

X. Higher Educational Aids Board (HEAB) -- Valorie T. Olson, Executive Secretary

The Higher Educational Aids Board (HEAB) requests the approval of a proposed interstate agreement between Southwest Technical College and Northeast Iowa Community College, as required under s. 39.42.

Governor's Recommendation

Approve the request.



Legislative Fiscal Bureau

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June 27, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: University of Wisconsin System--Section 13.10 Request for Approval of Funding and Position Transfers Related to the Restructuring of the UW Hospital and Clinics--Agenda Item XI

BACKGROUND

On June 29, 1996, the operation and management of the University of Wisconsin Hospitals and Clinics (UWHC) will be transferred to an independent, public authority. Three agreements (lease, affiliation and contractual services) outlining the details of the restructuring and operation were approved by the Governor and the Joint Committee on Finance in May, 1996.

The Authority will be the employer of all professional staff and non-professional, supervisory staff of the UWHC (approximately 1,830 FTE positions); these employees will not be state employees and, therefore, will be excluded from state position counts and position control. All non-professional represented employees (approximately 1,400 FTE positions) will remain as state employees and will be employed by a new state agency, the UWHC Board (which has the same membership as the Board of Directors of the Authority). The Authority is required to enter into a contractual services agreement with the UWHC Board for the performance of services by these employees, beginning on June 29, 1996. The UWHC Board is allowed to create or abolish positions without prior approval from the Governor and the Legislature. The Board must report quarterly to DOA and the Joint Committee on Finance on positions created or abolished in the previous quarter.

Act 27 created three new appropriations related to the UWHC Authority. Two appropriations were created under the UW System's appropriation structure: (1) an annual, sum certain GPR appropriation to pay for services received from the UWHC Authority (s. 20.285(6)(a) of the statutes); and (2) a continuing, PR appropriation for funds received from the UWHC Authority for services provided to the Authority (s. 20.285(6)(g)) under the lease and

affiliation agreements. The third appropriation was created under the UWHC Board's appropriation structure: a continuing, PR appropriation for the general program operations of the Board which would consist of funds received from the UWHC Authority under the contractual services agreement (s. 20.495(1)(g)).

REQUEST

The UW System requests, on behalf of the UW-Madison campus, the following funding and position adjustments in order to implement the restructuring of the UWHC:

- The transfer of \$3,741,700 GPR from the UW System's general program operations appropriation (s. 20.285(1)(a)) to the appropriation for services received from the UWHA Authority (s. 20.285(6)(a)). These funds will support the cost of positions which will transfer from the UW-Madison to either the UWHC Authority or the UWHC Board, effective June 29, 1996.

- As a result of the above transfer, the number of authorized GPR positions for UW-Madison would be reduced by 91.27 FTEs.

In addition, the request indicates that of the 91.27 GPR positions proposed to be eliminated at UW-Madison, 65.90 FTEs would be reestablished as PR positions at the UWHC Board and 25.37 FTEs would become UWHC Authority employees (and not included in the state's position count). Furthermore, UW-Madison's position count would be reduced by 8.02 PR positions and 2.46 FED positions as a result of other position transfers to the UWHC Authority and Board. The UW System and UWHC Board have the statutory authority to create and abolish positions funded through specific PR and FED appropriations. Therefore, the PR and FED position changes described in the University's request are not subject to the approval of the Governor or the Joint Committee on Finance.

ANALYSIS

The reason for the UW's requested transfer of GPR funds and positions is that there are a number of employees who perform duties and services for both the UW Hospital and UW-Madison's Center for Health Sciences (which consists of the schools of Medicine, Nursing and Pharmacy; the State Laboratory of Hygiene; University Health Services; and the Health Sciences Library). These employees are funded through a combination of GPR and program revenues generated by the Hospital (primarily derived from patients). Under restructuring, many of these positions will become employees of either the UWHC Board or the UWHC Authority, but they will continue to perform duties and services for UW-Madison's Center for Health Sciences; therefore, it is necessary to continue to provide GPR support for their costs.

Current law provides that all non-professional, represented employes who are working at the UWHC will become employes of the UWHC Board regardless of fund source. This group of employes consists of members of five collective bargaining units (clerical; blue collar and nonbuilding trades; building trades crafts; security and public safety; and technical). Currently, there are 65.90 FTE positions (at a total cost of \$2,330,500) included in this employment category who are funded through UW-Madison's GPR budget because they provide services to the Center for Health Sciences which shares space with the UWHC in the Clinical Sciences Center. Most of these positions are custodians and maintenance staff.

In addition, there are 25.37 FTE positions funded through UW-Madison's GPR budget (at a total cost of \$1,411,200) who will become employes of the UWHC Authority, but will continue to perform duties and services for UW-Madison's Center for Health Sciences and the UWHC. These positions are primarily clinical pharmacists, medical technicians and custodial supervisors.

Board of Regents Report on GPR Savings Related to the UWHC Restructuring

When reviewing the University's request, the Committee may wish to consider an additional matter related to the UWHC Authority's impact on the UW-Madison's budget. Specifically, Act 27 required the Board of Regents to submit a report to the Governor and Joint Committee on Finance on any savings likely to accrue to the state as a result of the transfer of the operation of the UWHC to the Authority. The University's report, which was submitted with the various agreements in January of 1996, identified a net total of \$175,600 in GPR costs that UW-Madison will either cease to incur or charge to the UWHC Authority. This net amount is comprised of two components:

a. \$194,600 GPR in savings related to services provided by the campus to UWHC without full reimbursement in areas such as legal services, business services, human resources, administration, and facilities planning and management. A total of 2.12 FTE positions would be associated with these savings, but this amount consists of small fractions of existing full-time equivalent positions.

b. \$19,000 in additional GPR costs for a 0.24 FTE position to perform extra legal work which the campus anticipates will occur as a result of the UWHC restructuring.

Upon review, it was determined that fringe benefits were not factored into the University's savings report which would add \$43,100 to the total amount. In addition, one could question the campus' assertion that the Authority, when operational, will result in additional legal costs given the significant amount of time spent by UW-Madison legal staff on the creation of the Authority during the last year and a half.

Based on the report submitted by the Board of Regents, as modified by the two adjustments described above, it would be appropriate for the Committee to direct DOA to place \$237,700 GPR of the UW System's general program operations appropriation for 1996-97 in unallotted

reserve to lapse to the general fund and be removed from the base appropriation level. The 2.12 GPR positions could be deleted by the Committee. In addition, this office will continue to examine the impact of UWHC restructuring on the UW-Madison's budget; and any additional funding and position adjustments could be considered as part of the 1997-99 biennial budget.

ALTERNATIVES

1. Approve the request to transfer \$3,741,700 GPR from the UW System's general program operations appropriation (s. 20.285(1)(a)) to the appropriation for services received from the UWHC Authority (s. 20.285(6)(a)) and to reduce the University's authorized GPR position count by 91.27 FTEs in 1996-97.

2. In addition to Alternative #1, direct DOA to place \$237,700 GPR within the UW System's general program operations appropriation for 1996-97 in unallotted reserve to lapse to the general fund, remove that amount from the base appropriation level and delete 2.12 GPR positions.

Prepared by: Dan Clancy

MO# Alt. 2

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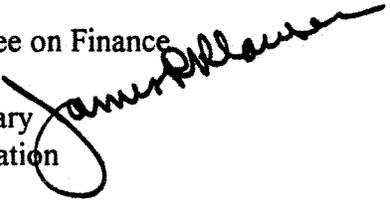
CORRESPONDENCE MEMORANDUM

**STATE OF WISCONSIN
Department of Administration**

Date: June 11, 1996

To: Members, Joint Committee on Finance

From: James R. Klauser, Secretary
Department of Administration



Subject: Section 13.10 Request from the University of Wisconsin (UW)-Madison for position and funding transfers related to the restructuring of the UW Hospitals and Clinics (UWHC) into the UWHC Board and UWHC Authority.

Request

The University of Wisconsin-Madison requests the approval of the Joint Committee on Finance (JCF) to make position and funding transfers related to the creation of the UWHC Board and UWHC Authority, as approved in the 1995-97 biennial budget, beginning in FY97.

The Department of Administration also requests the Committee to consider eliminating \$237,700 GPR from the UW System's budget as a result of GPR savings resulting from the UWHC restructuring.

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 from the UW System. Act 27 transferred 1,326.26 FTE to the Board and created a \$42 million continuing PR appropriation for this new state agency, which becomes operational in FY97. Remaining expenditure and position authority will be transferred to the Authority and removed from state control, effective June 29, 1996.

In addition to the above actions, the UW System must also transfer from UW-Madison's budget other applicable GPR, PR (other than the UWHC PR appropriation) and FED funds to complete the implementation of the UWHC restructuring. This request identifies the necessary positions and funding to be transferred from the UW-Madison to the Board and Authority.

Additional position authority must transfer from the UW-Madison to the Board and Authority respectively since:

- In the Board's case, Act 27 required that certain non-professional represented employees working at the UWHC remain in their newly created collective bargaining units at the Board [s. 111.825 (1m)], regardless of their funding source; and,
- In the Authority's case, there are a number of split-funded positions (GPR/PR) at the UW that will continue to perform duties for both the Authority and UW in the future (e.g. Pharmacists-83% Authority/17% UW-Madison Pharmacy School). Therefore,

the GPR (UW) portion of these individuals salaries and fringe benefits must continue to be identified within the UW appropriation schedule.

Since the Board and Authority do not have GPR appropriations (although Act 27 created a PR continuing appropriation for the Board that is exempt from state control), the UW must continue to fund all, or portions of, currently GPR-funded positions that will transfer to the Board or Authority on June 29, 1996. Although not specifically created for the purpose of funding specific positions, Act 27 created a new UW GPR appropriation [appropriation 601] for all GPR funds provided by the UW to the Authority for services received by the UW from the Authority.

This request proposes to transfer GPR funding for current UW GPR-supported UWHC positions from the UW's 101 and 105 numeric appropriations [s. 20.285 (1)(a)] to its 601 numeric appropriation [s.20.285 (6)(a)], beginning in FY97 (see detail in Tables A and B below). Transferred GPR funds would appear as expenditures on the salary, fringe and supplies/services lines within the 601 appropriation, beginning in FY97.

With regard to additional transferred PR and FED-funded positions, the UW requests to make direct payments to the Board and Authority from its current respective PR (appropriations 120, 128, 130 and 133) and FED (appropriation 144) appropriations since the UW does not have Board or Authority-designated PR appropriations to make these transfers. To effect these direct transfers, the UW would internally reallocate funds from its salary and fringe lines to its supplies and services line and then make payments to the Board or Authority.

As shown in Tables A and B below, this request would reduce UW GPR position authority by 91.27 FTE (65.90 FTE to the Board and 25.37 FTE to the Authority) and its PR position authority by 11.48 FTE (2.45 FTE to the Board and 9.03 FTE to the Authority). Correspondingly, Board PR position authority (all Board positions will be PR-funded) would be increased by 68.35 PR FTE, reflecting the transfer of 65.90 UW GPR FTE and 2.45 UW PR FTE. Finally, the 34.40 FTE (25.37 GPR FTE and 9.03 PR FTE) transferred from the UW to the Authority would not be recreated since Authority positions are not under state position control.

TABLE A
 Transfers to UWHC Board

Current UW Account	Fund Source	FTE's	Salary	Fringe	Supplies/ Services	Total	New UW Account
101	GPR	53.50	\$1,119,800	\$429,000	\$128,600	\$1,677,400	601
105	GPR	12.40	\$315,000	\$123,900	\$214,100	\$653,100	601
GPR Total		65.90	\$1,434,800	\$552,900	\$342,700	\$2,330,500	
128	PR	0.95	N/A	N/A	\$32,500	\$32,500	128
133	PR	1.50	N/A	N/A	\$51,500	\$51,500	133
PR Total		2.45	N/A	N/A	\$84,000	\$84,000	
Board Total		68.35	\$1,434,800	\$552,900	\$426,700	\$2,414,500	

TABLE B
 Transfers to UWHC Authority

Current UW Account	Fund Source	FTE's	Salary	Fringe	Supplies/ Services	Funding	New UW Account
101	GPR	22.37	\$912,600	\$309,000	N/A	\$1,221,600	601
105	GPR	3.00	\$140,300	\$49,300	N/A	\$189,600	601
GPR Total		25.37	\$1,052,900	\$358,300	N/A	\$1,411,200	
120	PR	1.00	N/A	N/A	\$59,900	\$59,900	120
128	PR	1.00	N/A	N/A	\$44,100	\$44,100	128
130	PR	0.00	N/A	N/A	\$42,400	\$42,400	130
133	PR	4.57	N/A	N/A	\$250,400	\$250,400	133
144	FED	2.46	N/A	N/A	\$130,300	\$130,300	144
Other Total		9.03	N/A	N/A	\$527,100	\$527,100	
Authority Total		34.40	\$1,052,900	\$358,300	\$527,100	\$1,938,300	

Analysis

This s.13.10 request, developed by the UW in consultation with DOA and Legislative Fiscal Bureau (LFB) staff, complies with the intent of Act 27 related to the UWHC restructuring by proposing to make the necessary position and funding transfers from the UW-Madison to the Board and Authority.

The total impact of these proposed transfers related to the UW-Madison budget is identified in Table C below. Specifically, the request recommends the deletion of 91.27 GPR FTE state-funded positions at UW-Madison and transfers approximately \$3.74 million GPR within the UW appropriation structure [from s. 20.285 (1)(a) to s. 20.285 (6)(a)] in FY97. It should also be noted that no new state GPR funds, with the exception of applicable pay plan increases and reallocated funds within the UW System, may be appropriated to the new s.20.285 (6)(a) appropriation per 1995-97 biennial budget action.

TABLE C
Total Transfers from UW-Madison to UWHC Board and Authority

Fund Source	FTE's	Salary	Fringe	Supplies/ Services	Total
GPR	91.27	\$2,487,700	\$911,300	\$342,700	\$3,741,700
PR	9.02	0	0	\$480,800	\$480,800
FED	2.46	0	0	\$130,300	\$130,300
Totals	102.75	\$2,487,700	\$911,300	\$953,800	\$4,352,800

The net effect of this request would do the following:

- Decrease state GPR position authority by 91.27 FTE (UW System);
- Decrease state FED position authority by 2.46 FTE (UW System);
- Increase state PR position authority overall by 59.33 FTE, reflecting increased UWHC Board PR position authority of 68.35 FTE and decreased UW System PR position authority of 9.02 FTE; and
- Increase the UWHC Board's PR expenditure authority by \$3.74 million.

UW SAVINGS REPORT

In addition to the UW's request, the Department of Administration also recommends to the Committee another item directly related to the UWHC restructuring. Earlier this year, the UW submitted a savings report to the Governor and the JCF per Section 9159 (2)(L) of the 1995-97 biennial budget bill. The report estimates the GPR savings that

would accrue to the state (i.e. UW-Madison campus) as a result of the creation of an independent UWHC Authority.

Background

The UW report identifies expected gross savings of approximately 2.12 FTE's and \$194,600 GPR annually at the UW-Madison campus. Position savings are identified through the accumulation of fractional FTE's in the following units at UW-Madison: Administrative Legal Services; Business Services; Human Resources; Center for Health Sciences (CHS)-Administration; and Facilities Planning and Management.

In addition, the UW anticipates it may incur \$19,000 GPR in additional legal services costs due to anticipated additional legal work required of the UW-Madison campus resulting from the creation of the Authority. Thus, the "net" savings identified by the UW due to the UWHC restructuring is \$175,600 GPR. Although not specifically identified in the savings report, UW-Madison staff note all identified GPR savings would be achieved through the UW's s. 20.285 (1)(a) appropriation.

In addition to the aforementioned savings identified by this report, the 1995-97 biennial budget bill eliminated the UW appropriation that provided \$2.3 million GPR annually in direct state support for the UWHC.

While it is not possible for the JCF to make a permanent reduction to an agency appropriation under s. 13.10, the Committee may request that DOA place funding in unallotted reserve so it is not expended in any fiscal year.

Analysis

Although the UW performed a credible and detailed analysis of projected GPR savings due to the UWHC restructuring, further analysis of the UW-Madison budget indicates two additional savings "items" that could be added to the UW derived amount. First, the savings report did not take into account any fringe benefit savings related to the 2.12 FTE reduction which, if multiplied by the UW-provided salary figure, would total an additional \$43,100 GPR annually.

Second, the UW's expectation that the creation of the Authority will result in additional legal costs at UW-Madison is problematic. It is unlikely the additional time UW-Madison legal staff will spend on Authority-related issues will exceed that expended by legal personnel involved in the Authority's creation over the last 18 months. Therefore, \$19,000 GPR could be added to the UW derived savings.

Thus, anticipated immediate savings resulting for the creation of the Authority could be increased to \$237,700 GPR. While additional savings are likely in the future, it is not possible to establish that amount until the Authority is in full operation. If the Governor and Legislature determine there are additional savings accruing to the state beyond those

determined in this report, appropriate action could be taken in the 1997-99 biennial budget process.

Table D details the differences in estimated savings as identified by the UW and DOA:

Table D
UWHC Restructuring-UW-Madison GPR Savings

Anticipated Savings	UW Report	DOA Estimate
Gross Savings	\$194,600 GPR	\$194,600 GPR
Additional Costs	(\$19,000) GPR	(0)
Net Savings	\$175,600 GPR	\$194,600 GPR
Fringe Benefit Savings	(0)	\$ 43,100 GPR
Total Savings	\$175,600 GPR	\$237,700 GPR

Recommendation

Approve the request related to position and funding transfers as requested by the UW and place \$237,700 GPR from the UW's s. 20.285 (1)(a) appropriation in unallotted reserve in FY97 to reflect additional GPR savings accruing to the state due to the UWHC restructuring.

Prepared by: Brian Pahnke
264-8259

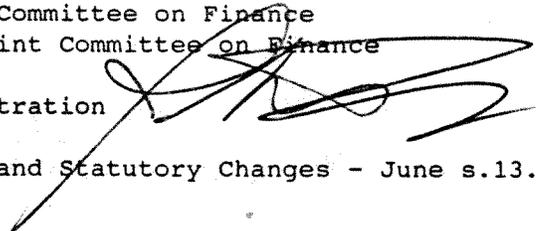
XI

UNIVERSITY OF
WISCONSIN
M A D I S O N

May 23, 1996

MEMORANDUM

TO: Senator Timothy Weeden, Co-Chair, Joint Committee on Finance
Representative Ben Brancel, Co-Chair, Joint Committee on Finance

FROM: John Torphy, Vice Chancellor for Administration 

SUBJ: Implementation of UW Hospital Agreement and Statutory Changes - June s.13.10 Hearing

As indicated in President Katharine Lyall's memo to you, this submission details position and funding transfers related to the restructuring of the UW Hospital, as approved in the 1995-97 biennial budget and in subsequent reviews by the Joint Committee on Finance.

The purpose of this request is to make the transfer of GPR and other funds and positions from UW-Madison to the University of Wisconsin Hospital and Clinics (UWHC) Board and Authority which are necessary to implement the restructuring of the UWHC approved in the 1995-97 biennial budget.

The request for approval pursuant to s.13.10 is as follows:

1. Transfer of \$3,741,700 GPR from appropriation 20.285(1)(a) to appropriation 20.285 (6)(a) in 1996-97. These funds represent the GPR funding for positions (salaries and fringe benefits) and supplies and expenses which will be transferred to the UWHC Board and to the UWHC Authority from 20.285(6)(a).
2. Elimination of 91.27 GPR FTE positions at UW-Madison.
3. From the 91.27 GPR positions eliminated at UW-Madison, 65.15 PR FTEs will be reestablished at the Hospital Board.
4. In addition to these GPR related funding and position actions, the following, related, non-GPR payments and position actions from UW-Madison will take place in 1996-97:
 - a. Direct payments and transfers to the Hospital Board of
 - 1) \$32,517 and 0.95 PR FTE from s.20.285(h)
 - 2) \$51,468 and 1.50 PR FTE from s.20.285(j)

Vice Chancellor for Administration

Senator Timothy Weeden
Representative Ben Brancel
May 23, 1996
Page 2

- b. Direct payments to the Hospital Authority of
- 1) \$ 5,9,928 from s.20.285(g) (one-time)
 - 2) \$ 44,137 from s.20.285(h)
 - 3) \$ 42,405 from s.20.285(i)
 - 4) \$250,376 from s.20.285(j)
 - 5) \$130,249 from s.20.285(m)

As a result of these payments to the Hospital Authority,
5.57 PR FTE and 2.46 PRF FTE will be eliminated at UW-Madison.

With regard to the transfer of funds from the Hospital Authority to UW-Madison through s.20.285(6)(g), and the related position increases at UW-Madison, we will provide the required information for approval and action pursuant to s.16.505. However, we hope to have the detailed information available before the June 13.10 hearing so that you can consider it at that time, if you wish.

Summary of Transfers/Payments

	<u>Salaries</u>	<u>Fringes</u>	<u>S & E</u>	<u>Total</u>	<u>FTE Effect</u>
1. To Hospital Board					
a. GPR/via 20.285(6)(a)					
1) Fund 101	1,119,776	428,992	128,628	1,677,396	(-53.50)
2) Fund 105	315,018	123,948	214,114	653,080	(-12.40)
Subtotal - GPR	1,434,794	552,940	342,742	2,330,476	(-65.90)
b. Direct Payments					
1) Fund 128	--	--	32,517 ^{1/}	32,517	(- 0.95)
2) Fund 133	--	--	51,468 ^{1/}	51,468	(- 1.50)
Subtotal - Other	-0-	-0-	83,985	83,985	(- 2.45)
c. Total	1,434,794	552,940	426,727	2,414,461	(-68.35)
2. To Hospital Authority					
a. GPR/via 20.285(6)(a)					
1) Fund 101	912,581	308,996	--	1,221,577	(-22.37)
2) Fund 105	140,332	49,321	--	189,653	(- 3.00)
Subtotal - GPR	1,052,913	358,317	-0-	1,411,230	(-25.37)
b. Direct Payments					
1) Fund 120	--	--	59,928 ^{1/}	59,928	(- 1.00)
2) Fund 128	--	--	44,137 ^{1/}	44,137	(- 1.00)
3) Fund 130	--	--	42,405	42,405	--
4) Fund 133	--	--	250,376 ^{1/}	250,376	(- 4.57)
5) Fund 144	--	--	130,249 ^{1/}	130,249	(- 2.46)
Subtotal - Other	-0-	-0-	527,095	527,095	(- 9.03)
c. Total	1,052,913	358,317	527,095	1,938.325	(-34.40)
3. TOTAL Transfers/Payments					
a. GPR/via 20.285(6)(a)	2,487,707	911,257	342,742	3,741,706	(-91.27)
B. Direct Payments - Non GPR	-0-	-0-	611,080	611,080	(-11.48)

^{1/} These funds, previously budgeted as salaries and fringe benefits, are shown as Supplies & Expenses because they will be "expended" as such in 1996-97 by UW-Madison when the positions have been transferred to the Board and the Authority.