# 1997-98 SESSION COMMITTEE HEARING RECORDS

*Committee Name:*

*Joint Committee on Finance (JC-Fi)*

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- *Appointments ... Appt*
- 

- *Clearinghouse Rules ... CRule*
- 

- *Committee Hearings ... CH*
- 

- *Committee Reports ... CR*
- 

- *Executive Sessions ... ES*
- 

- *Hearing Records ... HR*
- 

- *Miscellaneous ... Misc*
- *97hr_JC-Fi_Misc_6-23-98 Mtg_pt08*

- *Record of Comm. Proceedings ... RCP*
- 

June 23, 1998 13.10 mtg

X

**STATE OF WISCONSIN**
**DEPARTMENT OF ADMINISTRATION**
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Mailing Address:
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Madison, WI 53707-7864

***Date:*** June 16, 1998

***To:*** Members, Joint Committee on Finance

***From:*** Mark D. Bugher, Secretary
Department of Administration

***Subject:*** S. 13.10 Request from the Department of Workforce Development Relating to Kids Information Data Systems Funds

## Request

The department requests the transfer of $11,173,000 GPR in FY99 from the Committee's appropriation under s. 20.865(4)(a) to the appropriation under s. 20.445(3)(a). The department also requests the Committee's approval of the carryover of $787,000 GPR in the s. 20.445 (3) (a) appropriation from FY98 to FY99, the use of $695,700 in excess federal matching funds and approval of 6.0 new FTE project positions in the Bureau of Child Support. All of these actions are requested to support the modifications to and ongoing operation of the Kids Information Data System (KIDS) in FY99.

## Background

The Department of Workforce Development (DWD) has had the responsibility for KIDS, an automated, statewide child support information system, since July 1, 1996. The KIDS system received a conditional Level II certification from the federal government on September 19, 1997. The federal evaluators identified five system deficiencies that must be fixed by September 30, 1998 in order for the KIDS system to receive final certification. DWD is currently on track to meet this deadline. Wisconsin is one of 30 states that have received federal certification.

While the KIDS system has conditionally met federal certification criteria, it is continuously being updated, modified and improved. It was modified most recently to interface with the Wisconsin Works (W-2) program and to support W-2's direct pass-through of child support. It is also currently being modified to accommodate the numerous changes in federal child support law required by the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) of 1996 and additions or modifications specifically requested by the county child support agencies.

Under the PRWORA legislation, states are required to implement a variety of child support enforcement procedures or programs aimed at significantly increasing the amount of child support collected from noncustodial parents, especially those that owe past-due support. KIDS will need to support centralized receipt and disbursement of child support collections, a state directory of new hires, financial institution data matches, the collection and use of social security numbers, modified distributions of child support payments and arrearages, paternity establishment, interstate enforcement, and the denial and suspension of drivers', professional, occupation and recreational licenses. Wisconsin recently passed state legislation, 1997 Act 191, to enact these provisions.

During the 1997-99 biennial budget process, the Joint Committee on Finance (JCF) approved most of the funding recommended in the Governor's biennial budget for KIDS, but placed half of the GPR in FY98 ($5,570,300) and all of the GPR in FY99 ($11,055,900) in its supplemental appropriation under s. 20.865(4)(a). This action was taken to allow JCF to review the pending the Legislative Audit Bureau's (LAB) report on the KIDS system, additional information regarding mainframe costs and DWD's progress in completing welfare reform changes. And because the proposed costs and timetable were very preliminary, the Committee also reserved $117,100 GPR in FY99 for the centralized receipt and disbursement project.

At the December 1997 s.13.10 meeting, JCF released $5,231,800 GPR for FY98. It also directed DWD to submit several reports on the progress made toward correcting problems identified in the Legislative Audit Bureau's audit of the KIDS system and on plans for implementing centralized receipt and disbursement of child support payments. These reports were submitted on May 15, 1998.

**Analysis**

For this request, DWD completed a reestimate of the KIDS budget for FY98 and for FY99. In general, expenditures in FY98 are lower than anticipated. There are two primary reasons for the lower expenditures. First, because DWD is following the LAB audit recommendation to devote more resources to meet the change orders specifically requested by county child support agencies, more of the programming work related to the PRWORA requirements will be completed in FY99 versus FY98. Consequently, while $3.3 million all funds were budgeted for these change orders in FY98, DWD estimates that it will only spend $485,000. Second, IT mainframe computing costs assessed by the Department of Administration's (DOA) Info-tech will be lower than originally budgeted. DOA recently announced that all CPU rates would be reduced by 15%, effective February 1998. In addition, DOA sent its Info-tech customers a 20% refund of their FY98 payments between July 1, 1998 and February 1, 1998. Instead of the $10.6 million all funds budgeted for IT mainframe costs, DWD estimates that it will now spend $9.5 million all funds.

These decreases are offset in part by a $3.3 million increase in capital expenditures. In order to solve the Year 2000 problem and to support a needed upgrade in equipment, DWD has determined that it will be more cost-effective to replace the majority of computers and printers at local child support agencies than to manually fix each computer to make it Year 2000 compliant. DWD will also provide infrastructure support and is working out a policy on repair and replacement of the equipment with the counties.

The original KIDS budget for FY98 was set at $32,743,800 all funds. With these and other more minor changes, DWD projects that spending on the KIDS system and related systems will total $28,538,400. This frees up $1,038,600 GPR. DWD is requesting to use a portion of the FY98 GPR savings ($787,000) to help offset higher than anticipated FY99 expenditures. The remainder ($251,600) will lapse to the general fund on June 30, 1998.

*FY99 Reestimate*

The main reason that FY99 expenditures are higher than originally budgeted is the early implementation of the centralized receipt and disbursement (CRD) project. It was assumed in the 1997-99 biennial budget planning process that DWD would begin to phase-in CRD in January 1999, with half of the counties converted in the first six months and half in the second six months. Under this scenario, only one quarter of the annualized costs of the project occurred in the 1997-99 biennium. Since that time and based in part on concerns raised in the LAB audit, DWD has decided to begin the project earlier to allow more time to plan for, pilot, test and implement the system.

Under DWD's current plan, the vendor contract will begin July 1, 1998 and run for a three-year period. DWD has completed the vendor selection process and has chosen Lockheed Martin IMS as the CRD vendor. The vendor will begin the disbursement of all child support collections for all counties on January 4, 1999. During the next three months, the vendor will gradually take over the collection function from the counties. The transition will be based on zip code areas not county boundaries in order to minimize the impact of the change on employers, who withhold wages for the purposes of child support collection for the majority of noncustodial parents. This approach is especially important to those employers who have employees in more than one county. DWD plans to complete this part of the conversion by April 1, 1999.

After these steps are completed, the focus will shift to the transfer of the remaining child support-related financial functions from the clerks of court offices to the child support agencies. There are currently 18 counties in which the child support agency has already (or will in 1998) assumed responsibility for all financial tasks related to child support. The transition for the remaining 54 counties must occur by October 1999. By separating the project into two stages, state and local staff can concentrate on one major shift at a time. The counties support the transition schedule.

DWD estimates that the CRD project will cost $8.8 million all funds in FY99. By using revenue generated by the receipt and disbursement fee and the interest float on child support collections, and by taking into account equipment purchased in FY98, the cost of the project can be reduced to $6.2 million. The overall cost of the project is significantly higher than projected in the biennial budget. DWD indicates that the original budget did not include any funding for start-up for either the vendor or the department. In addition, based on the experience in other states, DWD is requiring the vendor to operate a comprehensive customer service component and to conduct employer outreach. The revised budget for CRD also includes additional funding for county training, hardware, data clean up and postage.

The following chart details all of the requested modifications to FY99 KIDS budget:

| | Original Budget | Revised Budget | Difference |
|---|---|---|---|
| System Maintenance and PRWORA Projects | | | |
| IBM System Maintenance | 5,906,600 | 5,729,400 | (177,200) |
| PRWORA Change Orders | 2,679,500 | 2,660,100 | (19,400) |
| New Hire Reporting System | 0 | 1,387,400 | 1,387,400 |
| Centralized R&D | 0 | 6,205,000 | 6,205,000 |
| Feeder Databases | 0 | 1,377,800 | 1,377,800 |
| D&T Programming | 258,000 | 0 | (258,000) |
| Other Contracts | 0 | 1,693,600 | 1,693,600 |
| | | | |
| DOA- Infotech | | | |
| IT Main Frame | 10,652,000 | 9,000,000 | (1,652,000) |
| IT E-mail & EMX | 69,100 | 50,000 | (19,100) |
| Telecommunications | 1,181,000 | 904,600 | (276,400) |
| 1-800 #, Help Desk & AVR | 600,000 | 300,000 | (300,000) |
| | | | |
| DWD Staff and Supplies & Services | | | |
| BITS and DES Staff | 2,357,200 | 2,274,400 | (82,800) |
| DWD Network/Mainframe Support | 847,400 | 2,312,200 | 1,464,800 |
| Capital/Infrastructure and Maintenance | 415,000 | 125,000 | (290,000) |
| Centralized Mailing | 3,405,400 | 1,708,900 | (1,696,500) |
| General S&S | 2,176,000 | 2,166,000 | (10,000) |
| **Total KIDS** | **30,547,200** | **37,894,400** | **7,347,200** |
| **GPR Component** | **11,173,000** | **12,655,700** | **(1,482,700)** |

Besides the CRD project, other major changes in the FY99 KIDS budget include the following:

1) New Hire Reporting System. It appears that there is a significant increase in the New Hire budget for FY99, however, this primarily because DWD has decided to track them separately. In the biennial budget, the costs related to the New Hire project were included in with other PRWORA change orders. The increase is not in the New Hire budget, therefore, but in the budget for PRWORA change orders. This increase is based on projects being completed in FY99 instead of FY98 as originally anticipated.

2) Feeder Databases. Despite the added workload, no funds were budgeted in any other agencies when the legislation (1997 Wisconsin Act 191) was enacted. DWD has budgeted approximately $1.4 million all funds to reimburse other state agencies for the costs that they incur in meeting the requirements of the child support legislation. Currently 8 state agencies, including the Departments of Natural Resources, Transportation, Regulation and Licensing, Revenue, Health and Family Services, Employee Trust Funds, Commerce, and Agriculture, Trade and Consumer Protection, have estimated that they will incur system costs in implementing this legislation. Staff from DWD's Bureau of Child Support and Bureau of Information Technology Services and staff from the respective agencies will be reviewing and revising these costs as the agencies begin the actual systems work. DOA may want to place these funds in unallotted reserve pending this review.

3) Other Contracts. In FY98, DWD contracted with several vendors for services such as testing and maintenance of data tables; data clean up and support services to counties. In FY99, DWD intends to continue to supplement the work of the Bureau of Child Support staff by contracting out for the work of the tax intercept program, technical writers, and KIDS table maintenance.

4) Project FTE. In addition to these contract staff, DWD is requesting 6.0 project FTE (2.04 GPR FTE) that would begin July 1, 1998 and would last two years to help perform functions related to the operation of the KIDS system. DWD has an opportunity to hire independent contractors into state positions, thereby reducing costs and retaining staff that already have skills and knowledge of the KIDS system and the child support program in general. By taking this approach, DWD estimates that it will save $142,000 all funds in FY99. DWD needs to complete a more comprehensive staffing analysis of the Bureau of Child Support before determining if a request to extend these positions will be included in its biennial budget request.

5) Infotech Costs. Similar to FY98, the estimated mainframe and other Infotech-related expenditures are projected to decrease based on Info-tech reduced CPU rates. DWD's projection for FY99 also assumes that work by DWD, DOA and vendor staff on "tuning" the efficiency of the KIDS programming and system operation will continue. In total, DWD estimates that there will be

approximately $2.2 million of savings in this area that will be available to offset the cost of several of the projects described above.

The KIDS budget for FY99 was set at $30,547,200 all funds. With early implementation of CRD and other changes, DWD now estimates the FY99 budget will total $37,894,400. The GPR component of this budget is $12,655,700 or $1,482,700 higher than the $11,173,000 reserved by JCF.

DWD proposes to make up the shortfall by carrying over $787,000 GPR from FY98 and by using $695,700 of $1.25 million of excess federal matching funds. The excess federal matching funds were generated when expenditures that had been funded with a 34% GPR and 66% FED match instead qualified for an enhanced federal match rate of 90%. The enhanced federal match of 90% requires only a 10% GPR contribution. This change frees up funding that under normal circumstances would lapse to the general fund as GPR-Earned. The $695,700 excess federal funds can be used to match federal child support funding, totaling $2,046,200 all funds.

The excess federal funds were identified in the Legislative Audit Bureau as a revenue stream that would be available to help meet the change orders requested by the county child support agencies. DWD's request is consistent with this recommendation.

In summary, DWD's revised FY99 budget for the KIDS system is reasonable. It spends more in FY99 than originally anticipated but has identified revenue that is available and sufficient to cover the funding shortfall. A significant portion of the FY99 budget is devoted to one-time expenditures and therefore should not create an on-going funding problem in the 1999-2001 biennial budget. The $11,173,000 GPR that DWD is requesting from JCF is needed on an on-going basis and should be built into the adjusted base for 1999-00 biennial budget.

## Recommendation

Approve the request.

Prepared by: Jennifer A. Sajna
266-8219

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DEPARTMENT OF ADMINISTRATION
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**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 and Section 16.515/505 Request from the Office of the Commissioner of Insurance for the Patient's Compensation Fund Computer System

## Request

The Office of the Commissioner of Insurance (OCI) requests a supplement under s. 13.10 for FY99 of $ 546,200 SEG in expenditure authority in s. 20.145 (2)(u), the Patients Compensation Fund Administration appropriation, and an increase under s. 16.515/505 for FY99 of $ 83,500 PR-S in expenditure authority and 1.0 PR-S FTE in s. 20.145(1)(k), the Administrative and Support Services appropriation. The expenditure authority will cover the costs of upgrading the software of the computer system for the Patients Compensation Fund and making the system year 2000 compliant.

## Revenue Source for Appropriations

The revenue to support the request for $546,200 in s. 20.145(2)(u) comes from the Patients Compensation Fund (PCF) which assesses health care providers to generate excess medical malpractice coverage. That total includes the amount that will be paid into s. 20.145(1)(k) to support the programmer position. Even with the approval of this request, the Fund will have a FY99 balance of over $423 million.

## Background

The Patients Compensation Fund provides medical malpractice insurance in excess of the amounts required to be carried by health care providers to settle medical malpractice suits. Costs of claim settlements and operating costs are paid from the Fund through assessments on health care providers.

Until several years ago, the Office of the Commissioner of Insurance (OCI) contracted with the Wausau Insurance Company to support the two computer systems associated with the PCF—the claims payment computer system, which processes claim settlements, and the certification and billing system. Under the latter system, providers submit evidence that shows the existence of a medical malpractice policy in effect and the computer system determines the amount of the assessment on the provider for participation in the PCF and bills accordingly.

OCI decided to contract the support responsibility for the certification and billing system with an outside vendor while continuing to run the system on Wausau Insurance's computer. Through the request for proposal process, OCI hired the Athena Group to handle systems development work and maintenance for this system. The vice president of the company was the programmer for the contract and worked on the project from his home in Idaho. Unfortunately, he died unexpectedly last December. OCI and Athena Group staff began looking into the work which had been accomplished to date and found that the consultant had not documented his work or, if he had, the coding was very obscure and not easily decipherable.

OCI was unaware that such problems existed. They were in contact frequently with the consultant and the computer system functioned as it was supposed to. Further, the consultant was assuring OCI that his development work was on target to meet the November deadline of making the computer system year 2000 compliant. However, OCI staff found that he had not even started on that project.

Athena Group has added two programmers and has submitted a contract addendum to add another five programmers to disentangle the work of the first consultant, to document systems procedures, upgrade the software to a version compatible with a new version of Oracle software installed by Wausau Insurance and update programs to meet the year 2000 challenge.

**Analysis**

OCI is now faced with a major problem of getting all this work completed before November. This is of concern because the 11,000 health care providers in the PCF will turn in their insurance certificates during that month for issuance of coverage which will begin January 1, 1999 and end on January 1, 2000. If the system rejects the applications because it cannot recognize the year 2000 date, providers will be issued letters of noncompliance that triggers a process in which the Department of Regulation and Licensing begins action to suspend licenses to prohibit the providers from practicing. This would produce a very undesirable outcome of people not receiving needed health care. As a result, it does appear that a legitimate emergency exists and that the funds for the year 2000 problem, $337,200 for 3,372 hours of programming, and the funds for the computer upgrade, $125,500, should be approved.

The detailed cost estimates OCI included in its request for year 2000 compliance programming and the software upgrade for the certification and billing system were analyzed by DOA staff in the Division of Technology Management and found to be appropriate and at reasonable cost.

OCI is also requesting a 1.0 PR-S information systems specialist to oversee this project and serve as liaison with the consultant. While the agency has offered three alternatives, a permanent position, a project position or an LTE, their preference is for a permanent position. They believe they need in-house technical staff to deal with the consultants for the interim and to eventually take over the responsibility for maintenance of the system in the future. Given the unpleasant circumstances that resulted in this request, it is reasonable to develop the technical capability for support of the system within OCI with one permanent FTE.

To avoid the time delay associated with the hiring process, OCI intends to assign one of their experienced staff to this project and use the new position to cover that person's prior duties. The salary of $26.975 per hour falls midway between the minimum and the maximum of the appropriate range for its classification under the new broadbanding pay proposal for information technology staff. According to the Department of Employment Relations, this is a reasonable rate to attract experienced staff. Since this staff person would be located in the information technology section within the Office's Administrative Services Division, $83,500 and 1.0 PR-S FTE would be placed in s. 20.145(1)(k) and the same amount in expenditure authority would be placed in s. 20.145(2)(u), the PCF administration appropriation, to pay for the services provided by the programmer.

OCI staff are concerned about continuing the contract with the consultant to provide the software services according to the existing contract. However, time constraints have not allowed a definitive resolution of this question prior to the scheduled Committee meeting. OCI is currently reviewing the contract with Athena and will pursue negotiations and any other legal means necessary, including cancellation of the contract with the current contractor, to minimize the cost of this project to the PCF. If concessions can be negotiated, it is possible that OCI may not need the total amount requested. As a result, the $546,200 in expenditure authority should be placed in unallotted reserve subject to release by DOA based on justification provided by OCI staff.

**Recommendation**

Approve the request for the contracting ($337,200), the computer upgrade ($125,500) and the cost for 1.0 permanent PR-S FTE programmer ($83,500).

Prepared by: Susan Jablonsky
267-9546

1X

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

*Tommy G. Thompson*
*Governor*

*Randy Blumer*
*Commissioner*

June 1, 1998

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(608) 266-3585

To: Senator Tim Weeden, Co-Chair
Representative John Gard, Co-Chair
JOINT COMMITTEE ON FINANCE

From: Randy Blumer
Acting Commissioner of Insurance

Randy Blumer

The Office of the Commissioner of Insurance (OCI) under s. 13.10 requests an increase for FY 1999 of $ 546,200 in expenditure authority in s. 20.145 (2)(u), the Patient Compensation Fund, Administration appropriation. The Office of the Commissioner of Insurance (OCI) under s. 16.505/515 also requests an increase for FY 1999 of $ 83,500 in expenditure authority in s. 20.145(1)(k), the Supervision of the Insurance Industry, Administrative and Support Services

**Background**

The Patients Compensation Fund was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers. The Fund is governed by a 13-member Board of Governors (Board) that consists of 3 insurance industry representatives, a member named by the Wisconsin Academy of Trial Lawyers, a member named by the State Bar Association, 2 members named by the State Medical Society of Wisconsin, a member named by the Wisconsin Hospital Association, 4 public members appointed by the Governor, and the Commissioner of Insurance who serves as the chair. The Fund's administrative staff is provided by OCI.

The Board is assisted by an Underwriting and Actuarial Committee, a Legal Committee, a Claims Committee, an Investment/Finance and Audit Committee, a Risk Management Steering Committee, and a Peer Review Council. The Board and its committees meet quarterly.

The Fund operates on a fiscal year basis – July 1 through June 30. Administrative costs, operating costs, and claim payments are funded through assessments on participating health care providers.

When the Fund was created in 1975 it was run on a manual system. At the time that it was determined to computerize the system, it was decided that Wausau Insurance would provide the services and that the Fund would be able to access the information. Over time, Wausau Insurance contracted some of the information technology (IT) services to an outside vendor. Several years ago, it was determined that the Fund needed to contract directly with the outside vendor, and that it should not be done as part of any other contract with Wausau Insurance.

The Request For Proposal (RFP) procurement process was followed and the current vendor was again selected for the next three year term (three one year contracts). The vendor, Athena Group Inc., entered into a contract directly with OCI on behalf of the Fund.

One of the company's vice presidents (Bob Dallman), took on the Fund project single-handedly. He worked directly with Fund staff as well as people at Wausau as necessary. (The hardware and data is still maintained in Wausau who continue to hold the claims processing contract). The programmer worked from his home in Idaho, and was in daily contact with fund staff via telephone or e-mail. He initiated programs and generated correspondence and bills as was necessary.

Last December, Mr. Dallman died unexpectedly. After his death we discovered that there was little or no documentation of the systems and that many system references were idiosyncratic and obscure. In effect there no one else at the company who could step in and not only keep the Fund running, but make all requested program changes and improvements. During the course of the next couple of months after Mr. Dallman's death additional concerns regarding documentation of the system can into play, particularly concerning the year 2000 project, and the fact that little or no documentation existed for the programs or for the data base further complicated the situation. It had been our understanding at that Mr. Dallman was already working on the Y2K project and our time frame would be met, and would be within the then current budget.

The Fund is currently facing two critical IT related issues. One recovering from the untimely death of the consultant. The second is the year 2000 project (Y2K) and the need to upgrade the version of Oracle software that the company (Oracle) will no longer support as of today, June 1, 1998. Therefore, significant work and upgrades are necessary and must be done immediately. The time issue is of great importance since the system is still maintained at Wausau Insurance and they have completed their upgrade to a new version of Oracle.

The Y2K issue is of a critical nature. Beginning in November of this year, the fund will be receiving primary coverage information for our health care providers with effective dates which expire in the year 2000. Our vendor, Athena, first provided us with a very rough estimate of 500 hours to recover and to correct the Y2K situation. They have since amended this to almost 3500 hours. Even this is an estimate and could potentially rise since the new programmers are still running into problems in identifying all programs and potential Y2K issues.

The cost is expected to run as high as $500,000 for the Y2K project itself. Athena will be hiring additional programmers to meet our deadline. They have submitted an addendum to the current contract that they feel is necessary to hire additional staff.

If the system is not Y2K compliant by November, 1998, we will be receiving certificates with termination dates of 2000 and the system will not be able to recognize them and bill accordingly. The system automatically generates bills based upon the primary insurance certificates submitted. There are approximately 11,000 fund participants who are billed in excess of $50 million in assessments annually (statements are run quarterly). Assessments, are billed to providers who submit payment to a lock box. A program is run which updates the providers account. Any provider who does not pay the assessment or have current coverage documented in the system is in noncompliance - reported to Regulation and Licensing and runs the risk of having their license to practice suspended. So it is imperative that the system be ready to process any Y2K information by the end of November, 1998.

**Cost Analysis**

**The costs of the Y2K and Oracle upgrade and licenses are as follows:**

Y2K:

| Program Components | Coding Time Required |
|---|---|
| Shell Scripts | 155 hours |
| C Programs | 224 hours |
| Reports | 848 hours |
| Forms | 2,145 hours |
| | Total = 3,372 hours |
| | X $100 per hour |
| | $337,200 |

Oracle upgrade and licenses:

| System Upgrade | Cost |
|---|---|
| Upgrade to AIX v4.2.2 | $175 |
| AIX licenses | 960 |
| AIX Des Encryption | 75 |
| JBS Multiview | 75 |
| WIC project lead | 1,400 |
| WIC Platform Support Group | 1,232 |
| Oracle Upgrade (AGI) | 1,562 |
| | Total = $ 5,479 |

| | |
|---|---|
| Oracle licenses | $100,000 |
| Oracle maintenance | $ 20,000 |

In addition to the Y2K programming and the Oracle upgrade, an Information Systems (S) Project Leader Specialist will be needed. This Information Systems (S) Project Leader Specialist will be highly involved in the upgrade process so that this personal will be knowledgeable about the project and can maintain this project in the future.

The cost of the Information Systems (S) Project Leader Specialist will be:

| | |
|---|---|
| Salary | $26.975 per hour |
| Hours | X 2,080 hrs |
| Total | $56,108 |
| Fringe | $20,008 |
| Total Salary and Fringe | $76,116 |

Ongoing supplies and services $900

One-time expenses:

| | |
|---|---|
| Systems furniture | $3,500 |
| Computer and software | 3,000 |

The Information Systems (S) Project Leader Specialist will be funded through the OCI's program revenue service appropriation. Therefore, expenditure will be needed in the program revenue service appropriation plus a corresponding amount in the Patients Compensation Fund Administrative Fund to provide the revenues to the program revenue service appropriation.

Alternatives:

The alternatives are as follows:

1) Provide $546,200 of expenditure authority in s. 20.145 (2)(u), the Patient Compensation Fund - Administration appropriation and 1.0 FTE and $83,500 ($77,000 of this as ongoing funding) in s. 20.145(1)(k), the Supervision of the Insurance Industry, Administrative and Support Services.

2) Provide $546,200 of expenditure authority in s. 20.145 (2)(u), the Patient Compensation Fund - Administration appropriation and 1.0 Project FTE and $83,500 in s. 20.145(1)(k), the Supervision of the Insurance Industry, Administrative and Support Services. This is the same as alternative 1 but the Information Systems (S) Project Leader Specialist will be project position and OCI will submit a request in the 1999-2000 Biennial budget to have the position changed to a permanent position. This alternative is not as desirable as alternative #1 because the expertise that the project position gains will be lost when the project position ends and the new permanent position is hired.

3) Provide $546,200 of expenditure authority in s. 20.145 (2)(u), the Patient Compensation Fund - Administration appropriation and 1.0 Project FTE and $83,500 in s. 20.145(1)(k), the Supervision of the Insurance Industry, Administrative and Support Services. This is the same as alternative 1 but the Information Systems (S) Project Leader Specialist will be an LTE position and OCI will submit a request in the 1999-2000 Biennial budget to have the position changed to a permanent position. This alternative is not as desirable as alternative #1 because the expertise that the LTE gains will be lost when the LTE leaves and the new permanent position is hired.

XVI

**STATE OF WISCONSIN**
**DEPARTMENT OF ADMINISTRATION**
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**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 Request from the Department of Administration for approval of gift of Black Point Estate.

## Request

Pursuant to s. 20.907 (1), the department requests approval for the gift of the Black Point Estate to the Department of Administration.

## Background

The Biennial Budget Bill (1997 Act 27) provided for a gift of a tract of land and a historic residence, commonly known as Black Point, from its owners to the State of Wisconsin for public use. The Biennial Budget Bill also provided $1,600,000 in general fund supported borrowing to adapt the property for public use and required the Department of Natural Resources (DNR) to make a grant of $1,800,000 SEG from the recreational boating aids appropriation, s.20.370 (5) (cq), to a nonprofit conservation organization (NCO) to establish a privately funded endowment for the operation and maintenance of Black Point.

Black Point Estate is a parcel of land located in Walworth County which includes approximately 600 feet of frontage on Geneva Lake and a 13-bedroom Queen Anne style summer residence constructed in 1888. The estate is listed on the National and State Registers of Historic Places. The residence contains an important, intact collection of late Victorian furniture. The property , including the residence furniture, is being donated to the state by William and Jane Petersen, descendants of the original owner Conrad Seipp.

1997 Act 27 enumerated $1,600,000 general fund supported borrowing to adapt the property for public use including the construction of a visitor center. Building improvements would include modifications to allow access for disabled individuals and tour groups. Construction of the visitor center and the various improvements is planned to begin in 1999. It is expected that the property will be open to the public in the summer of 2000. The biennial budget bill also provided that a non-profit organization will operate and maintain the historic house, visitor center and property and allocated $1,800,000 SEG from DNR's recreational boating aids appropriation, s.20.370 (5) (cq), to be awarded as a grant to the non-profit organization to create an endowment to support operation and maintenance of the estate. The non-profit organization will raise additional funds for operations of the site through admission fees, product sales and contributions. Black Point Historic Preserve, Inc. has been formed to operate the estate and the endowment.

## Analysis

A gift agreement between the Department of Administration and the Peterson's detailing the transfer of the property to the state has been prepared. The Agreement, which is included with the department's request, sets out the timeline for the conveyance of the gift and includes an Grant of Conservation Easement by the Petersens to Black Point Historic Preserve Inc. as required under 1997 Act 27.

Section 20.907 (1), Stats., requires that all gifts to the state or to any state agency for the benefit of the state shall be valid when approved by the JCF. In order to keep the project on schedule to meet the summer 2000 opening date; the department is requesting JCF approval of gift at this time.

After approval of the gift, the department will begin preparing preliminary plans and a design report for the site improvements and construction of the visitor center.

## Recommendation

Approve the gift of the Black Point Estate to the Department of Administration.

Prepared by: Peter Maternowski
264-8259

VIII

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864

**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 Request from the Department of Health and Family Services to Use Funds Generated from the Sale of State Land

## Request

The Department of Health and Family Services, acting under s. 13.101(13)(b), requests the transfer of $140,200 from the Joint Committee on Finance supplemental appropriation under s. 20.865(4)(a), to the s. 20.435(2)(a), Division of Care and Treatment Facilities general operations appropriation, from the sale of surplus land at Mendota Mental Health Institute. The requested funds represent one-half of the selling price ($280,400) of the land and will be used to reduce the deficit at the mental health institutes.

## Background

Under s. 13.101(13), state agencies are required to deposit the revenue from the sale of a state building or state land into the Committee's biennial appropriation under s. 20.865(4)(a). These funds are then available to the Committee for distribution under s. 13.10, or the funds would lapse at the end of the biennium to the relevant funding source. However, the Committee, upon request of the selling agency, is authorized to transfer up to one-half of the sale price to the agency without meeting the emergency provisions of s. 13.10. The funds may then be used by the agency for the purposes specified for the appropriation into which the funds are transferred. Similar requests were approved by the Committee in December 1996 and in March 1997 under s. 13.10 to use proceeds from the sale of land and buildings to reduce the deficit at the mental health institutes.

## Analysis

The Department of Health and Family Services is requesting permission to use the $140,200 in proceeds from a land sale at Mendota Mental Health Institute to reduce the deficit in s. 20.435(2)(gk), the institutes' operating budget appropriation. Technically this can be accomplished by transferring $140,200 GPR from the Committee's supplemental appropriation under s. 20.865(4)(a) to s. 20.435(2)(a), the Division of Care and Treatment Facilities' (DCTF) general operations appropriation to be used for reduction of the deficit at the mental health institutes.

The deficit began in FY91 because the actual costs of care were not recovered through the daily rate charged or through Medical Assistance reimbursement. The deficit was projected to peak at $11.1 million at the end of FY97 and then begin to decline. The most recent projection of the fiscal year-end deficit is $9.8 million. Due to the cost-saving and revenue-enhancing actions implemented by DCTF staff, they broke even on an annual basis beginning in FY97 and expect to be $1.5 million ahead for FY98.

The Joint Committee on Finance approved the land sale under the 14-day passive approval process on March 17, 1997.

In recognition that GPR would be available to support institute costs which would have been paid with program revenue, the institutes' operating budget, s. 20.435(2)(gk), can be reduced by the same amount of the request.

**Recommendation**

Approve the request. In addition, reduce the institutes' program revenue operating budget by the same amount as the request.

Prepared by: Susan Jablonsky
267-9546

VI

**State of Wisconsin**
**Department of Administration**
101 East Wilson Street, Madison, Wisconsin

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**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 Request from the Department of Employe Trust Funds for funding the Health Insurance Database and for Consultant Services for FY99.

## Request

The department requests the release of $120,400 SEG from the Committee's s. 20.865(4)(u) appropriation to the department's s. 20.515(1)(ut) health insurance data collection and analysis contracts appropriation, to pay for a third-party vendor's operating costs of the departmental database on health care membership. The department also requests the release of $20,000 SEG from the Committee's s. 20.865(4)(u) appropriation to the s. 20.515(1)(ut) appropriation to be used for consultant services to evaluate the best way of collecting and reporting information on group health insurance plan enrollee complaints.

## Background

During consideration of ETF's FY97-99 budget, the Joint Finance Committee placed $120,400 – requested for database maintenance and access services for the department's current proprietary database system -- in the Committee's supplemental SEG appropriation for release to the department under §13.10 Wis. Stats. To release the funds to ETF, the department would be required to submit a report to the Committee on the feasibility, possible benefits and potential costs of shifting the employe health insurance database from the current vendor's proprietary system to ETF's own system. (See LFB paper 362, dated May 14, 1997).

Attached to this request is the report required for release of funds. The report details the four alternatives evaluated by the department. The alternatives were:

- To maintain the current location and functionality of the system (i.e., no change);
- To maintain the location but improve functionality;
- To migrate the database to the department's local area network and improve functionality; or
- To migrate the database to the Department of Administration's Info-Tech mainframe computer and improve functionality.

The study concluded that the fourth alternative was the preferred solution. Migration of the database to the DOA's Info-Tech Services mainframe would not only improve system functionality but also provided the lowest operating cost of any alternative. However, this alternative has the second highest per-user-per-month cost, which includes the cost of systems development.

This request includes a request for $20,000 for consultant services to evaluate the best way of collecting and reporting information on state group health insurance plan enrollee complaints. It is related to ETF's report on the feasibility, benefits and costs of shifting the employe health insurance database from the current vendor's proprietary system to ETF's database system. Both the report requirement and the $20,000 one-time supplemental funding for consultant services are discussed in LFB Paper 362, dated May 14, 1997.

**Analysis**

ETF's WEBS application is currently running at Info-Tech. In a June 10, 1998 memo from Sari King, Division Administrator of Info-Tech Services, to Joanne Cullen, ETF budget director, Ms. King indicated that the employe health insurance database could be integrated into WEBS.

Given that two of the options considered for the employe health insurance database entailed remaining on the vendor's proprietary database, and that the third option was cost-prohibitive and lacked the functionality available through Info-Tech Services, the option selected appears sound. The report fulfills the Committee's requirement for release of funds from its 20.865(4)(u) appropriation.

As the consultant services request ($20,000) is tied to completion of the attached agency report, it appears that ETF has complied with the conditions placed on funds placed in the Committee's supplemental SEG appropriation.

**Recommendation**

Approve the Department's request.

Prepared by: Dennis Presser
266-8777

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

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V

**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 Request from the Department of Employe Trust Funds for funds necessary to apply the Wisconsin Supreme Court decision in Coutts v. Wisconsin Retirement Board (209 Wis.2d 655; 562 N.W.2d 917 (1997)).

## Request

The department requests a supplement of $130,500 SEG from the Committee's s.20.865(4)(u) appropriation to the department's s. 20.515(1)(w) administration appropriation, to pay for costs associated with reviewing and recomputing disability payments pursuant to the Supreme Court's decision in the Coutts v. Wisconsin Retirement Board case.

## Background

In 1982 the Legislature created §40.65, Wis. Stats., establishing a duty disability program to replace the program then extant under §66.191, Wis. Stats. The new program was designed to:

- Prefund the program and share risk with a fund supported by contributions from all employers of protective occupation participants and administered by the Department of Employe Trust Funds (ETF).

- Ensure adequate benefit levels by salary indexing based on the average salary increase paid to protective occupation participants.

- Ensure that duty disability payments not result in some beneficiaries receiving more income than they would have earned while working, by reducing those benefits levels as other sources of income, including worker's compensation, employment, retirement pensions, social security, etc. are received.

In May, 1997 the Wisconsin Supreme Court upheld a Court of Appeals decision, that §40.65, Wis. Stats., does not authorize the reduction of duty disability benefits by worker's compensation awards paid prior to the duty disability effective date and that duty disability benefits are not retroactive. No weight was given to the way ETF had administered the program since its inception.

As a result of the decision, ETF has determined that a review of all current duty disability cases must be completed to identify the correct effective date and proper adjustment of §40.65 benefits paid to the recipients for periods of time after that date. ETF estimates that adjustments will range from -$5,000 to +$30,000 for each affected benefit, since some individuals may owe the fund while others may not be receiving the benefits due them.

**Analysis**

ETF is requesting $130,500 and three project positions to review and recalculate the 675 duty disability cases remaining (it has completed the Coutts review and adjustment and three other cases appealed through the Wisconsin Retirement board). ETF estimates that each review will take 10 hours to complete. ETF is able to absorb supervisory costs, audit costs, and expenses associated with any resulting appeals.

Of the $130,500 requested, $99,200 is for project position salaries and associated fringe benefits costs. $22,500 is for space or furniture costs, $8,200 is for office supplies and services, and $700 for record retrieval.

| **Description** | **Budget – FY99** |
|---|---|
| Salary (3 FTE trust fund specialist 1 project positions) | $73,110 |
| Fringe benefits (35.72% agency rate) | $26,090 |
| Rent | $4,500 |
| Telephone, voice mail | $1,000 |
| Office supplies, printing/postage | $7,200 |
| 3 computers, furniture | $18,000 |
| DWD file retrieval | $700 |
| **Total personnel, supplies and services** | **$130,600 ($130,500 in original)** |

The department's estimate of 10 hours required to review each case is based on the review of Coutts and three other cases appealed to the Wisconsin Retirement Board. It is likely that as the specialists gain experience the average time per review will drop. However, given the current tight labor market the department may not be able to hire less than full-time employes.

The department may be able to provide space and office furniture for these project positions from current resources. Since August 1997 at least three trust fund assistant, specialist, or supervisor positions have been reported as vacant in PMIS reports. The space and furniture may be available for these three project positions. However, the agency is not able to provide adequate computers and monitors from existing resources. The computers cost $1,500 each, and the 21" monitors cost $2,100 each, or $3,600 for a complete system.

**Recommendation**

Modify the request. Provide $99,200 for salary and fringe benefits costs for three

FTE project positions, $10,800 for computers and monitors, and $7,900 for records retrieval, office supplies, printing and postage. Reduce the request by $12,700, or the cost of telephones, rent, and office furniture.

Prepared by: Dennis Presser
266-8777

STATE OF WISCONSIN
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**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 Request from the Department of Veterans Affairs for Building Expansion Costs.

## Request

The department requests the following fiscal year 1998-99 supplements: $62,800 SEG from the Committee's appropriation under s. 20.865(4)(u) to the appropriation under s. 20.485(2)(wd), operation of Wisconsin veterans museum; $138,700 SEG from the Committee's appropriation under s. 20.865(4)(u) to the appropriation under s. 20.485(2)(u), administration of loans and aids to veterans; $176,500 SEG from the Committee's appropriation under s. 20.865(4)(u) to the appropriation under s. 20.485(3)(s), general program operations; and $105,100 GPR from the Committee's appropriation under s. 20.865(4)(a) to the appropriation under s. 20.485(2)(c), operation of Wisconsin veterans museum, to cover additional rent, security and equipment costs related to the department's building expansion.

## Background

The Department of Veterans Affairs currently occupies and leases space at the 30 West Mifflin Street building for the basement, first floor, part of the second floor, and the fifth through the eighth floors. The basement, first floor and part of the second floor houses the Wisconsin Veterans Museum. The space on the fifth through the eighth floors is occupied by the department's central office and administrative staff that administers the department's programs and operations.

Last fall, the department was made aware by the landlord, Executive Management, Inc., that space located on the ninth floor of the building was to be vacated by the Department of Financial Institution and available for the department to lease. Since the department is implementing a reorganization and adjusting to the expansion of additional programs approved under 1997 Wisconsin Act 27, the department proposes to lease an additional 6,500 square feet of unoccupied space on the ninth floor to meet those needs.

Under 1997 Wisconsin Act 27, $100,000 general fund supported borrowing (GFSB) was authorized for the department's expansion of the Veterans Museum to the second floor of the building. The $100,000 was to be used by the department for the highest priority remodeling project for the museum.

**Analysis**

*Second Floor Museum Expansion*

The department completed its first phase of a planned expansion of the Veterans Museum in fiscal year 1997. The first phase relocated the museum's administrative offices from the basement to the second floor. The vacated basement space was used to provide storage for military artifacts, manuscripts and library holdings, in addition to the creation of a reading room for viewing the museum's manuscript collection.

The department indicates that the second phase of the museum expansion involves leasing an additional 4,427 square feet of space on the second floor for a multi-purpose room (2,700 square feet), a sales program inventory and storage area (500 square feet), and a circulation area (1,227 square feet). Since 1994, the museum has been hosting an annual lecture series that attracts between 100 to 350 individuals per presentation. There is currently no space available in the museum to host audiences of this size. The lectures and presentations have been held in the State Capitol or the State Historical Society. Usually following the presentations, receptions are held in which the audiences are encouraged to visit the museum, interact with historians giving lectures and visit the museum gift shop. The department indicates having a multi-purpose room to hold these events would allow better publicizing of the lecture series and potential for increased revenue from sales at the museum gift shop. In addition, school groups have requested classroom space for pre- and post-tour orientations as well as veterans and civic organizations interested in holding events at the museum.

The department also indicates that space needs have increased dramatically for both historical collections and retail storage for the museum gift shop. By moving the museum's store retail storage from the basement to the second floor, it will provide 500 square feet of space for collections storage. The additional space is necessary because the museum has been acquiring military history artifacts from the State Historical Society since 1995. The completion of the transfer is expected in 1999.

The department in its request indicated a need of $105,100 GPR to cover the costs of the additional 4,427 square feet of space to expand the museum operations. Currently, the department's rent and security costs at the museum are funded 100 percent GPR. The $105,100 GPR includes $72,100 GPR for rent and $1,400 GPR for security on the new square footage and $31,500 GPR for the increased rent associated with the cost of the improvements as applied to the entire leased space for the museum.

The department states that it will only utilize $30,000 of the $100,000 GFSB authorized under Act 27 for remodeling for the museum. The $30,000 will be used to comply with ADA requirements to provide access to the second floor of the museum by installing a doorway and lift from the main floor to the second floor. The department states the remaining $70,000 GFSB will not be used because the expansion would be delayed if the department needed approval by the State Building Commission to use the funds and the costs for furniture and equipment can be absorbed by the veterans trust fund. In addition, the department states that since the building is leased, the landlord will complete the renovations and include the costs of those improvements in the lease agreement, as was done for the first phase of the museum expansion.

The department in reviewing its figures determined that the one-time costs for furniture was incorrect and should instead reflect a need for $67,800 SEG (includes $6,800 on-going) instead of $62,800 SEG as originally requested.

*Nine Floor Expansion*

The department is requesting approval to lease an additional 6,500 square feet of unoccupied space on the ninth floor of the 30 West Mifflin Street building. The department indicates the expansion is necessary to accommodate the approval of a recent reorganization of its operations and functions in September 1997 and to provide additional space for programs approved under 1997 Wisconsin Act 27 such as the personal loan program and the transitional employment veterans program. Specifically, the additional space will be utilized by the department as follows: (1) to relocate the Office of Policy, Planning and Budget, a work group of the Division of Veterans Programs, and the purchasing and central office supply storage; (2) to create a consolidated information technology storage, assembly and testing function, multi-purpose training room, and conference room; and (3) to upgrade two existing rest rooms for handicapped accessibility.

The additional space will enable the department to reallocate space so work units remain together and original space is once again retained for employe break rooms and storage. To implement the reorganization, staff have been reassigned to new and existing work units and programs in which space is not available. Two additional staff will be assigned to the Office of Policy, Planning and Budget (OPPB) and will need to be relocated to the ninth floor in order to maintain all staff as one work unit. The department did request private office space on the ninth floor for OPPB staff, but the Department of Administration's Bureau of Space Planning and Leasing states that private offices are only allowed for bureau director or above positions. All other staff are required to use systems furniture. Therefore, the department's request will need to be modified to eliminate private offices for seven OPPB staff and replace with modular workstations.

One bureau director from the Bureau of Program Services and six staff members will be relocated from the seventh floor to the ninth floor. Two purchasing staff will relocate from the fifth floor to the ninth floor, in addition to the purchasing and central office supply storage. The office supply storage area was greatly reduced in past years to provide space for business needs. Relocation to the ninth floor of storage will enable veterans discharge and loan and grant records to be more integrated with new work flows for the records function on the fifth floor.

The ninth floor will also include the creation of a consolidated information technology operation. Currently, computer components are being stored in an inadequate, uncontrolled environment in the basement. The computer assembly and testing function has taken place in the employe break room on the fifth floor. Movement of these IT functions to the ninth floor will allow for a more efficient and controlled operation and will return the vacated space on the fifth floor to an employe break room as originally designed.

Also included in the department's approved reorganization and strategic business plan was a need for a training function. The ninth floor will include the creation of a multi-purpose conference room suitable with audio-visual equipment and training workstations. Six training workstations will be equipped with computer monitors and keyboards for desktop user training. The department anticipates the training room will be utilized by county veterans service officers and other state agencies.

As with the second floor renovations, the cost of the ninth floor renovations will be borne by the landlord and built into the monthly lease rate for both the new and existing space leased by the department.

The following table reflects the changes in funding necessary to implement the department's request for the ninth floor:

| | **Department's Request** | **DOA Recommendation** |
|---|---|---|
| Rent | $113,490 | $111,735 |
| Security | 2,210 | 2,210 |
| Original Space Increase (26,000 SF) | 17,420 | 10,400 |
| | | |
| One-time Costs for Furniture/Equipment | | |
| Training Room | 57,625 | 59,250 |
| IT Storage Area | 6,801 | 6,900 |
| Modular Workstations/Offices | 95,955 | 169,400 |
| Miscellaneous | 21,643 | 22,573 |
| | | |
| **Total:** | $315,144 | $382,468 |

The department's lease and equipment request will be funded from 40% from the veterans trust fund and 60% from the veterans mortgage loan repayment fund. The veterans trust fund has an ending cash balance of approximately $26 million and the veterans mortgage loan repayment fund has an ending cash balance of approximately $112 million. Thus, there is sufficient cash available to fund both the additional spaces with the museum and the expansion of the ninth floor.

**Recommendation**

Modify the department's request to include $105,100 GPR on-going (under appropriation s. 20.485 (2)(c)) for the museum's rent and security costs and $61,000 SEG one-time and $6,800 SEG on-going (under appropriation s. 20.485 (2)(wd)) for the museum's equipment costs.

Modify the department's request to include $168,300 SEG ($54,700 on-going and $102,200 one-time) under appropriation s. 20.485 (2)(u), and include $214,200 SEG ($69,600 on-going and $130,100 one-time) under appropriation s. 20.485 (3)(s) to fund the expansion to the ninth floor.

Prepared by: Pamela Henning
267-0371

STATE OF WISCONSIN
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**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 Request from the Department of Administration for Approval of the 1998 Oil Overcharge Plan.

## Request

In accordance with s. 14.065, the Governor requests approval of the Stripper XVIII Oil Overcharge Plan allocating a total of $1,590,426 ($745,244 of new Stripper funds and $845,182 of reallocated monies) to existing program and policy requirements in three previous Stripper oil overcharge plans.

## Analysis

A. Campaign to Keep Wisconsin Warm -- $700,000

This program will be used to supplement the local Low Income Home Energy Assistance Program (LIHEAP). The LIHEAP program provides grants to eligible low-income households to assist in their payment of heating utility bills. This project will seek matching funds from businesses, utility customers, community organizations and individuals throughout Wisconsin in order to increase the level of funding available to meet low-income crisis energy assistance needs.

B. Community Services Energy Efficiency Rewards -- $255,000

The existing Home Performance Rating Rewards Program will be expanded to include this program which will provide grants to eligible child care and community based residential facilities for energy efficient improvements. An independent contractor will be used to provide the energy rating services as well as issue the rewards.

C. Renewable Energy Assistance Program -- $200,000

The Renewable Energy Assistance Program (REAP) offers technical assistance and construction grants to firms and institutions wishing to build or convert to renewable energy systems in Wisconsin. This program has offered assistance to businesses, municipalities, state agencies, tribal governments and non-profit organizations.

D. Home Energy Rating/Energy Efficiency Financing -- $150,000

This program currently provides training and incentives for lenders, realtors, builders and homeowners. The energy rating system provides a uniform way to compare the energy efficiency of homes, as well as quantify the amount of energy efficiency improvements in a particular house.

This Stripper XVIII proposal will expand the program beyond the 15 county areas currently served (surrounding and including Milwaukee, Madison and Green Bay) to include the entire Fox Valley and possible the Janesville-Beloit areas.

E. Milwaukee Energy Efficient Housing Redevelopment -- $125,000

The purpose of this project is to provide low cost revolving loans to cover the costs of building or rehabilitating homes to energy efficient standards established by the DOA Energy Bureau. These loans will be distributed in conjunction with housing units in Milwaukee that are owned, sold or rented principally by low-income minorities or single parents in distressed neighborhoods which are being revitalized.

F. K-12 Energy Efficiency Program -- $50,000

This Wisconsin program provides teachers at all grade levels with real-world energy education activities for use with students in all subject areas. In the past, this program has created educational materials for grades K-12, and developed a college level educational course for teachers. The $50,000 of oil overcharge monies will pay for the course tuition and materials for approximately 227 of the 500 additional teachers taking this college course. Specifically, this funding will be directed toward paying the tuition of teachers who either have or anticipate having at least 35 percent of their class composed of minority students.

G. Environmental Monitoring of Energy Impacts -- $50,000

The purpose of this program is to monitor sensitive natural resources that may be affected by energy generating activities (including sulfur dioxide, nitrogen dioxide, and mercury in the air). Data collection efforts are used in studying the impact of electric generation on the environment as well as the evaluation of the effectiveness of existing pollution prevention and clean-up efforts. The Stripper XVIII program will provide the second year of state match for a potential three year annual $150,000 contribution by Wisconsin utilities in cooperation with the Electric Power Research Institute.

H. Institute for Environmental Studies Energy Education Partnership -- $50,000

This program gives graduate students at the Institute for Environmental Studies the opportunity to intern at the Energy Bureau on a part time basis. Working with the Energy Bureau exposes the student to a variety of real-world energy policy issues as well as the techniques used to address them. This program will continue the internship for an additional two years.

I. Energy Program Management -- $10,426 plus interest

This program allocates Stripper XVIII interest and residual monies to assist the Wisconsin Energy Bureau in continuing its mandated oil overcharge activities and to promote energy conservation in Wisconsin. (Past Stripper IV, XV, XVI, and XVII Oil Overcharge Plans have allocated interest and residual for this purpose).

J. Small Business Energy Efficiency Program -- Stripper XIV Modification

The focus of this program is currently limited to small businesses not served by a major utility. This modification will expand the number of businesses eligible for technical assistance in reducing their energy usage. Focusing this program on smaller businesses will bring resources to a market under-served by the utilities. As the electric utility industry progresses through deregulation, small businesses will need an increasing amount of assistance in meeting energy efficiency goals.

K. Milwaukee Low Energy Housing Redevelopment -- Stripper XVIII Program Reallocation

Funding is requested to be reallocated to this program from the following completed programs: Stripper I Business Energy Efficiency Incentive Program ($4,912); the Stripper V Fuel Saving Furnaces for Farmers Program ($4,856); the Stripper XVI Weyauwega Disaster Recovery Assistance Program ($834); and the Shamrock I Rental Energy Conservation Incentive Program ($12,247).

L. Community Services Energy Efficiency Rewards -- Stripper XVII Modification

$161,176 of funding for this program is requested to be reallocated from the Nursing Home Program. Additionally, other funding sources are reallocated to this program including: the Stripper VII Child Care Program ($18,006); the Community Residential Based Facilities Program ($74,619); and the Diamond Shamrock II Child Care Program ($794).

M. Campaign to Keep Wisconsin Warm -- Stripper XVII Modification

Because the Community Energy Demonstration Program has been completed, $28,015.68 of Stripper III funds will be reallocated to the Keep Wisconsin Warm Program. Also, $500,000 of Exxon LIHEAP monies will be reallocated.

N. Energy Center of Wisconsin -- Stripper XVIII Modification

Because the Fuel Saving Furnaces for Farmers Program has reached completion, the remaining $39,717.37 of Diamond Shamrock II Fuel Saving Furnaces for Farmers dollars is requested to be reallocated to the KEEP Program (see section F).

**Recommendation**

Approve the request. The following table summarizes the request.

| Program | Prior Funding (or Requests for Reallocation) | 1998 Request | 1998 Rec. |
|---|---|---|---|
| (1) Campaign to Keep Wisconsin Warm | 528,015.68 | 171,984.32 | 171,984.32 |
| (2) Community Services Energy Efficient Rewards | 254,597.79 | 402.21 | 402.21 |
| (3) Renewable Energy Assistance Program | | 200,000 | 200,000 |
| (4) Home Energy Rating/Energy Efficiency Financing | | 150,000 | 150,000 |
| (5) Milwaukee Low Cost Energy Housing Redevelopment | 22,851.33 | 102,148.67 | 102,148.67 |
| (6) K-12 Energy Efficiency Program | 39,717.37 | 10,282.63 | 10,282.63 |
| (7) Environmental Monitoring of Energy Impacts | | 50,000 | 50,000 |
| (8) IES Energy Education Partnership | | 50,000 | 50,000 |
| (9)Energy Program Management | | 10,426 *(plus interest)* | 10,426 *(plus interest)* |
| | | | |
| Totals: | 845,182 | 745,244 | 745,244 |

Prepared by: Michelle New 266-8593 Pamela Henning 267-0371

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11

**Date:** June 16, 1998

**To:** Members, Joint Committee on Finance

**From:** Mark D. Bugher, Secretary
Department of Administration

**Subject:** Section 13.10 Request from the Department of Corrections relating to approval for jail/prison contracts, transfer of funds from the Committee's reserves to cover jail/prison bed per diem and contact administration and increasing position authority

## Request

The Department of Correction (DOC) requests the following Committee action:

1. Approve an amendment to the existing 700-bed jail contract with Texas counties to add Upshur, Lamar and Henderson Counties and the City of Mansfield in FY99 which will add up to 540 beds at the current rate of $39.96 per day for a total of up to 1,240 beds in Texas.

2. Approve an amendment to the existing 1,200-bed prison contract with Corrections Corporation of America (CCA) to add 300 beds at the existing prison in Hardeman County Tennessee and 480 beds at CCA's Sayre Correctional Facility in Sayre, Oklahoma in FY99 at the current rate of $42 per day for a total of 1,980 contract beds with CCA.

3. Approve DOC's negotiation of a 200-bed contract in FY99 for women with the Virginia Department of Corrections at the Fluvanna Correctional Center for Women in Troy, Virginia at a rate of $60 per day.

4. Approve an increase of 4.0 FTE GPR positions in FY99 to administer new and existing jail/prison contracts.

5. Approve the following appropriation transfers to fully fund the 2,785 existing contract beds, partially fund the contracts for 1,520 additional beds, fund the additional 4.0 FTE positions and fund transportation and administration of contracts in FY99:

| From | To | Amount |
|---|---|---|
| 20.865 (4) (a) | 20.410 (1) (ab) | $15,207,700 |
| 20.410 (1) (m) | 20.410 (1) (ab) | 821,800 |
| 20.410 (1) (b) | 20.410 (1) (ab) | 6,185,200 |
| 20.410 (1) (d) | 20.410 (1) (ab) | 1,600,000 |
| 20.410 (1) (a) | 20.410 (1) (ab) | 400,000 |
| 20.410 (1) (m) | 20.410 (1) (a) | 378,200 |
| **Total** | | **$24,592,900** |

**Background**

On September 26, 1996, the Joint Committee on Finance (JCF) approved a one-year agreement, with options for one-year extensions, between the Texas counties of Hood, Johnson, Palo Pinto and Commanche and DOC to provide 700 beds for Wisconsin inmates at a cost of $39.96 per inmate per day. With subsequent changes approved by the Committee, the participating Texas counties for FY99 are Palo Pinto, Comanche, Red River, Titus, Franklin, Morris, Van Zandt and Bowie.

1997 Act 27 authorized DOC to contract with private prisons in other states. On March 5, 1998, the Committee approved a one-year agreement, with an option for 2 one-year extensions between CCA (a private provider) and DOC for 1,200 beds for Wisconsin inmates in Hardeman County, Tennessee at a cost of $42 per inmate per day.

1997 Act 27 provided $33,093,500 GPR in FY99 to contract for 2,785 jail/prison beds. Additionally, $15,000,000 GPR was placed in the Committee's supplemental biennial appropriation to accommodate inmates who might otherwise have been placed in the Intensive Sanctions program, which was capped at 1,600 at the September 1996 s. 13.10 meeting. Act 27 requires DOC to reallocate funds from the existing Intensive Sanctions program to fully fund these contracts. Due to delays in negotiating new contracts, all of the $15 million in the Committee's appropriation is available for contract beds in FY99.

The 1997-99 Biennial Budget projected an inmate average daily population of 15,308 for FY98 and 17,873 for FY99. (This does not include the additional population anticipated as a result of capping the Intensive Sanctions program for which $15 million was added).

**Analysis**

Population projections and factors affecting need for beds.

Based on actual prison population through June 12th, 1998, the average daily population projection for all of FY98 is 14,966 compared to the 15,308 projected for FY98 in the 1997-99 budget. However, the actual growth may be difficult to project for FY99 because weekly population growth accelerated from an average of 24 inmates per week in the first quarter of FY98 to 79 per week in the 4th quarter of FY98. This compares to an average population growth of 32 per week in the 1995-97 Biennium.

The following factors contributes to the accelerating increase of prison population:

- Community supervision of Intensive Sanctions inmates decreased from 1,648 in July 1997 to 635 on June 12, 1998. Since Intensive Sanctions is an alternative to incarceration, these inmates are most likely to remain in prison.
- Probation and Parole (P&P) holds and alternatives to revocations held in prisons increased from 206 in January 1997 (When data reporting began) to 358 on June 5, 1998 primarily due to the lack of beds in the Milwaukee County jail for holding P&P violators.
- The number of inmates released by the Parole Commission declined from a monthly average of 286 in FY97 to approximately 100 in April 1998.

These factors are likely to have a significant impact on the inmate population in FY99. DOC is continuing to reduce the Intensive Sanctions program to an average daily population of 200 during FY99, which could add approximately 750 to the inmate population. The Milwaukee P&P hold situation will probably not change until the 400-bed House of Corrections addition is completed in April 1999 which will provide 300 beds for P&P holds and remove most P&P holds from prisons. Changes at the Parole Commission are difficult to predict; however, if the number of releases stabilize at less than 175-200 a month, this could increase the need for additional beds by 1,200 by the end of FY99. The total impact of these factors could increase the need for additional contract beds by approximately 2,000 in FY99.

Currently Wisconsin prisons are operating at 131% of capacity, which falls within the operating range of 122% to 140% for the last 6 years.

<u>Existing and requested contract beds.</u>

The following table identifies existing contracts and contract increases requested by DOC for FY99:

| Location | Per diem | Existing Contract beds | Requested Contract beds | Total |
|---|---|---|---|---|
| Minnesota (Federal Prison) | $42.00 | 300 | | 300 |
| Oklahoma | 42.00 | | 480 | 480 |
| Texas | 39.96 | 700 | 540 | 1,240 |
| Tennessee | 42.00 | 1,200 | 300 | 1,500 |
| Virginia (Women) | 60.00 | | 200 | 200 |
| Wisconsin (Prairie du Chien) | 66.00 | 300 | | 300 |
| Wisconsin (Counties) | 60.00 | 285 | | 285 |
| **Total** | | **2,785** | **1,520** | **4,305** |

The FY99 cost of funding the existing contracts for 2,785 beds is $50,195,460, which can be covered by DOC's existing appropriations and the supplement in the Committee's appropriation reserves for contract beds. The Committee's supplemental funding and reallocation of existing funds within DOC are insufficient to fund all of the additional 1,520 beds requested.

Assuming that the inmates are phased into the new contract beds over the first three months of FY99, the total cost, including the cost of existing contracts, is $70,468,700. This cost exceeds the funding available from all sources by $12,982,300. The following shows the costs, source of funds and funding shortfall:

| **Source of funds** | **FY99** |
|---|---|
| DOC Appropriation for contracting [20.410(1)(ab)] | $33,093,500 |
| Reallocation from Intensive Sanctions program | 8,185,200 |
| Reallocation from federal grant | 1,200,000 |
| Shift FY98 funds in 20.410(1)(ab) to FY99 | 207,700 |
| Supplement from JCF reserved for DOC [20.865(4)(a)] | 15,000,000 |
| **Total funds available** | **$57,686,400** |
| Total cost of existing and requested contracts | $70,468,700 |
| **Funding shortfall** | **$12,982,300** |

Of the total funds available ($57,686,400) after the existing contracts are funded ($50,195,460), $7,490,940 remains available to fund new contract beds and administration and transportation related to the contracts. This level of funding will only support 600 of the 1,520 new beds requested. However, the State Budget Office has identified the following additional funds which are not needed for the purpose for which appropriated and could be reallocated to DOC to pay for additional beds:

| **Source** | **From** | **To** | **Amount** |
|---|---|---|---|
| DWD General Program Operations[1] | s. 20.445(3)(a) | s. 20.410(1)(ab) | $3,046,600 |
| JCF reserves for DWD KIDS system[2] | s. 20.865(4)(a) | s. 20.410(1)(ab) | 338,500 |
| **Total** | | | **$3,385,100** |

Notes: (1) These funds were originally budgeted in FY98 in the Department of Workforce Development for the development and enhancement of the KIDS information system, but will not be needed for that purpose in FY98. The JCF could transfer these funds to DOC to partially cover FY99 costs.

(2) These funds are currently held in the JCF reserves for the KIDS information system in FY98, but will not be needed for that purpose. The JCF could transfer these funds to DOC to partially cover FY99 costs.

Combining these and DOC's remaining funds, the total of $10,876,040 will support 880 new contract beds as follows:

| Location | Per diem | Recommended Contract beds | FY99 Costs |
|---|---|---|---|
| Oklahoma | 42.00 | 480 | $6,020,200 |
| Tennessee | 42.00 | 300 | 3,439,800 |
| Virginia (Women) | 60.00 | 100 | 1,416,000 |
| **Total** | | **880** | **$10,876,000** |

Contracts or contract changes submitted for approval.

The only change DOC requests to the Texas Counties contract would add up to 540 more beds and add or delete specific counties. All other provisions remain the same. Since this contract only provides for up to 540 beds and is contingent upon the availability of beds and appropriated funds, it could be approved without obligating DOC to use the beds and incur additional costs at this time.

The change DOC requests to the CCA contract would add 300 beds in Tennessee and 480 beds at a new CCA prison in Oklahoma. Under this contract DOC is obligated to transfer the fixed number of 780 inmates to CCA facilities, subject only to the availability of funds. Although funding reallocations proposed by DOC are insufficient to fully fund this contract change, $3,385,100 GPR in the Department of Workforce Development which is unneeded and would otherwise lapse in FY98 could be transferred to DOC in FY99 to cover the unfunded portion of this request. A slower phase-in of population in the first two months of the contract would be necessary to remain within the funding available.

DOC requests approval of a new contract with the Virginia DOC which would provide a fixed number of 200 beds for women. This contract, which is currently under negotiations, would have provisions similar to the DOC contract with CCA. Since funding is insufficient to fund all of the requested beds, this contract could be approved for 100 beds which would correspond to approximately the same percentage of reduction of overcrowding as in the male prisons.

Administration and transportation.

DOC requests $378,200 for 4.0 FTE positions for administration, contract monitoring and inmate transportation. These positions would add to an existing contract management section which would consist of the following 12 positions, 5 of which were recently added in the budget adjustment bill:

| Position | Authorization | FTE |
|---|---|---|
| Registrar | 9/26/96 s. 13.10 | 1.0 |
| Contract specialist | 9/26/96 s. 13.10 | 1.0 |
| Program assistant | 9/26/96 s. 13.10 | 1.0 |
| Contract specialist for health care services and facilities | 1997 Act 768 | 1.0 |
| Records clerk | 1997 Act 768 | 1.0 |
| Offender classification specialist | 1997 Act 768 | 1.0 |
| Program assistant | 1997 Act 768 | 1.0 |
| Transportation and movement coordinator | 1997 Act 768 | 1.0 |
| Contract specialist | Requested | 3.0 |
| Program assistant 2 | Requested | 1.0 |
| **Total** | | **12.0** |

Assuming the number of new contract beds would be scaled back from 1,520 to 880 and the new positions authorized in the Budget Adjustment Bill have not been hired, it is difficult to determine the staffing needs for the contract monitoring unit. The workload could be better justified after all of the currently authorized positions are filled and functioning as a monitoring unit.

If the number of beds under the Texas contract is not increased, the only inmate travel would be related to the Virginia DOC contract because in the only other contract (with CCA) inmate travel is included as part of the per diem. Under this assumption inmate transportation can be reduced from $109,800 to $22,700.

**Summary:** DOC is requesting approval to amend contracts with Texas Counties and CCA to add 1,320 beds to the existing contracts and add a new contract for 200 beds for women with the Virginia DOC. DOC is also requesting approval for 4.0 FTE positions and funding to administer/monitor the additional contracts and the reallocation of $24,592,900 from existing DOC appropriations and JCF supplemental appropriations to partially fund the requests. The total cost of the DOC request is $37,375,200, which exceeds the available funds by $12,982,300. The State Budget Office has identified $3,385,100 GPR in additional funding that could be reallocated to fund additional beds. To remain within the available funding, the contract with CCA could be increased by 780 beds (300 in Tennessee and 480 in Oklahoma) but phased in slower during the months of August and September. The new contract with the Virginia DOC for women could be approved for only 100 beds instead of the 200 beds requested. In addition, DOC could be authorized to enter into a flexible arrangement with Texas for an additional 540 beds in the event that additional funds are identified at a later date to fund these beds. The funding for inmate travel could be reduced to $22,700. The additional staffing for administration should be denied until the need for additional positions can be evaluated after the new positions authorized in the Budget Adjustment Bill are on board.

This level of funding and number of contract beds could be reviewed at the end of the first quarter of FY99 to determine the impact of changes to Intensive Sanctions and Parole Commission releases.

On June 12, 1998, DOC requested the following amendment to the original request:

- Increase the contract with CCA by another 720 beds in Sayre County, Oklahoma.
- Amend the contract with Texas Counties by adding Navarro County with another 80 beds.
- Approve an additional 1.0 FTE GPR position for contract monitoring and $66,800 GPR for salaries, other administrative costs and inmate transportation to Texas.

No additional funds are available to support this amendment to the original request. This would increase the funding shortfall from $9,597,200 to $19,448,000 to support the additional 520 beds requested. Since funding was insufficient to fund all of the beds in the original request, this addition to the request should also be deferred until the trend in inmate population increases are more clearly defined with additional data.

**Recommendations**

1. Approve the changes in participating counties in the Texas Counties contract and increase the contract by up to 540 beds. Under the existing contract, this would not obligate DOC to use any of the additional beds. No increase in funding would be authorized, but the beds would be available as an alternative placement if needed.

2. Approve an increase of 300 beds in Tennessee and 480 beds in Oklahoma in the existing contract with CCA.

3. Approve DOC's negotiation of a contract with the Virginia DOC for 100 beds for women at the Fluvanna Correctional Center for Women, Troy Virginia, at a rate of $60 per day. Request the Committee's approval to submit the finalized contract under 14-day passive approval after both parties sign the contract.

4. Approve funding of $22,700 for inmate transportation related to contract beds. Deny the additional 4.0 FTE GPR positions until the existing staffing for the contract monitoring unit is fully implemented and the efficiency of the unit can be evaluated.

5. Authorize DOC to submit changes to the approved contracts to the JCF for 14-day passive approval if the total number of beds and total cost does not exceed the amounts authorized by the JCF at this meeting.

6. Approve the following appropriation transfers to reflect the additional funding needed for the above recommendations:

| From | To | Amount |
|---|---|---|
| 20.865 (4) (a) | 20.410 (1) (ab) | $15,207,700 |
| 20.410 (1) (m) | 20.410 (1) (ab) | 1,163,800 |
| 20.410 (1) (b) | 20.410 (1) (ab) | 6,185,200 |
| 20.410 (1) (d) | 20.410 (1) (ab) | 1,600,000 |
| 20.410 (1) (a) | 20.410 (1) (ab) | 400,000 |
| 20.410 (1) (m) | 20.410 (1) (a) | 22,700 |
| 20.445 (3) (a) (from KIDS) | 20.410 (1) (ab) | 3,046,600 |
| 20.865 (4) (a) (from KIDS) | 20.410 (1) (ab) | 338,500 |
| **Total** | | **$27,964,500** |

Prepared by: Roger Fetterly
266-2213

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864

*Date:* June 16, 1998

*To:* Members, Joint Committee on Finance

*From:* Mark D. Bugher, Secretary
Department of Administration

*Subject:* Section 13.10 Request from the Department of Corrections for Serious Juvenile Offender.

## Request

The Department of Corrections (DOC) requests a one-time transfer in FY98 of $1,496,200 GPR from appropriation s. 20.410 (1) (ab) Intergovernmental Corrections to s. 20.410 (3) (cg) Serious Juvenile Offender. The transfer would cover a deficit that has been incurred in the department's Division of Juvenile Correction's Serious Juvenile Offender appropriation.

## Background

The Serious Juvenile Offender Program (SJOP) was created under 1995 Act 27, the 1995-97 biennial budget act. A juvenile is subject to a SJOP placement for certain acts committed on or after July 1, 1996, as follows: (a) if the juvenile is 14 years of age or over and has been adjudicated delinquent for committing a delinquent act that is equivalent to a Class A or B felony; or (b) the juvenile is 10 years of age or over and has been adjudicated delinquent for attempting or committing first-degree intentional homicide or for committing first-degree reckless homicide or second-degree intentional homicide. A SJOP disposition may only be made for these juveniles if the judge finds that the only appropriate disposition is placement in a secured correctional facility. For a juvenile receiving a disposition as a Serious Juvenile Offender, the court is required to make the order apply for a period of five years if the adjudicated act was a Class B felony offense, or until the juvenile reaches 25 years of age if the adjudicated act was a Class A felony.

Prior to July 1, 1996, the state was required to fund the correctional costs of: (a) violent juvenile offenders who committed one of six violent felony offenses; and (b) persons over the age of 19 who had committed one of four violent felony offenses and were placed in either a juvenile correctional institution or a prison under the extended jurisdiction of the juvenile court. Counties were required to pay the costs of all other juveniles placed in state-operated correctional facilities and the costs of state-provided aftercare for all juveniles, including violent offenders released from juvenile correctional institutions.

Under current law, all components of an SJO disposition are state funded with GPR; counties have no financial responsibility for a juvenile placed in SJOP. The SJOP is funded under a stand-alone, GPR appropriation and is authorized to pay the costs of: (a) the care of juveniles, including aftercare services, who have been adjudicated as serious juvenile offenders; (b) the care of juveniles waived into adult court and sentenced to state prison, but placed by DOC at a secured juvenile correctional facility or a secured child caring institution; (c) correctional or aftercare services for juveniles adjudicated as violent juvenile offenders for certain offenses committed prior to July 1, 1996; and (d) correctional or aftercare services for juveniles under extended jurisdiction orders prior to July 1, 1996.

1997 Act 27, the 1997-99 biennial budget act, provided that any unencumbered balance from the Serious Juvenile Offender appropriation each fiscal year be transferred to the Community Youth and Family Aids appropriation, for supplemental distribution to counties by the Department of Corrections.

## Analysis

1997 Wisconsin Act 27 provided a total of $6,569,600 in FY98 for the Serious Juvenile Offender appropriation. Funding for this appropriation was determined by projecting the estimated number of juveniles funded by the SJO appropriation and multiplying that number by the statutory daily rates for placement in secured correctional facilities, corrective sanctions, alternate care and aftercare.

The following table details the estimates used in determining funding for this appropriation for both fiscal years:

| | | FY98 | FY99 |
|---|---|---|---|
| **Secured Correctional Facilities** | SJO | 89 | 154 |
| | Violent/waived/extended | 15 | 0 |
| | *Subtotal* | *104* | *154* |
| **Corrective Sanctions** | SJO | 1 | 31 |
| | Violent/waived/extended | 11 | 9 |
| | *Subtotal* | *12* | *40* |
| **Alternate Care** | SJO | 1 | 10 |
| | Violent/waived/extended | 4 | 0 |
| | *Subtotal* | *5* | *10* |
| **Aftercare** | SJO | 1 | 10 |
| | Violent/waived/extended | 35 | 28 |
| | *Subtotal* | *36* | *38* |

While the ADP for juveniles in secured correctional institutions was predicted at 104 for FY98, DOC indicates the actual ADP for FY98 is expected to be 134. The ADP for the field populations (corrective sanctions, alternate care and aftercare) was projected in 1997 Act 27 at 53. DOC indicates the ADP for field populations for FY98 is expected to be 36.

While the ADP for the juveniles in the field is down from what was budgeted, the resulting saving does not offset the costs associated with higher than budgeted ADPs in the secured correctional facilities. The following illustrates the costs and savings associated with the budgeted versus expected ADPs for FY98 only:

| | Budgeted ADP | Projected ADP | Budgeted Cost | Projected Cost |
|---|---|---|---|---|
| JCI | 104 | 134 | $ 5,710,702 | $ 7,380,563 |
| Corrective Sanctions | 12 | 4 | $ 386,264 | $ 123,078 |
| Alternate Care | 5 | 8 | $ 249,425 | $ 412,538 |
| Aftercare | 36 | 24 | $ 223,088 | $ 149,621 |
| **Total:** | 157 | 170 | $ 6,569,479 | $ 8,065,800 |
| Less Budgeted Cost: | | | | $(6,569,600) |
| **13.10 Request:** | | | | **$1,496,200** |

Some of the discrepancy between the budgeted and projected ADPs stems from the assumption that the juveniles under the old Violent Juvenile Offender program, and waived or extended dispositions would be released from the secured institutions sooner than what is actually occurring. This occurrence would cause fewer juveniles in the field populations and more remaining in the institutions, thus increasing the ADP for the more expensive secured correctional institutions. In addition, although the difference between the budgeted and projected ADP for alternate care is relatively minor, it does result in a significant deficit in program funding for that area.

This appropriation is funded at $10,813,200 in FY99. DOC indicates that based on current trends, they are not expecting a deficit in FY99.

## Recommendation

Approve the request of the Department of Corrections for a one-time transfer in FY98 of $1,496,200 from appropriation s. 20.410 (1) (ab) Intergovernmental Corrections to s. 20.410 (3) (cg) Serious Juvenile Offender in order to offset a projected deficit in this appropriation.

Prepared by: Anthony Fiore, State Budget Office
266-8270

**Legislative Fiscal Bureau**
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 16, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Military Affairs: 14-Day Passive Review Notification and Request for Supplemental Funds for the Extension of Two Regional Emergency Response Teams Contracts

## INTRODUCTION

On June 5, 1998, the Department of Military Affairs, Division of Emergency Management (Division) submitted a 14-day passive review request under s. 166.215(5) of the statutes, to the Joint Committee on Finance. Section 166.215(5), as created under 1997 Wisconsin Act 27, requires the State Emergency Response Board (SERB) or the Division to notify the Committee, under a 14-day passive review process, of any funding commitments it is entering into before it agrees to any renewed, new or extended contracts with hazardous materials regional response teams. In addition, the statute provides that as part of the notification, SERB or the Division may request additional funding for any such contracts, if necessary.

The Division's 14-day passive review submission includes: (1) a notification of its intent to extend Superior's and Wausau's hazardous materials regional response teams (level A teams) contracts for an additional two fiscal years (through 1999-2000); and (2) a request for a supplementation of $274,100 GPR in 1998-99 from the Committee's s. 20.865(4)(a) appropriation to fund the additional costs of extending these two contracts.

This memorandum provides general background information to members of the Committee as they consider the Division's request. This request will be approved on June 25, 1998, unless there is an objection to the proposal and it is scheduled for a meeting under s. 13.10 of the statutes.

## BACKGROUND

Provisions of 1991 Wisconsin Act 104 created requirements for the establishment of no fewer than seven and no more than nine level A teams to respond to level A hazardous releases in the state. Level A hazardous releases are generally defined as the release of a hazardous substance that necessitates the highest level of protective equipment for the skin and respiratory system of emergency response personnel. To date, the SERB has established contracts with eight regional response teams (Superior, Appleton/Green Bay, Madison, Milwaukee, Racine, Wausau, Eau Claire/Chippewa Falls and Oshkosh/Manitowoc/Sheboygan). Under 1997 Wisconsin Act 27, effective July 1, 1998, the SERB is repealed and its duties, including contracting with regional response teams, will be transferred to the Division.

The terms of the eight contracts differ due to varying commencement and expiration dates. The contracts with Superior and Wausau will be the first to expire on June 30, 1998. The Division intends to extend the level A team contracts with Superior and Wausau for two fiscal years, until June 30, 2000. The current negotiated annual GPR payments for each contract are as follows: (1) $200,000 in 1998-99 and $178,000 in 1999-2000 for Superior; and (2) $127,473 in 1998-99 and $130,301 in 1999-2000 for Wausau. Under the regional emergency response team appropriation [s. 20.465(3)(dd)], $1.4 million GPR annually is appropriated to fund all level A team contracts.

The following table shows the eight response teams, the term and expiration date of each contract and the contracted funding for three fiscal years.

| | Contract Term/Years | Exp. Date | 1997-98 | 1998-99 | 1999-00 |
|---|---|---|---|---|---|
| Superior | 5 | 6/30/98 | $150,000 | $200,000 ** | $178,000 ** |
| Oshkosh/Manitowoc/Sheboygan | 5 | 6/30/99 | 150,000 | 150,000 | *** |
| Appleton/Green Bay | 5 | 6/30/99 | 170,000 | 100,000 | *** |
| Madison | 5 | 6/30/00 | 225,000 | 300,000 | 300,000 |
| Milwaukee | 4.5 | 6/30/99 | 300,000 | 300,000 | *** |
| Racine | 5 | 6/30/00 | 200,000 | 275,000 | 185,000 |
| Wausau | 4 | 6/30/98 | 23,810 * | 127,473 ** | 130,301 ** |
| Eau Claire/Chippewa Falls | 5 | 6/30/00 | 181,190 | 221,675 | 250,000 |
| Total | | | $1,400,000 | $1,674,148 | $1,043,301 |

*Total funding was $160,155 for 1997-98 of which $136,345 was carried forward from previous years.
**Pending JFC approval.
***Contracts expire.

For 1997-98 (and all previous years for which the program has operated) funding has remained within the current appropriation level. If the Committee were to approve the negotiated contracts for 1998-99, the current appropriation of $1.4 million would need to be increased by

$247,148. The Department asks that this amount be funded from the Committee's supplemental appropriation.

**ISSUES**

There are two primary issues which the agency's request presents. The first concerns the level of funding and the second concerns the length of the contracts.

Funding. The additional funding requested by the Division would come from the unreserved balance of the Committee's GPR appropriation. To date, there is $443,000 GPR remaining in the unreserved balance of this biennial appropriation. If the Division's request for additional funding of $274,100 GPR is approved the remaining unreserved balance of the Committee's GPR appropriation would be $168,900 for the biennium. However, given the number of s. 13.10 submissions for Committee's June 23, 1998, meeting and the number that will undoubtedly be submitted in 1998-99, it is quite likely that there will not be sufficient funding to grant the Division's request and all others from that portion of the Committee's appropriation.

Contract Length. As shown in the table, the contracts end at various times. The agency seeks approval of a two-year contract with Wausau and Superior (to June 30, 2000) and has indicated its intent to structure all contracts to expire on June 30, 2000. From a legislative budgetary standpoint, there would be an advantage to ultimately having all of the contracts expire at the end of the state's fiscal biennium rather than at the end of the even-numbered year.

Unless an objection is raised, the agency's request for approval of the Superior and Wausau contracts, funded by $274,100 GPR from the Committee's appropriation will be approved on ~~July~~ June 25.

TC/lah

State of Wisconsin
**Department of Health and Family Services**

Tommy G. Thompson, Governor
Joe Leean, Secretary

June 17, 1998

The Honorable Tim Weeden
Senate Co-Chair, Joint Committee on Finance
1 East Main St., Room 230
Madison, WI 53702

The Honorable John Gard
Assembly Co-Chair, Joint Committee on Finance
Room 315 North, State Capitol
Madison, WI 53702

Dear Senator Weeden and Representative Gard:

I am withdrawing the June 1 request to the Joint Finance Committee to transfer under its s. 13.10 authority $1,482,300 GPR from the Department's Medical Assistance appropriation to the Department's Milwaukee Child Welfare Services appropriation for the purpose of providing services to parents in Milwaukee County whose children have been temporarily removed from their homes for child welfare reasons and who have become ineligible for Medical Assistance. We will be resubmitting this request at a future s. 13.10 meeting.

Sincerely,

Joe Leean

Joe Leean
Secretary

cc: Mark Bugher
Rick Chandler
Tilli de Boor
Dan Caucutt
Robert Lang
Charlie Morgan
John Kiesow
Dick Lorang
Susan Dreyfus
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**Legislative Fiscal Bureau**
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

June 18, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Materials for the Committee's June 23, Section 13.10 Meeting

Attached are papers, prepared by this office, on those items which are scheduled for the Committee's June 23 meeting under s. 13.10.

The meeting is scheduled for 10:00 a.m. on the first floor of 119 Martin Luther King, Jr. Blvd.

BL/lah
Attachments

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
MARK D. BUGHER
SECRETARY

Mailing Address:
Post Office Box 7868
Madison, WI 53707-7868

June 19, 1998

The Honorable Timothy Weeden
Joint Committee on Finance
1 East Main Street, Suite 203
Madison, WI 53703

Dear Senator Weeden:

I appreciate the opportunity to meet with your Legislative Aide, Greg DiMiceli, on your behalf to discuss Governor Thompson's 1998 Oil Overcharge Plan which will be considered by the Joint Committee on Finance during its next meeting. Thank you for your willingness to hear our perspectives. Your support of the Governor's 1998 Oil Overcharge Plan is very much appreciated.

Mr. DiMiceli asked whether teachers who complete training on the KEEP (K-12 Energy Education Program) curriculum, get continuing education credit. This is what we learned:

> Wisconsin teachers are licensed for 5 years. For a teacher to renew that license, they must take 6 graduate credits in that 5-year period. KEEP counts as one graduate credit toward fulfilling these 6 graduate credits. The credit comes from the University of Wisconsin-Stevens Point and counts exactly like the credit was earned on campus. If the program was taken by someone working for their teacher's certificate, it would also count as one credit toward that certificate or degree.

Just let us know if we can provide additional information. I may be reached at (608) 266-7257.

Sincerely,

**NATHANIEL E. ROBINSON, ADMINISTRATOR**
Division of Energy and Intergovernmental Relations

cc: Mark D. Bugher, Secretary
Department of Administration

George Lightbourn, Deputy Secretary
Department of Administration

Linda Seemeyer, Executive Assistant
Department of Administration

Patrick E. Meier, Director
Wisconsin Energy Bureau

Greg DiMiceli, Legislative Aide
Office of Senator Timothy Weeden

G:\oo\1998\thkstaff

**Tommy G. Thompson**
Governor

**Michael J. Sullivan**
Secretary

# State of Wisconsin
# Department of Corrections

Mailing Address
149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471

June 22, 1998

The Honorable Timothy Weeden, Co-Chair
The Honorable John Gard, Co-Chair
Joint Committee on Finance
1 East Main Street, Room 230
Madison, WI 53707-7882

Dear Senator Weeden and Representative Gard:

If the Committee approves either option 3 or 4 of the alternatives presented in the Legislative Fiscal Bureau summary of the § 13.10 request on contract bed approval, the Department would have to come back to the Committee to identify the specific beds. Due to the fact that the Department is facing a crisis, I am requesting that the Committee approve specific beds today.

If the Committee chooses to transfer $24,147,900, the amount originally identified by the Department, and approves some level of staffing, the Department would have approximately $57.2 million to spend on contract beds in FY 99. $47.3 million is needed for beds that have already been authorized leaving a balance of $9.96 million for the new beds. Given this scenario, the Department is requesting approval of 300 beds in Oklahoma and 300 in Tennessee at a cost of $8.9 million and the remaining $1 million be reserved until acceptable contract beds for women can be located.

If the Committee approves the additional $3,385,100 that the Department of Administration has identified and $388,900 the Legislative Fiscal Bureau identified, the additional funds would support approximately 250 or 300 more beds depending on the date of approval. The Department requests approval of these beds through certification by the Co-chairs.

Thank you for your consideration.

Sincerely,

Michael J. Sullivan

Michael J. Sullivan
Secretary

connecting Wisconsin to the world

WTBA

# Wisconsin Transportation Builders Association

1 South Pinckney Street, Suite 818
Madison, WI 53703

Phone: 608.256.6891 ◆ Fax: 608.256.1670
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June 22, 1998

Senator Tim Weeden, Senate Co-Chair
Joint Committee on Finance
Room 203
1 East Main St.
Madison, WI 53702

Dear Senator Weeden:

After reviewing the papers for tomorrow's 13.10 hearing, we would like to request your consideration of the following request.

We are recommending that the entire $375,000 state match for the new State Infrastructure Bank Pilot Program be taken from the FY 98 appropriation for the State Highway Improvement Program.

Taking some of these funds from FY 99 would reduce base Rehabilitation funding unnecessarily, since the match to federal funds will be provided by September 30, 1998 in either case.

We are also becoming more and more concerned with the continuing trend to add to the projected ending deficit in the Transportation Fund, as well as the seeming "automatic" conclusion that the way to pay for that deficit is to use federal funds that should be going to increase STH investment in the face of unmet needs.

In effect, every new cost is simply that much less for STH Rehabilitation.

Thank you for your consideration of our position.

Sincerely,

Tom Walker

Tom Walker
Executive Director

CC: Kurt Bechthold, President
Eric Petersen

Sen. Weeden 203 1 E. Main

**Scott Walker**
Wauwatosa's Representative in the Wisconsin State Assembly

# MEMORANDUM

**To:** Members, Joint Committee on Finance

**From:** Rep. Scott Walker
Chair, Assembly Committee on Corrections Facilities

**Date:** June 22, 1998

**Re:** DOC's §13.10 request

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Earlier this year, the Assembly Committee on Corrections Facilities held a public hearing with Department of Corrections Secretary Michael Sullivan. Our public hearing was held on the status of Wisconsin inmates being held in Texas county jails and on the general issue of the rising inmate population. We were pleased to hear of DOC's progress on a number of concerns raised during our trip to Texas in September 1997. At the same time, we were concerned to hear of the increases in the prison population and asked the department to search for new prison beds.

The amended §13.10 request before you today is the product of the good work done by DOC to find space to put those inmates. As noted, the current prison population is 16, 282 (as of June 19th) and the operating capacity for the system (with current contract beds) is 12,458. New admissions to the system during the first four months of 1998 have averaged 602 per month compared to 519 during the same time period in 1997.

Contrary to conventional wisdom, the percentage of releases has actually gone down. This factor, along with increases in the number of admissions, has created an average monthly increase of 173 in the prison population, compared to 151 in 1997. At this pace, the department projects that the state will reach an inmate population of 17,000 by this December, and 18,000 by June 1999. This does not account for the impact of 1997 Wisconsin Act 283 (Truth-in-Sentencing) on the prison population.

With this in mind, we must approve the department's §13.10 request for 2,020 new contract beds. Except for the new beds for female inmates, the average daily cost per inmate at each facility is lower than the $53.51 average in Wisconsin.

In summary:

- **Oklahoma**: Send 1,200 new inmates to Corrections Corporation of America (CCA) prison facility in Sayre County, Oklahoma at a daily cost of $42 per inmate.

- **Texas Contracts**: Add 620 new inmates to the 700 currently held at 8 county jails in Texas (addition of four counties and City of Mansfield Jail) at a daily cost of $39.96 per inmate.

P.O. Box 8953, State Capitol, Madison, WI 53708-8953 • (608) 266-9180 • Message Hotline: 800-362-WISC (9472)
2334 N. 73rd Street, Wauwatosa, WI 53213 • (414) 258-1086

- **Virginia**: Send 200 new female inmates to a State of Virginia prison facility in Troy, Virginia at a daily cost of $60 per inmate.

- **Tennessee**: Add 300 to the 1,200 inmates at the CCA prison facility in Hardeman County, Tennessee at a daily cost of $42 per inmate. (*note: 1,500 beds were approved as part of Act 27, but DOC was just recently able to find the space for the additional 300. Currently, 397 Wisconsin inmates are at the site with 800 additional scheduled to be on site by late July.)*

This is a prudent plan that keeps dangerous inmates locked up, protects DOC personnel and saves taxpayer money. We must deal with massive overcrowding now, before the impact of Truth-in-Sentencing kicks in at the end of next year.

Thank you for your interest in this important issue.

State of Wisconsin
**Lieutenant Governor**

**Scott McCallum**
Lieutenant Governor

State Capitol, Room 22 East • Madison, Wisconsin 53702
608/266-3516 Fax 267-3571

June 22, 1998

The Honorable Timothy Weeden, Co-chair
Joint Committee on Finance
1 East Main Street, Room 203
Madison, Wisconsin 53707-7882

The Honorable John Gard, Co-chair
Joint Committee on Finance
Room 315 North
State Capitol
Madison, Wisconsin 53708

Dear Senator Weeden and Representative Gard:

I am writing to urge Joint Finance approval for the Wisconsin Department of Correction's (DOC's) Section 13.10 request for authorization to contract for an additional 2,320 out-of-state prison beds. The DOC request also seeks 1.0 additional GPR positions. Given the heavy demands being placed on the state's correctional system, it is vital that the department's requests be approved to the greatest extent allowed by current budget constraints.

It is obvious that the prison population in the state is not decreasing. Corrections officials estimate that by the end of 1998, we will have 2,300 more offenders in the institutions than last year. While Wisconsin's in-state prison facilities provide capacity for 9,500 inmates, the current population numbers 16,200. Thus, the DOC is looking at an inmate population of well over 18,000 prisoners by the end of December 1998. As such, it is equally obvious that Wisconsin must take advantage of prison beds available in Tennessee, Oklahoma and Texas to deal with the problem of prison overcrowding in this state.

It is not clear how many additional prison beds will be required in the future. I personally am not persuaded by the argument that "truth in sentencing" will necessarily cause Wisconsin's prison population to skyrocket. The real question is how judges respond to the law. With parole as part of sentencing options, judges are likely to sentence an offender to five years in prison, knowing that offender will be paroled in two or three years. However, if a sentence of two years in prison means two years in prison, I believe it is more likely that sentences will not change significantly after all provisions of "truth in sentencing" go into effect.

Contracting for prison beds available in other states is cheaper than building prisons in Wisconsin. Given the space crunch in the state's prison system, the DOC request is in the nature of mandatory spending. Thus, I urge the Joint Committee on Finance to approve the Department of Corrections Section 13.10 request to the greatest possible extent.

Thank you for your consideration in this matter.

Sincerely,

Scott McCallum

Scott McCallum
Lieutenant Governor