

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
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- Clearinghouse Rules ... CRule
-
- Committee Hearings ... CH
-
- Committee Reports ... CR
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- Executive Sessions ... ES
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- Hearing Records ... HR
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- Miscellaneous ... Misc
- 97hr_JC-Fi_Misc_pt01h_DPR
- Record of Comm. Proceedings ... RCP
-

Joint Finance

16.505/16.515

14 Day Passive
Reviews

6/24/96 to
9/23/96

7/29/96
UWS

approved

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

100 North Hamilton
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
BEN BRANCEL

119 Martin Luther King Blvd.
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-7746

JOINT COMMITTEE ON FINANCE

July 30, 1996

Mr. James Klauser, Secretary
Department of Administration
101 East Wilson, 10th Floor
Madison, WI 53707

Dear Secretary Klauser:

This is to inform you that the members of the Joint Committee on Finance have reviewed the July 15, 1996 request by the Department of Administration pursuant to s. 16.515/16.505(2) of the statutes pertaining to the University of Wisconsin System.

No objections to this request have been raised. Accordingly, this request has been approved.

Handwritten signature of Brian Burke in cursive.

BRIAN BURKE
Senate Chair

Handwritten signature of Ben Brancel in cursive.

BEN BRANCEL
Assembly Chair

cc: Members, Joint Committee on Finance
Linda Nelson, Department of Administration

STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

TO: Joint Finance Committee Members

FROM: Senator Brian Burke
Representative Ben Brancel
Co-Chairs, Joint Committee on Finance

DATE: July 15, 1996

RE: 16.515/505(2)

Attached is a copy of a request from the Department of Administration dated July 10, 1996 pursuant to 16.515/.505(2) pertaining to a request from the University of Wisconsin System.

Please review this item and notify Senator Burke's or Representative Brancel's office no later than **Monday, July 29, 1996**, if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

BB:BB:nb

CORRESPONDENCE MEMORANDUM

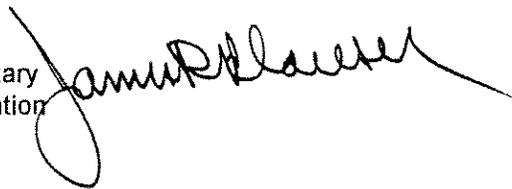
**STATE OF WISCONSIN
Department of Administration**

Date: July 10, 1996

To: The Honorable Brian Burke, Co-Chair
Joint Committee on Finance

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance

From: James R. Klauser, Secretary
Department of Administration



Subject: S. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1995-96</u>		<u>1996-97</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
UWS 20.285(6)(g)	Services Provided to Authority			\$25,817,000	33.38

As provided in s. 16.515, this request will be approved on July 31, 1996, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Linda Nelson at 266-3330, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: July 3, 1996

To: James R. Klauser, Secretary

From: Brian Pahnke, Executive Policy and Budget Analyst 

Subject: 16.505/16.515 Request for University of Wisconsin (UW) System

REQUEST

The UW System requests approval of \$25,867,000 in increased expenditure authority and the creation of 34.0 Program Revenue (PR) FTE positions in FY97 under s. 20.285 (6)(g), Services provided to [the UW Hospitals and Clinics] authority.

BACKGROUND

As a part of the UWHC restructuring, 1995 Wisconsin Act 27 created the UWHC Board and UWHC Authority, eliminating 3,156.59 FTE positions and a \$270 million PR appropriation [s. 20.285 (1)(kb)] from the UW System. The 1995-97 biennial budget bill also transferred 1,326.26 FTE's out of the 3,156.59 FTE total to the UWHC Board and created a \$42 million continuing PR appropriation for this new state agency. Remaining expenditure and position authority was transferred to the Authority and removed from state control on June 29, 1996.

Act 27 also created a new UW PR continuing appropriation [s. 20.285 (6)(g)] to separately identify all moneys paid by the Authority to the UW. This appropriation is intended to reflect Authority payments to the UW for UW-provided services, and will include all payments made by the Authority pursuant to the lease, affiliation, and operating and service agreements between the Authority and the Board of Regents. According to the UW, the appropriation will also include payments for employees in positions funded through its former UWHC appropriation [s. 20.285 (1)(kb)], in whole or in part, who will be payrolled and employed at the UW-Madison Medical School.

This request establishes initial position and expenditure authority in the newly created PR continuing appropriation. Much of the expenditure authority sought by the UW for this appropriation was previously provided by the UWHC to the UW through either: (1) the former UWHC appropriation; (2) past informal arrangements; or (3) other existing UW appropriations.

The UW's request anticipates the expenditure authority sought for this appropriation will be comprised of the following five components, as indicated in Table 1:

Table 1
UW Expenditure Authority Summary

Item	Funding
Affiliation Agreement	\$9,776,800
Split-Funded/Transferred Positions	\$1,610,000
Transitional Payments	\$250,000
Permanent/On-Going Payments	\$10,263,000
Debt Service	\$3,967,200
Total	\$25,867,000

- Affiliation Agreement Payments
The Authority will make direct cash transfers of at least \$9,776,800 annually to the UW beginning in FY97 and continuing thereafter, as required in the affiliation agreement between the Authority and UW (this amount may not be reduced in the future).
- Split-Funded/Transferred Positions and Payments
The Authority will provide approximately \$1,610,000 in FY97 in payments to the UW for the salaries and fringe benefits of 34.0 FTE (57 total employees), all of whom were formerly at least partially payrolled from s. 20.285 (1)(kb). UW officials indicate this estimate incorporates the anticipated 2% pay plan supplement in FY97.
- Transitional Payments
The UW estimates at least \$250,000 in expenditure authority is necessary to accommodate Authority payments for temporary services provided by the UW, which will not continue after FY97.
- Permanent/On-Going Payments
The UW seeks \$10,263,000 in increased expenditure authority to reflect anticipated Authority payments for new and existing agreements between the Authority and UW beginning in FY97. According to the UW, these agreements will include Authority payments for services including utilities, parking, municipal services, etc. Nearly all payments in this category were formerly made from s. 20.285 (1)(kb).
- Debt Service Payments
Per 1995 Act 27, the Authority is required to continue making debt service payments for state-issued general obligation bonds. Increased expenditure authority of \$3,967,200 is sought by the UW per Section 5.2 of the Lease Agreement, which identifies the Authority's five initial annual debt service payments. Debt service funds will be transferred by the UW to its s. 20.285 (1)(kd) appropriation for debt service payments to the state for self-amortizing facilities, as permitted by Act 27.

The UW indicates that s. 20.285 (6)(g) will be used for all transactions for payments from the Authority to the UW-Madison and that the Authority will provide an Internal Requisition coded to this appropriation for any services provided to it by the UW. Charges for assessments billed to the UW from non-UW sources (i.e. DOA liability premiums) will also be charged to s. 20.285 (6)(g). Thus, the Authority will be responsible for reimbursing the UW for any charges in this appropriation. Since all requisitions and charges will be coded to s. 20.285 (6)(g) and identified by the UW as expenditures made with Authority provided

funds, any subsequent review or audit of payments made by the Authority will be able to identify all services provided by the UW to the Authority.

UW officials indicate that, although additional expenditure authority will be necessary in the future, no additional positions will be requested in this appropriation in FY97. It is likely the UW will request the authority to create new PR-funded positions within this appropriation in its 1997-99 biennial budget request.

ANALYSIS

This request complies with the intent of s. 20.285 (6)(g). This appropriation, created to separately identify all Authority moneys paid to the UW, will provide the Governor and Legislature with detailed information on UW expenditures made with Authority-provided funds. The five various components of this request are discussed in greater detail below.

Affiliation Agreement Payments

Under s. 233.04 (7m), the Authority and the UW were required to enter into an affiliation agreement that, among other things, identified the level of direct financial support the Authority will annually provide to the UW. The affiliation agreement, as approved by the Governor and Joint Committee on Finance (JCF) and in compliance with s. 233.04 (7m)(b), does not permit the Authority to reduce its current "base" level of support for UW educational/clinical programs. The agreement does note that under certain circumstances, the Authority will provide additional financial support to the three UW-Madison health sciences schools.

Table 2 below identifies the actual, on-going figures of direct financial support the Authority will provide to the UW under the affiliation agreement, which notes these funds will be identified by school, program and type of support in the Authority's operating budget.

Table 2
Affiliation Agreement Payments Summary

Category	Funding
Medical School-General	
Faculty Salaries/Fringe Benefits	\$4,474,200
Unclassified Staff	\$2,747,000
Anesthesiologist On Call Charges	\$282,000
Residents	\$210,000
Classified Staff	\$385,000
Supplies/Services (Support)	\$551,000
Radio Therapy Services	\$408,000
Medical School-General Sub-Total	\$9,057,200
Medical School-Family Medicine	
General Program Support	\$115,000
Family Practice Services	\$66,000
Residents	\$295,000
Department Support	\$105,000

Medical School-Family Med Sub-Total	\$581,000
Other Programs	
Nursing School	\$6,100
Pharmacy School	\$70,000
Center for Health Sciences Library	\$50,000
Human Subjects Committee	\$12,500
Other Programs Sub-Total	\$138,600
Total Affiliation Agreement Payments	\$9,776,800

Split-Funded/Transferred Positions Payments

The second component of this request consists of the \$1,610,000 (salaries and fringe benefits) the Authority will pay to the UW to support 34.0 FTE's, who were previously funded in whole or in part through s. 20.285 (1)(kb). The request indicates all positions sought will be employed and payrollled at the UW Medical School in the future.

According to the UW, additional position authority in this new appropriation is necessary since: (1) Act 27 eliminated all 3,156.59 FTE employes from s. 20.285 (1)(kb) on June 29, 1996; and (2) Unlike certain other UW PR appropriations, the UW does not have the authority to create new positions under s. 20.285 (6)(g).

UW officials indicate their request for increased position authority only includes that portion of an individual employe's position formerly funded through s. 20.285 (1)(kb). Thus, if an employe were funded 50% GPR [s. 20.285 (1)(a)] and 50% PR [s. 20.285 (1)(kb)], increased position authority of only 0.50 FTE is included in this request. As a result, the UW's request seeks to essentially replace those positions lost due to the elimination of s. 20.285 (1)(kb). According to the UW, no "new" positions are being added to the state's position count as a result of this request since all were previously authorized at the UW.

The breakdown for increased position authority (which is actually slightly less than the 34.0 FTE's requested by the UW) is:

Table 3
Position Authority Summary

Position	FTE
Program Assistant	17.90
Faculty	6.48
Program Asst-Supervisor	2.10
Word Processing Operator	1.50
Graduate Intern	1.40
Senior Health Technician	1.00
Director-Unspecified	1.00
Clinical Nurse Specialist	.50
Senior Histology Technician	.50
Senior Resident Specialist	.50
Sr. Data Base Administrator	.25
Clinical Dietitian	.25
Total	33.38

The UW's request for additional position authority may also be viewed in light of its recently submitted s.13.10 request, which proposes to transfer certain GPR, PR, and FED positions to the UWHC Board and Authority. As Table 4 below indicates, the final "net" effect of the s.13.10 and s.16.505 requests related to the UWHC restructuring will reduce total state position authority by 1.02 FTE.

Table 4
Net Effect of UW s.13.10 and s.16.505
Requests on Total State Position Authority

Fund Source	s.13.10	s.16.505	Net Effect
GPR	-91.27 FTE	00.00 FTE	-91.27 FTE
PR	+59.33 FTE	+33.38 FTE	+92.71 FTE
FED	-2.46 FTE	00.00 FTE	-2.46 FTE
Total	-34.40 FTE	+33.38 FTE	-1.02 FTE

Transitional Payments

The third item relates to expenditure authority estimated by the UW for "transitional" services it will provide to the Authority, which are not expected to continue beyond FY97, including payrolling responsibilities from July 1996-December 1996. The UW's Division of Information Technology (DoIT) estimates it will require approximately \$200,000 in increased expenditure authority for payrolling and programming services it will provide to the Authority in FY97. UW officials estimate an additional \$50,000 in expenditure authority may also be necessary for "other" unexpected costs for services it will provide in FY97.

Permanent/On-Going Payments

This category of Authority payments to the UW includes a number of different permanent or on-going items that will continue to be paid by the Authority beyond FY97. These permanent/on-going items can be divided into three separate categories, the latter two of which have historically been "paid" internally to the UW directly through s. 20.285 (1)(kb), which was repealed as of July 1, 1996:

- Authority payments for "new" charges for previously provided GPR-supported services provided by the UW (corresponding GPR reductions at the UW are included in the UW Savings Report as a result of the UWHC restructuring);
- Authority payments for services currently provided by the state that will continue to be paid by the Authority through the UW appropriation structure; and
- Authority payments for existing services, not included in the affiliation agreement, that will continue to be provided by the UW.

Table 5
Permanent/On-Going Payments from Authority to UW

Category	Funding	Chargeback Appropriation
New Charges/Payments		
Safety	\$78,000	s. 20.285 (1)(a)*
Softwater/Compressed Air	\$45,000	s. 20.285 (1)(a)*
New Charges Sub-Total	\$123,000	
State Charges/Utilities		
Utilities	\$1,850,000	s. 20.285 (1)(c)*
Liability Insurance	\$1,200,000	s. 20.285 (6)(g)
Workers Compensation	\$600,000	s. 20.285 (6)(g)
Municipal Services	\$500,000	s. 20.285 (6)(g)
DOA Bureau of Finance	\$213,000	s. 20.285 (6)(g)
Utility Distribution	\$139,000	s. 20.285 (6)(g)
Property Income Insurance	\$110,000	s. 20.285 (6)(g)
Environmental Liability	\$55,000	s. 20.285 (6)(g)
State Charges Sub-Total	\$4,667,000	
Existing Services		
Craft Employees	\$2,000,000	s. 20.285 (1)(g)
Division of Information Technology	\$1,500,000	s. 20.285 (1)(h)
Parking	\$960,000	s. 20.285 (1)(h)
Policy and Security	\$550,000	s. 20.285 (1)(a)* & s 20.285 (1)(h)
Video Production/Audiovisual	\$200,000	s. 20.285 (1)(a)* & s 20.285 (1)(h)
Fleet Charges	\$78,000	s. 20.285 (1)(h)
Shops/Facilities Planning	\$65,000	s. 20.285 (1)(h)
Medical Illustrations	\$50,000	s. 20.285 (1)(h)
Stores-Business Services	\$40,000	s. 20.285 (1) (ha)
Recreational Sports Facility	\$30,000	s. 20.285 (1)(h)
Existing Services Sub-Total	\$5,473,000	
Total	\$10,263,000	

* Denotes GPR account and corresponding sales credit.

Table 5 indicates separate "chargeback" appropriations for certain services above, particularly those in the "existing services" category. As indicated earlier, for internal administrative purposes, the UW proposes to transfer funds out of s. 20.285 (6)(g) into one of the other appropriations identified above (if applicable) during the fiscal year and reconcile all funds listed in Table 5 at the end of each fiscal year into s. 20.285 (6)(g) so that each individual UW expenditure made with Authority-provided funds can be specifically identified.

Debt Service

The final requested item relates to payments the Authority will continue to make to the state for state-issued general obligation bonds, as required by Act 27. Section 5.2 of the

lease agreement between the UW and the Authority indicates the following payments, subject to revisions due to state refinancing of existing debt, will be the following:

Table 6
Authority Debt Service Payments to UW/State

Fiscal Year	Debt Service
1997	\$3,967,200
1998	\$4,014,800
1999	\$3,982,700
2000	\$3,956,300
2001	\$3,922,100

Per Act 27, these repayments will be transferred by the UW from the s. 20.285 (6)(g) appropriation to its s. 20.285 (1)(kd) appropriation for debt service payments UW makes to the state for UW self-amortizing facilities.

RECOMMENDATION

Approve \$25,817,000 in expenditure authority, which reflects a reduction of \$50,000 from the UW's request related to transitional services. Approve 33.38 FTE as indicated above in Table 3, which reflects a reduction of .62 FTE from the UW request



The University of Wisconsin System

Vice President for Business and Finance

1752 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin 53706
(608) 262-1311 FAX (608) 262-3985

JUN 20 1996

June 20, 1996

MEMORANDUM

TO: James R. Klauser
Secretary, Department of Administration

FROM: Raymond Marnocha *R Marnocha*
Vice President, UW System

SUBJECT: s.16.505 Request - UWHC Restructuring/Transfer

The University of Wisconsin System, on behalf of UW-Madison, requests expenditure authority of \$25,867,000 and 34-0 PRO positions for s.20.285 (6)(g)/Fund 620.

This memo requests approval of the proposed program revenue budget and position level for appropriation s.20.285(6)(g), as part of the UWHC Restructuring/Transfer.

This appropriation is to be used for all funds paid to the UW-Madison by the newly created Hospital Authority. It includes all payments to be made by the Authority pursuant to the lease, affiliation, and operating and service agreements between the Authority and the Regents/UW-Madison. It also includes payments for employes in positions previously funded from Fund 139, in whole or in part, who will now be payrolled and employed in the Medical School.

The estimated budget and expenditure authority for 1996-97 for s.20.285(6)(g)/Fund 620 is \$25,867,000. The requested position authority is 34 PRO FTE. It consists of the following components:

1. Direct cash transfers of at least \$9,776,800 required under the UW-Madison/Hospital Authority Affiliation Agreement.
2. Payment of debt service on General Obligation bonds, estimated at \$3,967,200 in 1996-97.
3. The Authority's payment of the salaries and fringe benefits of 34 FTE employes who are currently paid by the UWHC from s.20.285(1)(kb)/Fund 139 and who will be employed and payrolled by the Medical School in the future. This is estimated to be \$1,610,000 in 1996-97. The 34 FTE are not new positions. They are positions which were previously authorized and reported as PRO positions funded by Fund 139. Consequently, they were eliminated from the UW-Madison base budget when the UWHC was removed.

James R. Klauser
June 20, 1996
Page 2

4. The Authority's payments to UW-Madison pursuant to the provisions of the Operating and Service Agreement. This includes both transitional charges which will only be applicable to the 1996-97 fiscal year (estimated to be \$250,000) and on-going, existing payments such as utilities, computer services, municipal service payments, liability/property insurance, etc. (estimated to be \$10,263,000 in 1996-97). These latter payments have been previously made from s.20.285(1)(kb) in 1995-96 and prior fiscal years. Now they will be expended through 20.285(6)(g).

Please contact John Torphy at UW-Madison if you have any questions.

cc: President Lyall
Chancellor Ward
Bob Lang, LFB
Brian Pahnke, DOA
Dan Clancy, LFB
Kathi Sell
Debbie Durcan
Bob Andersen
John Torphy
Jim Johnson
Larry Wold
Bill Richner
Al Benzschawel
Ted Slowinski

Appropriation 20.285 (6)(g)/Fund 620

1. Affiliation Agreement		<u>\$9,776,800</u>
2. GO Bond Debt Service		<u>\$3,967,200</u>
3. Split Funded /Transferred Positions		<u>\$1,610,000</u>
(All positions in the Medical School; excludes positions to be funded through the Affiliation Agreement.)		
$\$1,577,235 \times 1.02 = \$1,608,779$		
(95-96 Salaries (96-97 Salaries & Fringes) & Fringes)		
4. Transitional Payments		<u>\$250,000</u>
a. DoIT Estimate for	- \$200,000	
programming & conversion costs		
b. Estimate of	- 50,000	
maximum all other costs		
5. Permanent/On Going Payments (Est.)		<u>\$10,263,000</u>
a. New Charges/Payment	\$ 123,000	
1. Safety	- \$78,000	
2. Softwater/Compressed Air	- \$45,000	
b. Payments to DOA & Utilities		<u>\$4,667,000</u>
1. Municipal Services	500,000	
2. Liability Insurance	1,200,000	
3. Property Income	110,000	
4. Utility Distribution	139,000	
5. Environmental Liability	55,000	
6. Workers Compensation	600,000	
7. Utilities	1,850,000	
8. DOA Bureau of Finance	213,000	
c. Existing Payments to UW-Madison Units		<u>\$5,473,000</u>
1. Division of Info. Tech	1,500,000	
2. Parking - CSC Ramp	960,000	
3. Fund 120 (Crafts)	2,000,000	
4. Police & Security	550,000	
5. Stores - Business Services	40,000	
6. Shops - FP&M	65,000	
7. Med Illustrations-Med. School	50,000	
8. Rec Sports-Facility Charge	30,000	
9. Fleet Car Rental	78,000	
10. Video Production/Audiovisual	200,000	
Services		