

February 17, 2009

Budget Adjustment and State Stimulus Bill Introduced

- SB 62, the Budget Adjustment Bill, is Introduced Today and Clears Joint Finance on Fast Track -- Floor Votes Expected Later This Week.
The Bill:
 - Partially Addresses Immediate Year Budget Gap and Sets Process for State Oversight of Federal Stimulus Funding
 - Will Result in Current Year Funding Cuts to WTCS
 - Increases WTCS Workforce Training Grants for Manufacturing, Especially for Welding

Budget Adjustment Introduced Today – Passage Expected This Week

Governor Doyle's plan to close the state's immediate budget gap for the current year ending June 30th, and to deal with the flow of federal stimulus dollars to the state, was introduced today as SB 62. The bill is on a fast track. It was introduced and went to Joint Finance Committee (JFC) today, and was voted out of JFC this afternoon on a 12-4 party line vote with Democrats in favor and Republicans opposed. Leadership plans to hold votes by each house tomorrow and will rush the bill to Governor Doyle for signing.

Today's action takes place just ahead of tonight's 2009-2011 State Budget Address by Governor Doyle to the Legislature. Aspects of the budget adjustment bill will interplay with this emerging 2009-11 budget plan. The overall 2009-11 budget will come into focus over the next few weeks as the massive bill is analyzed in depth.

Similarly, the infusion of federal stimulus funds from the American Recovery and Reinvestment Act - signed by President Obama today - will interplay with the state's budget adjustment bill and with the budget bill for 2009-11.

The budget adjustment bill gives the JFC oversight of the Governor's plans for federal stimulus funds coming to Wisconsin. State law gives the Governor authority to disperse federal funding without legislative control in most cases. SB 62 gives the JFC an opportunity to assess and adjust the Governor's decisions related to federal stimulus funding coming to Wisconsin that is controlled by Wisconsin in terms of its use.

Bill Raises New Revenue, Makes Deep Cuts and Invests in Programs Including WTCS Workforce Grants

The budget adjustment bill generates new revenue, cuts state spending, and makes modest new investments in some programs including technical college Workforce Advancement Training (WAT) Grants. Among the major tax changes, the bill generates revenue by imposing combined reporting for corporate tax collections. This has been described as closing the “Las Vegas loophole,” which has allowed large companies to shift in-state revenue to a parent company in another state without income taxes. The bill also creates a new hospital tax to leverage significantly more federal Medicaid dollars while adding to state revenues.

Spending Cuts Will Hit WTCS

The bill cuts spending in several areas, primarily by requiring the state Department of Administration (DOA) to lapse or shift state appropriations of \$125 million over the remainder of this year (\$39 million) and the new biennium (\$86 million). Importantly, the bill itself does not enumerate the specific lapses except to exempt transportation and state employee trust funds, and to assure that at least \$500,000 will come from the Legislature itself. Instead, DOA will identify and makes these lapses.

The immediate lapses will likely include cuts to existing technical college appropriations even though these funds have been allocated to districts and committed to current-year staffing and programs. As reported to you earlier, DOA has previously announced an intention to cut 10% across a number of current year WTCS categorical grant funds amounting to some \$1.8 million. This is funding already committed to districts for use by June 30th, just 4-½ months from now.

DOA could also make additional cuts to meet the bill’s \$39 million target. At the time the \$1.8 million in WTCS cuts were first proposed, DOA was believed to be looking for some \$25 million, not \$39 million as required by the final bill.

The exact nature and depth of lapses in subsequent years is also unknown. They may be affected by stimulus funding and by the upcoming budget bill. Of course, they will also be driven by economic turmoil and recovery as both affect state tax revenues. Among the only good news about proposed lapses is that a “lapse” is a one-time cut that is returned to “base level” funding after the lapse period. If a \$100 fund is lapsed by \$10 to \$90 this year, the funding level returns to \$100 next year. This will be small solace for technical colleges facing significant new enrollment demands now.

WTCS Workforce Advancement Training (WAT) Grants Increased!

The budget adjustment also includes a one-time increase of \$1 million for WTCS Workforce Advancement Training Grants for the current year. These grants pass through the colleges to business and industry. They cover most of the cost of customized employee training to increase the client's worker productivity. SB 62 targets the new funds to advanced manufacturing skills with a priority for welding training.

While these funds are very welcome, the turnaround time is incredibly challenging as the funds will need to be used between the day the bill becomes law and June 30th. Also, WAT grants require a business match of 25%. There is concern that businesses may have difficulty making the match in such a difficult economic environment. Finally, WAT grants train incumbent workers in a job. They can not be used for displaced workers or for those seeking new occupations.

The bill also includes targeted training-related funds for a number of labor-based organizations and partnerships. These include providing Department of Commerce funding of \$2.6 million through the state's Development Fund to:

- Wisconsin Regional Training Partnership/Building Industry Group Skilled Trades Employment Program to expand the program (\$1 million);
- Painters and Allied Trades District Council 7 to train in "green" LEED certification and areas such as lead abatement for infrastructure projects (\$325,000);
- Wisconsin State Council of Carpenters to train in windmill and alternative energy installation and "green" practices (\$247,000);
- Wisconsin Pipe Trades Association Local 75 for a mobile "green" training facility (\$248,000);
- Wisconsin Laborers' District Council for safety instruction related to new workers on upcoming stimulus projects (\$265,000);
- Wisconsin Operating Engineers to train in geothermal and wind energy areas (\$275,000); and
- International Brotherhood of Electrical Workers for solar energy training (\$270,000).

The passage of SB 62 with any further details will be reported as soon as possible. A summary of the 2009-11 State Budget will also follow as soon as possible as details about that plan emerge.

(end of report)