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_pt09
- Record of Comm. Proceedings ... RCP
-

June 23, 1998 13.10 mtg

SEN. TIMOTHY WEEDEN, CO-CHAIR
JOINT COMMITTEE ON FINANCE
1 EAST MAIN STREET
ROOM 203

THE STATE OF WISCON

SENATE CHAIR
TIMOTHY WEEDEN

1 E. Main Street, Room 230
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-2253

ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

AGENDA

10:00 a.m., Tuesday, June 23, 1998
s. 13.10 Meeting
on the First Floor of 119 Martin Luther King, Jr. Blvd.

I. Department of Corrections – Michael J. Sullivan, Secretary

II. Department of Corrections--Michael J. Sullivan, Secretary

III. Department of Administration – Nathaniel E. Robinson, Administrator, Division of Energy and Intergovernmental Relations

IV. Department of Veterans Affairs – Robert Cocroft, Deputy Secretary

V. Department of Employe Trust Funds -- Tom Korpady, Administrator of the Division of Insurance Services, and Robert Weber, Chief Counsel

VI. Department of Employe Trust Funds – Dave Hinrichs, Executive Assistant and Tom Korpady, Administrator of the Division of Insurance Services

VII-a. Department of Health and Family Services — Withdrawn

VII-b. Department of Health and Family Services -- Joe Leean, Secretary

VIII. Department of Health and Family Services – Tom Alt, Administrator of the Division of Care and Treatment Facilities

IX. Office of the Commissioner of Insurance – Peter Farrow, Executive Assistant

X. Department of Workforce Development -- Jean Rogers, Division Administrator, Division of Economic Support

XI. State Historical Society -- George Vogt, Director; Peter Gottlieb, State Archivist

XII. Department of Revenue – Cate Zeuske, Secretary
Department of Transportation – Charles H. Thompson, Secretary

XIII. Department of Commerce – Christopher Mohrman, Executive Assistant

XIV. Department of Transportation – Sandra Beaupre, Director, Office of Policy and Budget

XV. Department of Transportation – Sandra Beaupre, Director, Office of Policy and Budget

XVI. Department of Administration -- John C. Marx, Administrator, Division of Building and Police Services

Reports

R-1 Department of Administration Position Reports Required Under s. 16.50 (January 1-March 31, 1998).

R-2 Ethics Board Quarterly Update for Supplemental Appropriation

SUMMARY
JOINT COMMITTEE ON FINANCE
GPR APPROPRIATION STATUS
(Incorporating Committee Actions thru June 4, 1998)

	1997-98	1998-99	1997-99 Biennium
Current Biennial Appropriation Amount [s. 20.865(4)(a)]	**$43,838,579**	**$58,132,600**	**$101,971,179**
Reserved For:			
DOA -- Budget system redesign consultant's study	$60,000	$0	$60,000
DOC -- Probation and parole absconder unit	702,700	1,025,600	1,728,300
DOC -- St. John's Correctional Center expansion	0	991,800	991,800
ETF -- SIPD supplemental annuity pymts	2,650,400	3,547,100	6,197,500
DOR -- Integrated computer system	1,257,100	203,500	1,460,600
DHFS -- Prevention grants	744,800	1,489,700	2,234,500
DHFS -- Adoption assistance	241,500	0	241,500
DHFS -- Medical assistance administration	468,300	0	468,300
DHFS -- Women's health initiative	2,200,000	1,300,000	3,500,000
DWD -- KIDS system	5,570,300	11,055,900	16,626,200
DWD -- Centralized receipt and disbursement for child support	0	117,100	117,100
DPI -- School for the Visually Handicapped maintenance funds	17,200	17,200	34,400
DPI -- School for the Deaf maintenance funds	74,000	74,000	148,000
ELECTIONS BD -- Electronic filing enhancement	102,800	0	102,800
DOA - Compensation reserves supplement	1,326,000	674,000	2,000,000
DOC -- Additional contract beds	4,900,000	10,100,000	15,000,000
DHFS -- Criminal background checks	0	1,500,000	1,500,000
DHFS -- Criminal background checks	0	420,000	420,000
DHFS -- BadgerCare	0	16,600,000	16,600,000
UW -- BadgerNet	1,470,000	1,470,000	2,940,000
UW -- Technology infrastructure and faculty technology	1,060,800	3,307,200	4,368,000
Public Land Sales Reserve (see attached summary sheet)	280,379	0	280,379
DOC -- Pay plan supplements reserves	0	1,729,600	1,729,600
DOC -- Food service costs	117,300	645,700	763,000
SPD -- Pay plan supplements reserves	242,800	524,400	767,200
SPD -- Restoration of budget reductions	0	987,600	987,600
DOA -- Compensation reserves supplement	20,000,000	0	20,000,000
Sub-total Reserved Balance	$43,486,379	$57,780,400	$101,266,779
Releases from Reserved Balance			
DHFS -- Women's health initiative (12/18/97)	$1,500,000	$1,400,000	$2,900,000
DWD -- KIDS System (12/18/97)	5,231,800	0	5,231,800
Elections Board -- Electronic filing enhancement (12/18/97)	102,800	0	102,800
DOC -- Probation and parole absconder unit (12/18/97)	446,900	1,025,600	1,472,500
DPI -- School for Visually Handicapped maintenance funds (12/18/97)	17,200	0	17,200
DPI -- School for the Deaf maintenance funds (12/18/97)	74,000	0	74,000
UW -- Technology infrastructure and faculty technology (12/18/97)	1,060,800	3,307,200	4,368,000
UW -- BadgerNet (12/18/97)	1,470,000	1,470,000	2,940,000
DOR -- Integrated computer system (6/4/98)	45,000	1,415,600	1,460,600
DHFS -- Criminal background checks (6/4/98)	120,300	154,100	274,400
Total Releases	$10,068,800	$8,772,500	$18,841,300
Remaining Reserved Balance	**$33,417,579**	**$49,007,900**	**$82,425,479**
Net Unreserved Balance Available	**$352,200**	**$352,200**	**$704,400**
Releases from Unreserved Balance			
Elections Board -- Electronic filing enhancement (12/18/97)	$12,000	$0	$12,000
DATCP -- Food inspection program efficiency study (12/18/97)	50,000	50,000	100,000
HEAB -- Program assistant position (12/18/97)	19,700	33,100	52,800
RRC -- Salary shortfall and actuarial studies (6/4/98)	51,500	45,100	96,600
Total Releases	$133,200	$128,200	$261,400
Net Unreserved Balance Remaining	**$219,000**	**$224,000**	**$443,000**
TOTAL AVAILABLE (Net Reserved & Unreserved Balance Remaining)	**$33,636,579**	**$49,231,900**	**$82,868,479**

SUMMARY

DETAIL OF JOINT FINANCE COMMITTEE APPROPRIATED LEVELS

	1997-98	1998-99	1997-99 Biennium
865(4)(a) Appropriation Total Summary - GPR			
Act 27 (Biennial Budget)	$24,598,100	$54,245,300	$78,843,400
Proceeds from Sale of Public Land (Mendota State Hospital -- July, 1997)	280,379	0	280,379
Transfer per Act 27, Section 9256(3x)	20,000,000	0	20,000,000
Act 237 (Budget Adjustment Bill)	(1,039,900)	3,887,300	2,847,400
Current Total	**$43,838,579**	**$58,132,600**	**$101,971,179**
865(4)(g) Appropriation Total Summary - PR			
Act 27 (Biennial Budget)	**$0**	**$160,300**	**$160,300**
865(4)(m) Appropriation Total Summary - FED			
Act 27 (Biennial Budget)	**$15,000,000**	**$2,000,000**	**$17,000,000**
865(4)(u) Appropriation Total Summary - SEG			
Act 27 (Biennial Budget)	**$1,208,000**	**$1,384,400**	**$2,592,400**

SUMMARY
JOINT COMMITTEE ON FINANCE
FED APPROPRIATION STATUS
(Incorporating Committee Actions thru June 4, 1998)

	1997-98	1998-99	1997-99 Biennium
Current Biennial Appropriation Amount [s. 20.865(4)(m)]	**$15,000,000**	**$2,000,000**	**$17,000,000**
<u>Reserved For:</u>			
DHFS/DWD -- Temporary aid to needy families	$14,000,000	$0	$14,000,000
DWD -- W-2 transportation assistance	1,000,000	2,000,000	$3,000,000
Sub-total Reserved Balance	$15,000,000	$2,000,000	$17,000,000
<u>Releases from Reserved Balance</u>			
DHFS/DWD - Temporary aid to needy families (12/18/97)	$4,136,500	$9,863,500	$14,000,000
DWD -- W-2 Transportation assistance (12/18/97)	1,000,000	2,000,000	$3,000,000
Total Releases	$5,136,500	$11,863,500	$17,000,000
Remaining Reserved Balance	**$9,863,500**	**($9,863,500)**	**$0**

SUMMARY
JOINT COMMITTEE ON FINANCE
SEG APPROPRIATION STATUS
(Incorporating Committee Actions thru June 4, 1998)

	1997-98	**1998-99**	**1997-99 Biennium**
Current Biennial Appropriation Amount [s. 20.865(4)(u)]	**$1,208,000**	**$1,384,400**	**$2,592,400**
Reserved For:			
ETF -- Retirement rollover project	$0	$180,000	$180,000
ETF -- Health data appropriation	0	140,400	$140,400
DVA -- Veterans assistance program	200,000	200,000	$400,000
UW -- BadgerNet	1,008,000	864,000	$1,872,000
Sub-total Reserved Balance	$1,208,000	$1,384,400	$2,592,400
Releases from Reserved Balance			
UW - BadgerNet (12/18/97)	$1,008,000	$864,000	$1,872,000
DVA -- Veterans assistance program (6/4/98)	0	200,000	200,000
Total Releases	$1,008,000	$1,064,000	$2,072,000
Remaining Reserved Balance	**$200,000**	**$320,400**	**$520,400**

SUMMARY
JOINT COMMITTEE ON FINANCE
PR APPROPRIATION STATUS
(Incorporating Committee Actions thru June 4, 1998)

	1997-98	1998-99	1997-99 Biennium
Current Biennial Appropriation Amount [s. 20.865(4)(g)]	**$0**	**$160,300**	**$160,300**
Reserved For:			
OCI -- Information technology imaging project	$0	$160,300	$160,300
Sub-total Reserved Balance	$0	$160,300	$160,300
Releases from Reserved Balance			
	$0	$0	$0
Total Releases	$0	$0	$0
Remaining Reserved Balance	**$0**	**$160,300**	**$160,300**

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

11-3

June 23, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Corrections – Section 13.10 Request for Serious Juvenile Offender Costs – Agenda Item I

The Department of Corrections (DOC) requests the transfer of $1,496,200 GPR from the adult correctional services appropriation for corrections, contracts and agreements [s. 20.410 (1)(ab)] to a juvenile correctional services appropriation for serious juvenile offenders [s. 20.410 (3)(cg)]. The transfer would address a shortage of funds for payments required under the serious juvenile offenders appropriation.

BACKGROUND

The Serious Juvenile Offender (SJO) program was created under 1995 Act 27, the 1995-97 biennial budget act. A juvenile is subject to an SJO 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 an 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. An SJO disposition may only be made for these juveniles if the judge finds that the only other disposition that would be appropriate 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 equivalent to a Class B felony offense, or until the juvenile reaches 25 years of age if the adjudicated act was equivalent to a Class A felony offense. The program provides for component phases (various institutional, treatment and community-based sanctions) that are intensive, highly structured and based on both public safety considerations and the participant's needs. An SJO-adjudicated juvenile is subject to supervision, care and rehabilitation that are more restrictive than ordinary supervision in the community.

The costs relating to institutional care and all components of aftercare for juveniles under an SJO disposition are paid by the state from a GPR appropriation for serious juvenile offenders. The state is also required to pay, from this appropriation, the institutional and aftercare costs of juveniles adjudicated for certain violent offenses committed before July 1, 1996 (termed "violent juvenile offenders") and the costs of "waived and extended jurisdiction" juveniles. This latter category includes certain juveniles under adult court jurisdiction currently placed at juvenile facilities and juveniles under the extended jurisdiction of the juvenile court who committed certain serious offenses prior to July 1, 1996. Under current law, then, serious juvenile offenders, violent juvenile offenders and waived/extended jurisdiction juveniles are state funded; counties have no fiscal responsibility for the care and treatment of these offenders. Finally, under the 1997-99 biennial budget act, any unencumbered balance in the SJO appropriation on June 30 of each fiscal year is transferred to community youth and family aids (youth aids) provided to counties.

The SJO appropriation is authorized to expend $6,569,600 in 1997-98 and $10,813,200 in 1998-99.

ANALYSIS

The Department's request under s. 13.10 is to transfer $1,496,200 GPR within the Department to fund the serious juvenile offenders appropriation in 1997-98. Under the request, the SJO funding would be transferred from an adult correctional services appropriation for corrections, contracts and agreements [s. 20.410(1)(ab)].

The annual SJO appropriation amounts are calculated on the basis of the anticipated average daily population (ADP) for each type of care, multiplied by the daily rate for each type of care, times 365 days. The types of care include secured correctional facilities, alternate care (such as, child caring institutions, foster homes and group homes) aftercare supervision and corrective sanctions.

With one exception, the year-to-date data relating to juvenile populations funded from the SJO appropriation show relatively minor variation from the estimates assumed during budget deliberations. The exception is that the average daily population in secured correctional facilities is significantly higher for juveniles whose offenses were committed prior to July 1, 1996 (violent juvenile offenders and extended jurisdiction juveniles). Budgeted for an ADP of 15 in 1997-98, the ADP for violent and extended jurisdiction juveniles will actually total approximately 58 in 1997-98 (42 violent juvenile offenders and 16 juveniles under extended jurisdiction). DOC officials indicate that the actual number of violent offenders was underestimated during budget deliberations. In addition, these juveniles have remained in secured correctional facilities longer than anticipated. In particular, the Department expected that virtually all extended jurisdiction juveniles would be released from secured facilities before the end of 1997-98; however, DOC officials now indicate that juvenile courts have chosen to maintain many extended jurisdiction juveniles in secured correctional facility care, rather than release them to the community.

The DOC request is to transfer $1,496,200 to the SJO appropriation. A new estimate, based on more recent data, indicates that SJO costs would exceed the appropriated amount by a total of $1,541,500, or $45,300 more than the Department's request. This reestimate is based on actual data through March or April, 1998 (depending on the type of care) and projected populations for the remainder of the fiscal year. The following table shows the estimated ADP and associated funding relating to each type of care, under both the 1997-99 budget act and the current reestimate.

1997-98 Serious Juvenile Offenders Appropriation

	1997-99 Budget Act		June, 1998 Reestimate	
Secured Facilities	ADP	Amount	ADP	Amount
Serious Juvenile Offenders	89.0		74.8	
Violent/Waived/Extended	15.0		57.8	
Subtotal Secured Facilities	104.0	$5,710,800	132.6	$7,444,600
Alternate Care				
Serious Juvenile Offenders	1.0		0.8	
Violent/Waived/Extended	4.0		6.7	
Subtotal Alternate Care	5.0	$249,400	7.5	$425,000
Aftercare				
Serious Juvenile Offenders	1.0		0.8	
Violent/Waived/Extended	35.0		22.8	
Subtotal Aftercare Care	36.0	$223,100	23.6	$146,600
Corrective Sanctions				
Serious Juvenile Offenders	1.0		0.0	
Violent/Waived/Extended	11.0		2.2	
Subtotal Corrective Sanctions	12.0	$386,300	2.2	$94,900
Total Cost		$6,569,600		$8,111,100
Estimated cost in excess of appropriated amount				$1,541,500

Under the DOC request, the SJO funding would be transferred from an adult correctional services appropriation for corrections, contracts and agreements [s. 20.410(1)(ab)]. The corrections contracts and agreements appropriation is authorized to make payments on contracts relating to the transfer and confinement of Wisconsin prisoners in other states, Interstate Corrections Compact agreements with other states and for the temporary housing or detention in county jails or county houses of correction for persons sentenced to imprisonment in state prisons or to the intensive sanctions program.

In a March 5, 1998, Fiscal Bureau memorandum to the Committee relating to a DOC s.13.10 request affecting the correctional contracts appropriation (concerning the private prison contract with Corrections Corporation of America), it was noted that the appropriation was expected to lapse $1.9 million GPR in 1997-98 and was projected to have a deficit estimated at $3.8 million in 1998-99. Based on this, the Committee adopted an alternative to transfer the unencumbered balance in the 1997-98 appropriation to the Committee's biennial appropriation for future release. Under this alternative, any funding remaining in the contracts appropriation at the end of 1997-98 could be utilized in 1998-99, with Committee approval, for purchasing prison bed space. The memorandum also noted that, because of funding needs in other areas of the Department and the state's potential response to crowding conditions in the Milwaukee County Jail, the Department may need to utilize some or all of the estimated balance in the appropriation.

The 1997-98 balance in the correctional contracts appropriation is now projected at $1.7 million. Approval of the current SJO request would have the effect of reducing this balance to approximately $200,000. In a separate s. 13.10 request currently before the Committee (Agenda Item II), the Department is seeking approval to amend two out-of-state prison contracts, to enter into one new contract and to transfer funds from various appropriations to the correctional contracts appropriation in 1998-99.

While the transfer of funds from the correctional contracts appropriation balance in 1997-98, to the SJO appropriation, would resolve the current funding requirements for the SJO program, it would do so by deepening the challenges faced by the Department in 1998-99 in providing an adequate number of contract beds for adult prisoners. Given the fiscal constraints on the correctional contracts appropriation in 1998-99, the Committee could decide not to transfer 1997-98 correctional contract funds to the SJO appropriation. This would maintain a $1.7 million balance in 1997-98 that would be transferred to 1998-99 and made available for contracting prison bed space.

An alternative to utilizing correctional contract funds for SJO costs would be to transfer the necessary funds to address 1997-98 SJO costs from the SJO appropriated amount in 1998-99. The SJO appropriation in 1998-99 totals $10,813,200. If $1,541,500 of this amount is transferred to pay 1997-98 costs, $9,271,700 in expenditure authority would remain for 1998-99 costs. Current projections of 1998-99 SJO costs indicate that the entire $10.8 million appropriation in 1998-99 might be needed. If so, this alternative would defer the 1997-98 shortfall to 1998-99. However, the funding shortage could then be addressed either through legislation early in the 1999 session or by the Committee, under s. 13.10, at its June, 1999 meeting.

This alternative would separate the SJO funding issue from the issues relating to the correctional contracts appropriation. However, any significant SJO funding shortfall in 1998-99 may be difficult to address as the Department may not have adequate funds available in its other appropriations to transfer to the SJO appropriation. This situation may require that additional funds be appropriated or transferred from non-DOC funding sources.

An additional issue affecting the SJO supplement needs to be addressed, regardless of which alternative the Committee selects (transferring funds from the correctional contracts appropriation or transferring 1998-99 SJO funding to 1997-98). Under any transfer scenario, the SJO supplement amount would need to be accurately estimated for two reasons: (a) expenditure authority needs to be sufficient to cover the costs of care for these juveniles, given that these costs are the legal responsibility of the state; and (b) if the transfer provides more funding than is needed to cover actual 1997-98 SJO expenses, the monies remaining in the SJO appropriation would be transferred to youth aids and provided to counties (as required under the 1997 Act 27 provision described above). Given that the 1997-98 SJO supplement, under either alternative, is likely to intensify 1998-99 budgetary challenges, the transfer of any funds in excess of the amount needed in the SJO appropriation would only worsen this anticipated difficulty.

It is difficult, however, to precisely estimate 1997-98 SJO costs at this time. Actual data is not yet available for the last few months of the fiscal year and projections for these months are, necessarily, somewhat speculative. Approval of a specific transfer amount is likely to result in either a deficit (requiring state payment) or a surplus (which would transfer to youth aids) at the end of the year. In the latter case, while the Legislature enacted the provision to allow any unencumbered balance in the SJO appropriation at the end of each year to transfer to youth aids, it did not contemplate the transfer of supplemental funding provided to the appropriation.

The Committee could address this situation, as follows: (a) authorize the transfer of an amount necessary, (either from the 1997-98 correctional contracts appropriation or from the 1998-99 SJO appropriation), to pay the actual costs of serious juvenile offender care in 1997-98 that exceed the 1997-98 appropriation amount of $6,569,600; and (b) require the Department to provide the Committee with final 1997-98 population and cost-of-care data relating to the SJO appropriation, under a 14-day passive review process, to determine the actual transfer amount. This approach would ensure that funds are available to fully fund the actual SJO costs in 1997-98, but would leave no unencumbered balance of supplemental funding to transfer to youth aids.

ALTERNATIVES

1. Transfer an amount necessary, in 1997-98 from the correctional contracts appropriation under s. 20.410(1)(ab), to pay the actual costs of serious juvenile offender care in 1997-98, under s. 20.410(3)(cg), that exceed the 1997-98 appropriation amount of $6,569,600. Require the Department to provide the Committee with final 1997-98 population and cost-of-care data relating to s. 20.410(3)(cg), under a 14-day passive review process. [Based on the Committee's

March 5, 1998, decision under s. 13.10, any remaining 1997-98 funds in the correctional contracts appropriation under s. 20.410(1)(ab), following the final determination of the transfer to s. 20.410(3)(cg), would transfer to the Committee's appropriation under s. 20.865(4)(a) and could be utilized in 1998-99 for purchasing prison bed space.]

2. Transfer an amount necessary, from the 1998-99 appropriation under s. 20.410(3)(cg), to ~~pay the~~ actual costs of juvenile care in 1997-98 under s. 20.410(3)(cg) that exceed the 1997-98 appropriation amount of $6,569,600. Require the Department to provide the Committee with final 1997-98 population and cost-of-care data relating to s. 20.410(3)(cg), under a 14-day passive review process.

Prepared by: Art Zimmerman

or couldn't we just give them what they need from JFC approp.?

Legislative Fiscal Bureau

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

June 23, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Workforce Development – Section 13.10 Request Relating to KIDS Computer System for Child Support Enforcement – Agenda Item X

BACKGROUND

Under federal law, every state must have a certified statewide, automated child support system in place by October 1, 1997. This date is an extension from previous federal law, which required the automated systems to be in place by October 1, 1995. The Kids Information Data System (KIDS) was developed to replace the previous automated child support system, which did not meet the federal requirements. Since January, 1993, the state has contracted with IBM Global (formerly Integrated Systems Solutions Corporation) to develop the KIDS system in Wisconsin.

State operation of the KIDS system is generally funded at a 66/34 federal/state match. Federal funding for the development and conversion of automated child support systems was available at an enhanced 90/10 federal/state match until October 1, 1997, for expenses included in advance planning documents submitted before September 30, 1995.

The 1996 federal welfare reform legislation (P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) imposed a number of new requirements on states relating to child support enforcement, some of which will necessitate changes to the KIDS system. Federal funding for system modifications required by the new law will be provided at an enhanced 80% rate until September 30, 2001. However, the enhanced funding is capped at $400 million over this period. Allocations to states will be distributed based on a formula set in federal regulations, which takes into account the relative size of state child support caseloads and the level of automation needed to meet the federal requirements.

The federal Department of Health and Human Services (HHS) is required to promulgate final regulations for implementation of the new requirements for automated systems by August 22, 1998. System modifications required by the new federal provisions must be in place by October 1, 2000. However, the October 1, 2000, deadline will be extended by one day for each day that HHS fails to meet the deadline for final regulations.

CURRENT STATUS OF THE KIDS SYSTEM

As noted, the state has contracted with IBM Global since 1993 to develop and implement the KIDS system in Wisconsin. After several delays, the system was implemented statewide on September 4, 1996. The state received conditional federal certification of the pre-1996 federal requirements in August 1997. The Department of Workforce Development (DWD) is working on several corrective actions that must be completed by September 30, 1998, in order to receive final certification of the pre-1996 requirements.

IBM Global completed initial development of the system in December 1995 and performed system enhancements under a warranty contract that was to expire at the end of 1996. However, the Department has extended its contract with IBM Global until June, 1998 and expects to extend the contract for an additional year through June, 1999. Vendor staff will continue to modify the system to respond to county concerns, do other state-specific work (items not required by federal law) and implement the change orders required by the new federal provisions. IBM Global will also be retained during this period for ongoing maintenance of the system along with state personnel. As outlined below, other contractors have been retained to perform other work relating to the system.

During deliberations on the 1995-97 biennial budget, it was uncertain whether ongoing operation of the KIDS system would be conducted by a private vendor, state staff or a combination of private and state resources. The Department now anticipates that ongoing maintenance of the system will continue to be performed by the vendor along with state employes and other contract staff through the 1997-99 biennium. However, the Legislative Audit Bureau, in its December, 1997, report on the KIDS system, recommended that DWD establish a deadline by which state staff will assume complete responsibility for the maintenance of KIDS. As discussed below, DWD intends to assume greater responsibility for operation of the system, but does not anticipate a complete state take-over of the system for the next several years.

CURRENT KIDS BUDGET

Operation of the KIDS system is conducted by IBM Global, other contractors and state staff in the Bureau of Information Technology Services (BITS) and other divisions within DWD. Under 1997 Wisconsin Act 27 (the 1997-99 biennial budget), a total of $31,589,500 ($11,140,600 GPR and $20,448,900 FED) in 1997-98 and $30,547,200 ($11,055,900 GPR and $19,491,300 FED) in

1998-99 was provided for ongoing operation and system enhancements to the KIDS system. However, half of the state funding in 1997-98 ($5,570,300) and all of the state funding in 1998-99 were placed in the Joint Committee on Finance's appropriation for the following reasons:

a. Usage of mainframe services for the system during 1996-97 significantly exceeded previous estimates. At the time the budget was being considered, it was uncertain as to why mainframe usage was higher than anticipated and what level of usage could be expected in the future. It was believed that additional experience in operating the system would allow ongoing usage rates to be estimated with greater certainty.

b. There was also uncertainty about the total cost of the system modifications required by federal law and their anticipated completion dates. DWD indicated that it was in the process of preparing a work schedule and cost estimates for the welfare reform change orders.

c. The Legislative Audit Bureau was conducting a comprehensive evaluation of the KIDS system. As noted, the Audit Bureau's report was released in December, 1997.

At its December 18, 1997, meeting, the Committee authorized the release of $5,231,800 GPR in 1997-98 to fund the KIDS system during the second half of the current fiscal year. This left KIDS funding of $338,500 in 1997-98 in the Committee's appropriation as well as the 1998-99 funding. The following table shows the KIDS budget for 1997-99 under Act 27 and the Committee's December action.

TABLE 1

KIDS Budget Under Act 27 and Joint Committee on Finance Action On December 18, 1997

	1997-98			1998-99		
	GPR	FED	Total	GPR	FED	Total
Contractor Fees						
Ongoing System Maintenance	$2,008,200	$3,898,400	$5,906,600	$2,008,300	$3,898,400	$5,906,700
Change Orders Required by Federal Law	663,100	2,652,300	3,315,400	576,000	2,103,400	2,679,400
Other System Modifications	1,117,700	2,169,700	3,287,400	87,700	170,300	258,000
BITS Costs						
State Staff	662,500	1,555,200	2,217,700	801,500	1,555,800	2,357,300
Capital/Installation/Infrastructure	150,000	600,000	750,000	125,900	244,500	370,400
800 Number/Help Desk/Voice Response	163,200	316,800	480,000	205,000	398,000	603,000
LAN Service	138,200	268,300	406,500	248,400	482,300	730,700
Maintenance	14,700	28,600	43,300	15,200	29,400	44,600
DWD System Fee	221,100	429,300	650,400	39,600	77,000	116,600
InfoTech Charges						
Mainframe	3,951,700	6,700,300	10,652,000	4,479,700	6,172,300	10,652,000
E-Mail	8,800	17,200	26,000	23,500	45,600	69,100
Telecommunications	314,300	610,200	924,500	548,400	632,500	1,180,900
Supplies and Services						
Centralized Mailing	648,800	1,259,500	1,908,300	1,157,800	2,247,600	3,405,400
Credit Bureau Reports	17,000	33,000	50,000	17,000	33,000	50,000
General Supplies and Services	722,800	1,403,200	2,126,000	721,900	1,401,200	2,123,100
Total Budget	$10,802,100	$21,942,000	$32,744,100	$11,055,900	$19,491,300	$30,547,200
Amount in JFC Appropriation	$338,500			$11,055,900		

Based on the Audit Bureau's findings, at the December meeting the Committee also directed DWD to:

a. Provide, by May 15, 1998, reports on progress made toward improving the system's processing efficiency and on progress made in modifying KIDS in order to meet current state and federal requirements; any unexpected problems encountered in modifying the system, steps taken to address these problems and the associated costs; and plans for implementing centralized receipt and disbursement of child support payments.

b. Prepare a proposal for the use of any excess matching funds it receives for the initial development of KIDS (estimated at $3.7 million in 1997-98) to correct existing problems that affect county staff and submit a subsequent request for the use of these funds for approval by the Committee under section 13.10. The excess federal funds were anticipated because certain system development costs were initially matched with 66% federal funding and later found to be eligible for the 90% federal match rate. The Department was directed to not expend these monies without approval by the Committee.

The required reports were submitted to the Co-chairs of the Committee on May 13, 1998.

CURRENT REQUEST

The Department of Workforce Development has submitted a request, under s. 13.10, to transfer $11,173,000 GPR in 1998-99 from the Committee's appropriation for operation of the KIDS system in the 1998-99 fiscal year and to implement modifications requested by county child support agencies and change orders required by federal law. This funding includes the $11,055,900 that was placed in the Committee's appropriation for KIDS operations in 1998-99 and $117,100 that was placed in the Committee's appropriation for the child support centralized receipt and disbursement system. In addition, the Department requests the carryover of unexpended KIDS funding of $787,000 GPR from 1997-98 to 1998-99 in its general program operations appropriation, authorization for use of $695,700 in excess federal funds and approval of 6.0 FTE project positions in the Bureau of Child Support.

The Department now estimates that KIDS expenditures in 1998-99 will total $37,894,400 ($12,655,700 GPR and $25,238,700 FED). The total budget is $7,347,200 more than the Act 27 amount ($1,599,800 GPR and $5,747,400 FED). Although nearly all areas of the KIDS budget are significantly different from the Act 27 amounts, the largest increases are for implementation of centralized receipt and disbursement and change orders requested by counties.

The $12,655,700 in GPR funding would come from the sources identified above along with the excess federal revenues. The $338,500 GPR remaining in the Committee's appropriation in 1997-98 would not be transferred at this time. However, due to continuing uncertainty regarding the cost of the system, the Department requests that the Committee not commit these funds for other purposes.

It should also be noted that the Department projects that there will be $1,038,600 GPR in unspent KIDS funds in 1997-98. The Department's request would carry over $787,000 of these monies for use in 1998-99, and the remaining $251,600 would lapse to the general fund at the end of 1997-98. Including federal funds, total expenditures in 1997-98 are projected to be $4.2 million less than the amount approved in December. The $4.2 million reduction primarily reflects savings in amounts paid to IBM Global due to reduced staffing levels, mainframe charges and costs for centralized mailing. These reductions were partially offset by a $3.4 million increase in equipment upgrades for county child support agencies.

Table 2 shows the revised KIDS budget for 1998-99 under this request along with the differences from the amounts budgeted in Act 27. The following sections outline the Department's request and discuss items that differ from the amounts adopted in the budget bill.

TABLE 2

Revised 1998-99 KIDS Funding Request

	Revised KIDS Budget			Difference From Act 27		
	GPR	FED	Total	GPR	FED	Total
System Maintenance and Change Orders						
Ongoing System Maintenance	$1,252,300	$2,430,900	$3,683,200	-$756,000	-$1,467,500	-$2,223,500
New Hire Reporting System	471,700	915,700	1,387,400	471,700	915,700	1,387,400
Centralized Receipt and Disbursement	2,109,700	4,095,300	6,205,000	2,109,700	4,095,300	6,205,000
Other Change Orders Required by Federal Law	532,000	2,128,100	2,660,100	-44,000	24,700	-19,300
County Priority Requests	695,700	1,350,500	2,046,200	695,700	1,350,500	2,046,200
Other System Modifications	-0-	-0-	-0-	-87,700	-170,300	-258,000
State Staff and BITS Costs						
Existing State Staff	664,500	1,609,900	2,274,400	-137,000	54,100	-82,900
Supplemental Staff	575,800	1,117,800	1,693,600	575,800	1,117,800	1,693,600
Capital/Installation/Infrastructure	34,000	66,000	100,000	-91,900	-178,500	-270,400
800 Number/Help Desk/Voice Response	102,000	198,000	300,000	-103,000	-200,000	-303,000
LAN Service	354,200	687,600	1,041,800	105,800	205,300	311,100
Maintenance	8,500	16,500	25,000	-6,700	-12,900	-19,600
DWD System Fee	432,000	838,400	1,270,400	392,400	761,400	1,153,800
InfoTech Charges						
Mainframe	3,193,700	5,806,300	9,000,000	-1,286,000	-366,000	-1,652,000
E-Mail	17,000	33,000	50,000	-6,500	-12,600	-19,100
Telecommunications	397,100	507,500	904,600	-151,300	-125,000	-276,300
Supplies and Services						
Centralized Mailing	581,000	1,127,900	1,708,900	-576,800	-1,119,700	-1,696,500
Credit Bureau Reports	13,600	26,400	40,000	-3,400	-6,600	-10,000
General Supplies and Services	722,900	1,403,100	2,126,000	1,000	1,900	2,900
Reimbursement to Other State Agencies	498,000	879,800	1,377,800	498,000	879,800	1,377,800
Total Budget	$12,655,700	$25,238,700	$37,894,400	$1,599,800	$5,747,400	$7,347,200

Source of GPR Funds	
KIDS Funds in JFC Approp.	$11,055,900
Centralized R&D Funds in JFC Approp.	117,100
Carryover from 1997-98	787,000
Excess Federal Revenues	695,700
Total	$12,655,700

System Maintenance and Change Orders

The request includes $15,981,900 for system maintenance and change orders, which primarily reflects fees paid to IBM Global and other contractors for maintenance of the system, change orders requested by counties and change orders necessitated by the new federal provisions. The requested amount is an increase of $7,137,800 over the Act 27 budget, primarily due to increased costs for implementing the child support centralized receipt and disbursement system. Statutory changes to conform to the new federal requirements were adopted in 1997 Wisconsin Acts 27 and 191.

Ongoing Systems Maintenance. Funding for systems maintenance is $3,683,200 ($1,252,300 GPR and $2,430,900 FED), which is a reduction of $2,223,500 all funds from the Act 27 amount. This funding would be paid to IBM Global for ongoing maintenance of the system, along with BITS staff and other contract staff, and is based on the anticipated contract with IBM Global. As noted, the Department expects to extend its contract with IBM Global to provide these services through the 1997-99 biennium. DWD intends to issue a request for proposals (RFP) for the primary vendor contract for the period beginning July 1, 1999.

The total contract with IBM Global is expected to be $8,389,600 in 1998-99, which is based on 41 contract FTE working 2,016 hours at an hourly rate of $101.50. IBM Global will perform system maintenance, change orders requested by counties and some of the change orders required by federal law. The reduced funding for systems maintenance in the request reflects a revised estimate of the portion of the contract (18 FTE) that will be allocated to this activity. These excess funds will instead be allocated to implementing the county requests and federal change orders.

In its December report, the Legislative Audit Bureau suggested that savings could be realized if maintenance of the system was performed by state staff rather than a private vendor, and recommended that DWD establish a deadline by which state staff will assume complete responsibility for the maintenance of KIDS.

The Department indicates that it is committed to the goal of the state assuming full control of the system, and has initiated plans for state take-over of all duties related to database administration and production control (scheduling, monitoring and repairing system jobs). A state take-over of the other major area of KIDS activity, system development, is not anticipated in the near future due to the high level of workload generated by the federal requirements and county requests, staffing constraints and difficulty in recruiting and retaining qualified programmers and analysts. The Department intends to examine this issue further and submit another report to the Joint Committee on Audit in September, 1998, with a more specific plan and timetable for completing the transition of systems development to state staff over the next several years.

New Hire Reporting System. Under the 1996 federal welfare reform law, Wisconsin was required to establish and implement a new hire reporting system by April 1, 1998. Under the system, employers must report information identifying newly-hired employes within 20 days of the date of hire. This information is entered into a state directory of new hires and reported to the federal government for entry into a national directory. The new hire data is matched with information in the KIDS system to locate noncustodial parents for paternity establishment and child support enforcement. Federal law also requires that an income withholding notice must be issued to the employer within two days of receiving information about a new hire who has a child support obligation.

Statutory provisions for the system were included in Act 27, and employers were required to begin reporting on January 1, 1998. Automated use of the data is being implemented in two phases. During the first stage, which began in February, matches between new hire data and noncustodial parents in the KIDS system are placed on an electronic report that is provided to county agencies. County staff manually enter the new employer and wage information in KIDS and prepare a withholding notice when appropriate. Under Phase 2, which is expected to begin in late June or July of this year, matches of noncustodial parents with new hire data will be automatically entered into the system and county workers will be notified of such matches through a KIDS worklist. As under Phase 1, the county worker will then issue a withholding notice if necessary. At this time, the Department does not believe it is feasible to automate the issuance of withholding notices.

The KIDS budget approved in December included $1,588,800 in 1997-98 for developing and implementing the new hire reporting system. Total development costs through 1997-98 were estimated at $1.7 million. However, about $43,000 of this amount was accounted for in other parts of DWD's overall budget and funding of approximately $860,000 was available from previous encumbrances. Therefore, the 1997-98 KIDS share of development costs was $806,900. In addition, $781,900 was included for implementation of the system beginning January 1, 1998.

The Department now indicates that expenditures for the system were only $783,600 in 1997-98, which was funded with the $860,000 that was available from previous encumbrances. No expenditures are anticipated from the $1,588,800 approved in December.

The current request includes $1,387,400 ($471,700 GPR and $915,700 FED) in 1998-99 for the system. Most of these funds ($1,076,600) would be paid to a private vendor (BDM International) for receiving and processing the reports. Specifically, the vendor receives the reports from employers through a variety of means (regular mail, FAX, disc, magnetic tape, Internet and telephone voice response), processes the information and transmits the data in an electronic file to BITS on a daily basis. BITS staff enter the data into the state directory, transmit the information to the federal government each day and conduct the required matches. Staff in the Department's Division of Unemployment Insurance (UI) oversee the new hire system, monitor the vendor contract and provide information to employers.

The contract with BDM International is for 27 months, from October 1, 1997, through December 31, 1999, with an option for three one-year extensions. The vendor receives 37 cents for each report that is filed. In addition to the vendor contract, the request includes $310,800 to compensate BITS and UI for their costs in managing and operating the system.

Based on a review of these figures, the vendor contract for 1998-99 was overstated by $433,200 ($147,300 GPR and $285,900 FED). These funds should be deleted from the request.

Centralized Receipt and Disbursement. Currently, in this state, child support payments are received and disbursed by county clerks of court. However, federal law requires Wisconsin to have a statewide, centralized child support receipt and disbursement system in place by October 1, 1999. Statutory provisions and funding for the system were included in Act 27.

Under Act 27, it was estimated that development and implementation of the system would cost $1,206,900 all funds in 1998-99, assuming a January 1, 1999, start-up date in half of the counties in the state. The remaining counties were to be added on July 1, 1999. Because of the phased-in start-up, the funding amount in Act 27 was one-fourth of the estimated annual cost of the system ($4.8 million). The funding sources for the system under Act 27 included $117,100 GPR (in the Committee's appropriation), $227,300 in federal matching funds, $750,000 PR from the annual $25 receipt and disbursement fee that will be charged by the state (this fee is currently imposed by county clerks of court) and $112,500 SEG in estimated interest earnings ("float"). These expenditures were accounted for separately from the KIDS budget and are not included in Table 1. Act 27 also required DWD to provide $750,000 ($150,000 GPR and $600,000 FED) from its 1997-98 KIDS budget to county child support agencies for computer equipment upgrades associated with conversion to the new system.

The estimated cost used in Act 27 assumed that DWD would contract with a bank or other vendor to perform the receipt and disbursement function through a lockbox arrangement. The vendor would receive all child support payments from employers and individuals, enter payment information into the KIDS system and print and distribute checks to the appropriate payees. The cost estimate was based on a projection by Firstar Bank in its capacity as state bank. The GPR funding was placed in the Committee's appropriation because there was uncertainty regarding the cost of the system and the amounts that would be generated by the $25 fee and interest earnings.

The current KIDS request includes $6,205,000 ($2,109,700 GPR and $4,095,300 FED) for the centralized receipt and disbursement system. These funds are in addition to an estimated $1.5 million PR from the $25 fee and $269,000 SEG in estimated interest earnings. Including all of these funding sources, total expenditures for the system in 1998-99 are estimated at $7,974,000, an increase of $6,767,100 over the Act 27 amount.

The Department also expects to spend $640,700 of the $750,000 provided in 1997-98 for county computer equipment purchases related to the system. Although these expenditures will occur during the 1998-99 fiscal year, they are not included in Table 2 because the funds were encumbered from the 1997-98 budget. Table 3 shows the estimated expenditures for centralized receipt and disbursement in 1998-99 and on an annualized basis.

TABLE 3

Proposed Budget for Centralized Receipt and Disbursement
(All Funds)

	1998-99	Annualized
One-Time Costs		
Vendor Start-Up	$3,000,000	
Hardware	640,700	
Training	1,284,000	
Supplies and Services	160,000	
Data Clean-Up	100,000	
Travel	30,000	
Subtotal	$5,214,700	
Ongoing Costs		
Vendor Operations	$2,600,000	$5,850,000
Postage	800,000	1,665,000
BCS Staff	0	150,000
Subtotal	$3,400,000	$7,665,000
Total Expenditures	$8,614,700	$7,665,000
1998-99 Funding Sources:		
$25 Annual Fee	$1,500,000	
Interest Earnings	269,000	
Encumbrances from 1997-98 (Hardware)	640,700	
Current Request	6,205,000	
Total Funding Sources	$8,614,700	

The Department has entered into a three-year contract with Lockheed Martin IMS for development and implementation of the system. The contract will run from January, 1999, through December, 2001, with an option for a two-year extension. In addition, the vendor will begin start-up operations in July, 1998. Vendor start-up costs are estimated at $4 million ($3 million to be paid in 1998-99 and $1 million in 1999-2000). Estimated ongoing costs for the vendor are $2.6 million in 1998-99. On a calendar year basis, vendor operating costs are estimated at $5.3 million in 1999, $5.8 million in 2000 and $6.2 million in 2001.

The vendor will conduct start-up activities (set-up, hiring, training, piloting and testing the system) from July through December, 1998. Centralized disbursement of child support will commence in all counties on January 1, 1999, and the vendor will take over the collection process from counties over the next three months so that the transition to the centralized system will be completed by April 1, 1999. The Act 27 budget assumed that the state take-over would be completed several months later. DWD believes the expedited schedule will facilitate implementation of the system by the October 1, 1999, deadline and allow for additional testing and a more orderly transition to the new system.

As noted, the current request for 1998-99 is $6.7 million greater than the Act 27 amount. The revised budget assumes that the system will be operational for less than six months during 1998-99 and includes about $5.2 million for start-up costs. Once the system is fully operational and all start-up expenses have been paid, the ongoing costs to operate the system are estimated at $7.7 million per year, an increase of $2.9 million over the $4.8 million estimate prepared by Firstar Bank and used in Act 27. The Department cites several reasons for the cost increase:

a. In developing the budget under Act 27 the Department did not include start-up costs for the system.

b. The Act 27 budget assumed that the vendor would begin operations on January 1, 1999, and that the system would be phased-in more slowly. As noted, the current request assumes that the vendor will begin work on July 1, 1998, and that the transition to the centralized system will be completed by April 1, 1999.

c. Under the contract, Lockheed Martin will provide a number of services that were not covered in the estimate prepared by Firstar Bank. These include staffing for customer service telephone lines, a voice response system, monthly billing to employers who withhold child support, maintaining a database identifying such employers and employer outreach to encourage the use of electronic funds transfer.

It appears that the costs identified in the request are necessary for start-up and operation of the new system. However, it is possible that revenues from the $25 receipt and disbursement fee will be greater than the $1.5 million amount included in the request. The $1.5 million figure for 1998-99 is for six months and is based on an annualized estimate of $3 million, which reflects current annual collections at the county level. The $3 million estimate implies that the fee is collected on 120,000 child support orders each year. However, the Department indicates that there are approximately 485,000 child support orders in place in Wisconsin. Therefore, the estimated collection rate is only 25%.

DWD indicates that efforts to collect the fee have not been uniform among counties, and that additional enforcement efforts will be made when the fee is taken over by the state on January 1, 1999. This could result in increased collections, which would reduce the amount of GPR and federal matching funds needed for the system. For example, if a 50% collection rate were achieved, annual revenues from the fee would increase from $3 million to $6.1 million. If this occurred, GPR and federal funds could be decreased by $3.1 million annually ($1.1 million GPR and $2 million

FED). It should also be noted that a greater portion of the fee is collected from January through June of each year than during the last six months. For example, DWD estimates that county collections of the fee from January through June of 1998 will total nearly $2 million rather than $1.5 million.

Because of these factors, the Committee could reduce GPR and matching federal revenues by $500,000 in 1998-99 ($170,000 GPR and $330,000 FED) to reflect current collection patterns at the county level. In addition, one-half of the remaining GPR could be placed into unallotted reserve for release by DOA, if needed. This would provide sufficient funds for start-up of the system from July through December, 1998 and additional control over these funds if collections of the $25 fee are greater than estimated in the second half of the fiscal year.

Other Change Orders Required by Federal Law. The request includes $2,660,100 ($532,000 GPR and $2,128,100 FED) for additional change orders to make the system conform to the new federal requirements. This is a slight decrease from the Act 27 budget. The requested funding reflects the cost of 13 IBM Global contract programmers. As noted, the Department has retained other contractors as the primary vendors for the new hire and centralized receipt and disbursement systems. However, IBM Global will work on programming changes to the KIDS system that are necessitated by these systems. In addition, other new child support provisions (such as license denials for nonpayment of support, new procedures for paternity establishment and financial institution data matching) will require change orders. Statutory provisions conforming to the new federal requirements were adopted in 1997 Wisconsin Act 191.

To date, the Department has not made significant progress in implementing the federal change orders, and most of the funding that has been approved for these modifications has not been expended. Specifically, $5 million that was appropriated for these items in 1996-97 was not expended and the Department expects to spend only $485,000 of $1.9 million that was approved in 1997-98. The Department indicates that the reason for this delay is that its efforts throughout 1996-97 were primarily directed toward achieving federal certification of the pre-1996 requirements by the October, 1997, deadline. In addition, most of the new federal provisions were not enacted at the state level until May 1, 1998, and IBM Global was unable to remain fully staffed throughout 1997-98, which limited its ability to program the necessary modifications.

As noted, at the December, 1997, meeting, the Committee directed DWD to report, on its progress in completing the federal change orders. The report submitted by the Department on May 13 addressed its progress in meeting the pre-1996 federal requirements, and in implementing the new hire, centralized receipt and disbursement and unemployment compensation intercept systems, but did not specifically address the other federal requirements. However, the Department has developed a detailed work schedule for these items and indicates that the contract extension with IBM Global will include more specific performance measures to help ensure that more progress will be made on the federal change orders.

It appears that the requested funding will be needed and that DWD has taken steps toward accomplishing the federal change orders. However, because the Department has not expended most of the funds which have been appropriated for these modifications in the last two fiscal years, the Committee may wish to place the GPR funding into unallotted reserve for release by DOA as needed.

County Priority Requests. In its December report, the Audit Bureau found that in developing and implementing the KIDS system, DWD placed higher priority on meeting the deadline for federal certification than on ensuring that the system would meet the needs of county staff. Because of this emphasis, Wisconsin was one of only 17 states that met the October 1, 1997, federal deadline. However, this approach has also contributed to the problems encountered in implementing the system and has reduced its ongoing effectiveness. For example, at the time of the audit, the system had not fully automated the process of receipting and disbursing support payments and was often unavailable to county staff due to scheduled and unscheduled downtime. Also, county staff time was being used to answer questions by parents who were incorrectly charged interest or received inaccurate notices and letters regarding their support obligations.

The Audit Bureau also identified a potential source of funding to make improvements to the system to address some of the concerns raised by counties. Because of a retroactive provision of the 1996 federal welfare reform legislation, the Department recently received $1.25 million from the federal government. These funds are reimbursement for state development expenses that were initially matched with 66% federal funds but have now been determined to be eligible for the 90% enhanced federal matching rate. Since these funds are considered a reimbursement of state revenues, they can be matched with 66% federal revenues if used for child support enforcement activities, including enhancements to the KIDS system. This would generate additional federal revenues of $2.45 million, for a total of $3.7 million.

The Audit Bureau recommended that the Finance Committee authorize DWD to use any excess matching funds it receives for the initial development of KIDS to correct existing problems that affect county staff. Without such authorization, these revenues would lapse to the general fund. In addition, the report recommended that DWD submit to the Joint Legislative Audit Committee by March 31, 1998, a detailed plan, including completion dates, for using these funds to resolve ongoing problems related to KIDS. Finally, the Audit Bureau recommended that DWD report quarterly to the Audit Committee, beginning in June, 1998, on the progress it has made toward addressing system problems, including the amounts expended to do so.

Because the Department had not prepared a proposal for the use of the excess federal revenues at the time of the December meeting, the Committee did not approve the use of these funds.

The current request includes $2,046,200 ($695,700 GPR and $1,350,500 FED) for change orders requested by the counties. This funding assumes that 10 IBM Global contract programmers will work full-time on these modifications. As recommended by the Audit Bureau, the GPR funding for these items would come from excess federal revenues. The report submitted by the Department on May 13 indicates that DWD has worked with IBM Global and county agencies to rank the modifications requested by counties and develop a detailed work schedule and cost estimates for these changes. The schedule estimates a completion date for approximately half of these changes of July 1999; the Department expects to complete the remaining county requests by June 6, 2000. The $554,000 in excess federal revenues not requested in 1998-99 would be carried over to 1999-2000 to continue implementing the county requests. The estimated cost for all of these changes ranges from $3.9 million to $5.1 million

Other System Modifications. The Act 27 budget included $258,000 ($87,700 GPR and $170,300 FED) in 1998-99 for modifications to the CARES computer system for economic support programs to ensure that the CARES system is compatible with the KIDS system. This funding is not included in the current request because the Department will fund these costs with temporary assistance to needy families (TANF) revenues rather than charging them to the KIDS budget.

State Staff and BITS Costs

State Staff. The request includes $2,274,400 ($664,500 GPR and $1,609,900 FED) for 23 existing state positions and contract staff that work with IBM Global on maintenance of the system and certain modifications. This is a decrease of $82,900 from the Act 27 amounts, which is primarily due to a reduction in the rate charged to the KIDS system for BITS staff (from $59 per hour to $57 per hour). The revised figures also assume that additional staff will be funded with 80% federal revenues rather than the general 66% matching rate.

Supplemental Staff. The request includes $1,693,600 ($575,800 GPR and $1,117,800 FED) for 6.0 FTE two-year project positions, LTE staff and supplemental contract staff. The project positions would be authorized from July 1, 1998, through June 30, 2000, and would perform some of the duties currently carried out by contract staff. These positions include 3.0 FTE program assistant 4 positions, 1.0 FTE program assistant 5 and 2.0 FTE technical writers. Two of the PA 4's would work on general maintenance of the system and the third PA 4 would work on activities related to the parent locator service. The PA 5 would serve as a planner for implementing the changes required by the 1996 federal legislation and the two technical writers would develop and update policy and user manuals and other documents related to the system. Salaries and fringe benefits for these positions would total $242,200 annually.

The request also includes $212,000 for 10 LTE positions. Nine of these individuals would work on maintaining employer files and the other position would assist with the tax intercept program.

The remainder of this portion of the request ($1,239,400) would be used to retain existing contract staff with System and Processing Resources (SPA) and System Design Associates (SDA) that assist in ongoing maintenance of the system. Funding for these contracts in 1997-98 was approved at the Committee's December meeting.

The Department estimates that it would save $142,000 in 1998-99 by converting the contract positions to the six project positions and LTE staff. DWD intends to hire the same individuals who are currently performing these duties as contract staff with SPA and SDA. If this occurs, there should be little, if any, disruption to daily operations by converting to state staff. Project positions were requested because the KIDS system is still evolving and staffing patterns may change in the future.

Other BITS Costs. The revised budget includes $100,000 ($34,000 GPR and $66,000 FED) for computer equipment purchases, a reduction of $270,400 from the Act 27 budget.

The request includes $300,000 ($102,000 GPR and $198,000 FED) for the KIDS help desk, 800 number and automated voice response unit. This is a reduction of $303,000 from the Act 27 amount. However, compared to actual costs in 1997-98, which are projected at $224,000, this is an increase of $76,000. According to DOA, there will be a rate increase of approximately 10% for these services, which would bring 1998-99 costs to $246,400. The Department has not documented the need for the additional funds. Therefore, the 1998-99 amount could be reduced to $250,000, which would account for the rate increase and provide a small cushion for increased usage that may occur.

The request also includes $1,041,800 ($354,200 GPR and $687,600 FED) for the KIDS share of costs of the local area network operated by DWD's Division of Administrative Services. Compared to Act 27, this is an increase of $311,100, which reflects equipment upgrades and other increased costs of providing this service.

In addition, the revised budget includes $1,270,400 ($432,000 GPR and $838,400 FED) for the KIDS share of the costs of DWD's mainframe computer. This is an increase of $1,153,800 over the Act 27 amount. Most of the increase ($917,000) reflects a charge that was inadvertently omitted from the previous budget for BITS' costs in working with InfoTech to provide mainframe services for the system. Also, since Act 27 was adopted, the costs incurred by the Department for these services have increased and the Department has reallocated these expenses among the operating divisions.

Finally, computer equipment maintenance costs are estimated at $25,000, based on current maintenance expenses.

InfoTech Charges

The InfoTech budget includes the fee paid to DOA for mainframe services, electronic mail and connection to the consolidated data network (CDN).

Mainframe Charges. The mainframe fee is estimated at $9,000,000 ($3,193,700 GPR and $5,806,300 FED) in 1998-99, a decrease of $1,652,000 from the Act 27 amount. The lower estimate primarily reflects actual expenses in 1997-98, which are now projected at $9,462,500. In addition, the Department believes that these expenses will decrease somewhat in 1998-99 due to efforts to implement programming changes to make the data processing function of the system operate more efficiently.

Mainframe usage continues to be the largest cost component of the system. In its December report on the KIDS system, the Legislative Audit Bureau indicated that savings could be realized through programming changes to make the system perform data processing functions more efficiently. The Audit Bureau recommended that DWD work with its vendors and InfoTech staff to improve the use of available new technology, and conduct a review of KIDS programming, so that changes can be made to improve the data processing efficiency of the system. At its December meeting, the Finance Committee directed the Department to prepare a report on progress made toward improving the system's processing efficiency.

The Department's report indicates that it has been taking measures to increase processing efficiency since March, 1997. The Department is working with staff from IBM Global and InfoTech to reduce costs by writing more efficient code, running less data through the system and changing the time when programs are run to make greater use of less expensive weekend runs. The Department indicates that it is also attempting to improve system availability and response time.

E-Mail. The request for email services provided by InfoTech is $50,000 ($17,000 GPR and $33,000 FED), which is $19,100 lower than the Act 27 amount. The reduced funding reflects the elimination of one of the charges imposed by DOA for these services and that DWD has eliminated email for communications with counties and, instead, implemented an Internet-based system. It should be noted that DWD now projects expenditures for these items to be $26,000 in 1997-98. Even though the requested amount for 1998-99 is less than the Act 27 budget, it exceeds projected expenditures in 1997-98 by $24,000. Based on current year expenses with an adjustment for inflation, it appears that this item could be reduced from $50,000 to $27,000.

Telecommunications. The request also includes $904,600 ($397,100 GPR and $507,500 FED) for connection to the CDN. The estimated cost of this service is based on actual charges in 1997-98. The total telecommunications request is lower than the Act 27 amount because the Act 27 budget included $291,100 for an equipment charge by DOA, which has since been repaid.

Supplies and Services

The request includes $1,708,900 ($581,000 GPR and $1,127,900 FED) for centralized mailing of child support bills and statements, a decrease of $1,696,500 ($576,800 GPR and $1,119,700 FED) from Act 27. The Act 27 amount assumed that 9.2 million pieces of mail would be processed in each year at a cost of 37 cents each. Based on additional experience, DWD now estimates that about 4.1 million pieces of mail will be processed each year at an average cost of 42 cents for postage, envelopes and labor.

Although lower than the Act 27 budget, the $1,708,900 amount requested for 1998-99 exceeds the current projection for 1997-98 ($789,500) by $919,400. The Department indicates that some large mailings that were expected to be done in 1997-98 will instead occur in 1998-99, which accounts for about $350,000 of the $919,400 difference. However, as of this writing, DWD has been unable to explain the remaining increase. Based on the 1997-98 expenditures plus an additional $350,000 for the large mailings that were deferred, the Committee could reduce the mailing request to $1,150,000. If necessary, the Department could request the remaining funds at a later time.

The request also includes $40,000 for credit bureau reports regarding individuals who are delinquent in paying child support, a slight reduction from Act 27. In addition, funding of $2,126,000 ($722,900 GPR and $1,403,100 FED) would continue to be provided for general supplies and services associated with the system.

Reimbursement to Other State Agencies

The final item in the request is $1,377,800 ($498,000 GPR and $879,800 FED) which would be provided to other state agencies as reimbursement for their costs of complying with the child support provisions regarding license suspensions, social security numbers and the imposition of liens for 1997 unpaid support. These provisions are required by federal law and were adopted at the state level in Act 191. However, Act 191 did not provide funding to implement the new provisions. The requested funding is based on preliminary information submitted by most of the affected state agencies, but estimates have not been provided for all of the agencies that will be impacted. The Department indicates that it will work closely with state agencies to review these estimates and determine the appropriate level of reimbursement. Because there is significant uncertainty regarding these costs, the Committee may wish to place this funding in unallotted reserve.

SUMMARY

The KIDS computer system is essential to the operation of state and county child support enforcement activities. In Act 27, all of the GPR funding for KIDS in 1998-99 was placed into the Committee's appropriation because of uncertainty regarding mainframe usage and the cost of system enhancements required by federal law and because the Legislative Audit Bureau was conducting a comprehensive review of the system.

At this time, mainframe costs continue to be higher than initially projected prior to start-up of the system, but they have decreased compared to the Act 27 estimates. In addition, because the system has been operational for more than one year, there is greater certainty regarding these costs. As noted, DWD is reviewing the system to identify and implement programming changes to further reduce mainframe charges. The Department also intends to use excess federal revenues to implement a number of change orders requested by county child support agencies, as recommended by the Audit Bureau.

In the past two fiscal years the Department has not made significant progress in completing the change orders required by federal law, despite receiving considerable amounts of funding. Although it appears that funding will be necessary, the Committee may wish to place the GPR funds ($532,000) for these modifications into unallotted reserve for release by DOA as needed.

Other areas where the request could be modified are as follows:

OK

- Funding for centralized receipt and disbursement could be decreased by $500,000 ($170,000 GPR and $330,000 FED) to reflect a revised estimate of revenues from the $25 receipt and disbursement fee (from $1.5 million to $2 million in 1998-99). In addition, one-half of the remaining GPR ($969,900) could be placed into unallotted reserve for release by DOA, if needed. This would provide additional control over these funds if collections of the $25 fee are greater than estimated.

OK

- Funding for the new hire reporting system vendor contract could be reduced by $433,200 ($147,300 GPR and $285,900 FED) to correct an error in calculating these costs.

do we lose nothing if GPR isn't released now?

- Funding of $498,000 GPR for reimbursement to other state agencies for their costs of complying with new child support provisions could be placed in unallotted reserve because of uncertainty regarding these expenses. If the GPR funding is released, matching federal funds of $879,800 would also be available, for a total of $1,377,800.

no - DAFS says miscalculated

- The budget for centralized mailing could be decreased by $558,900 ($190,000 GPR and $368,900 FED), based on actual expenses in 1997-98. This level of funding would also provide $350,000 for large mailings that were deferred from 1997-98 to 1998-99.

OK

- Funding for the KIDS help desk, 800 number and automated voice response unit could be reduced by $50,000 ($17,000 GPR and $33,000 FED), to reflect actual expenses in 1997-98 and a projected 10% rate increase.

OK

- Based on actual expenditures in 1997-98, funding for email services provided by InfoTech could be reduced by $23,000 ($7,800 GPR and $15,200 FED)

ALTERNATIVES

1. Approve the Department's request to: (a) transfer $11,055,900 GPR in 1998-99 from the Committee's appropriation under 20.865(4)(a) to DWD's appropriation under 20.445(3)(a) for the KIDS computer system; (b) transfer $117,100 GPR in 1998-99 from the Committee's appropriation to DWD's appropriation for the centralized receipt and disbursement system; (c) carry over unexpended KIDS funding of $787,000 GPR from 1997-98 to 1998-99 in its general program operations appropriation; (d) use $695,700 in excess federal funds along with federal matching revenues for change orders requested by counties; and (e) provide 6.0 FTE two-year project positions in the Bureau of Child Support beginning July 1, 1998.

2. Approve the Department's request with one or more of the modifications outlined below. Under these options, any reduced GPR funding would remain in the Committee's 1998-99 appropriation or placed into unallotted reserve for release by DOA. As under the request, DWD would carry over $787,000 GPR from 1997-98 to 1998-99 and use $695,700 in excess federal funds for the county requests. The remaining unexpended state funds in 1997-98 (estimated at $251,600 GPR) would lapse to the general fund.

a. Place funding of $532,000 GPR for federal change orders into unallotted reserve for release by DOA as needed.

b. Decrease funding for centralized receipt and disbursement by $500,000 ($170,000 GPR and $330,000 FED) to reflect a revised estimate of revenues from the $25 receipt and disbursement fee, and place one-half of the remaining GPR funding ($969,900) into unallotted reserve for release by DOA, if needed.

c. Reduce funding for the new hire reporting system vendor contract by $433,200 ($147,300 GPR and $285,900 FED) to correct an error in calculating these costs.

? d. Place funding of $498,000 GPR for reimbursement to other state agencies into unallotted reserve for release by DOA after more precise cost estimates are available.

? e. Reduce the budget for centralized mailing by ~~$558,900~~ 312,200 (~~$190,000~~ 106,100 GPR and ~~$368,900~~ 206,100 FED).

f. Decrease funding for the KIDS help desk, 800 number and automated voice response unit by $50,000 ($17,000 GPR and $33,000 FED).

g. Reduce funding for email services by $23,000 ($7,800 GPR and $15,200 FED).

Prepared by: Rob Reinhardt

$448,200

Legislative Fiscal Bureau

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

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June 23, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Corrections – Section 13.10 Request for Out–of–State Prison Contracts – Agenda Item II

INTRODUCTION

The Joint Committee on Finance is required, under s. 302.26 of the statutes, to approve any contract to transfer 10 or more inmates in any fiscal year to any public or private prison facility in another state. On June 2, 1998, the Department of Corrections submitted for the Committee's approval: (a) an addendum to a previously approved contract with the Corrections Corporation of America (CCA) for the housing of up to an additional 300 inmates at the Whiteville (Tennessee) Correctional Facility (formerly called the Hardeman County 2 Facility); (b) a request to add 480 beds at CCA's Sayre (Oklahoma) Correctional Facility to the existing contract with CCA; and (c) a modification to the existing contract with Texas counties to add three additional counties and one city jail in Texas in order to provide up to 540 additional beds. In addition, Corrections requested that the Committee allow the Department to submit a contract with the Virginia Department of Corrections for the housing of up to 200 female inmates to the Committee under a 14-day passive review process. Finally, the Department requested the release or transfer of $24.6 million GPR in 1998-99 to fund the expanded use of contracted prison space and an additional 4.0 GPR positions for program activities associated with the contracts.

On June 12, 1998, Corrections submitted a revised request that: (a) increased the number of beds associated with CCA's facility in Oklahoma to 1,200 beds from 480 beds; (b) added Navarro County, Texas to the Texas contract and increase the number of beds included under the contract to 1,320; and (c) increased the number of additional Corrections staff for contracts to 5.0 GPR positions from 4.0 GPR positions. In total, the Department's request would allow for the purchase of an additional 2,320 beds. This paper addresses the Department's request as revised on June 12, 1998.

BACKGROUND

In 1997 Act 27, the Department of Corrections was given the authority to contract with one or more private corporations for prison beds in other states. Contracts are required to contain all of the following provisions:

(a) a termination date;

(b) the costs of prisoner maintenance, extraordinary medical and dental expenses and any participation in rehabilitative or correctional services, facilities, programs or treatment;

(c) specifications regarding any participation in programs of prisoner employment, the disposition or crediting of any payments received by prisoners, and the crediting of proceeds from any products resulting from employment;

(d) specifications regarding the delivery and retaking of prisoners;

(e) regular reporting procedures concerning prisoners by the private corporation;

(f) procedures for probation, parole and discharge;

(g) the use of the same standards of reasonable and humane care as the prisoners would receive in a Wisconsin institution; and

(h) any other matters determined to be necessary and appropriate regarding the obligations, responsibilities and rights of Wisconsin and the private company.

Act 27 further specified that while in a private contract facility in another state, Wisconsin prisoners would be subject to all provisions of law and regulation concerning the confinement of persons in that institution under the laws of the state where the private institution is located. Further, any parole hearings for prisoners confined under a contract are to be conducted by the Wisconsin Parole Commission. Contracts with private companies for prison beds are required to follow current state procurement requirements or current Corrections standards for the purchase of services for offenders. In addition, any contract to transfer 10 or more prisoners to any private provider of prison beds must be approved by the Legislature by law or by the Joint Committee on Finance.

Similar provisions apply to the contracting for out-of-state prison space with public providers.

The Committee first approved the use of contracted jail space in Texas county jails in September, 1996. Additional counties were added to the contract in January and April, 1997. On

March 5, 1998, the Committee approved the contract with CCA for up to 1,200 beds at two facilities in Whiteville, Tennessee. When the CCA contract was approved, Corrections indicated that funding in its existing contracts appropriation was sufficient to support contracted beds in 1997-98 and that a lapse from the appropriation was anticipated in that year. However, the Department also indicated that additional funding would be necessary in 1998-99. Given this information, the Committee adopted a provision to allow Corrections to lapse any unexpended funding in 1997-98 in the contracts appropriation to the Committee's supplemental appropriation for allocation in 1998-99.

In 1997 Act 27, funding for prison contracts with private and public providers was placed in a single GPR appropriation. In total, \$31.5 million GPR in 1997-98 and \$33.1 million GPR in 1998-99 was provided for prison bed contracts. In addition, \$15,000,000 GPR (\$4.9 million GPR in 1997-98 and \$10.1 million GPR in 1998-99) was placed in the Committee's supplemental appropriation for release to the Department for contracted beds. Corrections currently estimates that expenditures for contracts in 1997-98 will be \$1,707,700 less than appropriated for that purpose. Without other action by the Committee, this amount will lapse from the contracts appropriation and be placed in the Committee's appropriation for release in 1998-99. However, in conjunction with Corrections' other s.13.10 request currently before the Committee to transfer \$1,456,200 GPR from the 1997-98 contracts appropriation to the serious juvenile offender (SJO) appropriation (see Agenda Item I), the Department estimates that \$207,700 GPR would be available for transfer.

When the Texas contract was originally approved by the Committee, 1.0 GPR institutions registrar and 1.0 GPR program assistant position at the Dodge Correctional Institution (the correctional system's assessment and evaluation center, inmate processing center and inmate intake records center) were created to handle the paperwork associated with the inmates placed in Texas (up to 700 inmates at any one time). In 1997 Act 27, when Corrections was given the authority to contract with private as well as public providers, the Legislature created a contract administrator position (1.0 administrative officer) to manage the contracts. Finally, in 1997 Act 237, an additional 5.0 GPR positions were created to manage out-of-state contracts, monitor contract facilities, coordinate health care services, and provide program review services for public and private prison bed space contracts. In total, the 8.0 GPR positions the Department currently has associated with prison contracts are allocated as follows: (a) 2.0 GPR positions in the Division of Adult Institutions' central office for contract administration and health services; (b) 3.0 GPR positions in the Office of Offender Classification and Movement for inmate selection and transportation coordination; and (c) 3.0 GPR positions at the Dodge Correctional Institution for processing of inmate-related paperwork.

SUMMARY OF REQUEST

The request from the Department of Corrections seeks Committee approval of the following:

A. Texas County Jail Contracts. In September, 1996, the Committee authorized Corrections to contract for up to 700 beds with Texas counties. The Committee granted the Department the ability to include additional counties in the contract under a 14-day passive review process, as long as the total number of beds in Texas did not exceed 700. Since the initial contract was approved, the Department has twice added counties to the contract. On May 29, 1998, the Department had 701 inmates in Texas.

The request currently before the Committee would modify the existing Texas county jail contracts to: (a) add Lamar, Henderson, Upshur and Navarro Counties and the City of Mansfield jail; (b) delete Hood, Johnson and Ector Counties (there are currently no inmates in these counties); (c) change the effective date to July 1, 1998 through June 30, 1999; (d) add the phrases "/city" and "/Chief of Police" to allow the City of Mansfield's jail to be used; and (e) increase the maximum number of beds that the Department could utilize from 700 to 1,320. All other provisions of the contract remain the same as originally approved by the Committee in September, 1996, including the $39.96 per inmate day rate.

B. Corrections Corporation of America Contract. In March, 1998, the Committee approved a contract with the Corrections Corporation of America (CCA) for up to 1,200 beds at two facilities in Whiteville, Tennessee. On May 29, 1998, the Department had 396 inmates at the CCA facilities in Tennessee.

The request currently before the Committee would amend the recently approved contract to: (a) increase the number of inmates at the Tennessee facilities by 300, to 1,500; (b) rename one of the facilities (formerly known as the Hardeman County 2 facility) the Whiteville Correctional Facility; (c) include up to an additional 1,200 beds for male inmates at CCA's Sayre, Oklahoma facility; and (d) specify that the additional 1,500 inmates added by the amendment would be transferred during 1998-99, subject to the Committee's approval and the availability of funds. All other provisions of the contract, including the $42 per inmate day rate, remain unchanged.

C. Virginia Department of Corrections Contract for Housing of Female Offenders. The Department is currently investigating the possibility of entering into a contract with the Virginia Department of Corrections (VADOC) to house up to 200 female inmates. No contract has been finalized at this time. However, Corrections indicates that the contract will be similar to the CCA contract, and is requesting that the Committee authorize the Department to submit a final contract with VADOC to the Committee under a 14-day passive review process.

D. Contract Funding and Position Authorization. In order to fund existing contract beds with CCA, the federal government, Wisconsin and Texas counties and with the Prairie du Chien Juvenile Correctional facility (2,785 beds total) in 1998-99, and to fund the newly requested contract beds for a portion of the fiscal year (2,320 beds), Corrections is requesting that the Committee release or transfer from within the Department $24.6 million in 1998-99. Funding would be provided as follows:

Amount	Transfer From	Transfer To	Reason
$15,000,000	20.865(4)(a)	20.410(1)(ab)	Release from Committee reserved funding
207,700	20.865(4)(a)	20.410(1)(ab)	Estimated 97-98 lapse to carry forward to 98-99
6,185,200	20.410(1)(b)	20.410(1)(ab)	Reduction in utilization of the intensive sanctions program
1,600,000	20.410(1)(d)	20.410(1)(ab)	Reduction in utilization of the intensive sanctions program
400,000	20.410(1)(a)	20.410(1)(ab)	Reduction in utilization of the intensive sanctions program
755,000	20.410(1)(m)	20.410(1)(ab)	Federal reimbursement of costs for criminal aliens
$24,147,900			Total Transfer to 20.410(1)(ab)
445,000	20.410(1)(m)	20.410(1)(a)	Federal reimbursement of costs for criminal aliens
$24,592,900			Total Transfer or Release Amounts

[Note: Appropriation 20.865(4)(a) is the JFC appropriation. All 20.410 appropriations are those of the Department of Corrections.]

In addition, Corrections is requesting that the Committee create 5.0 GPR positions (4.0 GPR contract specialists and 1.0 GPR program assistant) in the Department's Division of Adult Institutions, central office for contract administration. These positions would be funded for 11 months in 1998-99 from the Department's general program operations appropriation.

The following table shows, by location, currently authorized contract beds and contract beds under the request before the Committee.

Contract Beds

Currently Authorized and Requested

	Currently Authorized	Request	Total
Wisconsin	585		585
Federal Institutions			
Duluth, MN	300		300
CCA			
Tennessee	1,200	300	1,500
Oklahoma		1,200	1,200
State Institute			
Virginia		200	200
Texas			
Bowie	361		361
Comanche	22	80	102
Franklin	10	20	30
Morris	17		17
Palo Pinto	49		49
Red River	63		63
Titus	138		138
Van Zandt	40		40
Upshur		100	100
LaMar		50	50
Henderson		50	50
City of Mansfield		240	240
Navarro		80	80
Subtotal—Texas	700	620	1,320
Total Contract Beds	2,785	2,320	5,105

ANALYSIS

The Department of Corrections has, by policy, defined the operating capacity of the prison system as the lesser of: (a) the number of inmates that a correctional institution can house; or (b) an institution's capacity to provide non-housing functions such as food service, medical care, recreation, visiting, inmate programs, segregation housing and facility administration. Medical services and segregation beds (single cells for inmates removed from the general population for behavioral or security reasons) are not counted in housing capacity. Housing capacity is defined as: (a) one inmate per cell at maximum security facilities, with a 2% cell vacancy rate; and (b) up to 20% double occupancy of cells in medium security facilities existing as of July 1, 1991, or 50% double occupancy of cells in medium security facilities constructed after July 1, 1991. No specific standard has been established for minimum-security institutions, but capacities have been determined on an institution-by-institution basis. Corrections' operating capacity figures also include contracted county jail and prison beds.

As of June 15, 1998, Corrections' identified operating capacity was 12,266 inmates. This figure included 1,962 contract beds in Wisconsin and Texas county jails, federal facilities, the Prairie du Chien Juvenile Correctional Facility and in the CCA facilities in Tennessee. On that same date, Corrections' inmate population totaled 16,056. As a result, the total adult correctional facilities were at 131% of operating capacity. Institutions for male inmates were at 130% of capacity (15,153 inmates in facilities with a capacity of 11,617), while institutions for female inmates were at 139% of capacity (903 inmates in facilities with a capacity of 649). It should be noted that if inmates in contracted space are excluded from both the capacity and population figures, the Department of Corrections facilities were operating at 137% of capacity (137% for male institutions and 140% for female institutions).

In reviewing the operating capacity figure, however, the Committee should note the following:

- The current capacity figures do not include three 150-bed barracks units at two correctional institutions (Fox Lake and Dodge) that were recently constructed but have not yet been added to the operational capacity. Currently, the two units at the Fox Lake Correctional Institution are being utilized while other housing units at the Institution are closed for renovation. Once construction is complete and the unit at the Dodge Correctional Institution is included, Corrections' defined operating capacity will increase to 12,716.

- The 400-bed Racine Youthful Offender Correctional Facility was recently opened. While the facility has an operating capacity of 400, only 43 inmates are currently placed in the facility. To the extent that this facility is utilized, crowding at other facilities may be reduced, but overall capacity will not change.

- The capacity figures do not include future additions to operating capacity that are the result of current expansion projects expected to be completed during the 1997-99 biennium. If these beds are added, the operating capacity figure would increase by 855 beds.

- Operating capacity figures do not include the "supermax" facility (500 beds scheduled to open in 1999), or additional beds provided in the 1997-99 capital budget (1,200 additional beds, excluding 400 beds for a probation and parole hold facility).

- To the extent that Corrections exceeds the percentages of double-occupied cells or redefines any of the terms used in its operating capacity definition, additional inmates can be accommodated within the definition of operating capacity.

- The current population totals include 371 probationers and parolees, either being held as an alternative to revocation of probation or parole or as a temporary hold pending revocation. In DOC v. Kliesmet, the Wisconsin Supreme Court ruled that Corrections could not place its detainees in a county jail over a sheriff's safety objections. A resulting agreement with Milwaukee County based on the ruling specified that Corrections would have all violators out of the Milwaukee County jail by April 1, 1998. This agreement has contributed to additional crowding in state facilities.

The following table identifies: (a) operating capacity of the adult correctional system once all currently authorized construction projects are complete; (b) the current number of authorized contract beds; and (c) the number of additional beds under the Department's request.

Wisconsin correctional institutions	13,309
Currently authorized contract beds	2,785
Requested additional contract beds	2,320
Total	18,414

To partially address the crowding issue, the Legislature created statutory language in 1997 Act 27 that allowed Corrections to contract for private prison beds in another state. Act 27 also provided increased funding, including funding that is in the Committee's appropriation, for these contracts. The contracts and the funding request currently before the Committee are the result of these previous actions.

From January, 1996, to June, 1998, correctional populations increased from 11,285 inmates (10,777 male and 508 female) to 16,010 (15,114 male and 896 female). This represents a 42% increase in approximately two and a half years (a 40% increase in male inmates and a 76% increase in female inmates). The Committee should note that the rate of monthly inmate population growth has also increased significantly since January, 1996. From January, 1996, until January, 1998, the prison population grew at an average monthly rate of 1.16%. Since January, 1998, the monthly rate of population growth has increased significantly from a 1.5% growth rate in January to 2.2% rates in both April and May. If populations continued to increase at a 2% per month rate, populations would be approximately 18,400 in January, 1999, and 20,800 in July, 1999.

Population increases are affected by several admission and release factors. Admission and release data since January, 1996, indicate that admissions have always exceeded releases but that the difference between admissions to prison and releases from prison have varied greatly: there were 32 more admissions than releases in August, 1997, compared to 449 more admissions than releases in April, 1998. While admissions by type of admissions (admission on a new sentence and admission for revoked probation or parole) have fluctuated from month to month, most admissions types have remained relatively constant. However, as noted previously, admissions to the prisons of individuals pending revocation of probation or parole have recently increased (from 1 in January, 1996, to 134 in April, 1998) as the result of the Supreme Court decision. With regard to releases, two trends should be noted: (a) parole releases have accounted for the vast majority of releases from prison, averaging 275 releases per month since January, 1996. In April, 1998, however, 83 parole releases occurred; and (b) releases to the intensive sanctions program have almost been eliminated decreasing from a high of 178 releases to the program in October, 1996, to a low of 7 releases in November, 1997, and January, 1998. If these admissions and release trends continue, prison populations will continue to increase.

Contract Approval Request. The Department's request related to the Texas contract would add: (a) Lamar County, located approximately 90 miles northeast of Dallas; (b) Upshur County, located approximately 100 east of Dallas; (c) Navarro and Henderson Counties, located 45 to 60 miles southeast of Dallas; and (d) the City of Mansfield, located approximately 25 miles southwest of Dallas. Removed from the contract would be Hood, Ector and Johnson Counties because the counties no longer wish to participate. The new counties and the city would be required to comply with the same contract provisions as previously approved by the Committee. According to Corrections, up to an additional 520 beds can be provided at these facilities (Lamar, up to 50 beds; Upshur, up to 100 beds; Navarro, up to 80 beds; Henderson, up to 50 beds; and the City of Mansfield, up to 240 beds). In addition, the revised Texas contract would also increase the number of beds available in Franklin County by 20 beds and in Comanche County by 80 beds. While the revised Texas contract removes three counties, the bed space previously provided by these counties has been replaced by previously approved counties within the currently authorized 700 beds. The request would increase the number of beds in Texas by 620, to a total of 1,320.

The county and city jails in all of the proposed additional sites have been personally inspected by Wisconsin officials within the last month, and found to be appropriate for housing Wisconsin inmates. With regard to the Mansfield City Jail, Corrections indicates that that facility has been housing approximately 270 prisoners from the Oklahoma Department of Corrections. The Oklahoma prisoners are being returned to Oklahoma because additional privately provided bed space in the state has become available. Under current law, Wisconsin can contract with any political subdivision in another state, including a city, for prison space.

The Committee should note that the revised Texas contract language (from the Department's June 12, 1998 request) does not revise the total bed number from the original request. If the contract is approved, this number should be increased from "1,240" to "1,320". In addition, there are a number of minor, typographical errors that should be corrected. These corrections could be made without further review of the Committee, but the Department should be required to submit a copy of the corrected contract to the Committee.

The CCA contract approval request would amend the recently approved contract to include 300 additional beds at the Whiteville (Tennessee) Correctional Facility and 1,200 beds at CCA's facility in Sayre, Oklahoma. The Sayre facility, located approximately 120 miles west of Oklahoma City, would house medium- and maximum-security inmates. The same provisions of the current CCA contract would apply to the amended contract. The amendment to the contract appears to comply with the statutory requirements for contracting for private prison space.

The Department is requesting that the Committee grant it authority (under a 14-day passive review process) to enter into a contract with the Virginia Department of Corrections to house up to 200 female offenders at the Fluvanna Correctional Center for Women in Troy, Virginia. This facility is located approximately 45 miles northwest of Richmond. The Department has not yet inspected the facility or developed a contract. However, in its June 12, 1998, request to the Committee, Corrections indicated that it would have more information by the time of the Committee's s. 13.10 meeting in June, 1998. The Department indicates that the contract is expected to cost $60 per inmate day and be similar to the CCA contract.

The Department's request for approval of prison bed space contracts would increase the total number of contracted prison beds to 5,105, of which 4,520 would be out-of-state. Corrections' current cost estimate, based on the phasing-in of beds approved under the contracts, would total $80,074,500 GPR in 1998-99. If the Department's request is approved, total costs could exceed available funding by $22,833,100 GPR in 1998-99. The Department's request acknowledges this shortfall, and indicates that it will continue to monitor the appropriation and attempt to identify a funding source for the unfunded beds.

Questions could be raised about the appropriateness of the Committee approving contracts that could result in an estimated $22.8 million GPR shortfall in 1998-99. While current prison crowding demonstrates the need for increased space, at least in the short term, approval of the contracts as presented by the Department could potentially commit the state to expenditures in 1998-99 for which funding is not available. Any funding shortfall would need to be addressed either by transferring additional funding to the contracts appropriation at a future s. 13.10 meeting or in emergency legislation during the 1999-2000 legislative session. With regard to the latter option, any funding provided by 1999-2000 Legislature for the 1998-99 fiscal year would reduce the opening balance for the 1999-2001 biennium by a corresponding amount.

The Department argues that approval of all the contracts (CCA, Texas, and Virginia) is essential in order to allow it the flexibility to manage the current prison crowding. The Department states that the contracts are for "up to" a certain number of beds, and not a specific number. Further, Corrections indicates that circumstances at a contracted facility (including a disturbance or failure to comply with contract provisions) may not allow enough beds to be provided. Therefore, approval of the contracts as submitted would allow the Department to adjust to changing circumstances both in the Wisconsin prisons and at the contracted facilities.

As an alternative to the Department's contract approval request, the Committee could consider approving contracts only to the extent that funding is currently available. Since the number and location of beds that could be provided will vary depending on the cost per bed and the number of days those beds are utilized, the Committee could allow the Department to enter into any of the contracts as long as the projected costs for those beds does not exceed the amount of funding available for contracts in 1998-99. The Department would be required to demonstrate how the bed numbers were determined. Since the Committee is required to approve all contracts, and Corrections has expressed concerns that the crowding at the prisons needs to be addressed swiftly, the Department could be allowed to submit the amended contracts to the Committee under either: (a) a 14-day passive review process; or (b) the Co-chairs of the Committee could certify the changes to the Committee Secretary before the contracts could become effective. Neither of these provisions would apply to the Virginia contract, because the Committee has not reviewed and approved the basic contract. However, any additional beds provided under the Virginia contract would be included under the funding limitation.

Staffing and Administrative Funding Request. The Department's funding request related to the administration of the contracts is summarized in the following table. Funding would support 4.0 contract monitor positions and 1.0 program assistant, plus inmate transportation to Texas. These funds would be placed in the Department's general program operations appropriation (s. 20.410(1)(a)). All of the requested positions would be in the Division of Adult Institutions' central office.

Staff	$192,700
Staff Supplies and One-Time Costs	42,800
Staff Travel	83,900
Inmate Transportation	125,600
Total	$445,000

Positions in the request are budgeted for eleven months in 1998-99. Staff travel costs are requested to allow each of the contract monitors to make nine trips (approximately one trip every six weeks) to contract sites for which they would be responsible. In addition, since the state is required to pay for transporting inmates to Texas, funding for this purpose is also provided (approximately $200 per inmate estimated to be placed in Texas).

The Department indicates that the additional positions in the Division's central office are necessary because of the expanded number of out-of-state beds, and the need for frequent site visits for inspection, monitoring and reporting. Currently, the Division administrator, assistant administrator and the Division's operations manager are performing all contract monitoring activities. The administrative officer position provided in Act 27 still has not been hired and once hired will direct the contract management unit. The additional positions are intended to provide increased and frequent oversight of the contracted facilities.

The Committee should note that the positions are budgeted for eleven months in 1998-99. In general, new positions are budgeted for nine months. If the Committee wishes, funding could be reduced by $62,300 GPR in 1998-99, to account for two fewer months of employment and travel in 1998-99.

If the Committee determines that the authority for Corrections to contract for the additional 2,320 beds should be reduced to a number that existing funding can support, it could be argued that the staffing portion of the request could also be reduced accordingly. Based on the estimated number of contracted beds that could be supported compared to the Department's initial request, and assuming that all remaining positions are funded for nine months, staffing could be reduced by $119,300 GPR and 1.0 GPR contract monitor position.

It could be argued that no additional positions should be provided at this time. The Department currently has 8.0 GPR positions associated with the prison contracts. While the majority of these positions perform functions associated with the classification, program review, and administrative paperwork associated with each inmate placed in a contract bed, two of the positions (an administrative officer and a health care services monitor) are housed in the Division's central office. Neither of these positions, to date, has been hired. Once the 2.0 currently authorized positions for the Division are hired, the duties currently performed by the Division administrator, assistant administrator and the operations manager can be shifted to the new positions. Any future need for positions can be evaluated in the 1999-2001 biennial budget.

Finally, it could be argued that any funding not utilized for staffing and administrative costs should be transferred to the contracts appropriation. If the Committee modifies or denies the Department's request for positions, additional funding will be available. Further, if the Committee approves a reduced number of contract beds and allows Corrections to determine where those beds will be placed, it will not be known how much funding will be needed to transport inmates to Texas. An alternative could be adopted that would specify that any funding not necessary for staffing and administrative costs would be transferred to the contracts appropriation. This transfer would be subject to the same review process as the revised contracts.

Funding Transfers for Contract Costs. As indicated previously, the Department's request would transfer funds from the Committee's appropriation, the federal projects appropriation and the intensive sanctions program. The following points should be noted:

- In another s. 13.10 request (Agenda Item I), the Department is requesting that $1,456,200 GPR in 1997-98 be transferred from the contracts appropriation to the serious juvenile offenders (SJO) appropriation, because the contracts appropriation is estimated to have a $1,707,700 GPR balance in the current fiscal year. Under a previous Committee action, any balance in the contracts appropriation at the end of 1997-98 would transfer to 1998-99 for contract beds. Given that Corrections has identified a significant potential need for additional contract bed space, use of the estimated lapse for SJO could be questioned. Based on the average cost of the proposed contract beds, an additional 95 beds per year could be purchased if funding is not transferred to the SJO appropriation. If the Committee denies the Department's SJO request or funds it from a different source, the entire estimated balance in the contracts appropriation could be transferred in 1998-99, rather than just the $207,700 GPR identified in the request.

- Under the Department's request, positions and contracts are supported from monies transferred from the federal projects appropriation. The transferred funds would be provided through the state criminal alien assistance program (SCAAP). Under SCAAP, the federal Department of Justice's Bureau of Justice Assistance provides assistance to state and local governments for costs incurred for the imprisonment of undocumented criminal aliens who are convicted of felony offenses or two or more misdemeanors. Awards to state and local governments are based on the total number of reimbursable aliens, the average length of incarceration and the cost per inmate. Total claims for all applicants are then divided into the amount available for reimbursement. No restrictions are placed on a state's use of the funds that are received. On May 14, 1998, the Department received notice that it had been awarded $1,938,800, from which $1.2 million would be used for contracts ($755,000 for bed space contracts and $445,000 for administration). Including the $1.2 million transferred under the request, the Department has allocated all but $15,800 of this grant. If the Committee wishes, an additional $15,800 could be transferred to the contracts appropriation.

- There is currently $373,100 GPR in 1997-98 in the Committee's appropriation associated with Corrections that has not been requested. These funds relate to: (a) the probation and parole absconder unit for which $702,700 GPR in 1997-98 was reserved but only $446,900 GPR released (making $255,800 GPR available); and (b) food service at the Racine Youthful Offender Facility for which $117,300 GPR in 1997-98 was reserved but not requested. This funding could be utilized for additional contract beds.

- If the Committee eliminates or reduces the funding for staffing and administrative costs these funds could be utilized for additional contract bed.

Funding reductions in the request associated with the intensive sanctions program are estimated by the Department to allow the program to have an average daily population of 200 offenders in the community during 1998-99. As a result of the funding reduction, the Department will have 123.75 GPR positions for which funding will not be available. With regards to the positions, the Department argues that the vacant positions may need to be utilized in the 1999-2001 biennial budget because budget instructions have required agencies to first utilize base resources before requesting increased positions. Further, the Department asserts the funding transfers proposed in the request are one-time in nature. This is not, however, specified in the Department's request. The Department argues that the vacant intensive sanctions positions should remain and that the request should be modified to specify that the transfers are one-time. If the request is made one-time, base funding associated with the positions would remain, and the Department would be required to request increased funding for the 1999-2001 biennium for contracts. Making the transfers one-time and maintaining the positions would have the effect of restoring the intensive sanctions base budget for the 1999-2001 biennium. Given the reduced utilization of the intensive sanctions program and the increased utilization of contracted beds, it could be argued that the transferred funds should be permanent.

mostly vacant?

one-time

If the Committee wishes, the vacant intensive sanctions positions could be eliminated. Unless otherwise specified, the funding transfers proposed in the request would be permanent. As a result, if the Department wanted increased funding and positions for the intensive sanction program or for some other purpose in the 1999-2001 biennial budget, these changes would need to be requested. Further, allowing the transfers to be permanent would increase the contracts and administrative appropriation base budgets for the 1999-2001 budget.

ALTERNATIVES

A. Contract Approval

1. Approve the Department's request to: (a) include the Texas counties of Upshur, Lamar, Henderson and Navarro, and the City of Mansfield in the current Texas jail bed contract; (b) delete Hood, Johnson and Ector Counties from the contract; (c) change the effective date of the Texas contract to July 1, 1998 through June 30, 1999; (d) add the phrases "/city" and "/Chief of Police" to allow the City of Mansfield's jail to be used; (e) increase the maximum number of beds that the Department could utilize to 1,240 (from 700); (f) increase the number of inmates at the Corrections Corporation of America (CCA) Tennessee facilities by 300 (to 1,500); (g) rename one of the CCA facilities (formerly known as the Hardeman County 2 facility) the Whiteville Correctional Facility; (h) include up to an additional 1,200 beds for male inmates at CCA's Sayre, Oklahoma facility; (i) specify that the additional 1,500 inmates added by the amendment to the CCA contract would be transferred during 1998-99, subject to the Committee's approval and the availability of funds; and (j) authorize the Department to submit a final contract with the Virginia Department of Corrections for the housing of up to 200 female offenders to the Committee under a 14-day passive review process.

2. In addition to Alternative A1, increase the total bed number in the Texas contract from "1,240" to "1,320" to reflect the number of beds added by the revised contract. Authorize the Department to correct minor typographical errors without further Committee review, but require that a revised copy of the contract be submitted to the Committee.

3. Allow the Department to enter into any of the contracts for prison bed space with the specified Texas counties and the City of Mansfield, the Corrections Corporation of America, and possibly the Virginia Department of Corrections, as long as the total projected cost for contract beds (including currently authorized beds) does not exceed the total amount of funding available for prison contracts in 1998-99. Direct the Department to submit the amended contracts with CCA and Texas to the Committee under 14-day passive review process. Specify that if beds are provided in Virginia for female offenders, the Virginia contract may be approved under a 14-day passive review process.

4. Allow the Department to enter into any of the contracts for prison bed space with the specified Texas counties and the City of Mansfield, the Corrections Corporation of America, and possibly the Virginia Department of Corrections, as long as the total projected cost for contract beds

(including currently authorized beds) does not exceed the total amount of funding available for prison contracts in 1998-99. Direct the Department to submit the amended contracts with CCA and Texas to the Co-chairs of the Committee. Require the Co-chairs to certify the changes to the Committee Secretary before the changes can become effective. Specify that if beds are provided in Virginia for female offenders, the Virginia contract may be approved under a 14-day passive review process.

5. Deny the request.

B. Staffing and Administrative Funding

1. Approve the Department's request to transfer $445,000 from a federal projects appropriation (s. 20.410(1)(m)) to the Department's general program operations appropriation (s. 20.410(1)(a)) for increased staffing and administrative funding associated with prison bed contracts. Create 5.0 GPR positions (4.0 GPR contract monitors and 1.0 GPR program assistant) for contract administration.

2. Modify the Department's request to provide nine months of funding for the 5.0 newly created positions. Transfer $382,700 from a federal projects appropriation (s. 20.410(1)(m)) to the Department's general program operations appropriation (s. 20.410(1)(a)) for increased staffing and administrative funding associated with prison bed contracts. Create 5.0 GPR positions (4.0 GPR contract monitors and 1.0 GPR program assistant) for contract administration. Specify that any funding not utilized for staffing and administrative costs be transferred to the contracts appropriation.

3. Modify the Department's request to create 4.0 GPR positions (3.0 GPR contract monitors and 1.0 GPR program assistant) funded for nine months in 1998-99. Transfer $325,700 from a federal projects appropriation (s. 20.410(1)(m)) to the Department's general program operations appropriation (s. 20.410(1)(a)) for increased staffing and administrative funding associated with prison bed contracts. Specify that any funding not utilized for staffing and administrative costs be transferred to the contracts appropriation.

4. Deny the request.

C. Funding Transfers for Contract Space

1. Approve the Department's request to transfer $24,147,900 to the contracts appropriation (s. 20.410(1)(ab)) from the following appropriations: (a) $15,207,700 from the Committee's supplemental appropriation (s. 20.865(4)(a)); (b) $755,000 from the Department's federal projects appropriation (s. 20.410(1)(m)); (c) $6,185,200 from the intensive sanctions program (s. 20.410(1)(b)); (d) $1,600,000 from the intensive sanctions program (s. 20.410(1)(d)); (e) $400,000 from the intensive sanctions program (s. 20.410(1)(a)).

2. In addition to Alternative C1, transfer a total of $388,900 to the contracts appropriation (s. 20.410(1)(ab)) as follows: (a) $373,100 GPR in the Committee's appropriation (s. 20.865(4)(a)) associated with supplemental funding reserved for Corrections in 1997-98 that has not been requested; and (b $15,800 from the Department's federal projects appropriation (s. 20.410(1)(m)). Also, if the Committee adopts Alternative 2 of the paper under Agenda Item I (Serious Juvenile Offenders), transfer an additional $1,500,000 from the Committee's appropriation (s. 20.865(4)(a)).

3. Eliminate 123.75 GPR positions in 1998-99 associated with the intensive sanctions program.

4. Specify that all funding transfers are one-time in nature.

5. Deny the request.

Prepared by: Jere Bauer

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

June 23, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration – Section 13.10 Request to Approve the Governor's Proposal to Expend "Stripper XVIII" Oil Overcharge Restitution Funds – Agenda Item III

INTRODUCTION

Under procedures set forth in s. 14.065 of the statutes, any new oil overcharge expenditure plan must be submitted simultaneously to the Joint Committee on Finance and to the Chief Clerk of each house of the Legislature. Each Chief Clerk then forwards the plan to the committee in each house having jurisdiction over energy matters. The energy committees have up to 30 calendar days from receipt of the Governor's proposal to forward their recommendations on the expenditure proposal to the Joint Committee on Finance. The Joint Committee on Finance may not hold a meeting under s. 13.10 to approve, modify or disapprove the Governor's proposal until either 30 calendar days after the original receipt of the proposal or upon receipt of the energy committees' recommendations, whichever is earlier.

On June 4, 1998, the Committee received a letter from Governor Thompson containing a proposal dated May 28, 1998, to expend $1,590,426 FED (plus all interest accruing) of oil overcharge restitution funds. This proposed expenditure plan constitutes the latest allocation of "stripper well" funds which first began to be received by the state in December, 1986. The funds in question continue to derive from the settlement of suits between the federal Department of Energy (DOE) and petroleum companies found to have illegally overcharged consumers for petroleum products.

This current expenditure plan was submitted to the Senate and Assembly Chief Clerks and forwarded respectively to the Senate Committee on Environment and Energy and to the Assembly Committee on Utilities Oversight. It is understood that neither the Senate energy committee nor the Assembly energy committee plan to hold hearings on the current proposal during the 30-day review period for the purpose of developing any recommendations for submittal to the Joint Committee on Finance. Accordingly, the Co-chairs scheduled the "Stripper XVIII" oil overcharge allocation proposal for consideration at the Committee's June 23, 1998, meeting under s. 13.10 of the statutes.

BACKGROUND

The Governor's allocation proposal contains recommendations to approve for expenditure a total of $1,590,400 FED of oil overcharge restitution funds derived from a variety of sources, plus all interest accruing on this total amount. The Governor's proposal includes requested amendments to nine previously approved oil overcharge expenditure plans ("Stripper" I, II, III, V, VII, XIV and XVI allocations and previous direct allocations to the state from Diamond Shamrock and Exxon) to deobligate funds from specific projects and to reprogram those funds for new initiatives under "Stripper XVIII." Finally, the Governor's proposal requests a modification to the "Stripper XIV" allocation for the small business energy efficiency program. Under provisions of s. 14.065(5) of the statutes, any amendments to previously approved allocation plans must also be approved by the Committee meeting under s. 13.10 of the statutes.

At issue in the original "stripper well" controversies was the application of certain price controls on crude oil during the period from early 1974 until early 1981. During the period in question, the affected oil producers were required to deposit, into an escrow fund, the difference between the "stripper well" crude oil price and the controlled price, pending a determination of the validity of the pricing regulations. These regulations were ultimately upheld. A subsequent, highly complex final settlement agreement relating to the distribution of the escrow funds was entered on July 7, 1986. That agreement began the initial disbursement of more than $1.43 billion of "stripper well" overcharge amounts to hundreds of claimants. Of that total amount, approximately $660 million was earmarked to be returned to the states. Subsequently, the 1986 settlement agreement was made the mechanism by which all future oil overcharge restitution fund amounts deriving from a variety of sources are to be distributed to the states. It is anticipated that Wisconsin will continue to receive relatively significant amounts of oil overcharge restitution funds (approximately $425,000 annually) under the "stripper well" payout mechanism from a variety of legal settlements for at least the next three years, and lesser amounts for in subsequent future years.

With respect to how the "stripper well" funds may actually be allocated by the states, the federal court has given each state relatively broad discretion in selecting among restitutionary energy-related programs. Among the permitted applications of the funds are the programs enumerated in the Warner amendment (Section 155 of P.L. 97-377, the 1983 Continuing Appropriations Act). These programs include: (1) weatherization of buildings and dwellings of low-income, handicapped or elderly persons; (2) implementation of state energy conservation programs; (3) reduction of energy consumption in, or finding cheaper alternative energy sources for, schools and hospitals; (4) promotion of conservation by small businesses and individuals; and (5) assistance to low-income individuals with home heating bills. In addition to these general programs, any other broadly restitutionary energy-related project benefiting petroleum users which has previously been approved by a federal court or by the federal DOE is also a permitted use for "stripper well" funds.

To date, "stripper well" funds have been allocated on seventeen previous occasions, in thirteen instances as a result of action on allocation proposals submitted by the Governor and in four instances as a result of specific legislation. These previous allocation actions are summarized in Table 1 below.

TABLE 1
Previous "Stripper Well" Oil Overcharge Allocations

Allocation	Action	Date	Original Amount Allocated (FED)
Stripper I Plan	JFC Modified Plan	December 18, 1986	$12,792,700[a]
Stripper II Plan	JFC Modified Plan	January 27, 1988	2,356,100[a]
Stripper III Plan	JFC Modified Plan	May 2, 1988	100,000
Stripper III Amendment	1987 Wisconsin Act 399	May 17, 1988	300,000
Stripper IV Plan	JFC Modified Plan	December 12, 1988	2,930,507[b]
Stripper V Plan	JFC Modified Plan	March 15, 1989	232,544[c]
Stripper VI Plan	1989 Wisconsin Act 31	August 9, 1989	600,000
Stripper VII Plan	JFC Modified Plan	December 19, 1989	3,108,597[d]
Stripper VIII Plan	JFC Modified Plan	December 18, 1990	2,642,111[e]
Stripper IX Plan	JFC Modified Plan	March 13, 1991	95,000
Stripper X Plan	1991 Wisconsin Act 39	August 15, 1991	998,500
Stripper XI Plan	JFC Modified Plan	February 13, 1992	1,711,819[f]
Stripper XII Plan	JFC Modified Plan	December 15, 1992	3,379,416[g]
Stripper XIII Plan	1993 Wisconsin Act 16	August 12, 1993	1,158,200
Stripper XIV Plan	JFC Modified Plan	February 2, 1994	1,613,398[h]
Stripper XV Plan	JFC Modified Plan	October 25, 1995	539,500[i]
Stripper XVI Plan	JFC Modified Plan	April 16, 1996	700,000[j]
Stripper XVII Plan	JFC Modified Plan	September 26, 1996	1,018,461[K]
TOTAL ALLOCATIONS			$36,276,853

[a]Plus all interest accruing [allocated to the institutional conservation (Schools and Hospitals Weatherization Program)]. In addition, $1,000,000 originally allocated for construction of an ethanol plant on January 27, 1988, was subsequently reallocated as part of the December 12, 1988, "Stripper IV" approval.

[b]Plus interest (identified as $82,100 in 1989-90 and $138,200 in 1990-91 in the 1989-91 biennial budget) allocated to the DOA Energy Bureau for oil overcharge management and reporting activities.

[c]Plus interest accruing to December 31, 1988.

[d]Plus accrued and future "Stripper VI and VII" interest.

[e]Plus accrued and future "Stripper VIII" interest.

[f]Plus accrued and future "Stripper XI" interest. An additional $250,000 of "Stripper XI" funds were also allocated for a Sheet Metal Workers Energy Management Program; however, this component was item vetoed by the Governor. The resulting unprogrammed $250,000 subsequently became part of the "Stripper XII" allocation plan.

[g]Plus accrued and future "Stripper XII" interest.

[h]Plus accrued and future "Stripper XIV" interest. Of the amounts originally allocated, $30,000 was placed in unallotted reserve by Joint Finance. On June 22, 1994, the Committee subsequently allocated the amounts in unallotted reserve to fund an auto train feasibility study by the Department of Transportation.

[i]Allocation of available unprogrammed oil overcharge balances to supplement low-income energy assistant program crisis assistance benefits which had most recently been provided under "Stripper XIV" and through reallocations of Exxon oil overcharge residual amounts. Since these earlier approved allocation plans had been submitted for amendment approval at the October 25, 1995, meeting of Joint Finance, the Committee acted to allocate these unprogrammed funds in the context of approving the amendments to the earlier plans.

[j]Plus accrued and future "Stripper XVI" interest. Of the amounts allocated, $100,000 was placed in unallotted reserve for subsequent release after submittal of a detailed expenditure plan for low-income initiatives.

[K]Plus accrued and future unallocated "Stripper XV" interest and all accrued and future "Stripper XVII" interest. Note that on December 16, 1996, the Committee amended the "Stripper I and II" and Exxon allocations to exchange Exxon funds for "Stripper" funds.

SUMMARY OF ALLOCATION PROPOSALS

Stripper XVIII

The Governor's "Stripper XVIII" proposal would allocate for expenditure $1,590,426 FED of oil overcharge restitution funds, plus certain additional interest earnings, derived from the following sources: (1) $745,244 of currently available, unprogrammed oil overcharge restitution funds; and (2) $845,182 of previously allocated funds which would be deobligated from their original purposes and reprogrammed as part of this proposal. The Governor's proposed allocation plan is summarized in Table 2 below:

TABLE 2

Governor's Oil Overcharge Plan Proposal to Expend "Stripper XVIII" Oil Overcharge Funds (FED Funds)

Program Element	Administering Agency	Governor's Proposal
A. Campaign to Keep Wisconsin Warm	Administration (Energy)	$700,000
B. Community Services Energy Efficiency Rewards	Administration (Energy)	255,000
C. Renewable Energy Assistance Program	Administration (Energy)	200,000
D. Home Energy Rating/Energy Efficiency Financing	Administration (Energy)	150,000
E. Milwaukee Energy Efficient Housing Redevelopment	Administration (Energy)	125,000
F. K-12 Energy Efficiency Program	Administration (Energy)	50,000
G. Environmental Monitoring of Energy Impacts	Administration (Energy)	50,000
H. Energy Education Partnership	Administration (Energy)	50,000
I. Energy Program Management Costs	Administration (Energy)	10,426*
	TOTAL	$1,590,426

*Consisting of $10,426 in "Stripper XVIII" funds, and accrued and future unallocated "Stripper XVIII" interest earnings plus certain residual funds from "Stripper V" and Diamond Shamrock.

Amendments to Previously Approved Expenditure Plans

In addition to the "Stripper XVIII" allocation proposal, this submission also includes requested amendments to nine previously approved oil overcharge expenditure plans. These amendments are summarized below.

Amendment to the "Stripper I" Allocation Plan. The Governor is requesting that $4,912, representing the remaining balance in the business energy efficiency incentives program, originally allocated as part of the "Stripper I" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal.

Amendment to the "Stripper II" Allocation Plan. The Governor is requesting that $143,060, representing the remaining balance in the nursing home energy efficiency grant program, originally allocated as part of the "Stripper II" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal.

Amendment to the "Stripper III" Allocation Plan. The Governor is requesting that $28,016, representing the remaining balance in the community energy conservation demonstration program, originally allocated as part of the "Stripper III" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal.

Amendment to the "Stripper V" Allocation Plan. The Governor is requesting that $4,857, representing all but $130 of the remaining balance in the fuel saving furnaces for farmers program, originally allocated as part of the "Stripper V" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal. The remaining balance would be deobligated as "residual funds" and reprogrammed to energy program management costs.

Amendment to the "Stripper VII" Allocation Plan. The Governor is requesting that $18,007, representing the remaining balance in the child care facility energy efficiency grants program, originally allocated as part of the "Stripper VII" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal.

Amendment to the "Stripper XIV" Allocation Plan. The Governor is requesting that the following amounts, originally allocated as part of the "Stripper XIV" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal: (a) $18,116, representing the remaining balance in the nursing home energy efficiency grant program; and (b) $74,620, representing the remaining balance in the community-based residential facilities energy efficiency improvements program. In addition, the Governor proposes modifying the "Stripper XIV" allocation plan to allow grant funds from the small business energy efficiency program, currently limited to small businesses not served by a major utility, to be used by an expanded number of businesses.

Amendment to the "Stripper XVI" Allocation Plan. The Governor is requesting that $835, representing the remaining balance in the Weyauwega disaster recovery assistance program, originally allocated as part of the "Stripper XVI" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal.

Amendment to Previous Allocation of Exxon Oil Overcharge Restitution Funds. The Governor is requesting that $500,000 from the low-income energy assistance program, allocated as part of the Exxon oil overcharge restitution expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal.

Amendment to Previous Allocation of Diamond Shamrock Oil Overcharge Restitution Funds. The Governor is requesting that the following amounts, originally allocated as part of the Diamond Shamrock oil overcharge restitution expenditure plan be deobligated and reprogrammed as part of the "Stripper XVIII" proposal: (a) $794, representing the remaining balance in the child care facility energy efficiency grants program; (b) $12,248, representing the remaining balance in the rental energy conservation incentive program; and (c) $39,717, representing all but $3,928 of the remaining balance in the fuel saving furnaces for farmers. The remaining balance in the farm furnace program would be deobligated as "residual funds" and reprogrammed to energy program management costs.

ANALYSIS

Discussion of Specific Stripper XVII Program Allocations

Each of the "Stripper XVIII" proposals is discussed in the following sections and the program element designations are those as listed in Table 2.

A. Campaign to Keep Wisconsin Warm. The Governor has proposed allocating: (1) $28,061 of unexpended funds of the previous "Stripper III" allocation that had been provided to the now complete Community Energy Conservation Demonstration project; (2) $171,984 of "Stripper XVIII"; and (3) $500,000 of Exxon funding previously provided to the Low-Income Home Energy Assistance Program (LIHEAP), to the Campaign to Keep Wisconsin Warm program. In total, $700,000 would be provided for the Campaign to Keep Wisconsin Warm. (Program officials indicated that program has changed names and is now called Keep Wisconsin Warm Fund.)

The program would raise funds on a statewide basis to supplement crisis assistance payments provided to low-income households under LIHEAP. Under the Governor's proposal, the oil overcharge funds would be provided to Energy Services, Inc. (ESI) to match privately raised money on a dollar-for-dollar basis over a two-year period. The funding, both state and matching funds, would be distributed on a statewide basis with benefits targeted to high-risk households with elderly, disabled persons and children who are eligible for crisis assistance payments under LIHEAP.

This program is similar to the two-year Campaign to Keep Wisconsin Warm pilot operated by ESI which is to expire in October, 1998. The purposes of the pilot are to: (1) assist low-income households experiencing an energy crisis in Dane County; and (2) develop and implement innovative and alternative strategies to fund energy assistance programs without requiring the use of additional state tax funds. The Campaign to Keep Wisconsin Warm pilot received funded from the following oil overcharge allocation:

Date	Nature of Allocation Action
September 26, 1996	$200,000 of "Stripper XVII" fund for Campaign to keep Wisconsin Warm

The Governor states in his proposal that prior to releasing any oil overcharge funds to the program, ESI must certify that specific amounts of money have been raised. In addition, prior to release of funds, the Administrators of the Department (DOA) of Administration and the Division of Housing (DOH) must certify: (1) the amount of funds being released to ESI as match; (2) that release of funds will result in a significant increase in the overall funds available for energy assistance statewide; and (3) that both oil overcharge funds and raised funds, will be distributed on a statewide basis in an equitable manner and in coordination with LIHEAP. Staff from DOA indicate that in addition to information required by the Governor, DOA will also require ESI to submit information on the program's statewide fundraising plan. Under the Governor's proposal, ESI would be paid 5% of the matched oil overcharge monies, up to $35,000, as a program delivery fee.

The Governor's proposal indicates that funding under this program will be used to supplement LIHEAP's crisis assistance payment benefits. Under LIHEAP, crisis assistance benefits are available only if the agency administering the benefits determines that there is an immediate threat to the health or safety of an eligible household due to the actual or imminent loss of essential home heating. The amount of crisis assistance a household receives is based on the minimum assistance required to remove the immediate threat to health and safety. Emergency crisis services include providing heating fuel, a warm place to stay for a few days or other actions that will assist households experiencing a heating emergency. In-kind benefits such as blankets and space heaters may also be provided. In addition, the program also provides furnace repair or replacement service. Another component of crisis assistance is year-around proactive services for eligible households. In federal fiscal year 1997, approximately 19,100 Wisconsin households received crisis assistance services through LIHEAP.

Arguments that might be advanced to approve all or a portion of the funding proposal for the program at this time include the following:

Funding Considerations. A question may be raised concerning whether LIHEAP funding should be allocated to this program. LIHEAP receives a federal grant award each year to provide energy assistance benefits. In federal fiscal year 1998, LIHEAP received a grant of approximately $34.8 million. In addition, LIHEAP currently has approximately $1.9 million in Exxon funds allocated to it. Reallocating LIHEAP Exxon funding will result in less money being available for use under the state program. In the past, while not always completely expended, Exxon money has been used to supplement federal block grant amounts. Further, interest earnings on the funds are provided to the state weatherization program. This summer, LIHEAP plans to operate a program that would allow households to fill their heating tanks during the summer, when prices for heating

but does this leverage more matching?

fuel are usually lower, and enroll in a budget payment and/or guaranteed payment program. LIHEAP anticipates using Exxon funds to underwrite the guarantee of payment to the fuel suppliers in order to encourage them to enroll LIHEAP households in the budget payment plans. An argument could be made to retain the funds in LIHEAP, which would allow for more flexibility in the use of the funding in meeting low-income energy assistance needs.

Timing Issues. The start of the heating season is usually October. It is highly unlikely that ESI would distribute any money from the program prior to that time. Second, the pilot version of this program does not end until October 31, 1998. It could be argued that the results of the pilot should first be reviewed by the Committee prior to release of funding for a statewide a program similar to the pilot.

Additional Information Need. The Committee may be also wish to receive additional information on how the program will operate prior to approving release of the funds. For example, the Committee may be interested in reviewing ESI's plan for raising matching funds on a statewide basis and ESI's plan for distribution of the funds. The Committee may also wish to direct DOA/DOH to provide further information on what requirements it will establish for release of the funds under the Governor's certification requirements. For example, what will constitute a "significant increase in the overall funds available for energy assistance statewide" and what method of distribution will DOA/DOH approve that will be "in an equitable manner and in coordination with the state's LIHEAP program." The Committee may also want to ensure that once the money is released to the program expenditures and contributions will be reviewed and monitored by DOA/DOH. In addition, members may wish to receive an evaluation of the results of the program prior to allocation of any additional state funds to the prior.

If the Committee believes that the above considerations have merit it could deny the allocation of funding to the Campaign to Keep Wisconsin Warm program. Another alternative the Committee could consider is not allocating LIHEAP funding the program. Under this alternative, $200,000 would be provided to the program, rather than $700,000. Further, if the Committee wishes to receive and review more information on how the program will operate before the funds are released, an alternative could be considered to required DOA and DOH to submit the following information to the Committee: (1) a report detailing requirements for release of the oil overcharge funds to the program; (2) a report detailing the program's plan for statewide fund raising and distribution of the oil overcharge funds and raised funds; (3) a detailed report on what measures DOA will take to ensure proper expenditure of the funds; and (4) an indication that an evaluation of the program will be conducted by DOA/DOH and submitted to the Joint Committee on Finance prior to the allocation of any additional state funds for the program. These reports could be required to be submitted to the Committee for its review under a s. 16.515 type passive review process before funds are released.

Alternatively, the following arguments are made in support of the program:

Funding Considerations. In regard to the LIHEAP funding, it could be argued that low-income energy assistance efforts would benefit from this allocation and that there is little risk that funds will be expended improperly. Under this proposal, the Campaign to Keep Wisconsin Warm will receive $1.4 million ($700,000 of state funds and $700,000 of matching funds) which will be distributed in coordination with LIHEAP. Therefore, in return for its $500,000 allocation, LIHEAP has the potential of receiving at least an additional $900,000 in state and private contributions for payment of crisis assistance benefits to supplement its federal funding amounts which were approximately $34.8 million in federal fiscal year 1998. In addition, the certification requirements provide the oil overcharge funds may only be released after ESI has certified that specific amounts of money have been raised and that the funds will be equitably distributed statewide and in coordination with LIHEAP. Therefore, if the program fails to raise matching funds for crisis assistance, none of the LIHEAP funding will be released.

release 2 "Stripper" allocation first

Timing Considerations. The Committee may want to consider whether not releasing funding at this time would affect the fundraising aspects of the program. Some have argued that individuals, businesses and utilities are more willing to contribute to such a program if they know the state supports and provides matching funds to program. In addition, approval of the request at this time will provide the program with more lead time to raise contributions prior to the start of the heating season. Further, as indicated by DOA, even if the Committee approves release of the funds, DOA will not release the money until certain certifications are made, including certification of the receipt of matching contributions and a plan for statewide distribution.

Additional Information Need. The Committee could determine that the certification requirements included in the Governor's proposal are sufficient to ensure proper release and expenditure of state funds for low-income energy assistance needs. As a result of that determination, the Committee could decide that no further review of the program is necessary prior to release of the funding. However, the Committee may wish to direct DOA/DOH to forward the certification materials to the Committee.

If the Committee believes the proposal for the Campaign to Keep Wisconsin Warm program should be funded at this time, it could approve the allocation of the funds to the program.

B. Community Services Energy Efficiency Rewards. The Governor has proposed allocating $402.21 of "Stripper XVIII" funds to create a community services energy efficiency rewards program. In addition, the Governor has proposed that the following reallocations from previously approved oil overcharge plans be made: (a) Diamond Shamrock, child care facility energy efficiency grants, $794.33; (b) "Stripper II," nursing home energy efficiency grants, $143,060.46; (c) "Stripper XIV," nursing home energy efficiency grants, $18,116.32; (d) "Stripper VII," child care facility energy efficiency grants, $18,006.76; and (f) "Stripper XIV," community-based residential facilities grants, $74,619.92. In total, $255,000 would be provided for the energy efficiency rewards program. The program would be administered by DOA's Energy Bureau.

Using funding from "Strippers VII and XIV" and the Diamond Shamrock oil overcharge plan, the Energy Bureau has previously provided grants to nonprofit and licensed home-based childcare facilities, and to community-based residential facilities (CBRF) for high efficiency furnaces, boilers and water heaters. The Governor's "Stripper XVIII" allocation would be based on these previously approved allocations, but would expand the program to provide rebates for: (a) purchasing certain energy efficient appliances or converting appliances from electric to gas; or (b) extensive facility improvements, including heating, air conditioning and water heaters. Rebates would range from $100 to $300 for energy efficient appliances, and from $300 to $1,000 for facility improvements.

Under the Governor's proposal, a private sector administrator would be selected to provide a single point of contact for potential program participants. DOA indicates that a childcare or CBRF operator would first contact the program administrator to determine which of the two program options were most appropriate. If an appliance purchase is necessary, information about energy efficient appliances and an application form would be sent to the requestor. If facility improvements were necessary, an energy efficiency rater would be sent to evaluate and make prioritized recommendations regarding the facility. The facility operator would then be able to select options from the prioritized recommendations. Rating services could also allow childcare centers or CBRFs to participate in the Energy Bureau's home performance rating rewards program which provides financial incentives of from $200 to $2,140 for documented energy improvements. DOA indicates that up to 10% of the funds may be used for program administration.

In order to fund the proposed community service energy efficiency rewards program, the Governor has proposed that "Stripper II, VII and XIV" and the Diamond Shamrock oil overcharge plans be amended to deobligate funds for allocation to the new program. Of the requested amendments, three allocations, which provide $93,421.01 for the new program, previously supported either childcare facility or CBRF energy efficiency programs. The original purposes of these allocations would be maintained in the Governor's "Stripper XVIII" allocation plan. The remaining funding for the new program ($161,176.78) would be derived from deobligating monies in "Stripper II and XIV" associated with the nursing home energy efficiency grant program. According to the Energy Bureau, funding is available from the nursing home program because of lack of demand. The Energy Bureau indicates that the Department of Health and Family Services recently modified its Medicaid reimbursement program for energy efficiency improvements in such a manner that has eliminated the need for the oil overcharge funded grant program. Since demand for the nursing home program has diminished and the purposes of previous plans related to child care facilities and CBRFs are maintained, the Committee may wish to approve the deobligation of these funds from the "Stripper II, VII and XIV" and the Diamond Shamrock oil overcharge plans.

The Committee has in past oil overcharge plans supported energy efficiency programs in childcare facilities and in community based residential facilities.

C. Renewable Energy Assistance Program. The Governor has proposed allocating $200,000 of "Stripper XVIII" funds to extend the current renewable energy program. The extended program would continue to be administered by DOA's Energy Bureau.

The current renewable energy assistance program, which originally began as a waste-to-energy and recycling grant program, has previously been funded by the following oil overcharge allocations:

Date	Nature of Allocation Action
December 18, 1986	$1,400,000 of "Stripper I" funds allocated for waste-to-energy grants.
December 12, 1988	$1,295,100 of "Stripper IV" funds allocated for waste-to-energy, wood waste conversions and recycling grants.
December 18, 1990	$313,500 of "Stripper VIII" funds allocated for grants emphasizing the use of renewable energy technologies.
February 13, 1992	$420,000 of "Stripper XI" funds allocated for grants emphasizing the use of renewable energy technologies.
December 15, 1992	$150,168 plus all interest accruing of "Stripper XII" funds for grants emphasizing the use of renewable energy technologies.
February 2, 1994	In connection with the "Stripper XIV" allocation, all interest accruing on or after October 1, 1993, from "Stripper XIII and XIV" for grants emphasizing the use of renewable energy technologies.

The Renewable Energy Assistance Program (REAP) supports the cost effective development of Wisconsin's renewable energy resources by offering technical assistance and construction grants to firms and institutions wishing to build or modify renewable energy systems in Wisconsin. Under the renewable energy program, technical assistance awards and grants for capital equipment purchase, retrofit and installation have been made available to the state's commercial and industrial sectors for eligible projects. The program has built upon the waste-to-energy and waste wood energy systems grant programs previously funded by oil overcharge allocations. The program emphasizes projects utilizing solar, hydroelectric, wind, ethanol and geothermal energy sources, in addition to other waste and wood waste materials. Eligible grantees currently include Wisconsin state and municipal governments, tribal governments, private businesses and nonprofit organizations. Investor owned utilities and businesses with gross annual sales over $100 million are ineligible. Only commercial/industrial renewable energy systems are eligible.

The funding available under the program would be used to fund: (1) feasibility, engineering, design and technical assistance grants, subject to a maximum award amount of $15,000; and (2) purchase and installation grants for eligible equipment, subject to the same $75,000 grant maximum. Grant recipients would be selected on the basis of such factors as: (1) quality and completeness of plans; (2) qualifications of project staff; (3) stage of development of the proposal; (4) identified and documented sources of waste or renewable energy; (5) overall economic benefit expected from the final project; (6) quantity of waste flow or renewable energy utilized; and (7) the environmental impact of the project. Finally, approximately $16,000 would support a portion of the salaries and fringe benefits of three Bureau of Energy staff involved in program delivery and administration.

The grant program has previously been supported using oil overcharge funds from "Strippers I, IV, VIII, XI, XII and XIV." Previous allocations have allowed the Bureau to complete eight grant cycles, supporting 139 projects, of which approximately 60% were for technical assistance. DOA has found that the renewable energy grants have been popular and have been used to support a variety of innovative projects. A ninth grant cycle using the remaining "Stripper XII and XIV" funds is currently being conducted. The proposed allocation from "Stripper XVIII" would be added to support the complete grant cycle, making $320,000 available for grants ($200,000 for construction grants and $120,000 for technical assistance grants).

Because Wisconsin imports over 95% of the energy consumed within its borders, the Energy Bureau believes that it is desirable to have programs which emphasize development of renewable energy sources, particularly to the extent that the impact of supply and price disruptions from imported fuels can be reduced.

D. Home Energy Rating/Energy Efficiency Financing. The Governor has proposed allocating $150,000 of "Stripper XVIII" funds as part of a $1.4 million project to extend the current home energy rating/energy efficiency financing program. The extended program would continue to be administered by DOA's Energy Bureau.

The current home energy rating/energy efficiency financing program has previously been funded from the following oil overcharge allocations:

Date	Nature of Allocation Action
April 16, 1996	$125,000 of "Stripper XVI" funds for continuation of the home energy rating/energy efficiency program, originally funded by the U.S. Environmental Protection Agency.

Energy raters trained by the program are able to assess the energy performance of a dwelling by conducting a "blower door test." This test acts to depressurize the dwelling and, by utilizing national standards, allows a determination of the rate of natural air infiltration into the unit. This type of air leakage is deemed to be the most significant variable in the energy efficiency of a Wisconsin dwelling.

With energy rating in hand for houses on the real estate market, a home buyer may be able to qualify for up to two percent more in monthly housing debt because the resulting higher principal and interest costs would be offset by expected lower monthly energy charges for an energy efficient unit. Similarly, for a home with an unfavorable energy efficiency rating, the buyer could roll the costs of needed energy efficiency improvements into the costs of the mortgage. The higher mortgage costs, in turn, would be offset by future reduced monthly energy charges.

According to DOA, the energy rating provides a uniform way to compare the energy efficiency of homes, identify and rank cost effective energy efficiency improvements, and establish market value for energy efficient features in a home. The rating provides an incentive for homeowners to increase the energy efficiency of their existing homes and to purchase more energy efficient new homes.

The ultimate success of the program will be dependent on realtors, appraisers and housing lenders being aware of the connection between potentially higher lending costs and offsetting energy charges. Consequently, a focus of the project will be to train lenders and realtors to recognize the importance to energy improvement mortgages in lending considerations.

It is estimated that the participants in this project and the anticipated fiscal impact of the project would be as follows:

Home Energy Rating System and Energy Efficiency Financing Project Budget

Participants	Proposed Contribution
Homeowner "in-kind contributions from improvements"	$1,000,000
DOE Building Partnership Initiative	120,000
Energy Center of Wisconsin	117,000
Utilities	30,000
"Stripper XVIII" funds	150,000
TOTAL	$1,417,000

It should be noted that "homeowner improvements" should not be viewed as a part of the overall project budget. Rather they represent the possible economic benefit of energy conservation modifications which result from the operation of the program. There is no requirement that homeowners make any energy conservation improvements as part of this program. Any such improvements would be optional; however, if the program operates as intended, there should be an incentive for home buyers to make improvements since the costs of the improvements could be offset by energy savings. A projected figure of $1,000,000 in improvements annually would translate into expenditures of approximately $2,000 per dwelling based 500 units being modified as part of an energy efficiency financing package.

Currently rating and financing services are operated in 15 counties surrounding and including Milwaukee, Madison and Green Bay. These services are funded from a $125,000 allocation from "Stripper XVI." The Governor's proposed allocation from "Stripper XVIII" would continue services in the existing counties and expanded to include the entire Fox Valley and possibly, the Janesville-Beloit areas. Training and incentives will be provided to builders, lenders, and realtors who sign-on as program partners. Additional home energy raters will be trained to serve the expansion areas. The proposal indicates that up to $15,000 may be used by the Energy Bureau for program delivery costs.

E. Milwaukee Energy Efficient Housing Redevelopment. The Governor has proposed allocating $102,148.67 of "Stripper XVIII" funds to the Milwaukee energy efficient housing redevelopment program. In addition, the Governor has proposed that $22,851.33 from the following previous oil overcharge allocations be deobligated and reprogrammed to the project: (a) $4,912.05 from the "Stripper V" allocation for business energy efficiency incentives; (b) $4,856.53 from the "Stripper V" allocation for fuel saving furnaces for farmers; (c) $834.86 from the "Stripper XVI" allocation for the Weyauwega disaster recovery assistance; and (d) $12,247.89 from the Diamond Shamrock allocation for the rental energy conservation incentive program. In total, $125,000 from oil overcharge funds would be provided. The program would be administered by DOA's Energy Bureau.

According to the Energy Bureau, funding from the proposed allocation would be provided to the City of Milwaukee's Department of Development and its partner the Neighborhood Improvement Development Corporation. The project would provide low-cost, revolving loans to cover the cost to build or rehabilitate housing to an energy efficient standard established by the Energy Bureau. These loans would be used only with housing units in Milwaukee that are owned, sold or rented principally by low-income minorities or single parents in distressed neighborhoods being revitalized. The loans would be up to $3,000 per dwelling unit with low interest. The monthly energy savings are intended to be more than the monthly loan payments. Loans could be used with both rehabilitated and newly constructed buildings. Loan repayments would be used for new loans.

Of the total proposed allocation, $15,000 would be provided to the University of Wisconsin-Milwaukee's School of Architecture and Urban Planning for the development of design specifications and analysis to meet low energy standards established by the project. The remaining $110,000 would be provided for energy efficient housing redevelopment loans.

The proposed loan program would be a component of a larger effort to revitalize neighborhoods in the City of Milwaukee. According to the Governor's proposal, the City of Milwaukee, Department of Development rehabilitates about 850 residential units a year in central city Milwaukee for rental and sale to low-/moderate-income and first time homebuyers and for owner-occupied units. Milwaukee's Targeted Investment Neighborhood (TIN) Program is the key program used for this rehabilitation activity. The City currently has six TIN project areas. In general, the TIN program works with relatively small areas (six to twelve block) in an effort to stabilize and increase owner-occupancy, strengthen property values and improve the physical appearance of a neighborhood. The projects typically last three years. The program provides rehabilitation loans, promotion of home ownership, blight removal, intensive code enforcement and public improvements where necessary. The proposed allocation would encourage energy efficiency measures in rehabilitation projects.

In order to fund the proposed Milwaukee energy efficient housing redevelopment program, the Governor has proposed that "Stripper I, V and XVI" and the Diamond Shamrock oil overcharge plans be amended to deobligate funds for allocation to the new program. According to the Energy Bureau, each of the proposed projects for deobligation have been completed: (a) "Stripper I," business energy efficiency incentives, \$4,912.05; (b) "Stripper V," fuel saving furnaces for farmers, \$4,856.53; (c) "Stripper XVI," Weyauwega disaster recovery assistance, \$834.86; and (d) Diamond Shamrock, rental energy conservation incentive program, \$12,247.89. The Committee should note, that the "Stripper V" modification deobligates all but about \$130, which is utilized for program management costs as identified in item I in this paper. Given that these projects have been completed, the Committee may wish to approve the deobligation of these funds from the "Stripper I, V and XVI" and the Diamond Shamrock oil overcharge plans.

The proposed Milwaukee energy efficient housing redevelopment project represents an eligible use of oil overcharge funds. The Energy Bureau notes that in the "Stripper VIII" and Diamond Shamrock allocation, the Committee supported similar (though not identical) programs for rental energy rehabilitation. These allocations, in connection with federal Department of Housing and Urban Development programs, provided assistance to property owners to allow for the rehabilitation of low- and moderate-income rental dwelling units.

F. K-12 Energy Efficiency Program. The Governor has proposed allocating \$10,282.63 of "Stripper XVIII" funds to the K-12 Energy Efficiency Program (KEEP). In addition, the Governor has proposed that \$39,717.37 from the Diamond Shamrock oil overcharge allocation for fuel saving furnaces for farmers be reallocated to KEEP. In total, \$50,000 from oil overcharge would be provided. The program would be administered by DOA's Energy Bureau.

KEEP is a Wisconsin-specific energy education program designed to provide teachers at all grade levels and in all subject areas with "real-world" energy education activities. KEEP classes are held throughout the year, in various locations around the state. Teachers may use KEEP activities to: (a) meet DPI standards in various subject areas; (b) demonstrate the ties between science and social science topics; (c) facilitate a more integrated curriculum; and (d) create hands-on learning opportunities for their students.

The K-12 Energy Efficiency Program has so far consisted of three phases. In Phase 1, the basic energy educational materials for grades K-12 were completed. Phase 2 focused on developing a college level educational course for teachers and is assisting 600 public and private school teachers in taking this course by paying for their course tuition and course materials and providing a small stipend. In Phase 3, is designed to provide enhancements to KEEP (focusing on K-3 and high school students) and inservice training for an additional 500 Wisconsin school teachers. To date, the program has not received oil overcharge funding, but has instead been supported by the Wisconsin Energy Center (a utility-funded nonprofit energy research foundation), the Environmental Education Board and the University of Wisconsin-Stevens Point.

The Governor's proposed allocation would provide $50,000 of oil overcharge monies to pay for the course tuition and materials for approximately 227 of the 500 additional teachers participating in Phase 3 of the program. The Energy Bureau indicates that there is a need to increase the number of minorities pursuing advanced education and employment in fields related to the wise use of energy and its production. Therefore, the Bureau indicates that these oil overcharge monies 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. According to the Energy Bureau, the Wisconsin Energy Center, UW-Stevens Point and the Environmental Education Board will contribute $425,000 towards this program, with the majority of the funds provided from the Energy Center. If oil overcharge funding is not provided, however, KEEP would continue to operate but the number of teachers participating in the program could be reduced.

In conjunction with the allocation of "Stripper XVIII" funds, the Governor has also proposed that the previously approved Diamond Shamrock oil overcharge plan be modified to reallocate $39,717 of the remaining balance in the fuel saving furnaces for farmers program to KEEP. DOA indicates that this program was completed in 1992-93, but that funding remains in the program. The Committee should note that the Diamond Shamrock modification deobligates all but about $3,900, which is utilized for program management costs as identified in Item I of this paper. Because the fuel saving furnaces for farmers program has been completed, the Committee may wish to approve the deobligation of these previously allocated Diamond Shamrock funds.

G. Environmental Monitoring of Energy Impacts. The Governor has proposed allocating $50,000 of "Stripper XVIII" funds to provide a match for a $150,000 contribution from Wisconsin electric utilities and the Electric Power Research Institute (ERPI). ERPI is a national research entity funded through contributions from investor-owned electric utilities. The overall project would allow continuation of studies of the environmental impact of public utilities' energy generating activities.

The current environmental monitoring program has previously been funded from the following oil overcharge allocations:

Date	Nature of Allocation Action
April 16, 1996	$50,000 of "Stripper XVI" funds for a match to a $150,000 contribution from Wisconsin electric utilities and ERPI for environmental monitoring of energy impacts.

The proposed allocation would provide the second year funding for a three-year project. The first year match was provided through a $50,000 allocation from "Stripper XVI" oil overcharge funds. Funds from "Stripper XVIII" would continue efforts to monitor sensitive natural resources that may be impacted by energy generating activities. Elements currently being monitored include sulfur dioxide, nitrogen dioxide and mercury in the air, water and biota of Wisconsin. The data gathered may be used to determine the impact of electricity generation on the environment and evaluate the effectiveness of existing pollution prevention and clean-up efforts

When the initial allocation from "Stripper XVI" was made, it was noted that the project would continue to require additional state funds for the second and third years of the projects if the project was to continue.

H. Institute for Environmental Studies Energy Education Partnership. The Governor has proposed allocating $50,000 of "Stripper XVIII" funds to the Institute for Environmental Studies (IES) energy education partnership. The program would be administered by DOA's Energy Bureau.

The current IES energy education partnership program has previously been funded from the following oil overcharge allocations:

Date	Nature of Allocation Action
April 16, 1996	$25,000 of "Stripper XVI" funds for an IES partnership program. This allocation was part of a $50,000 allocation to the Energy Bureau for energy education.

The $50,000 that would be allocated under the proposal to the Institute for Environmental Studies at the UW-Madison would permit the appointment of graduate students as half-time project assistants who would, in turn, be assigned as interns in the Energy Bureau. The proposed funding would support an internship for two years. Interns receiving support under this program would undertake projects which the Energy Bureau would identify which were also relevant to the student's educational program. Possible projects would include forecasting, modeling and tracking of Wisconsin energy use, supplies and prices; identification of target populations for energy program development and the measurement of program outcomes and effectiveness.

Under the Governor's "Stripper XVIII" proposal, the $50,000 allocation would support a half-time project assistant position at an estimated annual cost of $23,400, with the balance available for support costs (such as office space and telephone charges) and for supplies and materials related to the project to which the intern would be assigned.

I. Energy Program Management Costs. The Governor has proposed allocating $10,426 and all future "Stripper XVIII" interest earnings to support Energy Bureau administrative costs associated with the management and oversight of oil overcharge and energy efficiency programs. In addition, the Governor has proposed that residual funding and any future interest from "Stripper V" (estimated to be $130) and residual funding and any future interest from the Diamond Shamrock oil overcharge allocation for the farm furnace program (estimated to be $3,928) be deobligated and reallocated to energy program management costs.

Previously, the Committee has taken the following action relating to authorizing the allocation of oil overcharge interest monies for Energy Bureau administration and management activities:

Date	Nature of Allocation Action
December 12, 1988	All interest earnings accruing from "Stripper III" and "Stripper IV" allocations authorized to support oil overcharge management activities in DOA's Energy Bureau.
April 16, 1996	All interest earnings accruing from the "Stripper XVI" allocation authorized to support oil overcharge management activities in DOA's Energy Bureau.
September 26, 1996	All interest earnings accruing from the "Stripper XV and XVII" allocation authorized to support oil overcharge management activities in DOA's Energy Bureau.

Under these earlier allocation actions, approximately $1,212,000 in interest earnings has been made available to support oil overcharge management activities in the Energy Bureau from the 1988-89 fiscal year through April, 1998. The Energy Bureau estimates that the proposed allocation and reallocations under "Stripper XVIII" will generate $35,000 in interest earnings over the lifetime of the plan. The proposed allocation is estimated to provide support sufficient to cover program management costs through the 1999-2000 fiscal year.

Under current federal DOE procedures, up to 5% of a state's oil overcharge allocations may be used for the general administration and management of programs. Typical administrative and management costs are those relating to developing allocation plans, reporting annually to the federal DOE and to relevant federal courts on the use of previously allocated funds and tracking the expenditures of each program receiving funds. These types of activities are viewed as being distinct from specific administrative efforts directly linked to program delivery. Program delivery costs (such as awarding and administering grants or managing project activities) are typically funded by deductions from the total allocations made to a specific project.

The Committee should note that in addition to the allocation of "Stripper XVIII" funds, the Governor has also proposed that the previously approved Diamond Shamrock and "Stripper V" oil overcharge plans be modified to reallocate the residual balance and any future interest from the fuel saving furnaces for farmers program to the Energy Bureau. DOA indicates that this program was completed in 1992-93, but that funding remains in the program. In connection with the proposed KEEP allocation, all of the remaining funding in the Diamond Shamrock allocation for the farm furnace program (estimated to be $3,928) will be deobligated. In connection with the proposed Milwaukee low energy housing redevelopment program allocation, all of the remaining funding in the "Stripper V" allocation for the farm furnace program (estimated to be $130) will be deobligated. Because the fuel saving furnaces for farmers program has been completed and the residual amounts are relatively small, the Committee may wish to approve the deobligation of these previously allocated Diamond Shamrock and "Stripper V" funds.

Amendments to Previously Approved Oil Overcharge Allocations

In addition to the deobligation of funds from previous oil overcharge plans, the Governor's submission proposes an amendment to the "Stripper XIV" allocation plan regarding the small business energy efficiency program.

In the "Stripper XIV" oil overcharge allocation plan, the business energy fund was authorized. Under the allocation, $198,398 was provided for the program. The program is designed to provide funds primarily for cash rebates to businesses to purchase high efficiency energy-using equipment (typically lighting and motors). The actual amount of a rebate must be performance-based, meaning that the size of the rebate would be based on the increased energy efficiency achieved by the energy-saving project. Under the program, only small businesses (defined as those having gross sales of less than $5 million annually and/or having less than 25 employes) are currently eligible. In addition, to be eligible, a small business must have a business with heating units not served by a major utility. One of the expectations of the latter requirement is that this would allow the program to focus on businesses using unregulated fuels (such as oil and liquid propane).

The Governor has proposed that the "Stripper XIV" criteria for the business energy fund be modified to eliminate the requirement that the small business must not be served by a major utility. Instead, cash rebates could be provided to businesses meeting at least three of the following criteria: (a) have gross annual sales of $75 million or less; (b) have an annual energy bill of $1.75 million or less; (c) have a work force of less than 500; or (d) do not have in-house energy expertise. This is the definition of a small business used by the University of Wisconsin-Milwaukee Industrial Assessment Center. According to the Energy Bureau, there are only 120 businesses in the state that meet the current criteria. After notifying these businesses, five businesses responded and only two of those qualified for an award. To date, $179,200 remains in the program balance.

The Energy Bureau indicates that the modification is requested because: (a) utilities are typically more willing to provide technical assistance to large industrial customers rather than small businesses; (b) the trend toward utility deregulation has encouraged utilities to reduce their activities in the energy efficiency area and instead focused on energy service companies or other third parties providing these services; and (c) the Industrial Assessment Center, which is designed to assist small businesses, is limited to a 150 mile radius of Milwaukee and, as a result, many Wisconsin small businesses are not eligible to receive technical assistance.

ALTERNATIVES

1. Approve the "Stripper XVIII" oil overcharge plan dated May 28, 1998, as proposed by the Governor to allocate for expenditure $1,590,426 FED of oil overcharge restitution funds, plus certain additional interest earnings, derived from the following sources: (a) $745,244 of currently available, unprogrammed oil overcharge restitution funds; (b) $292,423 of previously allocated funds which would be deobligated from their original purposes under a previous direct allocation to the state and under previous "Stripper I, II, III, V, VII, XIV and XVI" allocations and reprogrammed as part of this proposal; (c) $500,000 of restitution funds received from the Exxon oil overcharge restitution plan; (d) $52,759 of restitution funds received from the Diamond Shamrock oil overcharge restitution plan; (e) all future "Stripper XVIII" interest earnings; (f) residual funding and any future interest from "Stripper V" farm furnace allocation; and (f) residual funding and any future interest from the Diamond Shamrock, farm furnace oil overcharge allocation. Further, approve the Governor proposal to modify the "Stripper XIV" allocation plan to allow grant funds from the small business energy efficiency program to be used by an expanded number of businesses.

Alternatively, approve the proposed expenditure plan as modified by one or more of the following changes:

2. With respect to the Campaign to Keep Wisconsin Warm program, modify the proposal as follows:

a. Require prior to release of funds by the Committee that DOA to submit to the Committee for review under a s. 16.515 type passive review process, the following: (1) a report detailing requirements for release of the oil overcharge funds to the program; (2) a report detailing the program's plan for statewide fund raising and distribution of the oil overcharge funds and raised funds; (3) a detailed report on what measures DOA will take to ensure proper expenditure of the funds; and (4) an indication that an evaluation of the program will be conducted by DOA/DOH and submitted to the Joint Committee on Finance prior to the allocation of additional state funds for the program.

b. Require DOA to forward certification materials to the Committee.

c. Delete the proposed allocation of $500,000 from the LIHEAP program to Campaign to Keep Wisconsin Warm.

3. Delete the proposed allocation of "Stripper XVIII" oil overcharge funds to one or more of the following program elements *[or allocate the funds to another program of the Committee's choosing.]*:

Program Element	Governor's Administering Agency	Proposal
A. Campaign to Keep Wisconsin Warm	Administration (Energy)	$700,000
B. Community Services Energy Efficiency Rewards	Administration (Energy)	255,000
C. Renewable Energy Assistance Program	Administration (Energy)	200,000
D. Home Energy Rating/Energy Efficiency Financing	Administration (Energy)	150,000
E. Milwaukee Energy Efficient Housing Redevelopment	Administration (Energy)	125,000
F. K-12 Energy Efficiency Program	Administration (Energy)	50,000
G. Environmental Monitoring of Energy Impacts	Administration (Energy)	50,000
H. Energy Education Partnership	Administration (Energy)	50,000
I. Energy Program Management Costs	Administration (Energy)	10,426*
	TOTAL	$1,590,426

*Consisting of $10,426 in "Stripper XVIII" funds, and accrued and future unallocated "Stripper XVIII" interest earnings plus certain residual funds from "Stripper V" and Diamond Shamrock.

Prepared by: Jere Bauer and Tricia Collins