



**WISCONSIN DEPARTMENT OF  
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**Date:** August 29, 2007

**To:** Kevin R. Hayden, Secretary  
Department of Health and Family Services

**From:** Michael L. Morgan *MLM*  
Secretary

**Subject:** Financial Actions Necessitated by Legislature's Inaction on State Budget

As you are aware, the Legislature is 60 days overdue in adopting the budget for the 2007-09 biennium. The budget introduced by the Governor and the versions developed by the bipartisan Joint Committee on Finance and adopted by the State Senate all include new revenues for the state's Medicaid program through an increase in the cigarette tax and additional federal Medicaid funding through an assessment on hospitals. The budget adopted by the State Assembly does not include these new revenues for Medicaid, but instead proposes deep cuts to essential local services, state public safety programs, the University of Wisconsin and the state's already meager budgetary reserves.

Since these cuts are unsustainable and in the absence of a budget and the associated revenue increases dedicated to support the Medicaid program, administrative action is necessary. Net revenues from the cigarette tax increase and hospital assessment total \$363 million in fiscal year 2007-08, representing almost 20 percent of the base GPR budget for the state's Medicaid program. In light of legislative inaction, I am compelled as Secretary of Administration to take action to maintain the integrity of the state's finances until a budget is ultimately adopted.

I have directed the Division of Executive Budget and Finance to develop a plan for withholding expenditure authority in GPR appropriations for Medicaid. That plan should set aside each month 20 percent of the monthly appropriation. Upon adoption of the state budget by the Legislature, those funds would be released.

Implementation of the plan will undoubtedly require action by the Department of Health and Family Services to temporarily reduce Medicaid expenditures. Please develop an implementation plan in response to a potential reduction of this magnitude and submit that plan to the Department of Administration by September 7. The plan will be carefully reviewed over the next several weeks to determine feasibility in the context of statutes, financial conditions and programmatic impacts.

I remain hopeful that the Legislature will act swiftly to adopt the state budget so that a temporary reduction in Medicaid spending will not have to be implemented.

cc: Bob Lang, Legislative Fiscal Bureau

