuition Promise Expansion initiative.

Thus, we respectfully request that total funding in Item 1 of the Legislative Fiscal Bureau's summary of the Governor's budget recommendations related to the UW System would be reduced by \$10 million GPR, total funding in Item 3 would be increased by \$5 million GPR, and total funding in Item 4 would be increased by \$5 million GPR over the 2021-23 biennium.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Joel T. Brennan". The signature is written in a cursive style with a large, looping initial "J".

Joel T. Brennan
Secretary

cc: Members, Joint Committee on Finance
Bob Lang, Legislative Fiscal Bureau
Brian Pahnke, Department of Administration