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To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE**Executive Salaries (UW System)**

[LFB Summary: Page 623, #8]

CURRENT LAW

Certain state administrative positions are assigned by statute to one of ten executive salary groups (ESG) for which salary range limitations are established in the biennial compensation plan. The Board of Regents is authorized to set the salary of certain executive positions within, or as a percentage of, specified ESG salary ranges.

The Board may set the salary of the President of the UW System at a level no higher than 15% above the maximum salary for ESG 10, based on the competitive market for comparable positions at comparable institutions of higher education. The chancellors of UW-Madison and UW-Milwaukee are assigned to ESG 10. For the following positions, the Board is required to establish salaries at a level no lower than the minimum salary range for ESG 7 and no higher than the maximum salary range for ESG 10: (a) vice presidents of the UW System; (b) chancellors of all UW System institutions except Madison and Milwaukee; (c) the chancellors of the UW-Center System and UW-Extension; (d) the Vice Chancellor for health sciences at UW-Madison; and (e) the vice chancellor serving as a deputy at each UW campus, the UW-Center System and UW-Extension. The statutes require that the salaries of these positions be set to reflect the hierarchical structure of the System, to recognize merit, to permit orderly salary progression and to recognize competitive factors.

The Board is not permitted to increase the salaries of UW executive positions unless the increase is included in the state's compensation plan for ESG positions or is granted to correct a salary inequity or to recognize competitive factors.

GOVERNOR

Modify statutory language governing executive salaries at the UW as follows:

Salary for New Appointments. Allow the Board of Regents to establish salaries for new appointments to the above positions which exceed the maximum amounts for those executive salary groups as established in the biennial compensation plan, provided that the Board submits a report to the Secretary of DOA that identifies the competitive factors that necessitate such a salary.

DOA Approval of Executive Salaries. Prohibit the Board from establishing the salary for a new appointment to any of the above positions, regardless of whether the salary exceeds the specified maximum, without the approval of the Secretary of DOA. In addition, provide that an increase in the salary of an incumbent employe holding one of the specified executive positions, which is authorized by the Board to correct a salary inequity or to recognize competitive factors, would be subject to the approval of the Secretary of DOA.

DISCUSSION POINTS

A. Authority to exceed ESG Maxima

1. There are currently 36 executive positions to which the proposed provision would apply: the UW System President, four UW System vice presidents, one chancellor and one vice chancellor at each of the 13 four-year institutions, the Center System and the UW-Extension, and the Vice Chancellor for health sciences at UW-Madison. Eight of these positions are currently vacant.

2. UW System staff argue that because the executive salary groups are designed for state government officials and do not reflect the competitive higher education market, it is difficult for the University to recruit top candidates for these positions. Although data regarding recruitment of candidates for executive positions is not collected, UW staff cite anecdotal evidence that the restriction on the salaries which can be offered has hindered the University's efforts in this area.

3. To meet the statutory requirement that executive salaries reflect competitive factors, the Board of Regents has adopted salary range guidelines which use data from peer institutions. For chancellor and vice chancellor positions, the peer institutions are those which were recommended by the 1984 Governor's Faculty Compensation Committee study for use in comparing UW faculty salaries to those at other institutions. For UW-Madison, the peer group consists of other major public research universities; for UW-Milwaukee, the peers include public urban doctoral institutions; and for the 11 comprehensive institutions, the peers are other public comprehensive universities in the Midwest. A separate peer group, consisting of other university

systems which are similar in size and composition to the UW System, is used in determining the salaries of the System President and vice presidents.

4. Under current Board policy, targeted salary ranges for UW executives are based on the median salaries of the peer groups. Because Wisconsin is recognized as having a lower cost of living than many other states in which the peer institutions are located, the mid-points of the targeted ranges are set at 95% of the peer medians. The salary range then, is equal to 90% to 110% of the mid-point. The Board is currently unable to use these guidelines to set the salaries of the System President, the Chancellors at Madison and Milwaukee and the Vice Chancellor at Madison because the statutory maxima for these positions are below 90% of the mid-point salary for these positions as determined by the Board's policy. The attachment shows the 1996-97 salary, the mid-point of the targeted salary range and the relevant ESG maximum for these positions.

5. Since salary ranges for the ESGs are currently determined by JCOER, the proposed provision could be viewed as a transfer of oversight from the Legislature to DOA, which under the bill, would be responsible for approving the salaries of new appointments as well as increases for incumbents.

6. In 1996-97, the maximum salary for ESG 10, and thus for most of the executive positions which would be effected by the Governor's recommendation, is \$133,640. The maximum for the System President is \$153,686. Salaries for all of the incumbents in these positions are currently below the maximum, with most below 85% of the maximum. If the Board would set the salary of a new appointment at the ESG maximum, the individual would earn up to 32% more than incumbents in similar positions. Such a disparity in salaries could result in pressure on the Board to provide larger or more rapid increases in the salaries of incumbents. However, SB 77 would not allow the salaries of incumbents to exceed the current maxima.

7. Over the long term, use of the authority to exceed ESG maxima, could result in most or all UW executives receiving salaries in excess of ESG 10. One could question, then, the usefulness of this method of determining salaries for these positions. If it is believed that the ESG system is not appropriate for University executives, the Committee could consider removing these positions from the ESG system completely; salaries of UW executives would be determined solely by the Board of Regents, limited only by available funds. However, the current system of establishing statutory limits on executive salaries at the UW provides for legislative oversight and review of the salary ranges for these positions. Removing UW executive positions from the ESG system would significantly reduce the role of the Legislature in establishing compensation policy for these positions.

8. An alternative to granting the Board complete authority to set executive salaries would be to establish salary maxima for more of these positions as percentages of the ESG 10 maximum, as is currently done for the UW System President. For example, the salaries of the

System vice presidents, the chancellors of all UW comprehensive institutions and UW-Extension and the Center System and the vice chancellors at Madison and Milwaukee, could be limited to 110% of the ESG 10 maximum, which would equal \$147,004 in 1996-97. This would allow the Board to establish salaries for most of these positions at, or slightly above, the maximum salary amounts which would result from the Board's policy. Similarly, the maximum salary for the chancellors of UW-Madison and UW-Milwaukee could be limited to 120% of the ESG 10 maximum salary, which would equal \$160,368 in 1996-97. In addition, the maximum salary of the System President could be increased to 130% of the ESG 10 maximum. The Board-determined maximum salary for vice chancellors at all institutions except Madison and Milwaukee is currently well below the ESG 10 maximum, and therefore, could continue to be limited to 100% of this maximum as under current law.

B. DOA Approval of Executive Salaries

9. A provision in the 1995-97 state budget (1995 Act 27) required that the salaries of incumbent UW executives whose annual salary exceeded \$100,000 on January 1, 1995, be frozen for both years of the biennium. The freeze was proposed by the Governor in order to control growth in executive salaries and to ensure that all levels of the UW System would share in the budget reductions during the 1995-97 biennium. At the time, the salaries of 24 incumbents exceeded \$100,000.

10. SB 77 would require DOA approval of the salary for a new appointment to an executive position, regardless of whether the salary exceeds the ESG maximum. In addition, DOA approval would be required for the Board to provide a salary increase for an incumbent if the increase is authorized by the Board to correct a salary inequity or to recognize competitive factors. Salary increases provided as part of the state's compensation plan would not require DOA approval.

11. In order to exceed the ESG maximum, the bill would require that the Board submit to the Secretary of DOA a report that identifies the competitive factors that necessitate a salary above the maximum. Administration staff indicate that criteria to be used in evaluating a request from the Board has not been determined, but that the Department of Employment Relations (DER) would most likely be consulted.

12. The freeze on executive salaries over \$100,000 will be lifted on July 1, 1997. Since UW salaries may have fallen behind those of similar positions in other states due at least in part to the freeze, it seems likely that the Board would provide salary increases for these positions in the 1997-99 biennium. The SB 77 requirement that the Board receive DOA approval for such increases, while more restrictive than current law, could be viewed as a less restrictive alternative than the salary freeze imposed in the 1995-97 budget.

13. Under current law, salary increases to recognize competitive factors or correct a salary inequity, must be paid from the appropriation or appropriations from which the position of the employe receiving the increase is funded. Another provision in SB 77 (discussed in a separate issue paper), however, would allow the Board to charge the entire cost of such an increase to the University's appropriation for tuition revenues. Enactment of this provision could result in greater salary increases than would otherwise be awarded.

14. Given the Department of Employment Relations' role as the agency primarily responsible for personnel management for state employes, it may be desirable to require the Board of Regents to obtain DER approval for salaries for new appointments and increases for incumbents, rather than DOA, if outside approval is needed.

ALTERNATIVES TO BILL

A. Authority to Exceed ESG Maxima

1. Approve the Governor's recommendation to allow the Board of Regents to establish the salary for new appointments to certain executive positions at a level which exceeds the ESG maximum salary provided that the Board submits a report to the Secretary of DOA that identifies the competitive factors that necessitate such a salary.

2. ^{FAIL} Delete the Governor's recommendation and, instead, delete current statutory language which limits the salaries of certain UW executive positions based on state executive salary groups.

3. ^{PASS} Delete the Governor's recommendation and, instead, provide that the Board of Regents may establish the salaries of the following executive positions up to the specified percentage of the maximum salary for ESG 10:

- UW System President, 130% of ESG 10 maximum.
- Chancellors of UW-Madison and UW-Milwaukee, 120% of ESG 10 maximum.
- UW System vice presidents, the chancellor of each UW institution, excluding Madison and Milwaukee, the vice chancellors serving as deputies at Madison and Milwaukee, the Chancellor of UW-Extension and the Chancellor of the UW-Center System, 110% of ESG 10 (retain current law ESG 7 floor).
- The vice chancellor serving as a deputy at each UW institution, excluding Madison and Milwaukee, 100% of ESG 10 (retain current law ESG 7 floor).

4. Delete the Governor's recommendation.

B. DOA Approval of Executive Salaries

1. Approve the Governor's recommendation to require approval by the Secretary of DOA of: (a) the salary of a new appointment to a UW executive position; and (b) a salary increase of an incumbent in an executive position to correct a salary inequity or to recognize competitive factors.

2. Modify the Governor's recommendation by deleting references to the Secretary of DOA to, instead, refer to the Secretary of the Department of Employment Relations.

3. Delete the Governor's recommendation.

Prepared by: Merry Larsen

MO# A1 # A2

JENSEN	<input checked="" type="checkbox"/>	N	A
LEHMAN, M.	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

MO# A2 # A3

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KAUFERT	<input checked="" type="checkbox"/>	N	A
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COGGS	<input checked="" type="checkbox"/>	N	A

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JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
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SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 6 NO 10 ABS

AYE 14 NO 2 ABS

AYE 12 NO 4 ABS

ATTACHMENT

UW Executive Salaries

	1996-97 <u>Salary</u>	Mid-Point of Salary Range (95% of Per Median)	<u>ESG Maximum</u>
UW System Executives			
President	\$149,179	\$187,724	\$153,686
Senior Vice President	120,000	133,276	133,640
Senior Vice President	120,000	133,276	133,640
Vice President	107,750	116,266	133,640
Vice President	107,250	116,266	133,640
Vice President	105,950	116,266	133,640
Chancellors			
Madison	129,720	206,541	133,640
Milwaukee	126,000	160,031	133,640
Eau Claire	113,500	121,524	133,640
Green Bay	105,450	121,524	133,640
La Crosse	107,750	121,524	133,640
Oshkosh	107,750	121,524	133,640
Parkside	102,000	121,524	133,640
Platteville	105,000	121,524	133,640
River Falls	107,250	121,524	133,640
Stevens Point	111,000	121,524	133,640
Stout	107,750	121,524	133,640
Superior	102,000	121,524	133,640
Whitewater	107,750	121,524	133,640
Centers*	102,700	121,524	133,640
Extension*	116,600	121,524	133,640
Vice Chancellors			
Madison	128,000	160,056	133,640
Milwaukee	113,375	134,981	133,640
Eau Claire	99,999	101,534	133,640
Green Bay	99,960	101,534	133,640
La Crosse*	98,940	101,534	133,640
Oshkosh	99,999	101,534	133,640
Parkside	97,000	101,534	133,640
Platteville*	98,880	101,534	133,640
River Falls	99,960	101,534	133,640
Stevens Point*	100,000	101,534	133,640
Stout	98,940	101,534	133,640
Superior*	91,290	101,534	133,640
Whitewater*	99,500	101,534	133,640
Centers	96,390	101,534	133,640
Extension	100,000	101,534	133,640

*These positions are currently vacant; salaries shown are those of the individuals who formerly held these positions.

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE**Differential Tuition (UW System)****CURRENT LAW**

The Board of Regents has the authority to set separate tuition rates for state residents and nonresidents and also for different classes of students, extension courses, summer sessions and such other studies or courses of instruction as the Board deems advisable.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The Board of Regents has traditionally established tuition levels based on a nonstatutory formula which identifies separate tuition categories based on resident status, academic level (undergraduate, graduate or professional program) and institutional cluster (doctoral, comprehensive and center campuses).
2. Currently, different tuition rates are charged at Madison, Milwaukee, the 11 comprehensive institutions and the UW Center campuses. At each institution or cluster, all resident undergraduate students are charged the same tuition rates as are all nonresident undergraduate students. Until the institution of a special fee charged to nonresident undergraduates at Madison for the improvement of undergraduate programs in 1991-92, students paid the same tuition rates at Milwaukee and Madison. Prior to 1989-90, there were no differential tuition rates by major programs except for medical and veterinary students. Since

then, special fee increases have been approved for students enrolled in the law school and master of business programs.

3. A special fee for technology services was implemented at Madison in 1993-94, representing the first such fee which was campus-specific and was for expenditures which did not have a GPR component. A similar technology fee was implemented at Milwaukee and the comprehensive campuses in 1995-96.

4. In the past, differential tuition rates have been included by the Board of Regents as part of the University's biennial budget request. Requests for such tuition increases were based on the costs of specified improvements or expanded activities to be made within a program on the campus; the proposed increases were evaluated by the Governor and Legislature on the basis of their impact on the students involved and the perceived need for the additional funds.

5. In 1995-96, the Board of Regents conducted a study "to focus on policy and practice which need to be changed or fine-tuned to facilitate the performance of the UW System in the 21st Century." The final report of the study, issued in May, 1996, included a number of recommendations to be implemented at both the state and System levels. One of these recommendations was to permit UW institutions to propose differential tuition rates among themselves and by program within an institution. The rationale for this recommendation was that each institution "has some unique programs with strong demand and/or special operating costs...[and that] allowing institutions to propose differential tuition will help accommodate variances in demand, allow for the fair coverage of marginal costs, and provide the ability to charge market rates for some programs."

6. While the Board of Regents may approve differential tuition proposals from campuses at any time during the biennium, as yet, three institutions have requested, and received approval from the Board, to charge differential tuition rates beginning in 1997-98 as follows:

- *UW-Madison Doctor of Pharmacy (Pharm. D.) Program.* Students enrolling in the new pharm. D. program, which will replace the current bachelor of science-pharmacy program, will be charged tuition that exceeds the current graduate tuition. Since the new program will be a six-year program, students will be charged undergraduate tuition for the first two years. The higher graduate tuition amount, which will be determined as part of the UW System annual budget in July, 1997, will support the costs of additional instructional staff, externship coordination, student services, administration, supplies and expenses, and capital. According to UW System staff, the differential tuition is expected to generate additional tuition revenues of approximately \$350,000 in 1997-98 and \$400,000 in 1998-99.

- *UW-La Crosse Allied Health programs.* A 20% tuition surcharge will be applied for students admitted to the occupational therapy and physician assistant programs, which are undergraduate programs, and the physical therapy program, which is a graduate program. The surcharge will be phased in with students paying an additional 10% in 1997-98, and 20% in

1998-99. Students will not be charged the higher rate until they are accepted into the program. The surcharge was requested due to the relatively high cost of allied health programs and the demand for admission to such programs. In addition, average starting salaries for graduates of allied health programs are considerably higher than the average for all La Crosse graduates. It is estimated that additional tuition revenues will be approximately \$17,900 in 1997-98 and \$104,200 in 1998-99.

• *UW-Eau Claire Undergraduate Programs.* Beginning in 1997-98, all undergraduate students will be charged an additional \$50 per semester. Revenues generated from the surcharge would be used for enhancements such as freshman seminars, service-learning programs, faculty/student collaborative research projects, internships and special senior courses. Additional revenue from the surcharge is estimated at \$900,000 in 1997-98 and \$936,000 in 1998-99. Approximately two-thirds of the additional revenues would pay for the salaries and fringe benefits for 10.0 faculty and staff members and student help, with the remaining funds being used for supplies and services. The tuition increase was approved by the UW-Eau Claire Student Senate.

7. In addition to the initiatives at the above institutions, in June, 1996, the UW Center System received approval from the Board to gradually increase tuition at the Centers from 82% of tuition at the comprehensive campuses to 87% beginning in 1996-97. This initiative resulted in an additional increase of 1.5% in 1996-97 above the regular tuition increase at the Centers.

8. Under current Board policy, a tuition revenue target, which is based on expected enrollments, is calculated for each institution. An institution is permitted to retain 75% of any additional revenues collected due to higher enrollments, or changes in the mix of students (resident and nonresident, undergraduate and graduate); the remaining 25% is pooled and distributed to campuses which experience a shortfall in tuition revenues. However, according to UW System staff, institutions which implement differential tuition rates will be allowed to retain 100% of the additional tuition revenues generated.

9. The United Council of UW Students opposes the implementation of differential tuition. In addition, at public hearings on SB 77, a number of individuals expressed concerns regarding differential tuition. Issues which have been raised include the following:

- Some students who cannot afford the tuition charged at the nearest campus may not have the option of attending a lower-cost institution due to the location of family, job or residence or the cost of commuting or moving.

- In public testimony, students indicated that because a common perception is that higher tuition means higher quality, institutions may increase tuition to attract more students, and increase revenues, which could result in competition among campuses and in escalating tuition rates at all campuses.

- Some students may have to select a major program on the basis of cost, rather than their interest in the field of study or potential career opportunities.

10. The ability to charge differential tuition rates is within the Board's authority. Under current law, the Legislature sets the appropriation for tuition revenues which represents the upper limit on the amount of tuition revenues that can be expended. Expenditure of additional revenues requires approval by the Governor and Legislature. In the past, special fee increases for individual programs or campuses have been included in the University's budget request because additional expenditure authority was required. A provision in SB 77, however, would allow the Board to expend tuition revenues in excess of the appropriation amount set by the Legislature. (This provision is discussed in a separate issue paper.) Without this proposed flexibility, the Board would be able to approve differential tuition rates, but, presumably, the Legislature would have to approve the expenditure of the additional revenues.

11. While the Committee is not being asked to approve the specific tuition increases noted above, given the concerns expressed regarding differential tuition, and the limited legislative oversight over these initiatives, the Committee may wish to consider restricting the Board's authority in this area. For example, since most of the concerns which have been expressed focus on undergraduate tuition at the comprehensive campuses, a requirement could be established that the same tuition rate apply to all resident undergraduates attending these institutions. Such a provision would not affect the differential tuition initiatives which have already been approved for the center campuses, the UW-Madison Pharm. D. program or the UW-La Crosse physical therapy program. It would, however, prevent the tuition increases for La Crosse's occupational therapy and physician assistant programs and Eau Claire's baccalaureate degree program, since these are undergraduate programs.

12. A less restrictive approach would be to allow the implementation of differential tuition rates at the comprehensive campuses, but to limit the differences in tuition rates among the campuses. This could be done by requiring that the tuition rate for any undergraduate program at a comprehensive campus could not exceed the tuition rate for the lowest cost undergraduate program at a comprehensive campus by a specified percentage. In 1996-97, the tuition rate at comprehensive campuses is \$2,143 per year. As an example, if differential tuition had been in effect this year, a 5% limit would have permitted a maximum tuition rate of \$2,250, or \$107 more than the \$2,143 actually charged.

ALTERNATIVES TO BILL

1. Modify the tuition setting authority of the Board of Regents to require that the same tuition and fees (excluding student segregated fees) be established for all resident undergraduate students at the 11 comprehensive institutions.

2. Modify the tuition setting authority of the Board of Regents to specify that the tuition rate (excluding segregated student fees) paid by undergraduate residents for any academic program at a comprehensive institution could not exceed the tuition rate of the lowest cost undergraduate program at any of the comprehensive institutions by more than:

- a. 5% above the lowest tuition rate; or
- b. 10% above the lowest tuition rate.

3. Take no action.

Prepared by: Merry Larsen

MO# Alt #9a

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE _____ NO _____ ABS _____

WORKFORCE DEVELOPMENT--CHILD SUPPORT

State Directory of New Hires

Motion:

Move to provide that, if the Committee adopts a civil penalty for noncompliance with the new hire reporting requirements, DWD would be required to provide notice to the employer and provide the employer with an opportunity to correct the noncompliance prior to assessing a penalty.

Note:

Paper #992 includes two alternatives to impose a civil penalty for noncompliance with the new hire reporting requirements, as allowed under federal law. As recommended by the Governor, the budget bill does not include a specific penalty provision. Under this motion, if a penalty is adopted, DWD would be required to provide notice to the employer and provide the employer with an opportunity to correct the noncompliance prior to imposing a penalty.

MO# 1627

JENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
JALBERS	X	N	A
ZGARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS _____

WORKFORCE DEVELOPMENT -- CHILD SUPPORT

State Directory of New Hires

Motion:

Move to modify the provisions regarding new hire reporting requirements to:

a. Clarify that "support collection purposes" as used in this item, is part of the state location service under current law.

b. Specify that when information in the hiring reporting system is used for purposes other than child support and paternity establishment and enforcement, that the purposes are limited to those specified in current federal law.

c. Provide that when information in the hiring reporting system is used for purposes other than child support and paternity establishment and enforcement, no person may use or disclose the information for any purpose not connected with the administration of the other programs.

Note:

Item (a) ensures that the state directory of new hires is administered as part of the state location service, which is part of the child and spousal support law under the current statutes, including any requirements or limits on disclosure of information in the location service.

Item (b) specifically limits the use of information in the directory, in addition to child and spousal support purposes, to those specified in federal law, including unemployment and worker's compensation programs.

Item (c) specifies that when information in the hiring reporting system is used for purposes other than child support and paternity establishment, that use and disclosure of the information is subject to the same requirements as apply to use and disclosure of information in child support and paternity establishment programs under the current statutes.

Motion #2125

MO# <u>2125</u>				BURKE	X	N	A
				2 DECKER	X	N	A
				GEORGE	X	N	A
				I JAUCH	X	N	A
JENSEN	X	N	A	WINEKE	X	N	A
LEHMAN, M.	X	N	A	SHIBILSKI	X	N	A
HARSDORF	X	N	A	COWLES	X	N	A
ALBERS	X	N	A	PANZER	X	N	A
GARD	X	N	A				
KAUFERT	X	N	A				
LINTON	X	N	A	AYE <u>16</u>	NO	<u>0</u>	ABS _____
COGGS	X	N	A				

APPENDIX

New Hire Reporting Requirements Under Federal Law

Under the 1996 federal welfare reform legislation (P.L. 104-193), state child support enforcement plans must include the provision that by October 1, 1997, states will operate a directory of new hires. However, federal law provides a grace period tied to the meeting schedules of state legislatures for provisions that will require state law changes. The federal Department of Health and Human Services (HHS) has notified DWD that the effective date for the new hire directory may be extended until April 1, 1998. The following sections outline the federal requirements relating to this provision.

Establishment. States must establish a directory to which employers and labor organizations in the state must furnish a report for each newly hired employe (as defined under provisions relating to federal income tax withholding), unless reporting could endanger the safety of the employe or compromise an ongoing investigation or intelligence mission. States that already have new hire reporting laws may continue to follow the provisions of their own law until October 1, 1998, at which time states must conform to federal law.

Employer Information. Employers must furnish to the state directory the name, address and social security number of every new employe and the name, address and identification number of the employer. Multistate employers that report electronically or magnetically may report to the single state they designate; such employers must notify HHS of the name of the designated state. Agencies of the U.S. Government must report directly to the national directory of new hires which is established as part of a number of expansions to the federal parent locator service.

Employers must report new hire information within 20 days of the date of hire. Employers that report new hires electronically or by magnetic tape must file twice per month; reports must be separated by not less than 12 days and not more than 16 days. States may require more frequent reporting. The report will be made on a W-4 form or the equivalent, and can be transmitted magnetically, electronically or by first class mail. The decision of which reporting method to use is up to employers.

Civil Penalties on Noncomplying Employers. States have the option of setting a civil penalty for failure to comply with these provisions. The penalty must be less than: (a) \$25; or (b) \$500 if, under state law, the failure is the result of a conspiracy between the employer and employe to not supply the required report or to supply a false or incomplete report.

Entry of Employer Information. New hire information must be entered in the state data base within five business days of receipt from employer.

Information Comparisons. By May 1, 1998, each state directory must conduct automated matches of the social security numbers of reported employees against the social security numbers of records in the state case registry being enforced by the state agency and report the name, address, social security number, and the employer name, address, and identification number on matches to the state child support agency. In addition, the state must transmit a withholding order directing the employer to withhold wages in accord with the child support order. These activities must occur within two business days after the data is entered into the new hire directory.

Transmission of Information to National Directory. Within three days after data is entered into a state directory, the state must furnish employee information to the national directory of new hires for matching with the records of other state case registries. The state directory must also report quarterly to the national directory information on wages and unemployment compensation taken from the required quarterly report to the Secretary of Labor.

Other Uses of New Hire Information. The state child support agency must use the new hire information to locate individuals for purposes of establishing paternity as well as establishing, modifying and enforcing child support obligations. New hire information must also be disclosed to the state agency administering the TANF, Medicaid, unemployment compensation, food stamps, SSI and territorial cash assistance programs for income eligibility verification, and to state agencies administering unemployment and workers' compensation programs to assist determinations of the allowability of claims. State and local government agencies must participate in quarterly wage reporting to the state employment security agency unless the agency performs intelligence or counterintelligence functions and it is determined that wage reporting could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission. States may disclose new hire information to agencies working under contract with the child support agency.

Disclosure to Certain Agents. States using private contractors are allowed to share information obtained from the directory of new hires with private entities working under contract with the state agency. Private contractors must comply with privacy safeguards.

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Hospital-Based Paternity Establishment (Workforce Development -- Child Support)

[LFB Summary: Page 750, #13 (a) and (b)]

CURRENT LAW

Under current law, for a birth that occurs en route to or at a hospital, the party that files the birth certificate must give the mother a pamphlet regarding birth certificates. The pamphlet must include information on: (a) how to add the name of the father of a child whose parents were not married at any time from the conception to the birth of the child (through voluntary acknowledgement of paternity or a paternity action); (b) the legal significance and future medical advantages of having the father's name on the birth certificate; and (c) the availability of child support enforcement and paternity establishment services.

If the child's parents are not married at the time of birth, the filing party must give the mother a copy of a form prescribed by the state registrar for the voluntary establishment of paternity. If the mother provides a completed form to the filing party while she is a patient in the hospital and within five days after the birth, the filing party must send the form directly to the state registrar.

The state registrar charges \$10 for making alterations in a birth certificate to reflect a paternity acknowledgement. The fee, which is currently paid by the parents, is charged for acknowledgements of paternity made in hospitals and other acknowledgements of paternity.

GOVERNOR

Modify provisions regarding hospital-based acknowledgements of paternity as follows:

a. Provide \$72,000 in federal temporary assistance to needy families (TANF) funds each year and require the Department of Workforce Development (DWD) to pay a financial incentive to the party that files the birth certificate (generally a hospital administrator or attending physician) for correctly filing a paternity acknowledgement form within 60 days after the child's birth. Although not specified in the bill, the funding amount assumes that the incentive payment would be \$10.

b. Provide \$72,000 in federal TANF funds each year and require DWD to pay the \$10 fee charged by the state registrar for making alterations in a birth certificate to reflect a paternity acknowledgement.

DISCUSSION POINTS

1. Federal law requires states to implement procedures for a simple civil process for voluntarily acknowledging paternity under which the state must provide that, before a mother and a putative father can sign a voluntary acknowledgement of paternity, the mother and putative father must be given oral and written notice of the alternatives to, the legal consequences of, and the rights and responsibilities that arise from, signing the acknowledgement. The state procedures must also include a hospital-based program focusing on the period immediately before or after the child's birth.

2. Although federal law requires states to implement hospital-based programs for voluntary acknowledgements of paternity, the Governor's recommendations to provide an incentive payment to the party that files the birth certificate and to require DWD to pay the fee charged for making alterations in a birth certificate to reflect a paternity acknowledgement are not required by federal law.

3. The Department has reestimated the cost of the budget proposal, assuming an effective date of January 1, 1998. The revised estimates for the \$10 financial incentives to hospitals are \$27,000 in 1997-98 and \$72,000 in 1998-99. The first-year estimate is \$45,000 lower than the amount provided in the bill. The revised estimates for paying the \$10 fee for altering a birth certificate are \$45,000 in 1997-98 and \$108,000 in 1998-98. These amounts differ from the budget estimates by -\$27,000 in the first year and \$36,000 in the second year.

These figures assume that 30% of nonmarital fathers will acknowledge paternity through the hospital program in 1997-98 and that 40% will do so in 1998-99; both the \$10 incentive and \$10 fee for altering the birth certificate would be paid in these cases. It is also assumed that an additional 20% of fathers will subsequently acknowledge nonmarital births more than 60 days after the child's birth; in these cases, only the fee for altering the birth certificate would be paid. Based on recent years, it is estimated that there will be approximately 18,000 nonmarital births in Wisconsin in each year. According to information from DWD, paternity is currently acknowledged or established for an estimated 70% of nonmarital births within three years of the

child's birth. Paternity is established through a court judgement in about two-thirds of these cases.

4. Under 1995 Wisconsin Act 27 (the 1995-97 budget bill) base funding of \$41,500 annually (\$14,100 PR and \$27,400 FED) was eliminated for the hospital-based paternity establishment program. At that time, the program was being implemented on a pilot basis in three hospitals. The funding was used to provide a \$20 incentive payment for each paternity acknowledgement form correctly filled out and filed with the Center for Health Statistics. Under Act 27, these funds were instead used for an outreach program to inform parents about the responsibilities of parenting, paternity establishment and the legal significance and benefits of establishing paternity.

5. The Department believes that the \$10 incentive payment would lead to increased acknowledgements of paternity occurring in hospitals. This is based on higher rates of paternity acknowledgements experienced in the hospitals that participated in the Wisconsin pilot program and on the experience in Minnesota. It is also argued that requiring DWD to pay the \$10 fee for modifying the birth certificate would remove an obstacle to obtaining additional paternity acknowledgements.

6. On the other hand, current law already provides a procedure for hospital staff and county child support enforcement agencies to assist unmarried mothers and fathers in filing voluntary paternity acknowledgements. It may be argued that the proposed \$10 incentive payment would not provide a significant inducement for hospital staff to pursue additional paternity acknowledgements. Further, given the long-term financial and emotional ramifications of acknowledging paternity, it is not clear that requiring DWD (rather than the parents) to pay the \$10 birth certificate fee would lead to increased paternity acknowledgements.

7. One option the Committee could consider would be to modify the Governor's recommendation to provide adequate funding for a \$20 incentive payment to hospitals and to eliminate the requirement that DWD pay the \$10 birth certificate fee. The \$20 incentive would be the same amount that was provided under the pilot program. This alternative would cost \$54,000 in 1997-98 and \$144,000 in 1998-99, assuming a starting date of January 1, 1998. Compared to the provisions in the bill, total funding would be reduced by \$90,000 in the first year.

8. As drafted, the budget bill would require DWD to pay the \$10 birth certificate fee for paternity judgements as well as voluntary acknowledgements. However, the intent is to only require payment by DWD for acknowledgements of paternity. This could be corrected with a technical modification.

9. The Governor's budget bill included two other provisions regarding the hospital-based paternity establishment program. The first would have required that the party filing the birth certificate ensure that trained, designated hospital staff provide to the child's available

parents oral and written information (provided by DWD) about the paternity acknowledgement form and the significance and benefits of establishing paternity, before the parents sign the form, and provide an opportunity to complete the form and have the form notarized in the hospital. The Department would have been required to provide training to hospital staff members concerning the paternity acknowledgement form.

The second provision would have specified that any member of the staff of a hospital who is designated by the hospital and trained by DWD and who in good faith provides to a child's available parents written information that is provided by DWD and oral information about the voluntary paternity acknowledgement form and about the significance and benefits of establishing paternity, as required by state law, would be immune from civil liability for his or her acts or omissions in providing that information.

These provisions were removed from the bill as nonfiscal policy items and are being drafted as separate bills.

ALTERNATIVES TO BASE

Paternity Incentives and Birth Certificate Fees

1. Provide \$27,000 FED in 1997-98 and \$72,000 FED in 1998-99 and require DWD to pay a financial incentive to the party that files the birth certificate for correctly filing a paternity acknowledgement form within 60 days after the child's birth. In addition, provide \$45,000 FED in 1997-98 and \$108,000 FED in 1998-98 and require DWD to pay the \$10 fee for making alterations in a birth certificate to reflect a paternity acknowledgement. This option reflects DWD's revised estimates of the cost of the Governor's recommendation.

<u>Alternative 1</u>	<u>FED</u>
1997-99 FUNDING (Change to Base)	\$252,000
[Change to Bill]	- \$36,000]

2. Provide \$54,000 FED in 1997-98 and \$144,000 FED in 1998-99 and require DWD to pay a financial incentive to the party that files the birth certificate for correctly filing a paternity acknowledgement form within 60 days after the child's birth. This level of funding is estimated to be adequate to provide a \$20 incentive payment.

<u>Alternative 2</u>	<u>FED</u>
1997-99 FUNDING (Change to Base)	\$198,000
[Change to Bill]	- \$90,000]

3. Maintain current law.

<u>Alternative 3</u>	<u>FED</u>
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill	- \$288,000]

Technical Correction

1. Modify the bill to specify that DWD would be required to pay the \$10 birth certificate fee for acknowledgements of paternity but not for paternity judgements.

Prepared by: Rob Reinhardt

MO# Paternity #2 + Tech Corr #1

JENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

/BURKE	X	N	A
ZDECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS _____

WORKFORCE DEVELOPMENT--CHILD SUPPORT

Hospital-Based Paternity Establishment

Motion:

Move to specify that the provisions that would require DWD to pay an incentive to hospital staff for filing a paternity acknowledgement form within 60 days of a nonmarital child's birth and to pay the fee charged by the state registrar for making alterations in a birth certificate would take effect on January 1, 1998.

Note:

Under the budget bill, the provisions regarding hospital-based paternity establishment would take effect on the day after publication of the bill. However, the administration's revised estimates of the cost of these provisions assume an effective date of January 1, 1998. This motion would modify the bill to specify the January 1, 1998, effective date.

MO# 3042

JENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Child Support Privacy Safeguards (Workforce Development -- Child Support)

[LFB Summary: Page 738, #11]

CURRENT LAW

Under current state law, the Department of Workforce Development (DWD) or county child support agencies must disclose to a parent with legal custody of a child, upon the custodial parent's request, the last-known address, and the name and address of the last-known employer, of the child's other parent, if the other parent is in arrears in the payment of support for the child.

Under the 1996 federal welfare reform law, states must implement safeguards against unauthorized use or disclosure of information related to proceedings or actions to establish paternity or establish or enforce child support. These safeguards must include prohibitions on the release of information on the whereabouts of one party to another party if: (a) a protective order with respect to the former party has been entered; or (b) the state has reason to believe that the release of the information may result in physical or emotional harm to the former party. States must implement these safeguards by October 1, 1997.

GOVERNOR

Provide that DWD or county child support agencies could not release information about the whereabouts of a person who is receiving child support enforcement or paternity establishment services if either of the following applies:

- a. The person seeking the information is subject to a domestic abuse, child abuse, vulnerable adult or harassment temporary restraining order or injunction with respect to the

person who is receiving the child support enforcement or paternity establishment services, and the Department or county agency has notice of the restraining order or injunction; or

b. The Department or county agency has reason to believe that releasing the information may result in physical or emotional harm to the person receiving the services.

DISCUSSION POINTS

1. The budget provision is intended to conform state law with the new federal requirement.

2. As drafted, the bill would establish the privacy safeguards only for persons who are receiving child support enforcement or paternity establishment services. The administration indicates that this would unnecessarily exclude noncustodial parents and custodial parents who have child support orders in place but are not receiving such services. Therefore, the statutory language in the bill could be modified to eliminate the phrase which would limit the provision to persons who are receiving child support enforcement or paternity establishment services.

ALTERNATIVES TO BILL

1. Adopt the Governor's recommendation.

2. Adopt the Governor's recommendation with a modification to delete the provision that would limit the privacy safeguards to persons who are receiving child support enforcement or paternity establishment services.

Prepared by: Rob Reinhardt

MO# Alt #2

JENSEN	X	N	A
2 LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

1 BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS

WORKFORCE DEVELOPMENT

Child Support

MO# Item #19

JENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
ZGARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
19	Uniform Interstate Family Support Act

BURKE	X	N	A
DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 16 NO 0 ABS

LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
4	Financial Institution Record Matching; Liens; Levies Against Property
5	Intercept from Court Judgements and Settlements
6	Intercept of Retirement Benefits
7	Suspension of Licenses and Credentials for Failure to Pay Support
8	Social Security Numbers in Matters Relating to Marriage and Children
9	Access to Agency Records
10	Information in Paternity and Support Actions
12	Voluntary Acknowledgement of Paternity
13c&d	Hospital-Based Paternity Establishment
14	Presumption of Paternity in Legal Actions
15	Genetic Testing; Bills as Evidence in Paternity Actions; Temporary Support Orders
16	Authority of Child Support Agencies to Order Genetic Tests
17	Advance Payment for Court-Ordered Genetic Tests
18	Health Care Coverage Notice
20	Child Support and Paternity Establishment: Miscellaneous Provisions
21	Child Support Enforcement Transfer
22	Children First

Administration

Agency Services

(LFB Budget Summary Document: Page 59)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #

Title

- | | |
|----|--|
| 12 | State Copy Center Equipment for Tourism (Paper #144) |
| 3 | Auditing Services Contract (Paper #145) |
| 9 | Performance Evaluation Unit (Paper #146) |
| - | Graphic Design Service (Paper #147) |

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

State Copy Center Equipment for Tourism (Administration -- Agency Services)

[LFB Summary: Page 59, #1 and Page 60, #2]

CURRENT LAW

The Department of Administration's Division of State Agency Services administers the state copy centers which are utilized by agencies for document reproduction services. Costs of the copy centers are recovered through charges assessed to agencies for their use of the centers.

GOVERNOR

Provide \$194,000 PR in 1998-99 in one-time funding to purchase digital color printing equipment to print materials for the Department of Tourism and \$62,300 PR in 1998-99 for maintenance and supplies associated with the color printer. In addition, provide \$170,000 PR for the purchase of additional postage for mailing Tourism's informational brochures.

DISCUSSION POINTS

1. Under the Governor's recommendation, DOA is budgeted a total of \$426,300 PR in 1998-99 for the purchase and maintenance of color digital printing equipment, and the purchase of additional postage for resale to the Department of Tourism. Funding for the printing equipment is placed in unallotted reserve for release by the State Budget Office. According to DOA, Tourism plans to convert its tourist information data onto a database that could customize mailings sent to individuals requesting tourism information. DOA would then print and mail the requested brochures for Tourism.

2. DOA indicates that the equipment purchased will primarily target Tourism's needs and mailing volume plus any known volume of color printing from other agencies. It is DOA's expectation that based on Tourism's estimated volume and the current known demand of other agencies, a tentative per copy rate would be established, including equipment cost recovery, operational costs and overhead. Tourism would then be able to compare DOA's rates with private costs. If Tourism decided it wanted to utilize DOA to provide the services, the State Budget Office could release funds from unallotted reserve for the equipment purchase.

3. The bill does not provide any additional funding for Tourism for costs of DOA production or contracted production of tourism materials. Further, it is unclear if or when Tourism would decide whether to utilize the state copy centers for production of promotional materials.

4. Given the uncertainty about the proposal, it could be argued that an increase in expenditure authority is unnecessary at this time. DOA could, at any time, develop an estimate of the costs for providing color digital printing services for Tourism. If Tourism decided to utilize DOA's services, increased expenditure authority could be requested by DOA under s. 16.515 of the statutes.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$194,000 PR in 1998-99 in one-time funding to purchase a digital color printer to print materials for the Department of Tourism, \$62,300 PR in 1998-99 for maintenance and supplies associated with the color printer and \$170,000 PR for the purchase of additional postage for mailing Tourism's informational brochures.

2. Maintain current law.

Alternative 2	PR
1997-99 FUNDING (Change to Bill)	- \$426,300

Prepared by: Jere Bauer

MO# AH#2

JENSEN	X	N	A
LEHMAN, M.	X	N	A
HARSDORF	X	N	A
ALBERS	Y	X	A
GARD	X	N	A
KAUFERT	Y	X	A
LINTON	X	N	A
COGGS	X	N	A

1 BURKE	X	N	A
2 DECKER	X	N	A
GEORGE	X	N	A
JAUCH	X	N	A
WINEKE	Y	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A
AYE	14	NO	2
		ABS	

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Auditing Services Contract (Administration -- Agency Services and Program Supplements)

[LFB Summary: Page 62, #8 and Page 455, #5]

CURRENT LAW

The Department of Administration is responsible for preauditing claims for expenditure of state funds. The State Controller's Office in DOA is assigned this preaudit responsibility along with responsibility for operation of the state accounting system, central payroll and other financial reporting duties. However, these preaudit functions may be delegated to state agencies. The cost of the Office is funded by assessments against state agencies. Program supplement funding is provided to state agencies' GPR appropriations to pay for any additional chargebacks for the costs of operating the State Controller's Office that are not already included in agencies' base budgets.

GOVERNOR

Provide one-time funding of \$100,000 PR in 1997-98 and 1998-99 for the State Controller's Office to contract with a private auditing firm to conduct additional financial audits of state agencies to alleviate a backlog in that office's audits of state agency transactions. In addition, provide \$35,000 GPR annually in program supplement funding associated with the increased costs that would be assessed state agencies.

DISCUSSION POINTS

1. Funding for the auditing services contract would be provided from charges assessed against state agencies for financial services provided by DOA. The funding provided would support a contract with a private auditing firm at \$50 per hour for 2,000 hours of auditing work per year. The work performed would entail the review of agency accounting transactions for compliance with statutory requirements and DOA accounting standards, rules and regulations.

2. The State Controller's Office (CSO) currently has a total of 42.0 FTEs. Within this staff, there is an audit section which currently has five auditors (including a section supervisor) who conduct audits of state agencies, develop state accounting procedures and analyze agencies' processing of financial transactions. DOA estimates that, on average, each staff member is only able to devote 600 hours per year to the auditing of agency financial transactions, with the remaining productive time (total annual hours less such things as vacation and sick leave) devoted to projects, annual reports, training and administrative activities. The Department wants to be able to audit each state agency (including the Legislature and the Courts) at least once every five years. Based on DOA's estimates of the amount of time each agency will take to audit, existing staff could audit each state agency only once every 5.7 years.

3. By hiring the contract auditor, DOA indicates that it could reduce the auditing frequency cycle by approximately one year (audit each state agency approximately once every 4.7 years). The Department argues that the contracted service would thus allow for the more timely review of agency transactions and, therefore, enable it to detect or identify problems in agency compliance with statutes and regulations. The Department states that without additional resources it believes that inconsistent interpretation of policy may occur, inappropriate transactions or activities may not be detected, and improvements to agency operations may be delayed.

4. The contract consultant funding has been identified as one-time funding. However, if DOA's intention is to reduce the number of years between agency audits, hiring a contract auditor on a one-time basis will only reduce the time between audits for those agencies which are planned to be audited in the next biennium. It could be argued that, to achieve the stated goal, the hiring of permanent staff rather than one-time contracted staff would be more appropriate. The funding required for salary and fringe benefit costs for an additional senior auditor would be \$33,900 PR in 1997-98 and \$45,200 PR in 1998-99. The Committee could authorize 1.0 additional position and reduce the funding level recommended by the Governor by \$66,100 PR in 1997-98 and \$54,800 PR in 1998-99.

5. Under current law, DOA may delegate its preauditing responsibilities to any agency. The Department may also withdraw the delegation of authority if it determines that the delegated function is not being performed according to standards. With the initiation of a new central state accounting system (WisMart) in June, 1993, all agencies were delegated authority for preaudit of claims for state expenditures. It can be argued that DOA's determination to

delegate authority to agencies is an indication of the Department's general satisfaction with the agencies' abilities to perform these functions. While agencies do need to be monitored for compliance with accounting rules, the fact that DOA has delegated preauditing authority to the agencies should reduce the need for more frequent auditing of all state agencies. Further, DOA argues that one of the reasons it has only 600 hours per auditor for the preauditing function is that it has been devoting resources to the development of good internal control structures in the agencies. As these are established, additional hours of existing staff should be available for examination of agencies' compliance with these internal control standards.

6. There is no specified or required frequency of preaudits. As one indication of the frequency of audits, the Legislative Audit Bureau (LAB) is generally required to examine each state agency at least once every five years. In addition, as part of its work in connection with DOA's preparation of the state's comprehensive annual financial report, the LAB also annually examines the accuracy of each agency's financial statements. The Department indicates that current employees will be able to conduct the necessary audits within 5.7 years. To the extent that current staff are able to spend more than 600 hours per year on audit activities and the actual amount of time required to conduct each audit is less than estimated, the time between agency audits may be reduced to closer to five years. The Committee could, on this basis, delete all funding (\$100,000 PR per year) for additional auditing services.

7. The costs of the SCO are funded by charges assessed against each state agency. The function appears as a program revenue funded activity in DOA. However, for an individual agency, the SCO charges are initially paid from the agency's base budget. Approximately 35% of SCO's total program costs are assessed against GPR-funded agencies or programs. While base costs for SCO charges are included in individual agency budgets, the funding for projected additional SCO costs for GPR-funded agencies are normally included in the program supplements appropriations.

8. The bill includes \$35,000 GPR annually in the program supplements appropriations for increased costs to GPR funded agencies as a result of additional assessments that would be made for the cost of the contracted auditing services. If the Committee chooses to modify the Governor's recommendation to provide 1.0 PR position, program supplements funding could be reduced by \$23,100 GPR in 1997-98 and \$19,200 GPR in 1998-99. If funding for the contractor auditing is not provided, \$35,000 GPR annually could be removed from the program supplements funding.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide one-time funding of \$100,000 PR in 1997-98 and 1998-99 for the State Controller's Office to contract with a private auditing firm to conduct financial audits of state agencies and \$35,000 GPR annually in program supplement funding associated with the increased costs.

2. Provide \$33,900 PR in 1997-98 and \$45,200 PR in 1998-99 and 1.0 PR position in the State Controller's Office for increased audit activities, and \$11,900 GPR in 1997-98 and \$15,800 GPR in 1998-99 in program supplement funding associated with the increased costs to state agencies of this staff.

<u>Alternative 2</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$42,300	- \$120,900	- \$163,200
1998-99 POSITIONS (Change to Bill)	0.00	1.00	1.00

3. Maintain current law.

<u>Alternative 3</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$70,000	- \$200,000	- \$270,000

Prepared by: Jere Bauer

MO# AH#2

2 JENSEN	X	N	A
LEHMAN, M.	X	N	A
1 HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	X	N	A
PANZER	X	N	A

AYE 14 NO 2 ABS

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Performance Evaluation Unit (Administration -- Agency Services and Program Supplements)

[LFB Summary: Page 62, #9 and Page 455, #5]

CURRENT LAW

The Secretary of DOA is directed to periodically make management audits of state agencies to effectively appraise all management practices, operating procedures and organizational structures. The Legislative Audit Bureau is the state entity designated the responsibility for the conduct of financial and program audits of state agencies.

GOVERNOR

Provide \$261,700 PR in 1997-98 and \$366,400 PR in 1998-99 and 8.0 PR positions in the State Controller's office to conduct performance audits and assessments of state agencies and programs.

Increase base level funding by \$91,600 GPR in 1997-98 and \$128,200 GPR in 1998-99 in program supplements to provide funding to state agencies with insufficient funds in their GPR appropriations to pay for additional financial services chargebacks for the increased costs of operating the State Controller's Office due to these staff additions.

DISCUSSION POINTS

1. The State Budget Office and the State Controller's Office (SCO) are organizationally in a single division within DOA's Division of Executive Budget and Finance. The Budget Office: (a) provides fiscal and policy analysis to the Governor for development of executive budget proposals; (b) assists agencies in the technical preparation of budget requests; (c) reviews legislation and prepares or coordinates fiscal estimates; and (d) is responsible for general oversight and execution of the state budget. The SCO is responsible for: (a) state agency accounting policy and financial reporting; (b) operation of the state central accounting system; (c) generating state payrolls; (d) making payments to state vendors; (e) issuing monthly fiscal reports to agencies; and (f) preparing the annual state fiscal report.
2. The 8.0 positions (6.0 auditors and 2.0 policy analysts) recommended in the bill are intended to create a centralized review and evaluation unit in SCO to review and monitor the performance of state programs and agencies on a continual basis. Funds to support these positions would come from charges assessed by SCO against state agencies for financial services provided by SCO.
3. By statute, the Legislative Audit Bureau (LAB) is responsible for:
 - conducting post-audits of the accounts of every state department at least once every five years;
 - reviewing the performance and program accomplishments of state departments; and
 - providing an annual audit opinion on the State's financial statements as prepared by DOA.
4. In addition, the LAB is required to conduct a number of specific audits, such as: auditing annually the Department of Employee Trust Funds, the Wisconsin Investment Board, the Capital Improvement Fund and the Bond Security and Redemption Fund and auditing biennially the books and accounts of the State Treasurer and the central accounting records of DOA. The Audit Bureau is also responsible for conducting a special examination of the accounts and financial transactions of any department or office as the Legislature, Joint Committee on Legislative Organization or Joint Legislative Audit Committee directs. The Governor may also direct that such special examinations be done but would be required to pay for the cost of the audit. Further, the LAB is authorized to provide audit services not required by law that are requested by state departments and the federal government, and charge a reasonable amount for such services.
5. The Department of Administration did not request the creation of a performance evaluation unit in its 1997-99 biennial budget request to the Governor. This item was included as a Governor's initiative.

6. DOA argues that the performance evaluation unit would provide the executive branch with a dedicated audit and evaluation capacity to monitor administrative and legal compliance with statutes, policies and procedures. It is indicated that the creation of this unit would "provide a centralized means, similar to LAB's state auditor, to review and monitor on a continual basis the efficiency and financial integrity of the state's programs." The performance evaluation could address both program and financial issues.

7. DOA further indicates that the performance evaluation unit is meant to complement the activities of the LAB by: (a) ensuring that LAB audit recommendations are implemented and are in place prior to future LAB audits; (b) assisting state agencies to eliminate future problems in transactions or inappropriate use or loss of state funds; and (c) evaluating and reviewing issues that the Joint Committee on Audit has not directed the LAB to examine.

8. Since 1959, DOA has had the authority to make management audits of agencies, utilizing teams of specialists in the fields of purchasing, personnel, accounting, budgeting, space utilization, forms design and control, records management, and any other specialties necessary to effectively appraise all management practices, operating procedures and organizational structures. Given its general authority in this area and the existing staff capabilities in the State Budget Office and SCO, it could be argued that DOA should use its existing resources to conduct any management audits that it believes are necessary under current law. Further, it may be noted that a total of 5.0 positions in SCO are currently allocated to audit functions. The principal auditing arm of the state, the LAB, would continue to be available to respond to audit needs.

9. SCO's costs are funded by charges assessed against each state agency. The function appears as a program revenue funded activity in DOA. However, for a GPR-funded agency, the SCO charges are initially paid from GPR funds that are then transferred to SCO to meet its operating costs. Approximately 35% of SCO's total program costs are assessed against GPR-funded agencies or programs. While base costs for SCO charges are included in individual agency budgets, the funding for projected additional SCO costs for GPR-funded agencies are normally included in the program supplements appropriations.

10. The bill provides an additional \$91,600 GPR in 1997-98 and \$128,200 GPR in 1998-99 in program supplements associated with the program evaluation unit. If additional staff for creation of a new program evaluation unit is not provided, the Committee could reduce the funding in the program supplements appropriation by \$91,600 GPR in 1997-98 and \$128,200 GPR in 1998-99.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$261,700 PR in 1997-98 and \$366,400 PR in 1998-99 and 8.0 PR positions to conduct performance audits and assessments of state agencies and programs, and \$91,600 GPR in 1997-98 and \$128,200 GPR in 1998-99 in

program supplements to provide funding to state agencies to pay for additional DOA financial services chargebacks associated with the performance evaluation unit.

2. Maintain current law.

<u>Alternative 2</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Bill)	- \$219,800	- \$628,100	- \$847,900
1997-99 POSITIONS (Change to Bill)	0.00	- 8.00	- 8.00

Prepared by: Jere Bauer

NO# Alt #2

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 8 NO 8 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Graphic Design Service (Administration -- Agency Services)

CURRENT LAW

The Department of Administration's graphic design service (WisComp) is budgeted at \$507,500 PR in 1996-97 with 12.6 PR positions.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Currently, DOA operates a graphic design service (WisComp) which provides typesetting, layout, design, desktop publishing and forms development services to state agencies. The WisComp unit is funded by charges to state agency "customers" utilizing its services.

2. On March 20, 1997, the Department of Administration announced that WisComp would be dissolved as of June 30, 1997, due to declining business. DOA indicated that due to technology improvements in state agencies, changes in agency business methods and approaches and a shrinking customer base, it could not afford to sustain this operation. Of the current 12.6 authorized positions in WisComp, 3.6 positions are vacant. The Department has indicated that the remaining employees are being provided with assistance to find other positions and/or retraining.

3. A determination has not yet been made as to what will happen to the 12.6 PR positions currently assigned to WisComp. However, the revenue source for the PR funding will end with the termination of the service on June 30, 1997. As a result, the Committee could delete \$507,500 PR annually and 12.6 PR positions from DOA's budget.

4. Because WisComp is part of a larger appropriation (base funding of \$16.5 million PR and 90.1 PR positions), if no action is taken by the Committee, DOA will have excess expenditure and position authority going into the next biennium.

ALTERNATIVES TO BILL

Motion #1632

1. Delete 12.60 PR positions and \$507,500 PR annually in expenditure authority associated with WisComp unit in DOA which is being terminated as of June 30, 1997.

<u>Alternative 1</u>	<u>PR</u>
1997-99 FUNDING (Change to Bill)	- \$1,015,000
1998-99 POSITIONS (Change to Bill)	- 12.60

2. Maintain current law.

Prepared by: Jere Bauer

IO# _____

ENSEN	Y	N	A
EHMAN, M.	Y	N	A
IARSDORF	Y	N	A
ILBERS	Y	N	A
IARD	Y	N	A
KAUFERT	Y	N	A
JINTON	Y	N	A
LOGGS	Y	N	A
BURKE	Y	N	A
BECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE _____ NO _____ ABS _____

ADMINISTRATION

Graphic Design Service
Paper #147 -- Substitute to Alternative #1

Motion:

Move to eliminate 12.6 PR positions effective September 30, 1997, and delete \$507,500 PR annually in expenditure authority, associated with the WisComp unit in DOA.

Note:

This motion would eliminate funding and positions associated with the WisComp graphic design unit.

[Change to Bill: -\$1,015,000 PR and -12.6 PR positions]

MO# 1632

1	JENSEN	X	N	A
2	LEHMAN, M.	X	N	A
	HARSDORF	X	N	A
	ALBERS	X	N	A
	GARD	X	N	A
	KAUFERT	X	N	A
	LINTON	X	N	A
	COGGS	X	N	A
	BURKE	X	N	A
	DECKER	X	N	A
	GEORGE	X	N	A
	JAUCH	X	N	A
	WINEKE	X	N	A
	SHIBILSKI	X	N	A
	COWLES	X	N	A
	PANZER	X	N	A

AYE 16 NO 0 ABS _____

Administration

Housing

(EFB Budget Summary Document Page 64)

No Issue Papers Have Been Prepared

ADMINISTRATION -- DIVISION OF HOUSING

Community Development Block Grants Applications

Motion:

Move to require the Division of Housing to promulgate rules requiring that applicants, who submitted an application in the prior award year and were determined eligible to receive a grant but were not awarded a grant, to be automatically eligible for consideration for a grant in the following award year without having to reapply.

Note:

The Division of Housing administers the housing rehabilitation component of the federal small cities community development block grant (CDBG) program through a contract with the state Department of Commerce, which is the state agency designated by federal government for receipt of federal CDBG funds. Under the CDBG program federal funds are provided to municipalities for housing rehabilitation, acquisition, relocation, handicapped accessibility improvements, public facilities improvements and economic development. Grants are made by DOH to municipalities or county governments, which then provide deferred or low-interest loans to individuals applicants to conduct rehabilitation projects.

Under current law, funds allocated under the housing rehabilitation program are granted annually on a competitive basis by awarding points to each applications according to criteria enumerated in the administrative rules. The following criteria include those Division staff must consider when ranking applications to award grants; (1) the housing strategy of the applicant; (2) the extent to which benefits from proposed activities will be directed toward low- and moderate-income persons compared to other applications; (3) the amount of other funds to be combined with the requested funds; and (4) the applicant's efforts to further the availability of fair housing.

This motion would statutorily require the Division of Housing promulgate rules to require that it also allow applicants, who submitted an application in the prior award year and were determined eligible to receive a grant but were not awarded a grant, to be automatically eligible for consideration for a grant in the following award year without having to reapply.

Motion #3050

MO# <u>3050</u>				BURKE	X	N	A
				DECKER	X	N	A
				GEORGE	X	N	A
JENSEN	X	N	A	JAUCH	X	N	A
LEHMAN, M.	X	N	A	WINEKE	X	N	A
HARSDORF	X	N	A	SHIBILSKI	X	N	A
1 ALBERS	X	N	A	COWLES	X	N	A
2 GARD	X	N	A	PANZER	X	N	A
KAUFERT	X	N	A				
LINTON	X	N	A				
COGGS	X	N	A				
				AYE	<u>16</u>	NO	<u>0</u> ABS

ADMINISTRATION -- DIVISION OF HOUSING

Small Cities Community Development Block Grants for Housing

Motion:

Move to provide that the Division of Housing shall be required to promulgate rules which establish additional evaluation criteria which must be used by the Division in evaluating applications for small cities community development block grants for housing. Provide that additional evaluation criteria categories be created to recognize and provide factor points for: (1) applications that consist of a multi-jurisdictional program area that includes more than one city, village or town units of government within one or more counties; and (2) applications for grants which would be designed to service program areas with a demand for affordable housing that is greater than the state average. Require the Division to include in the rules a procedure for determining the affordable housing demands in various areas of the state to allow the Division to consider and allocate points for applications for areas with a demand for affordable housing that is greater than the statewide average.

Note:

The Division of Housing administers the housing rehabilitation component of the federal small cities community development block grant (CDBG) program through a contract with the state Department of Commerce, which is the state agency designated by federal government for receipt of federal CDBG funds. Under the small cities CDBG program for housing, federal funds are provided by DOH to municipalities (cities, villages and towns with populations under 50,000 and all counties except Milwaukee and Waukesha) for various housing activities including: rehabilitation, acquisition, relocation, demolition, handicapped accessibility modifications and public facilities improvements. Grants are made by DOH to municipalities or county governments, which then provide deferred or low-interest loans to individuals applicants to conduct rehabilitation projects.

Under current law and administrative rules, funds allocated under the housing rehabilitation program are granted annually on a competitive basis by awarding points to each application according to criteria enumerated in the administrative rules. The following criteria include those Division staff must consider when ranking applications to award grants: (1) the condition of housing, income levels of households, and other data available for all applicants which provides a measure of the low and moderate income households housing needs; (2) the percentage of program benefit directed toward households with the lowest income; (3) the extent to which

program funds are directed to areas that are most in need and to communities that can most effectively use the funds; (4) the extent to which housing needs in the community and in the program area have been adequately documented; (5) the extent to which the proposed activities are completely and accurately described in the application; (6) the extent to which the proposed activities relate to and address the identified housing needs; (7) the extent to which the eligible applicant proposes to promote compliance with applicable state and federal fair housing laws and regulations; (8) the extent to which other resources will be used in conjunction with program funds; and (9) the extent to which the application is complete and in the format required by DOA.

This motion would create in the statutes a requirement that the Division of Housing promulgate rules to specify additional evaluation criteria under which DOH would be required to also consider and allocate points in evaluating each application for the following: (1) applications that consist of a multi-jurisdictional program area that includes more than one city, village or town units of government within one or more counties; and (2) applications for grants which would be designed to service program areas with a demand for affordable housing that is greater than the state average. The Division would also be required to include in the new rules a procedure for determining the affordable housing demands in various areas of the state to allow the Division to consider and allocate points for applications for areas with a demand for affordable housing that is greater than the statewide average.

MO# 2034

JENSEN	Y	N	A
LEHMAN, M.	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 12 NO 0 ABS 0

ADMINISTRATION -- DIVISION OF HOUSING

For-Profit Organizations Eligibility for Grants

Motion:

Move to modify current law to allow for-profit organizations to qualify as eligible applicants and designated agents for all state housing programs administered by the Division of Housing, except where expressly prohibited by federal law.

Note:

This motion would provide that for-profit organizations would be eligible for state housing programs funding. Under current law, the statutes do not include for-profit organizations as eligible applicants or designated agents for state funded housing programs and for most federally-funded housing programs. This motion would modify the statutes to provide that for-profit organizations would be eligible for housing program funding administered by the Division of Housing, except where expressly prohibited by federal law.

The Division of Housing administers a number of state funded and federal funded housing loan and grant programs including: (1) local housing organization grants program; (2) housing cost grants and loans program; (3) transitional housing grants program; (4) state shelter subsidy grant program; (5) home investment partnerships program (HOME); (6) rental energy rehabilitation program; (7) emergency shelter grant program; and (7) the housing rehabilitation program (CDBG). Under current law, for-profit organizations are not eligible to directly receive funding from the state-funded housing program. For-profit organizations are, however, eligible to receive up to 75% of HOME funding.

MO# <u>2096</u>				BURKE	Y	N	A
				DECKER	Y	N	A
				GEORGE	Y	N	A
				JAUCH	Y	N	A
				WINEKE	Y	N	A
				SHIBILSKI	Y	N	A
				COWLES	Y	N	A
				PANZER	Y	N	A
1 JENSEN	Y	N	A				
LEHMAN, M.	Y	N	A				
HARSDORF	Y	N	A				
ALBERS	Y	N	A				
GARD	Y	N	A				
2 KAUFERT	Y	N	A				
LINTON	Y	N	A				
COGGS	Y	N	A				
				AYE <u>12</u>		NO <u>4</u>	ABS _____

ADMINISTRATION

Housing

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Division of Housing -- Supplies and Services Funding
2	Combine Appropriations for Mobile Home Park Dealers
3	Urban Hope Project

LFB Summary Item for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
4	Denial, Suspension and Revocation of Licenses

Administration

Attached Programs

(LFB Budget Summary Document - Page 67)

LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #

Title

6

National and Community Service Board - Permanent Staff (Paper #157)

7a

Special and Executive Committees Appropriation - Association Memberships
(Paper #158)