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_Dec. 1998_pt06*
- *Record of Comm. Proceedings* ... RCP
-

Dec 13.10 , nfo

STATE OF WISCONSIN

SENATE CHAIR
TIMOTHY WEEDEN

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ASSEMBLY CHAIR
JOHN GARD

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JOINT COMMITTEE ON FINANCE

November 18, 1998

Mr. Mark Bugher, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, WI 53703

Dear Secretary Bugher:

We have reviewed your request, dated October 27, 1998, relating to the Department of Health and Family Services' plan to fund programs for the prevention of child abuse and neglect in Milwaukee County.

An objection has been raised and the request will be taken up for consideration at a meeting in the future. Therefore, the plan is not approved at this time.

Sincerely,

Jim Weeden

TIMOTHY WEEDEN
Senate Chair

John G. Gard

JOHN GARD
Assembly Chair

TW/JG/dr

cc: Members, Joint Committee on Finance
Secretary Joe Leean, Department of Health and Family Services
Vicky LaBelle, Department of Administration

THE STATE OF WISCONSIN

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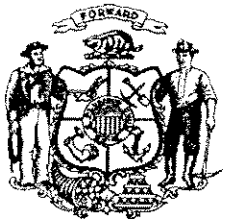

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JOINT COMMITTEE ON FINANCE

NOV 2 0 1998

Date: November 20, 1998

To: The Members, Joint Committee on Finance

From: Dan Caucutt, Secretary for s. 13.10 Actions

The next regular meeting of the Joint Committee on Finance under s. 13.10 is scheduled for Wednesday, December 2, 1998, at 1:30 p.m. on the First Floor of 119 Martin Luther King, Jr. Blvd.

The status of the committee's biennial GPR supplementation and loan appropriation [s. 20.865(4)(a)] is summarized on the attachment.

Five items are currently scheduled for committee action, including two requests previously submitted to the Committee under 14-day passive review. In addition, there will be one or more reports submitted.

The Governor's recommendations on the requests and State Budget Office analyses of them will be distributed to the members on November 30, 1998, along with the formal agenda. The Fiscal Bureau will distribute its own analyses of the requests. Materials in the November 30 distribution will be organized by tabbed section dividers marked with the Roman numerals in the upper-right corner of the attached requests.

The following is a summary of the items in the order that they will be heard on December 2, 1998.

I. Department of Natural Resources -- H. Stan Druckenmiller, Executive Assistant

The department requested approval of a grant to the City of Green Bay for the purchase of 34.2 acres within the Bairds Creek Conservancy Area under the 14-day passive review

required under s. 23.0915(4). Due to an objection from a committee member, this request is now before the committee under s. 13.10.

II. Department of Public Instruction -- Alan Beeler, State Schools Director

The department requests the release of $91,200 GPR from the Committee's appropriation under s. 20.865(4)(a) to the state residential schools appropriation under s. 20.255(1)(b) upon approval of a plan for maintenance projects in accordance with Section 9140 of 1997 Wisconsin Act 27.

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

The department requests the following Committee action:

1. Transfer $2,269,796 GPR in fiscal year 1998-99 from the Committee's appropriation under s. 20.865(4)(a) to appropriation 20.410(1)(ab), corrections contracts and agreements, to fund expansion of the department's contracts with the Corrections Corporation of America by 419 male prison beds in Sayre, Oklahoma and the Federal Bureau of Prisons by 100 male prison beds in Duluth, Minnesota and by 20 male prison beds in Oxford, Wisconsin.

2. Transfer $150,000 GPR in fiscal year 1998-99 from the Committee's appropriation under s. 20.865(4)(a) to appropriation 20.410(1)(a), general program operations, to fund out of state trips to develop and monitor program standards, out of state inmate group transports and individual inmate return trips.

3. Allow the department to contract for up to an additional 500 beds within previous approved sites with the Federal Bureau of Prisons, Corrections Corporation of America and Texas counties. These beds would be funded from existing funds that may become available due to unanticipated delays in the transfer of inmates or other unforeseen circumstances.

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

The department requested the approval of a plan under 14-day passive review to transfer $744,800 GPR in FY99 from the committee's appropriation under s. 20.865(4)(a) to the appropriation under s. 20.435(3)(cx) for purposes of funding programs in Milwaukee County directed at child abuse and neglect prevention. Due to an objection from a committee member, this request is now before the committee under s. 13.10.

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

The department requests the approval of the transfer of $186,800 GPR in FY99 from the department's appropriation under s. 20.435(5)(b) to the appropriation under s. 20.435(7)(be) for purposes of funding specialized services for mentally ill residents in the Trempealeau County Health Care Center.

Reports

R-1 Department of Administration Position Reports Required Under s. 16.50.

Attachment

4

JOINT COMMITTEE ON FINANCE
SUMMARY OF GPR APPROPRIATION STATUS
(Incorporating Committee Actions thru September 24, 19[illegible])

	[illegible]	[illegible]	19[illegible] Recommended	[illegible]	Remaining Balance
[illegible]	$46,3[illegible]	$63,102,600	$104,480,873	[illegible]	[illegible]
[illegible]	$50,[illegible]	$[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	874,000	[illegible]	0	[illegible]
[illegible]	20,002,[illegible]	[illegible]	[illegible]	0	20,[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	782,295
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	752,700	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	891,5[illegible]
[illegible]	[illegible]		102,600	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	187,000
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	3,500,000	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	74,000	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17,200
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	142,579
[illegible]	[illegible]	[illegible]	[illegible]	460,600	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

6

SUMMARY
JOINT COMMITTEE ON FINANCE
TED APPROPRIATION STATUS
(Incorporating Committee Actions thru September 24, 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
Reserved For			
[illegible] "Temporary aid to needy families	$14,000,000	$0	$14,000,000
[illegible] transportation assistance	1,000,000	2,000,000	3,000,000
[illegible] Reserved Balance	$15,000,000	$2,000,000	$17,000,000
Released from Reserved Balance			
[illegible] "Temporary aid to needy families (12/15/97)	$4,136,500	$9,863,500	$14,000,000
[illegible] "Transportation assistance (12/15/97)	1,000,000	2,000,000	3,000,000
[illegible] Released	$5,136,500	$11,863,500	$17,000,000
[illegible] Reserved Balance	$9,863,500	($9,863,500)	$0

SUMMARY

DETAIL OF JOINT FINANCE COMMITTEE APPROPRIATED LEVELS

	1997-98	1998-99	1997-99 Biennium
195(1)(g) Appropriation Total Summary - GPR			
Act 27 (Biennial Budget)	$24,648,100	$54,248,300	$78,896,400
Proceeds from Sale of Public Land (Mendota State Hospital -- July, 1997)	280,379	0	280,379
Transfer per Act 27, Section 9258(3x)	20,000,000	0	20,000,000
Act 207 (Budget Adjustment Bill)	(1,039,900)	3,967,300	2,847,400
Addition to JFC Contract Beds Reserve by Transfer of 1997-98 Ending DOC Appropriation Balances (s. 13.10 Meeting, 3/15/98)	2,501,496	0	2,501,496
Act 305 (Recruit adoption assistance reserved funds)	(54,300)	0	(54,300)
Proceeds from Sale of Public Land (Green Bay Correctional Institution -- May, 1998)	2,500	0	2,500
Current Total	$46,318,275	$58,132,600	$104,450,875
195(1)(g) Appropriation Total Summary - PR			
Act 27 (Biennial Budget)	$0	$160,300	$160,300
195(1)(h) Appropriation Total Summary - SEG			
Act 27 (Biennial Budget)	$15,000,000	$2,000,000	$17,000,000
195(1)(hm) Appropriation Total Summary - SEG			
Act 27 (Biennial Budget)	$1,208,000	$1,384,400	$2,592,400

Tommy G. Thompson
Governor

Michael J. Sullivan
Secretary

State of Wisconsin
Department of Corrections

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November 20, 1998

NOV 23 1998

The Honorable Timothy Weeden, Co-Chair
The Honorable John Gard, Co-Chair
Joint Committee on Finance

On November 16, 1998 the Department requested an increase in out-of-state contract bed capacity of 539 beds to be funded with money transferred from the Joint Committee on Finance's supplemental appropriation. The Department also requested certification to utilize up to an additional 500 out-of-state beds at previously approved sites.

Following discussions with the Department of Administration and the Legislative Fiscal Bureau, the Department is asking that the request be modified to an increase in capacity of 539 out-of-state beds at previously approved sites without limiting the capacity at any particular site and withdrawal of the request for certification for an additional 500 beds.

The 539 beds are based on the funds available at this time and do not fully address the population growth. The request for the additional 500 beds had two objectives, to provide maximum flexibility within the contracted beds and to allow the Department to utilize savings generated by unforeseen circumstances at these sites to address the additional population needs.

Current authorization is for a specific number of beds at specific sites. The flexibility that the Department is requesting could be accomplished with the 539 beds if the capacity limit is removed at specific sites. For example, the Department is currently authorized for 330 male and 200 female beds with the Federal Bureau of Prisons. If additional beds were available in the federal system and 700 beds were not available in Texas, the Department could place more inmates in the federal system without having to return to the Joint Committee on Finance for approval.

It appears that the request for the additional 500 beds is not necessary. On June 23, 1998, the Joint Committee on Finance authorized the Department to "submit amendments related to the number of authorized contracts to the Co-chairs for certification to the Committee Secretary as long as the total projected cost for the contracted beds (including currently authorized beds) does not exceed the total amount of funding available for prison contracts in 1998-99." This would allow the Department to utilize savings generated by unforeseen circumstances by submitting a certification request to the Committee Secretary.

I would appreciate it if you would accept this modification to the November 16, 1998 request. Thank you.

Sincerely,

Michael J. Sullivan

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

November 24, 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Materials for the Committee's December 2, Section 13.10 Meeting

Attached are papers, prepared by this office, on those items which are scheduled for the Committee's December 2 meeting under s. 13.10.

In addition to the five s. 13.10 requests, the Committee will consider the request of the Department of Transportation regarding its proposed federal expenditure plan for 1998-99.

The meeting is scheduled for 1:30 p.m. on the first floor of 119 Martin Luther King, Jr. Blvd.

BL/lah
Attachments

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

November 25, 1998

NOV 3 0 1998

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Request for Approval of Recommended 1998 Payments for Municipal Services

Under s. 70.119 of the statutes, the distribution of payments for municipal services (PMS), and any modifications to the PMS program's guidelines, must be approved annually by the Joint Committee on Finance. The Department of Administration (DOA) is required to submit its recommended payments for the PMS program to the co-chairpersons of the Committee no later than November 15 of each year. The Committee must notify the Department within 14 working days after the date the Department's report is received if it intends to schedule a meeting for the purpose of reviewing the recommended payments. If the Committee does not notify the Department about a scheduled meeting within these 14 days, the recommendation is considered to be approved.

Let's do this.

The Department submitted a report of recommended payments, which was dated and received on November 10, 1998. If the Committee intends to hold a meeting on the payment schedule, the Department must be notified by December 1, 1998.

The primary purpose of the PMS program is to make equitable annual payments to municipalities for local fire and police protection and solid waste handling services provided to property tax exempt state facilities. The intent of the program is to aid in the reduction of local property taxes by making a state contribution toward the cost of these municipally-provided services. The annual entitlement for each eligible municipality is determined largely by formula and, in a few instances, through additional negotiation with DOA. County governments may receive payments under the PMS program in response to claims for certain services provided by the county.

The PMS formula approximates the local costs for police, fire and solid waste disposal services provided to state facilities and financed out of local property tax revenue. Under this formula, entitlements are calculated as a percent of municipal police, fire and solid waste costs. The percent is calculated as the result of the value of state facilities as a percent of the combined value of taxable buildings and state facilities multiplied by property tax revenues as a percent of shared revenue and property taxes combined. Entitlements are calculated on the basis of previous calendar year fiscal information. For example, entitlements calculated for services provided in 1998 are based on 1997 costs, revenues and property values. The actual payments will be made to municipalities in 1999.

If the sum of the formula entitlements exceeds the appropriation for PMS, the payments are prorated. In the past, payments have varied from 67.2% of entitlements to 100% of entitlements. In 1997, the appropriation for PMS was $16,828,800 GPR and payments were 82.0% of entitlements. The $18,065,300 GPR appropriated for 1998 payments is equal to 84.7% of the $21,334,497 in entitlements.

Except for two minor discrepancies, it appears that the recommended payment schedule for 1998 conforms with the program's guidelines and the payments have been properly calculated. During our review we found that: (a) the City of Superior underreported its solid waste expenditures for the University of Wisconsin-Superior campus by $250; and (b) the City of Menomonie included $394 in solid waste expenditures for the University of Wisconsin-Stout that did not occur during the twelve-month period for which charges are to be reimbursed. If the payments for municipal services schedule were amended to adjust for these charges, the payments for municipalities other than Superior and Menomonie would not be altered significantly. However, the payment to Superior would increase by $250 times the proration factor (about $212) while the payment to Menomonie would be reduced by $394 times the proration factor (about $334).

If the Committee determines that the two discrepancies outlined above are substantial enough to warrant being addressed, the Committee could: (a) schedule a meeting to amend the payment schedule to reflect the needed changes; or (b) approve the existing schedule, following an agreement with the Department of Administration that the calendar year 1999 payment schedule will be adjusted to offset discrepancies in 1998 payments.

Let's do this.

If the Committee does not schedule a meeting to review the proposed payments, the Department's recommendation will be considered approved. As noted above, the Committee must notify the Department of a meeting by December 1, 1998.

BL/AR/lah

WISCONSIN
DEPT. OF NATURAL RESOURCES

State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Tommy G. Thompson, Governor
George E. Meyer, Secretary

Box 7921
101 South Webster Street
Madison, Wisconsin 53707-7921
TELEPHONE 608-266-2621
FAX 608-267-3579
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November 30, 1998

Senator Tim Weeden, Co-Chair Joint Finance Committee
Room 203, One East Main Street
P.O. Box 7882
Madison, WI 53707-7882

Representative John Gard, Co-Chair Joint Finance Committee
Room 315 North
State Capitol
Madison, WI 53708

NOV 3 0 1998

Dear Senator Tim Weeden and Representative John Gard:

The Department of Natural Resources hereby withdraws its request under s. 23.0915(4) for funding for the Bairds Creek project.

After further negotiations, the state's share of the project will fall below the threshold for consideration by the Joint Finance Committee.

Thank you for your consideration of this request.

Sincerely,

George

George E. Meyer
Secretary

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

to: Gene Kussart - DOT

November 25, 1998

TO: Senator Timothy Weeden
Room 203, 1 East Main

FROM: Al Runde, Fiscal Analyst

SUBJECT: Annual Vehicle Registration Revenue and Transportation Revenue Bonds

At your request, I am providing information on: (a) the amount of transportation revenue bond debt service compared with the level of registration fee trust revenues if the current $110.5 million annual transportation revenue bonding is maintained; and (b) an estimate of the impact on registration fees if the current $110.5 million annual increase in transportation revenue bonding and a 3:1 debt service coverage ratio are maintained.

In order to obtain a favorable interest rate on transportation revenue bonds, the State has a practice that there will be $3 in registration fee revenues for every $1 in bond debt service paid in a given year. This ratio is termed the debt service coverage ratio. While a lower ratio is allowable, it is generally believed that anything less than a 3:1 coverage ratio could impact the attractiveness of the bonds in the market and affect the rate paid on the bonds. The following table compares the projected registration revenues and the projected debt service payments on transportation revenue bonds assuming the annual bond authorization remains at the current level of $110.5 million. The comparison is made through fiscal year 2007-08, the latest year for which DOT's econometric model predicts revenues.

3:1 mine cushion
2½:1 maintain bond rating

Comparison of Estimated Revenues and Debt Service
Under $110.5 Million Annual Bond Level
($ in Millions)

Fiscal Year	Registration Fee Revenues	Debt Service	Coverage Ratio
1999-2000	$311.1	$93.5	3.33:1
2000-01	312.2	101.4	3.08:1
2001-02	324.6	111.4	2.91:1
2002-03	327.1	120.2	2.72:1
2003-04	341.5	133.5	2.56:1
2004-05	344.2	142.2	2.42:1
2005-06	359.2	151.1	2.38:1
2006-07	362.1	148.9	2.43:1
2007-08	377.7	157.9	2.39:1

As shown in the above table, if annual revenue bonding continues at $110.5 million per year the debt coverage ratio would drop below 3:1 in 2001-02, and, in general, continue to decline. Further, it should be noted that DOT's revenue projections factor in some level of economic growth each year. If that growth does not occur to the level used in the revenue projections, the debt coverage ratio would decrease. Conversely, if growth exceeds the current projections, the ratio would increase.

If the $110.5 million annual increase in transportation revenue bonding is maintained, increases to the various registration fees would be needed to maintain a 3:1 coverage ratio beyond the 2000-01 date indicated in the above table. The following table indicates the percentage increase in revenues needed to provide a 3:1 coverage of transportation revenue bond debt service through 2007-08 as well as the increases needed in the automobile and heaviest weight class truck registration fees. The current annual automobile registration fee is $45 and the fee for nonagricultural trucks weighing 76,000 to 80,000 pounds is 1,969.50.

Estimated Fee Increases for Autos and
Heavy Trucks to Maintain 3:1 Coverage

Fiscal Year	Estimated Revenues ($ Millions)	Revenues Needed for 3:1 Ratio ($ Millions)	Increase Over Estimated Revenues	Automobile Increased Fee Amount	Automobile Change From $45	Heavy Truck Increased Fee Amount	Heavy Truck Change From $1,969.50
2001-02	$324.6	$334.2	3.0%	$46.33	$1.33	$2,027.75	$58.25
2002-03	327.1	360.6	10.2	49.61	4.61	2,171.21	201.71
2003-04	341.5	400.5	17.3	52.77	7.77	2,309.77	340.27
2004-05	344.2	426.6	23.9	55.77	10.77	2,440.99	471.49
2005-06	359.2	453.3	26.2	56.79	11.79	2,485.45	515.95
2006-07	362.1	446.7	23.4	55.51	10.51	2,429.65	460.15
2007-08	377.7	473.7	25.4	56.44	11.44	2,470.09	500.59

The increases in registration fees shown in the table assume that the percentage increase in registration fee revenues needed to maintain a 3:1 coverage ratio are spread proportionately across all vehicle registration types (such as autos, motorcycles and various weight trucks). For example, annual truck registration fees currently range from $48.50 for the lowest weight class to $1,969.50 for the highest weight class. These fees would range from $60.82 to $2,470.09 in 2007-08, if the fees are increased so as to maintain 3:1 debt service coverage ratio.

I hope this information is helpful. Please contact me if you have any further questions.

AR/sas

Tommy G. Thompson
Governor

Michael J. Sullivan
Secretary

State of Wisconsin
Department of Corrections

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November 29, 1998

The Honorable Timothy Weeden, Co-Chair
The Honorable John Gard, Co-Chair
Joint Committee on Finance

Original Request

On November 16, 1998 the Department requested an increase in out-of-state and federal contract bed capacity of 539 beds to be funded with money transferred from the Joint Committee on Finance's supplemental appropriation. The Department also requested certification to utilize up to an additional 500 out-of-state beds at previously approved sites and $150,000 for travel costs.

To fund these beds, the Department requested a transfer of the following moneys from the Joint Committee on Finance's supplemental appropriation: $782,296 for reserve for contract beds; $991,800 reserve for the relocation of St. John's Correctional Center and $645,700 reserve for the Racine Youthful Offender Correctional Facility (RYOCF) food contract for a total of $2,419,796.

Modification

On November 20, 1998, the Department requested a modification of the original request to eliminate capacities for specific sites and withdrew the request for the 500 additional beds. The transfer of funds remained the same.

Second Modification

The Department is requesting a modification of the request before the Committee to reduce the transfer from the reserve for the Racine Youthful Offender Correctional Facility food contract from $645,700 to $345,700 and a reduction in the number of beds requested from 539 to 477. The total transfer from the Joint Committee on Finance appropriation, §20.865(4)(a) would be $2,119,796.

Racine Youthful Offender Correctional Facility food contract

1997 Wisconsin Act 27 placed $645,700 reserve in the Joint Committee on Finance appropriation in the event that the food costs for this contract exceeded the amount budgeted for food. Eurest Dining Service was selected as the vendor. Their costs are on a sliding scale based on the number of meals. The Department is currently paying approximately $1.20 per meal. At the time the original request was submitted on November 16, the Department did not foresee a change in this amount and consequently requested the transfer of reserved funds.

On November 22, Eurest notified the Department that they were unable to continue to provide meals at the current rate and would be discontinuing the contract within 30 days unless the Department agreed to increase the amount for meals prepared off-site to $2.75 per meal or allow the vendor to cook on-site for approximately the same amount per meal as the current contract.

There is no equipment at RYOCF to prepare meals. The vendor would have to supply the equipment or the Department would have to purchase it although it has no funds budgeted to do so. Eurest is willing to supply the equipment if the Department is willing to enter into a five-year contract. The current contract is for one year, with two one-year extensions. This, combined with the fact that the original request for proposal required cooking off-site means DOC would be changing the requirements of the original request for proposal. There may be other vendors that would submit a competitive bid for preparation on site. Therefore, the Department will need to rebid the contract. The Department will continue to contract with the current vendor at the increased cost of $2.75 per meal until a new bid is received.

The Department will not know what the total cost for food will be at RYOCF in FY 99 until bids have been received. Using the dollar amounts that Eurest submitted for off-site preparation, the Department believes the total cost for the food contract could be as high as $725,000. There is approximately $450,000 budgeted for RYOCF for food. The Department would like to maintain a reserve of $300,000 in the Joint Committee on Finance supplemental appropriation until the actual cost of the contract is known.

Travel Costs

The original request assumed costs of $55,500 for program review staff, $49,000 for unscheduled return trips for inmates and $45,500 for inmate trips to Alderson, West Virginia. The original estimates of costs for return trips was $54,000 but was reduced to keep the total request at $150,000. Based on revised figures, total costs for trips to Alderson will be $27,500. Using the original estimate for return trips, the request could be reduced by $13,000.

However, the Department would prefer to continue the request for $150,000 for travel and use the additional $13,000 for increased trips for the contract monitors.

Summary

The Department is requesting a modification from the request before the Committee to reduce the number of out-of-state and federal beds requested from 539 to 477 and reduce the amount transferred from the Joint Committee on Finance's supplemental appropriation, §20.865(4)(a) from $2,419,796 to $2,119,796. The Department continues to request capacities for specific sites be eliminated to allow the Department the flexibility to move inmates from one to another if necessary.

I would appreciate it if you would accept this modification to the request. Thank you.

Sincerely,

Michael J. Sullivan

Cc: Robert Lang, LFB
Mark Bugher, DOA

THE STATE OF WISCONSIN

SENATE CHAIR
TIM WEEDEN

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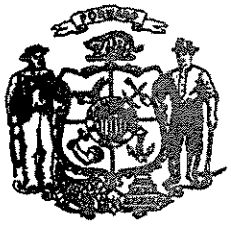

ASSEMBLY CHAIR
JOHN GARD

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JOINT COMMITTEE ON FINANCE

To: Members
Joint Committee on Finance

From: Representative John Gard
Senator Tim Weeden

Date: December 1, 1998

Attached is a copy of a LFB memorandum providing information on unexpended funding under the agency contracts for the Wisconsin Works program.

This memorandum is being provided to you with the expectation that this issue will be addressed at the December 2nd s.13.10 meeting.

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

November 30, 1998

TO: Representative John Gard
Room 315 North, State Capitol

FROM: Rob Reinhardt, Program Supervisor

SUBJECT: Unexpended Funding Under the Agency Contracts for the Wisconsin Works (W-2) Program

At your request, I am providing information regarding surplus revenues that will be retained by the state due to unexpended funding under the W-2 agency contracts. In addition, information is provided on the federal maintenance of effort requirements under the temporary assistance to needy families (TANF) program.

Distribution of Surplus Funding Under the W-2 Agency Contracts

The W-2 agency implementation contract includes funding for subsidized employment benefits, W-2 office costs and other program expenses. The contract period is September 1, 1997, through December 31, 1999. Each agency contract provides that any funding in excess of that used for benefits and other allowable expenses is to be distributed according to a formula developed by the Department of Workforce Development (DWD).

The formula establishes a two-tier distribution mechanism for excess agency funds. Under the first tier, the agency is allowed to retain an amount equal to 7% of the implementation contract amount as unrestricted profit. Under the second tier, any remaining surplus funds are divided between the agency and the state as follows: (a) 10% is retained by the agency for unrestricted use; (b) 45% is retained by the agency for reinvestment in the community; and (c) 45% is retained by the state. If unexpended funds are less than 7% of the contract amount, the entire surplus is retained by the agency and the second-tier calculation does not apply.

The following simplified example clarifies how this formula works. If an agency's implementation contract was $5.0 million, and the agency had $600,000 remaining at the end of the contract period, the excess funding would be divided between the agency and the state. First, $350,000 would be provided to the agency as profit (7% of the implementation contract). The

remaining $250,000 would then be divided in the following way: (a) 10%, or $25,000, would be provided to the agency for unrestricted use; (b) 45%, or $112,500, would be returned to the state; and (c) 45%, or $112,500, would be provided to the agency and the agency would then be required to reinvest those funds in the community under a plan approved by DWD. However, if the agency had less than $350,000 remaining at the end of the contract period, the entire surplus amount would be retained by the agency as profit.

The W-2 implementation contract allows for a calculation of unexpended funding to be made twice during the contract period: a preliminary profit calculation, which will be distributed in the 1998-99 state fiscal year, and a final profit calculation that will occur in the 1999-01 biennium. The preliminary profit calculation is described below.

Preliminary Profit Calculation

The contract provides for a preliminary profit distribution based on expenditures through August 31, 1998. Under this provision, up to 75% of the unexpended funding for the first year of the contract may be distributed according to the formula outlined above.

In order to receive a preliminary distribution, agencies were required to submit written requests to DWD by November 16, 1998. In order to obtain the 45% share for community reinvestment, agencies were also required to submit a proposed plan describing the services to be provided, the recipients of the services, the time period during which services will be provided, the service providers and how the community reinvestment services do not duplicate services or persons to be served under the W-2 implementation contract. According to DWD, services provided must be allowable under federal requirements for the use of TANF funds, and administrative costs will be limited to 10% of total expenditures. These plans were also due on November 16, 1998.

The 7% portion of the preliminary profits will be distributed by December 31, 1998, and the remaining portion of the preliminary profits will be distributed upon approval by DWD of the plan pertaining to community reinvestment.

It is important to note that the contract gives agencies the option of receiving the full 75% of the estimated amount of profit, or an amount less than 75%. Further, the state will not retain its 45% share of the second-tier profit unless the agency also requests its 45% share for community reinvestment. Therefore, if an agency chooses to receive only 25% of the funds available for community reinvestment, the state share would also be 25%.

Based on expenditures through August 31, 1998, the total contract surplus amount for all agencies was $131.3 million. Of this surplus, the maximum amount that could have been distributed under the preliminary profit calculation was $98.5 million (75% of $131.3 million). Of the $98.5 million amount: (a) up to $25 million could have been retained by the agencies for unrestricted use (the 7% first-tier amount plus 10% of the remainder); (b) up to $36.7 million could

have been distributed for community reinvestment; and (c) up to $36.7 million could have been retained by the state.

According to DWD, the actual requests that were submitted by the agencies did not request the maximum amounts outlined above. Instead, statewide, the agencies requested an estimated $18.9 million for unrestricted use and $13.7 million for community reinvestment. Therefore, the amount retained by the state in 1998-99 will also be $13.7 million.

TANF Maintenance of Effort Requirement

You also asked for information regarding the federal maintenance of effort (MOE) requirements under the TANF program.

Under federal law, a state must spend an amount of state dollars equal to 75% of historic state expenditures if the state meets federal mandatory work requirements, or 80% if the state does not meet these requirements. Historic state expenditures generally means federal fiscal year (FFY) 1994 expenditures for the former AFDC and JOBS programs, AFDC-emergency assistance, AFDC-related child care and at-risk child care. In addition, the MOE may be reduced by the percentage reduction in the state's TANF block grant attributable to tribal programs. It is estimated that the state's MOE requirement for FFY 1998 is $168.8 million, based on 75% of historic state expenditures.

If the current state funding appropriated for the W-2 program is in excess of that needed to meet the MOE requirement, GPR funding currently budgeted for the W-2 program could be replaced with excess TANF funds. The GPR would then be available for other uses, without restriction.

Based on the most recent information available, it is currently estimated that GPR funding appropriated to DWD for the W-2 program may exceed the amount needed to meet the MOE requirement by some $20 million in 1998-99. However, this estimate is based on several assumptions. It is possible that changes in required modifications to cost allocation assumptions, federal requirements regarding the earned income tax credit and homestead tax credit, and lower than anticipated allowable child support collections could reduce this figure significantly.

Federal law includes substantial penalties if a state fails to meet its TANF maintenance of effort requirement. First, the state's basic TANF grant will be reduced by the amount by which qualified state expenditures in the previous year are less than the MOE requirement. Further, if the TANF grant is reduced in a fiscal year under this provision, the state must expend additional state revenues in the following year equal to the amount of the reduction. Finally, if a state receives a welfare-to-work (WtW) formula grant and fails to meet the TANF maintenance of effort, the amount of the TANF block grant will be reduced in the following year by an amount equal to the WtW grant (approximately $12.9 million in Wisconsin).

I hope this information is helpful. Please contact me if you have additional questions.

Trempealeau County Health Care Center

PHILLIP J. BORRESON, EXECUTIVE DIRECTOR JO SMIEJA, ADMINISTRATOR

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December 1, 1998

Senator Rod Moen
Wisconsin State Senate
State Capitol
P.O. Box 7882
Madison, Wisconsin 53707-7882

Dear Senator Moen:

Recently, we were made aware that we lost our "specialized service" funds effective September 1st for mentally ill residents within our IMD. The attached letter, written by Senator Leean in our behalf, summarizes very well the detail involved in our loss of the referenced "specialized service" funds as well as efforts to return the funds to the Trempealeau County Health Care Center.

At this point in time, we seek assistance from the Joint Finance Committee in the transfer of $207,300 in funds to provide specialized services for the mentally ill residents of the Trempealeau County Health Care Center for the 10 month period from September 1, 1998 through the end of the fiscal year. The funds estimated are conservative in that the number of residents requiring specialized services within our facility has steadily risen since the Health Care Center was named a County Institute for Mental Disease in 1988. A substantial waiting list for services exists reflecting need as well as County support of our treatment program. The Health Care Center cost of $166.50 a day (inclusive of the $9.00 a day specialized service funds) makes the Trempealeau County program price competitive when compared to the State mental health facilities at $500 a day. Without the "specialized service" funds Counties will have to use County tax dollars to replace the $9.00 a day or the Health Care Center will be asked to provide a custodial setting for the mentally ill we serve.

The Trempealeau County Health Care Center finds the provision of custodial care to the mentally ill not to be an appropriate or ethical service option. Subsequently, the Health Care Center requests your assistance in educating members of the Joint Finance Committee of the importance of moving positively on Secretary Leean's request. We also have attached a State

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WHITEHALL, WI 54773-9685
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PIGEON FALLS HEALTH CARE CENTER
13197 CHURCH STREET
PIGEON FALLS, WI 54760
TEL. (715) 983-2293 • FAX (715) 983-5700

FARNAM HOUSE CBRF
18425 DODGE STREET
WHITEHALL, WI 54773
TEL. (715) 538-4518 • FAX (715) 538-4535

ANNEX
23062 WHITEHALL ROAD
INDEPENDENCE, WI 54747-9794
TEL. (715) 985-2337 • FAX (715) 985-2337

BLAIR APARTMENTS
605 KNUTSON STREET
BLAIR, WI 54616
TEL. (608) 989-9648

AN EQUAL OPPORTUNITY EMPLOYER

Sent By: Trempealeau County Health Care ; 715538 2426; Dec-1-98 12:51PM; Page 2/3

map illustrating the number of residents presently being served from Wisconsin Counties which illustrates the Statewide scope of this budget request.

Thank you for your consideration of this request. Please advise me if there is more information or additional contacts I should be making to retain the funds that are so essential to our treatment programs.

Sincerely,

Phillip J. Borreson

Phillip J. Borreson
Executive Director

Attachments:
Letter Secretary Leean
Map TCHCC IMD Referral Base