

50 SENATE HEARING SLIP

(Please Print Plainly)

DATE: Dec 7, 2000

BILL NO. _____

OR

SUBJECT Stewardship

Harold Jordan

(NAME)

633 W. Main St

(Street Address or Route Number)

Madison WI 53703

(City and Zip Code)

WISCONSIN CONSERVANCY

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger PROMPTLY.

Senate Sergeant-At-Arms
State Capitol - B35 South
P.O.Box 7882
Madison, WI 53707-7882

51 SENATE HEARING SLIP

(Please Print Plainly)

DATE: 12/7/00

BILL NO. _____

OR

SUBJECT STEELMASTER

DAVE CESLEVICZ (GROSS LEVICH)

(NAME)

16 N. Cannon St Ste 810

(Street Address or Route Number)

MADISON 53705

(City and Zip Code)

1000 FLEWDS DR WISCONSIN

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

Registering Against:

but not speaking:

Speaking for information only; Neither for nor against:

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52 SENATE HEARING SLIP

(Please Print Plainly)

DATE: 12/7/00

BILL NO. Stewardship

OR

SUBJECT _____

Daniel Russell

(NAME)

(Street Address or Route Number)

WI DNR

(City and Zip Code)

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:

but not speaking:

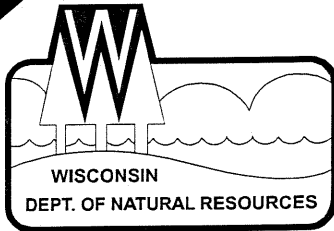
Registering Against:

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State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

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

101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TDD 608-267-6897

December 7, 2000

Senator Gary George, Co-Chair
Joint Legislative Audit Committee
Room 118 South
State Capitol
Madison, WI 53707

Representative Carol Kelso, Co-Chair
Joint Legislative Audit Committee
Room 16 West
State Capitol
Madison WI 53708

Dear Senator *Gary* George and Representative *Carol* Kelso:

Thank you for the opportunity to offer comments regarding the Legislative Audit Bureau's review of the Knowles-Nelson Stewardship Program.

The objectives of the audit were twofold:

- * to determine whether grant recipients complied with the cost-sharing requirements of the program
- * to learn if excessive amounts were paid for property acquired with Stewardship grants.

Audit Findings Positive

We were very pleased with the results of the audit. During the first ten years of the Stewardship Program, the Department awarded 974 grants to local governments and nonprofit conservation organizations (NCOs) to either acquire property for conservation and outdoor recreation purposes or to develop recreational facilities. The state's grant investment of \$45.3 million generated projects worth in excess of \$90 million. We achieved the twin goals of doubling the value of our state dollars and also involving others in conservation of the state's natural and recreational resources.

The audit found the grant program was well run. To be more specific, the audit concluded:

- * The Department's process for determining eligible costs ensured that local governments and NCOs fully complied with the 50% match requirement of the program;
- * The Department complied with statutes and codes in issuing grants;
- * The Department correctly determined grant amounts in all files reviewed;
- * There were no cases where the Department made payments for ineligible costs or where grantees were paid too much.

Assessed Value Not a Measure of Fair Market Value

The second objective of the audit was to ascertain if excessive amounts were paid for property acquired with Stewardship grants awarded to local governments and NCOs. This question is difficult to evaluate because of the multiple factors that impact a property's value. In trying to analyze this issue, the Audit Bureau chose to (1) compare the assessed value and appraised value of properties purchased with Stewardship grants and (2) examine the Department's appraisal process for grants.

It found for the sample of grants reviewed, that the average assessed value of properties was \$1,272 per acre and the average appraised value was \$2,802 per acre or 120.2 percent more. (The audit report notes, however, that the largest grants were selected for the sample. Because it was not a random sample, these numbers cannot be extrapolated to all grants.)

I would like to stress two important points:

1. Local governments – all units of government -- must pay fair market value for property. To pay less would be to take property without just compensation.
2. The assessed value is not intended to be a measure of fair market value—it is a way of distributing the property tax burden.

The audit report, itself, based on information provided by the Department of Revenue, outlined several key reasons why assessed value is not a reliable indicator of fair market value:

- * Many assessments are outdated because the majority of local governments wait up to three years or longer to reassess property.
- * In growing metropolitan and recreational areas, where the demand for land is great and development pressure high, assessments can fall significantly below appraised market value in a short time.
- * Individual properties may be considerably under-assessed even though, overall, assessments in a municipality are within the statutory standard of 10% of fair market value.

Another reason, not cited in the audit report, is that use value laws require that assessed value for farmland be based on farmland profitability, not commercial or residential values which might be “the highest and best use” of a property in an urbanizing area.

Another factor that played an important role in determining land prices in this particular ten year period was the unusually good economic conditions both nationally and in Wisconsin. With greater discretionary income, more individuals and developers were competing for choice recreational lands. This caused land prices to increase at a rapid rate in many places. As you might expect, the special properties we are most interested in preserving for future generations are the same ones developers and private citizens are interested in acquiring. It is difficult for local assessors to keep up with such a robust real estate market.

Another method of evaluation would be to compare grant acquisitions with acquisitions made by the private sector. Department of Revenue statistics for the past ten years show a dramatic increase in land prices in many areas of the state. The Governor’s Blue Ribbon Task Force on Stewardship noted that fact when recommending a doubling of the dollars set aside for Stewardship in the next ten years.

Department Supports Audit Recommendations

The most reliable indication of a property’s fair market value is an appraisal that conforms to professional appraisal standards and practices. This is the standard measure of property value used by the federal government and state agencies. It is the only method that fairly protects the rights of landowners and also enables a state agency to meet its fiduciary responsibilities.

The Department reviews appraisals submitted by grant applicants, and bases grants for land acquisition only on those appraisals that meet professional appraisal standards. The Audit Bureau did not find any problems with the Department’s appraisal standards. It also found that most of our procedures for

reviewing and approving appraisals in the grant program are reasonable and consistent with practices suggested by the Department of Revenue.

Recognizing the critical importance of the appraisal process, the Audit Bureau did make three recommendations relating to appraisals that will further strengthen the already sound Stewardship grant program. The Department concurs with all of these recommendations, and is taking steps to ensure that land valuation practices for grants more closely parallel those of our own internal land acquisition program. As recommended, we will no longer accept appraisals commissioned or paid for by the seller. (Note: these were very infrequently accepted in the past.) We will also modify our appraisal review process for grants to allow staff to select elements of submitted appraisals to develop a blended appraised value when that approach is warranted. Finally, the Audit Bureau recommended that the Department obtain an independent appraisal when the fair market value exceeds \$200,000. Because the law currently requires that the grantee provide two appraisals when the fair market value exceeds \$200,000, the Department will not automatically do so. We will, however, independently obtain a third appraisal when we believe it necessary in order to properly establish the value of a property.

Stewardship A Major Success

Stewardship has been an effective incentive, stimulating local governments and nonprofits to expand their conservation activities. Through partnerships, state funds have been leveraged and much more has been accomplished than the Department could have done by itself. Accurate valuation of properties acquired with Stewardship grants is important to the Department. These changes will improve an already successful program.

Sincerely,



George E. Meyer
Secretary



December 7, 2000
Legislative Audit Committee hearing on Audit 00-10,
Wisconsin Stewardship Program

My name is Harald Jordahl and I work for the Wisconsin Chapter of The Nature Conservancy. The Nature Conservancy is a private, non profit conservation organization with programs in all 50 states. Our mission is to protect the diversity of plants and animals and the communities in which they need to survive.

In Wisconsin, The Nature Conservancy has over 25,000 members in all parts of the state and we work out of conservation offices in Ashland, Sturgeon Bay, Mukwonago, Baraboo and Madison. Since we were founded in Wisconsin 40 years ago, we have protected more than 55,000 acres at many preserves throughout the state, including wild lakes, prairies and oak savannas, wetlands, forests and Great Lakes shorelines in Door and Ashland Counties.

We were strong supporters of the Knowles-Nelson Stewardship Fund when it was initially adopted by the legislature and Governor in 1990 and have consistently supported efforts to improve this valuable program that protects some of Wisconsin's best remaining natural gems. We appreciate the committee's and legislative audit bureau's efforts to improve this program as the Stewardship 2000 program begins.

We believe that the partnership between the DNR and private groups and local governments using stewardship fund match grants is a great benefit to the people of the state. Between 1990 – 1999, non-profit groups like TNC and others, and local governments have brought more than \$45 million worth of conservation to match the state's investment. This means that the state was able to get \$90 + million worth of conservation accomplished with only \$45 million expenditure in Stewardship Fund grants.

Although funds for the new program were increased last session, the need to expand our state parks, natural areas and recreational properties still outstrips available funding. Development pressures are dramatically raising the cost of property throughout the state every year – especially in areas near growing urban centers or in prime recreational locations – like our lakes and forests. As time and development marches on, we all recognize that neither the state, private groups nor local governments can do it alone: The only way we will be able to protect our natural heritage and recreational opportunities for our children and grandchildren is for us to work together. Stewardship fund grants are a great way for private groups, citizens and local

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governments to work together with the state to protect some of our remaining natural and recreational heritage.

We support the three main recommendations in this audit:

- Prohibiting the use of appraisals paid for by the seller to determine fair market value;
- Allowing state of Wisconsin professionals to carefully review and even possibly modify appraisals if there appears to be an inaccurate appraisal submitted for a stewardship grant;
- Requiring two appraisals to determine fair market value for larger transactions over \$200,000.

Thank you for the opportunity to comment and for your efforts to improve this important conservation program.

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Testimony of David M. Nelson

December 7, 2000

Senator Gary R. George
Representative Carol Kelso
Members of the Joint Legislative Committee on Audit

My name is David M. Nelson. My address is 425 Scott Drive, Green Bay, Wisconsin 54303. I am a registered professional engineer in the State of Wisconsin. I also serve as Secretary of the Brown County Taxpayers Association (BCTA).

I wish to comment about the Legislative Audit Bureau's evaluation of the Stewardship Program, and also about the Stewardship Program grant for the purchase of the Baird's Creek Heights parkway property in the City of Green Bay.

First, I want to commend the Legislative Audit Bureau personnel for their thorough analysis and clear identification of the weaknesses of the Stewardship Program. I strongly support their recommendation that sellers' appraisals should not be used in any manner to determine the amount of a Stewardship Program grant. My observations of the determination of the Baird's Creek Heights property valuation allow me to support this recommendation without qualification.

The Brown County Taxpayers Association has grave concerns about the validity of the \$1,000,000 appraisal of the Baird's Creek Heights property, and about the conformity of the proposed \$350,000 Basten property stewardship contribution with DNR regulations.

On October 17, 1997, Department of Natural Resources (DNR) Review Appraiser Rodney L. Bush approved the sellers' \$1,000,000 appraisal of the Baird's Creek Heights property. He checked the box indicating, "Approved, meets DNR, USPAP and Uniform Appraisal Standards for Federal Land Acquisition." Three days later, on October 20, 1997, he designated the City of Green Bay's \$420,000 appraisal as "Accepted."

First, the 1995 DNR Real Estate Appraisal Guidelines require certification by the appraiser that the appraiser has not discussed the property's price or value with the owner or the owner's representatives. This statement is missing from the appraiser's certification for the \$1,000,000 appraisal. In fact, page 16 of the appraisal reports that the appraiser utilized the developers' base price list for the lots in the subdivision to provide the upper range of value. The lower range of value was taken to be 5 percent less than the developers' list prices. The developers also provided the plat of the subdivision. With no statements to the contrary, it must be assumed that the developers provided the estimated development costs as well. Having all the lot values and the development costs provided by the sellers appears to reduce this appraisal to merely some calculations using the sellers' data. A review of the sellers' lot prices listed in Exhibit 1 of the sellers' appraisal in conjunction with the sellers' plat overlaid on a terrain map of the property raises serious doubts about the reasonableness of the sellers' estimated lot prices.

Second, the 1995 DNR Real Estate Appraisal Guidelines require a statement that if there is a reasonable probability of a zoning change, this should be discussed and supported by verification from knowledgeable officials. The \$1,000,000 appraisal report states that it is assumed that the property will be rezoned R-1 for residential development. There is no verification from any official to verify this assumption. In fact, it appears that the sellers began threatening reverse condemnation proceedings because of their inability to get the property rezoned from Residential Park, which requires 40,000 square foot lots, to R-1 for residential development. This assumed, but undocumented, zoning change is a crucial factor in the sellers' appraisal. These two deviations from the 1995 DNR Real Estate Appraisal Guidelines materially affect both the conclusions of the \$1,000,00 appraisal and its validity. It is beyond comprehension how this appraisal could be approved as compliant with DNR appraisal standards.

Now, the DNR's proposed unilateral contribution of \$350,000 of stewardship funds for 100 percent of the acquisition costs for 37.5 acres of the Basten property adjacent to the Baird's Creek Heights property appears to be another example of the generosity of DNR employees, this time unfettered by compliance with the Wisconsin Administrative Code:

NR 51.03 General Provisions (1) Grants shall be issued for 50% of the acquisition cost of the property. The remainder of the acquisition cost shall come from sponsor match with the following limitations:

(c) Contributions of property are eligible as sponsor match only if the donated property lies within the boundaries of a project which has been approved under the same component of the stewardship program as the property being acquired.

(d) The fair market value of property used as sponsor match shall be determined by department valuation guidelines.

(e) All sources of sponsor match shall be included in the application for a stewardship grant.

The Leicht's property donation, on the banks of the Fox River in downtown Green Bay, being used as sponsor match for the Basten property purchase, is open to multiple questions:

1. What is the rationale for contributing 100 percent of the acquisition cost of the Basten property instead of the 50 percent contribution defined in NR 51.03 (1)?
2. Is the Leicht property within the boundaries of a project which has been approved under the same component of the stewardship program as the Basten property? NR 51.03 (1)(c)
3. Has the Leicht property been appraised in conformance with DNR Guidelines? NR 51.03 (1)(d)
4. Was the Leicht property donation identified as sponsor match in the City of Green Bay's application for stewardship funds dated April 29, 1998, which included the Basten property purchase? NR 51.03 (1)(e)

The stark contrast between the DNR's enforcement of its regulations upon the general populace and the scofflaw attitude we observe in the DNR's administration of stewardship grants is unbelievable. Repeatedly, we have heard DNR employees express their disdain for taxpayers'

concerns. The decision-making we have seen in the administration of DNR stewardship funds corroborates this attitude of unconcern for Wisconsin taxpayers. The fact that bonded funds are being squandered makes this attitude even more intolerable.

Finally, the BCTA feels strongly that a provision must be added to NR 51.03 to limit stewardship grants to a small multiple of recent assessed valuations of property. For example, limiting grants to three times the property's lowest assessed valuation for property taxes would have avoided the ludicrous situation of requesting a \$500,000 stewardship grant in 1998 for property assessed for 1996 taxes at \$20,300. Such ridiculously low assessments allow land speculators to hold property for many years for only trivial costs. Meanwhile, cities are crying that their property tax revenues are inadequate.

It is my recommendation that the Legislature should place a moratorium on Stewardship Program grants until the Department of Natural Resources can demonstrate that the Stewardship Program is being managed with responsible employees who clearly understand the rules of the program, and who are totally committed to providing the best value possible to the citizens of this state.

I also recommend that a copy of the \$1,000,000 appraisal of the Baird's Creek Heights property be forwarded to the Licensed Appraiser Examining Board for a thorough review for compliance with the DNR Real Estate Appraisal Guidelines and Uniform Appraisal Standards.

Thank you for the opportunity to present this testimony.

Sincerely,

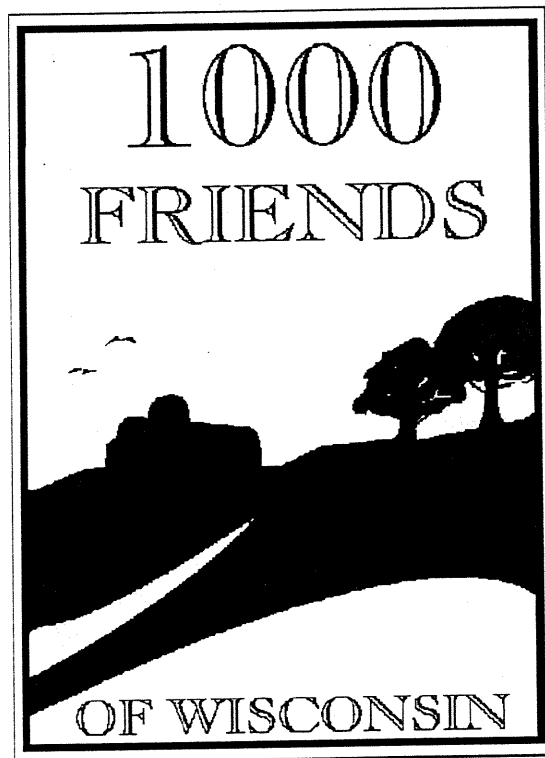
A handwritten signature in cursive script that reads "David M. Nelson, P.E.".

David M. Nelson, P. E.

Closing the Campsite Gap

*Creating More Camping Opportunities in Wisconsin's State
Parks & Forests to Meet Our Growing Demand for Outdoor
Recreation*

December 2000



Summary

- Supply is not keeping up with growing demand for campsites in state parks and forests. From 1962 to 1996, the Wisconsin state park and southern recreational forest system increased the number of campsites by 71.9% to 4,422. The number of camper days, however, increased by 103.7%.
- From 1984 to 1999, counties and local governments have added 4,746 campsites to locally owned lands. Private owners have added 4,243 campsites to private lands. Over the same period, the Wisconsin state parks system has added a net amount of only 421 campsites to state-owned land. Of these, 217 were in Bong State Park (Kenosha County), leaving little campsite development in most of the rest of Wisconsin.
- In 1999, there were 53,000 unfulfilled requests for campsites in the Wisconsin state park system. One out of three campsite requests was rejected.
- To address Wisconsin's growing demand for campsites, 1000 Friends of Wisconsin recommends that:
 - The state park system add 1000 new campsites by 2005.
 - The Department of Natural Resources increase the rate of public land acquisition, so that campers have more opportunities for quiet and nature based outdoor recreation.
 - The new sites should be rustic or family (i.e., without electrical hookups for recreational vehicles).
 - To accomplish these goals, the Stewardship Fund should be increased to \$60 million per year.

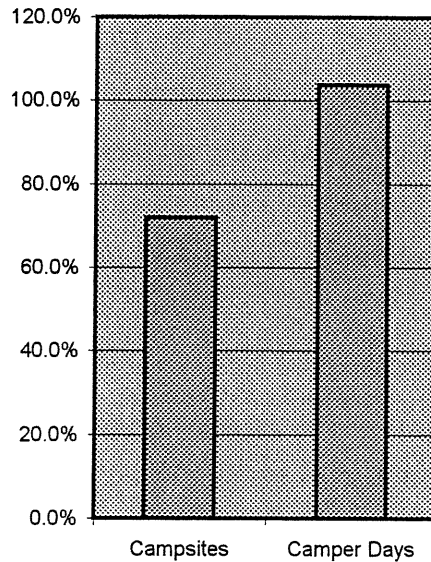
Outdoor Recreation & the Culture of Conservation

Wisconsin is a national leader in conservation and environmental protection in no small measure because Wisconsinites love the outdoors. Outdoor experiences are an important part of growing up in Wisconsin and those experiences shape our attitudes and values as adults; they are a vital ingredient in shaping the culture of conservation that is the foundation for our strong environmental protection laws and programs. Many Wisconsinites have their first extended encounter with the natural world during a family camping outing in a state park. The increasing demand for campsites is an indication of a healthy culture of conservation in our state; the high number of disappointed families and individuals who cannot find an unreserved site threatens to erode it. Something needs to be done.

The Growing Campsite Gap

Our state parks' natural beauty makes them ideal places for hiking, swimming, wildlife viewing, and camping. In recent years, especially in the last decade, camping in state parks has become much more popular, with over 1.4 million camper days per year in the 1990s. Unfortunately, the increase in the number of campsites has not kept up with the ever-growing demand. There are currently 4,422 campsites in state parks and southern forests and an additional 1,100 sites in the northern forests. **Though annual camper days increased by 104% from 1962 to 1996, the number of campsites has increased by only 72%.**

**Campsite Growth in Wisconsin State Parks:
Percent Increases from 1962 to 1996**



Source: 1996-1997 Wisconsin State Parks Annual Report

The state park systems has fallen behind local governments and private campsite operators in meeting the demand for outdoor recreation. Though local governments have added 4,746 campsites to their properties since 1984, and private owners have added 4,243 campsites to their properties, only 421 campsites have been added to state-owned land. Of this number, 217 campsites were added to Bong State Park in Kenosha County leaving the growing demand in most of Wisconsin unmet.

While local governments and private campsite owners have tried to keep pace with some of the demand, the experience of camping in a state park -- with its ready access to hiking trails, nature walks and lectures and other amenities geared toward nature based outdoor recreation -- is a special experience.

A good indication of the extent to which camping demand is not being met in Wisconsin is the increasing demand on the Wisconsin state parks reservation system. Campsites may be reserved eleven months in advance. Within 90 days of campsite availability (9 ½ months in advance), 75% of campsite reservations are full. As a result, those who do not plan several months in advance have little chance of enjoying a summer weekend camping in our state parks. In fact, the number of people who are turned away is very high. In 1999, 154,000 camping reservation requests were made for sites in the Wisconsin state park system, and an astonishing 53,000 went unfulfilled. **This means that over one-third of the requests for campsites in Wisconsin state parks and forests were not accommodated.**

To further express the high demand for camping in Wisconsin, we can compare Wisconsin to other states. Reserve America, a national online reservation system used by Wisconsin and many other state park systems, notes that each campsite in the Wisconsin state parks turns over an average of 33 times in a year. This is significantly higher than most states, including Oregon, Washington, and Colorado—three states nationally known for their outdoor recreation opportunities. In turnover rate, only California competes with Wisconsin, with reservations turning over 34 times in a year. California, a state with more year-round camping opportunities, has a reservation turnover rate virtually the same as Wisconsin.

The 1000 Friends Proposal: 1000 New Campsites in Five Years

To address this problem, 1000 Friends of Wisconsin recommends:

- **The addition of 1,000 new campsites to the Wisconsin state park system by 2005.** The addition of 1,000 campsites would support most of the current day demand in the Wisconsin state park system. The average length of stay at a campsite is two days. Therefore, 45 reservations could be filled per campsite in the three-month summer season. Adding 1,000 campsites could fulfill 45,000 more reservation requests for the summer months. This would greatly reduce the number of unfulfilled reservation

requests. As demand increases, the presence of 1,000 additional campsites will become even more necessary than it is today.

- **An increase in the rate of acquisition of land for public outdoor recreation.** In addition to constructing the campsites themselves, more land should be acquired so that recreational opportunities are expanded along with the number of campsites. (There were 15 visitors for every acre of state parkland in 1960. Today, there are 20.) Families and individuals should have the same opportunity to find themselves alone in the natural solitude of a hiking trail even as we expand the number of campsites. It would be a mistake to simply add more campsites on the existing public land base because it would only lead to overcrowding. New land must be acquired to support 1,000 new campsites to alleviate the impacts of increased visitor traffic.
- **All of the new campsites should be rustic or family.** Current administrative rules allow for up to 25% of campsites to have electrical hookups. We believe that the market for recreational vehicle camping (larger sites with electrical hookups) should be left to the private sector while the state focuses on serving tent campers who are most interested in silent sports and nature based outdoor recreation.
- **To accomplish these goals, increase the Stewardship Fund public land acquisition program to \$60 million per year.** Based on Department of Natural Resource estimates, 1,000 new campsites will cost between \$10 and \$15 million, depending on how many sites are in new campgrounds and how many are added to existing campgrounds. This estimate is for site development alone. While the sites themselves will take only a nominal amount of land, we also need to, where possible, expand the parks themselves to give visitors the opportunity to enjoy the solitude that many of them come for. Last year, with 1000 Friends support, the legislature and governor doubled the size of the Stewardship Fund to \$46 million per year for ten years. While this is a significant expansion of the program, it only returns the program to its 1990 buying power. 1000 Friends had proposed a \$60 million per year program and that proposal was adopted by the State Senate during the 1999 – 2001 state budget process, but the level was reduced in final budget negotiations. We renew our call for an annual \$60 million program.

References

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- “Audit Summary: Warren Knowles – Gaylord Nelson Stewardship Program.” Wisconsin Legislative Audit Bureau. 2000. www.legis.state.wi.us/lab/reports/00-10/car.htm.
- Traska, Kermit, and Peter Biermeier. Wisconsin State Parks: A Proposal to Expand Campsites in the New Millennium. (Draft). 2000.

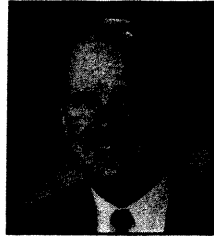
About 1000 Friends of Wisconsin

Founded in 1996, 1000 Friends of Wisconsin is a private, not for profit organization with 2000 members in over 250 communities across the state. Its mission is to educate the citizens and policy makers of Wisconsin about the benefits of sound land use planning, policies and decisions and to advocate for policies that protect natural landscapes and that reduce sprawl.

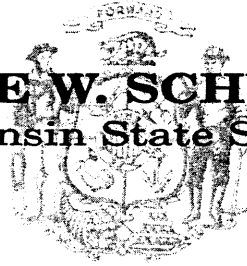
This report was researched and written by Christie O’Brien with help from 1000 Friends director Dave Cieslewicz. Contact information:

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DALE W. SCHULTZ
Wisconsin State Senator



To the: Senator Gary George Co-Chairperson
Representative Carol Kelso Co-Chairperson
and Members

Joint Committee on Review of Administrative Rules

Testimony of State Senator Dale W. Schultz

RE: Audit Bureau Report 00-10
An Evaluation
"Warren Knowles-Gaylord Nelson Stewardship Program"

In January of 1998, Governor Thompson appointed me as a member of his Blue Ribbon Task Force on the Stewardship Program. I am proud to be able to say that I am was also a member of the first Stewardship Task force and was honored to have been named to this committee as well. Twenty One (21) others both public and private members met for almost a year before issuing our recommendations to the Legislature for it's consideration.

This non-partisan group included two previous Governors', the current Lieutenant Governor, two members of each house of the Legislature and a diverse group of private citizens. We took very seriously the language of the Executive Order issued by Governor Thompson, which included instructions to consider the effectiveness of the program, identify long term natural resource needs, consider funding alternatives, and other issues important to the long term goals of the program.

I am extremely proud of my association with this outstanding program. It has proven to be one of the finest examples of how state government can come together with non profit organizations, communities and the public to acquire land to be set aside for future generations. This program has placed into the public trust countless acres, of environmentally sensitive lands and waterway's, created green spaces and parks for urban communities and miles of trails for all our citizens to enjoy.

My testimony today is specific to one issue raised in the Audit Bureaus report to this committee, specifically the issue of; *Appraised property values greatly exceeding assessed values*. The Blue Ribbon Task force had many lengthy discussions related to this issue. In part the discussion were base on the concept that if the state purchase land at a "fair" price, rather than at inflated prices, the funds allocated to the program, would go significantly further in purchasing land for public use, thus decreasing the need for substantial increases in bonding authority.

I direct the member's attention, beginning on page 15 of this Audit to a comprehensive discussion of this problem.

On pages 26 and 27 of the Audit Bureaus report the agency provides two recommendations to help address this problem of "Appraised vs. Assessed values". While I feel that these recommendations have merit, I would like to bring to the committees attention the fact that the original recommendations from the Governors Blue Ribbon Task Force included the following recommendations, (Page 17 items 5 through 7) of the Report to the Governor dated February 12th, 1999

- ◆ 5. In calculating grant amounts for local units of government in the new Stewardship Program:
 - (a) Except as provided in paragraph (b), grants to local units of government should be based on the lesser of either
 - (i) a property's appraised value,
 - (ii) a property's purchase price, or
 - (iii) one and one-half times the average of the sum of the lesser of (I) or (ii) plus the equalized assessed values for the most recent two years.
 - (b) Grants to local units of government for the purchase of land zoned for agricultural use should be based on the lesser of
 - (i) the property's appraised value, or
 - (ii) the property's purchase price
- ◆ 6. Grants to NCOs for the purchase of land or land rights should be based on that property's appraised value.
- ◆ 7. All properties acquired with Stewardship funds that have public access should be identified by an adequate number of signs that notify the public that the property has been purchase in part with state funds and is available for public use including the purposes for which it can be used. There is a presumption of multiple use on Stewardship properties, as appropriate for the project. Public use should continue to be included as a component of property land management plans, which are approved by the Department.

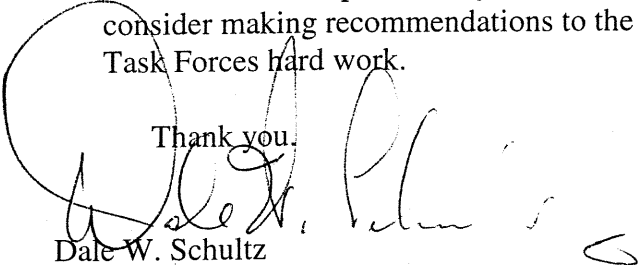
These recommendations were based on the many lengthy discussions, which took place during the Task Forces meetings. They were a direct result of the Task Force members wishes to insure that in the future the Program obtain property at a fair price. If these recommendations would have been adopted by the legislature, future occurrences similar to those which the Audit Bureau found and listed in Tables 8, 9, and 10 of the Audit you are holding this hearing on, would have been effectively avoided.

The Building Commission submitted the Stewardship 2000 proposal after the Governor's budget bill had been submitted and it was treated like any amendment to the budget bill would be. That is, a majority vote of the Joint Finance Committee was required to include any provision relating to Stewardship. So, while the Building Commission proposed a three-year assessment averaging for Stewardship grant purposes, this proposal was never formally taken up by the Committee.

Rather, the omnibus Stewardship motion #1356 that was adopted contained a provision (item #7) that sets grant amounts at 50% of appraised value unless the property is owned for less than three years. In effect eliminating the well-reasoned recommendations related to the problem of appraised and assessed property value differences.

It is my hopes that this Committee give due consideration to not just the well reasoned recommendations of the Legislative Audit Bureau, but that the committee review the recommendations put forth by the Governor's Blue Ribbon Task Force on Stewardship and consider making recommendations to the Department of Natural Resources based on that Task Forces hard work.

Thank you.



Dale W. Schultz
17th Senate District

Warren Knowles-Gaylord Nelson Stewardship Program

Legislative Audit Bureau
December 2000

1

Stewardship Program Expenditures

- ◆ \$190.6 million in expenditures through FY 1999-2000
- ◆ Most expenditures for land and development made directly by DNR
- ◆ 23.8% of expenditures for local grants

2

Local Grant Program

- ◆ Local governments and nonprofit conservation organizations receive funds
- ◆ Buy property and easements, and develop properties
- ◆ 974 grants through FY 1999-2000
- ◆ \$45.3 million in local grants

3

Appraised Values Exceed Assessed Values	
Per acre basis	120.2%
Per acre increase	\$1,272 to \$2,802
Per property basis	304.9%

4

Reasons For Appraisal-- Assessment Disparities
◆ Infrequent local updates of assessments
◆ Development pressure
◆ The appraisal process

5

Ways To Strengthen Appraisal Process
◆ Prohibit use of appraisals paid for by seller
◆ Allow DNR's appraisers to develop their own appraisals
◆ Require the DNR to obtain its own appraisals for projects over \$200,000.

6

Local Grant Match Requirements

- ◆ 50% local grant match requirement
- ◆ File review indicates matches are made
- ◆ Local government cost reduced by local fundraising or seller contributions

7

Stewardship 2000

- ◆ Need improved record retention guidelines
- ◆ Requests for grants will continue to exceed available funding
- ◆ Use restricted to nature-based outdoor recreation

8

Nature-Based Outdoor Recreation

- ◆ Aid to Local Parks grants are 63% of all grants and 38% of funds awarded
- ◆ 75% of expenditures for Aid to Local Parks grants are for development projects
- ◆ Most projects include several different types of development activities
- ◆ Activities have included trails, parking, sports fields, and playground equipment

9

Definition of Nature-Based

- ◆ DNR Board adopted emergency administrative rules in August, 2000
- ◆ Defined as projects whose primary focus is appreciation of nature
- ◆ Current emergency rule may be open to interpretation
- ◆ Some may argue playground equipment is eligible if it is a secondary purpose, others may argue it is not

10



DATE: September 24, 1999

TO: Senator Gary R. George and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller *Janice Mueller*
State Auditor

SUBJECT: Proposed Audit of the Stewardship Program—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering a request from Representatives Albers, Johnsrud, and Powers for an audit of the Stewardship Program. In particular, the requestors are interested in determining how prices paid, especially for local projects, compare with assessed and market values.

The Stewardship Program was created in 1989 for the purpose of acquiring and developing land to expand recreational opportunities and protect sensitive areas. Initially, \$250 million in general obligation bonding over 10 years was authorized for the program, but bonding authority was subsequently reduced to \$231 million. In 1993, the program was renamed the Warren Knowles-Gaylord Nelson Stewardship Program. Bonding authority for the current program expires at the end of fiscal year 1999-2000. Each of the budget proposals for the next biennium include ten additional years of bonding authority, and while differing amounts are proposed, all include an increase over current levels.

The table shows how the program's current \$23.1 million in annual budget authority is allocated among twelve categories of expenditures. The Department of Natural Resources can make grants to local governments and non-profit conservation organizations (NCOs) for land acquisition and development projects with these funds. Through June 30, 1998, approximately 27 percent of Stewardship Program funds were spent or encumbered for these local grants.

Stewardship Funding Categories

1998 - 99

<u>Categories</u>	<u>Amounts</u>
General land acquisition	\$ 6,700,000
General property development	3,500,000
Lower Wisconsin State Riverway	2,000,000
Natural areas	1,500,000
Natural areas match	500,000
Habitat areas	1,500,000
Stream bank protection	1,000,000
Acquisition and development of local parks	2,250,000
Urban green space	750,000
Urban rivers	1,900,000
State trails	1,000,000
Ice age trail	<u>500,000</u>
Total	\$23,100,000

Statutes and administrative rules govern a variety of cost sharing arrangements for the different projects and grant programs. In addition, they appear to attempt to strike a balance for the Department to, on the one hand, avoid paying excessive amounts for property, and, on the other hand, avoid forcing reluctant owners to sell. For example, administrative rules limit grants to NCOs to the lesser of the cash outlay to purchase a property or 50 percent of the property's fair market value. Also, 1995 Act 27 prohibited DNR expenditure of stewardship funds for acquisition or development of land by a county or other local unit of government if the land involved is to be acquired by condemnation.

In response to the questions posed by the requestors, an audit of the Stewardship Program could review grants made in recent years to:

- compare purchase prices with assessed values and estimated fair market values; and
- review procedures followed to determine whether the Department has complied with statutory and administrative code requirements.

If you have any additional questions regarding this request, please contact me.

JM/DB/bm

cc: Senator Judith Robson Representative Steve Nass
 Senator Brian Burke Representative John Gard
 Senator Peggy Rosenzweig Representative Robert Ziegelbauer
 Senator Mary Lazich Representative David Cullen

Representative Albers
Representative Johnsrud
Representative Powers

George Meyer, Secretary
Department of Natural Resources



Wisconsin Legislature

August 31, 1999

Representative Carol Kelso, Co-Chair
Joint Committee on Audit
16 West
State Capitol

Senator Gary George, Co-Chair
Joint Committee on Audit
118 South
State Capitol

Dear Co-Chairs Kelso and George:

We are writing to respectfully request that the Joint Committee on Audit direct the Legislative Audit Bureau to conduct an audit of the state's Stewardship Program. In particular, we are interested in the actual price paid by the state for land compared to the assessed value of those parcels.

Under the Stewardship program, the Department of Natural Resources has the authority to purchase land for the state from private landowners. Additionally, the DNR is authorized to make grants to local units of government and to private, non-profit conservation organizations (NCOs) to acquire and develop property. The Department awards these grants in most of the same program categories as its direct Stewardship expenditures. These grants typically involve a cost sharing arrangement between the Department and the local unit of government or NCO. For example, administrative rules limit the grants to NCOs to the lesser of the actual cash outlay of the purchase, or 50 percent of the property's fair market value. However, we are concerned that in some cases, DNR grants to local governments and others may exceed those limits.

DNR has awarded over \$46.7 million in grants to local units of government and NCOs. With the pressure on the Stewardship Fund to acquire as much property as possible, it is important that existing administrative rules are followed, and DNR does not exceed grant guidelines. As legislators, we want to make certain the DNR is not overly enriching private citizens at the taxpayer's expense, by paying more than fair market value for land it purchases. Millions of dollars have been spent to purchase land and we feel there is a responsibility to see that these dollars entrusted to the state are used in a prudent manner.

Thank you for your consideration of this request.

Sincerely,

DuWayne Johnsrud
State Representative
96th Assembly District

Michael Powers
State Representative
80th Assembly District

Sheryl Albers
State Representative
50th Assembly District

DJ/MP/SA/ssd

Rossmiller, Dan

From: hjordahl@tnc.org
Sent: Thursday, December 07, 2000 4:38 PM
To: dan.rossmiller@legis.state.wi.us
Subject: thanks for today's hearing

Dan -- i thought the hearing went well -- thanks for making sure that we got to testify!

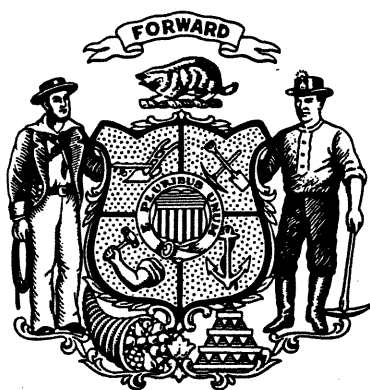
We also greatly appreciated the strong support that Sen. George has shown for the stewardship program -- both with his call for doubling the program and in the hearing this morning.

Please call if I can be of assistance.

Jordy

Harald E. (Jordy) Jordahl, Director of Governmental Relations
The Nature Conservancy - Wisconsin Chapter
633 West Main Street Madison, WI 53703
tel. (608) 251 8140 #138 fax (608) 251 8535

END



END

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 12-7-00
BILL NO. LAB Report 00-11 - DVR
OR
SUBJECT _____

Tom Dixon - DVR Administrator
(NAME)
DWD (please call w/jennifer)
(Street Address or Route Number) (reinsert)

(City and Zip Code)

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

Please return this slip to a messenger PROMPTLY.
Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

SENATE HEARING SLIP

(Please Print Plainly)

DATE: 12-7-00
BILL NO. LAB Report 00-11 - DVR
OR
SUBJECT _____

Secretary Jennifer Reinert
(NAME)
DWD (please call Tom Dixon
(Street Address or Route Number) at the
same time)

(City and Zip Code)

(Representing)

Speaking in Favor:

Speaking Against:

Registering in Favor:
but not speaking:

Registering Against:
but not speaking:

Speaking for information
only; Neither for nor against:

Please return this slip to a messenger PROMPTLY.
Senate Sergeant-At-Arms
State Capitol - B35 South
P.O. Box 7882
Madison, WI 53707-7882

Vote Record

Senate Committee on Audit

DVR Audit

Date: 11-11-99
Moved by: Sen. George Seconded by: Rep. Zepelbaum
AB: _____ Clearinghouse Rule: _____
AB: _____ Appointment: _____
AJR: _____ Other: _____
A: _____ SR: _____

A/S Amdt: _____
A/S Amdt: _____ to A/S Amdt: _____
A/S Sub Amdt: _____
A/S Amdt: _____ to A/S Sub Amdt: _____
A/S Amdt: _____ to A/S Amdt: _____ to A/S Sub Amdt: _____

Be recommended for:

- Passage
- Introduction
- Adoption
- Rejection

- Indefinite Postponement
- Tabling
- Concurrence
- Nonconcurrence
- Confirmation

Committee Member

Sen. Gary George, Chair
Sen. Judy Robson *
Sen. Brian Burke
Sen. Peggy Rosenzweig
Sen. Mary Lazich

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Sen. Gary George, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Judy Robson *	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Brian Burke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Peggy Rosenzweig	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Mary Lazich	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 8 0 _____ _____

* Had Sen. Robson been present she would have voted Aye

Motion Carried

Motion Failed



State of Wisconsin \

LEGISLATIVE AUDIT BUREAU

JANICE MUELLER
STATE AUDITOR
131 W. WILSON ST., STE. 402
MADISON, WISCONSIN 53703
(608) 266-2818
FAX (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

DATE: November 9, 1999

TO: Senator Gary R. George and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee

FROM: Janice Mueller *Janice Mueller*
State Auditor

SUBJECT: Proposed Audit of the Division of Vocational Rehabilitation—Background
Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering a request from Senators Chvala, Risser, Erpenbach, and Jauch for an audit of the Division of Vocational Rehabilitation (DVR) in the Department of Workforce Development. DVR has a number of responsibilities, including assisting physically and mentally disabled individuals to improve their employability by providing training and other services. Services provided range from post-secondary instruction to guidance in basic skills that facilitate independent living.

DVR's fiscal year (FY) 1999-2000 budget is \$65.1 million, of which approximately 79 percent are federal funds, 16 percent are general purpose revenue, and 5 percent are from other sources. It employs approximately 200 counselors statewide, in addition to approximately 120 supervisory and support staff. Staff are located in approximately 50 locations throughout the state, including 44 job centers.

Concerns have been raised about the level of compensation provided to entry-level counselors, who provide employment services for persons with disabilities, and the effect this has on recruitment, retention, and staff performance. In addition, broader questions have been raised about recent changes DVR has made in how it provides services to clients and the effectiveness of these services in assisting clients to find jobs.

As a result of discussions with staff of the Department of Employment Relations and union representatives, in June 1999, the Department of Workforce Development increased annual salaries for entry level vocational rehabilitation counselors from \$23,053 to \$26,994, or by 17.1 percent. In addition, it raised annual salaries for counselors in other classifications by one pay range, which increased their annual salaries by approximately \$2,000.

An audit of DVR could analyze:

- the extent to which recent salary increases have facilitated the ability of DVR to recruit and retain vocational rehabilitation counselors;
- how resources available for the provision of services are allocated, including determining whether the resources allocated appear to be related to an assessment of need;
- the effects recent changes in DVR procedures, such as the application process, have had on the provision of services; and
- the extent to which individuals to whom services have been provided are successful in obtaining employment in areas related to the services they received.

If you have any additional questions regarding this request, please contact me.

JM/PS/bm

cc: Senator Judith Robson Representative Steve Nass
 Senator Brian Burke Representative John Gard
 Senator Peggy Rosenzweig Representative Robert Ziegelbauer
 Senator Mary Lazich Representative David Cullen

 Senator Charles Chvala
 Senator Fred Risser
 Senator Jon Erpenbach
 Senator Robert Jauch

 Linda Stewart, Secretary
 Department of Workforce Development

Rossmiller, Dan

From: Wade, Kate
Sent: Monday, December 04, 2000 2:59 PM
To: Rossmiller, Dan
Subject: persons to invite to DVR hearing

Dan - I've got a short list of people to invite to the DVR hearing, mailing addresses included. Would you prefer a FAX or shall I e-mail it to you?

Kate Wade
Wisconsin Legislative Audit Bureau
(608) 259-9808

Jennifer Reinert, Secretary
Department of Workforce Development
P.O. Box 7946
201 East Washington Avenue
Madison, WI 53707-7946

Tom Dixon, Administrator
Division of Vocational Rehabilitation
P.O. Box 7852
2917 International Lane, Suite 300
Madison, WI 53707-7852

Todd Kearney, Administrator
Division of Economic Support / Department of Commerce
201 W. Washington Avenue
P.O. Box 7970
Madison, WI 53703

Daniel Clancy
Wisconsin Technical College System Board
310 Price Place
P.O. Box 7874
Madison, WI 53707-7874

Ron Yates
UWSA
780 Regent Street, 217
Madison, WI 53715

Linda Vegoe
Department of Agriculture, Trade & Economic Development
2811 Agriculture Drive
Madison, WI 53718

Bob Stuva, Executive Director
Rehabilitation for Wisconsin
4785 Hayes Rd. Second Floor
Madison, WI 53704

Douglas Burleigh, Regional Commissioner
Rehabilitation Services Administration
10220 N. Executive Hills Blvd, Suite 500
Kansas City, MO 64153

Kenneth Oba, Auditor
111 North Canal Street, Suite 940
Chicago, IL 60606-7204

Legislators who requested the audit:

Sen. Charles Chvala
Sen. Fred Risser
Sen. Jon Erpenbach
Sen. Robert Jauch



WISCONSIN LEGISLATURE

A-1/1 10

P.O. Box 7882 • Madison, WI 53707-7882

RECEIVED
MAY 25 1999
LEGISLATIVE AUDIT BUREAU

COPIES TO:

ROUTE TO:

JM JF

JK JB

BN PS

DA DKE

BJ MG

JT BT

RETURN TO: JA

DELIVERED: _____

Monday, May 24, 1999

Senator Gary George, Co-chairperson
Senator Judy Robson
Senator Brian Burke
Senator Peggy Rosenzweig
Senator Mary Lazich

Representative Carol Kelso, Co-chairperson
Representative John Gard
Representative Stephen Nass
Representative Robert Ziegelbauer
Representative David Cullen

Dear Member of the Joint Committee on Audit:

We write this letter to request that your committee direct the Wisconsin Audit Bureau to conduct a program evaluation and management audit with regard to the operations of the Division of Vocational Rehabilitation (DVR) under the care of the Department of Workforce Development (DWD).

As you know, DVR Counselors provide employment services for persons with disabilities. They are highly trained state employees whose qualifications minimally include: 1) Master's Degree 2) two years of clinical supervised experience, and 3) professional counselor certification in the State of Wisconsin. Currently, entry-level counselors with these qualifications are only paid \$23,051 per year. Serious questions have been raised from within the Division as to the appropriate level of compensation for DVR Counselors that supports successful recruitment and retention of qualified employees.

We request that an audit be conducted to determine the status of recruitment and retention within the DVR. In addition, the audit should determine to what degree DVR is unable to successfully perform its duty to provide Wisconsin citizens with disabilities employment services as a result of any recruitment, retention, and attrition problems.

Thank you in advance for your attention to this matter. Please feel free to contact any of our offices if we may be of assistance with regard to this request.

Sincerely,

CHUCK CHVALA
Senate Majority Leader
16th Senate District

FRED RISSER
Senate President
26th Senate District

JON ERPENBACH
27th Senate District

ROBERT JAUCH
25th Senate District

Tommy G. Thompson
Governor

Jennifer Reinert
Secretary



State of Wisconsin

Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784
<http://www.dwd.state.wi.us/>
e-mail: DWDSEC@dwd.state.wi.us

Joint Legislative Committee on Audit
Testimony on Legislative Audit Bureau Report 00-11 Division of Vocational Rehabilitation

By: Secretary Jennifer Reinert and Tom Dixon, DVR Administrator
December 7, 2000

Good Morning Chairpersons George and Kelso and Committee Members. I am Jennifer Reinert, Secretary of the Department of Workforce Development and with me today is Tom Dixon, Administrator of the Division of Vocational Rehabilitation (DVR). Thank you for the opportunity to comment on the Legislative Audit Bureau's (LAB) evaluation of DVR. We appreciate the assistance the LAB report has provided in addressing certain administrative, policy and financial issues at DVR in our efforts to improve and stabilize this important program.

Let me begin by discussing two important initiatives the Department has recently undertaken in order to respond to the issues in the LAB report. First, attached to our testimony that you received today is a copy of a s.13.10 request we submitted to the Joint Committee on Finance for consideration at their December meeting. This request asks for \$500,000 GPR for DVR. If granted, this money will enable us to access approximately \$1.8 million in federal funding.

We estimate that this new money will allow the Department to activate 1,000 cases of the 1,345 consumers currently on a waiting list for services under Order of Selection Category 1. Individuals in this category are determined to have the most significant disabilities. After two months of serving additional cases, we will assess DVR's budget status, the number of individuals still on the waiting list and current consumer obligations to determine whether more cases can be activated. While we would like to serve all persons seeking services, we must work towards this goal within the bounds of prudent fiscal management.

Secondly, Tom and I just returned from Washington, D.C. last evening. After the LAB released its report, we immediately began taking steps to heed the recommendations of the report and involve DVR's stakeholders in making needed improvements. During this process, it became more and more evident that in addition to attempting to secure more state funds and improving our state VR program, we also needed to seek additional federal funding. DVR is funded at 79 percent federal dollars and the increases have not kept up with the increased costs of

technology, rehabilitation and the increased number of people with disabilities seeking services. I'm happy to report we had several successful meetings with members of Wisconsin's congressional delegation, federal officials and advocates.

Now I will talk about perhaps the most important initiative the Department has undertaken in recent months – the formation of the DVR Strategic Reform Task Force.

The Task Force was formed to help the Department evaluate the entire DVR operation. Here, the LAB report has been extremely valuable in identifying areas within DVR which need improvement. The Task Force is comprised of persons with disabilities, advocates, university and technical college representatives, financial experts, rehabilitation service providers, VR counselors, DVR managers and other Department staff.

Immediately following receipt of the LAB report we began an intensive effort to address each of the recommendations contained in the report. Task force work groups are in the process of recommending new policies and procedures for each of the problems identified in the LAB report.

I would like to request that I be given some time on the agenda of your next meeting to report in detail on the specific solutions we will be implementing.

The final meeting of the task force is December 12th. I do not want to get out in front of the workgroups, which have devoted dozens of hours of dedicated analysis of these issues. We do plan to report back to the Committee on the status of our efforts by March 1 as recommended by the LAB. I can, however, report at this time that:

- We have studied each recommendation contained in the LAB report and in principle agree with all of them and intend to comply with all of them.
- Financial reporting systems are being corrected.
- The formula for distributing money among the 21 DVR districts is being revised.
- Consistency among districts in the types and cost of rehabilitation strategies will be achieved.
- Better planning of case load and program costs is being achieved.
- A comprehensive program for recruiting, retaining, training, and compensating counselors is being developed.

- Success rates for rehabilitation strategies are a major focus of attention in order to improve these outcomes.
- Much greater financial discipline across the DVR program is being implemented.
- Reliance on third-party contracts will be reduced and those contracts that remain will be monitored much more aggressively.
- A comprehensive training program for DVR managers and employees is being developed.
- An outreach program to private employers is being established to foster greater awareness of the benefits of employing people with disabilities.
- New planning and budgeting techniques are being developed and implemented to help determine and manage the annual caseload.

Thank you, again, for this opportunity to discuss efforts we are making to improve the overall operation of DVR. We would be happy to answer any questions you may have.

Tommy G. Thompson
Governor

Jennifer Reinert
Secretary



State of Wisconsin
Department of Workforce Development

OFFICE OF THE SECRETARY
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784
<http://www.dwd.state.wi.us/>
e-mail: DWDSEC@dwd.state.wi.us

November 29, 2000

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Request Summary

The Department of Workforce Development (DWD) requests that the Joint Committee on Finance consider at its regular second quarter meeting under s.13.10 whether additional funding could be identified for the Division of Vocational Rehabilitation. DWD requests and recommends that a total of \$500,000 in additional GPR be provided [\$426,000 for DVR purchased services for clients under s.20.445 (5) (bm); and \$74,000 for general program operations under s.20.445 (5) (a)].

DWD requests that the \$426,000 for the services to clients be approved as an ongoing increase to base funding. The \$74,000 is requested on a one-time basis to allow expedited hiring of about 15 vocational counselors and supervisors (using existing vacancies).

Approval of this request will allow us in January to begin to "activate" at least 1,000 cases currently on DVR's waiting list for persons with the most significant disabilities so that they would receive vocational services sooner than would otherwise be possible. At the same time, it would position DVR to serve additional consumers, depending on program expenditures experienced during the remainder of the year, and ultimately, on the program level approved in the biennial budget. In two months, DWD will again formally review whether actual expenditure experience would permit serving additional people on the waiting list. Current law permits DWD to use GPR allotted in this state fiscal year to cover case services provided through September 30, 2001.

Rationale

The Department believes this is a level of additional GPR resources that is, at this point in time, both fiscally and programmatically prudent. Let me explain our thinking.

First, additional match to federal aid will be needed, whether from GPR or third-party agreements. The FFY 2000-01 award to Wisconsin will increase 1.9% or \$905,486, and some current third-party agreements will end before the end of the federal fiscal year.

The \$500,000 GPR requested could be used as match to federal aid, providing \$2,347,400 in total resources—without affecting current third-party contracts or increasing reliance on them. As indicated in our biennial budget request, the Department shares the goal of reducing “third-party” matching funds to 15% of case-services match resources. At the same time, implementing changes abruptly could be difficult in the short term. This request is consistent with the goal of reducing reliance on third-party match sources but it would not require any significant changes in current third-party arrangements.

Given a fixed amount of federal funding to last until October 1, 2001, the Department believes that this level of additional GPR would not unduly accelerate the use of the federal aid into SFY 2000-01. Use of larger amounts of GPR at this time would require either that it be used to replace match funds currently being provided by third-party contracts, or that consideration be given to funding some expenses at 100% state cost.

A second consideration in recommending this level of funding is a desire to reduce the budgetary unpredictability given the federal rules governing priority for DVR services. Based on our experience in SFY 1999-00, many of you are familiar with the fact that if resources are not immediately available to serve all eligible applicants in need of DVR services, federal law requires that first priority be given to the most significantly disabled. To facilitate this prioritization, eligible applicants are evaluated and assigned an “Order-of-selection” (OOS) category based on the significance of their disabilities. In August, Wisconsin closed all OOS categories, meaning that new applicants are still accepted and evaluated but placed on a waiting list for their particular category rather than receiving services.

In its federally required vocational-service plan for the current year, DVR has implemented a simplification of its OOS categories to be more consistent with federal reporting categories and acknowledge the imprecision inherent in its previous definitions of OOS categories A through G. Currently, persons eligible for DVR services are being assigned to one of three categories: **Category 1**, equivalent to the old category A, is for persons with the most severe disabilities; **Category 2**, equivalent to the old categories B and C, is for persons with severe disabilities; and **Category 3** is for all other persons eligible for DVR services. As of November 27, there were a total of 4,632 persons on the waiting list: 1,365 in Category 1; 2,316 in Category 2; and 951 in Category 3. In addition, there were 1,146 applicants whose eligibility and category were in the process of being determined.

Given the individual nature of the plans for employment developed for DVR consumers, it remains difficult to predict the cost of DVR case services with precision, as well as the timing of when those costs will occur. However, the uncertainty in the cost of beginning service to a chosen number of people currently on the waiting list is actually less than that associated with predicting the costs to be incurred by our more than 16,000 active DVR consumers (who began their individual plans for employment before the August closure of all OOS categories). By early December we expect two types of additional information about that:

- 1) Actual November data on expenditures and the number of consumers that have completed their plans; and
- 2) The results of a counselor-based review of their active case files and their estimated costs through the remainder of the state fiscal year.

The above two sources of updated information are important because we have had only two months of experience operating with all OOS categories closed. After first assuring we can continue uninterrupted quality services to current consumers, we feel that beginning services to 1,000 persons on the Category 1 waiting is the next logical step. There are two reasons for this.

First, while cases from Categories 1 may be relatively high-cost, it is assumed that cases activated from the waiting list would, on average, incur relatively few costs for three months while their individual plans for employment are developed. Second, the plan to **initially** serve only a **portion** of the number of persons on the waiting list in this category, limits budgetary unpredictability by allowing the Department to control the **rate** at which we begin serving new consumers. This plan is based on the experience of other states and a clarification that federal policy does not require a State to make an "either/or" choice to completely open a category or leave it closed. Under this scenario, OOS Category 1 would not technically be "reopened." DVR could begin services for the 1,000 persons on the waiting list, in the order they were placed on it, even while other persons newly assessed as appropriate for Category 1 would be placed at the bottom of the waiting list. DVR would not have to begin serving the entire waiting list until or unless a decision was made that some additional number of consumers could be served with available resources.

Actually reopening Category 1 would entail two challenges: First beginning service to a large "bubble" of all persons on the waiting list, and second, providing services to an unpredictable number of new Category 1 applicants. We share the goal of returning to this normal order of business, but are recommending a measured approach: In two months we will re-evaluate whether funding and counselor resources available will allow us to serve more than 1,000 cases, or to reopen Category 1. Depending on the level of resources provided in the biennial budget, we are hopeful that we will be able to open Categories 1 and 2.

Consistency with s.13.101 Criteria

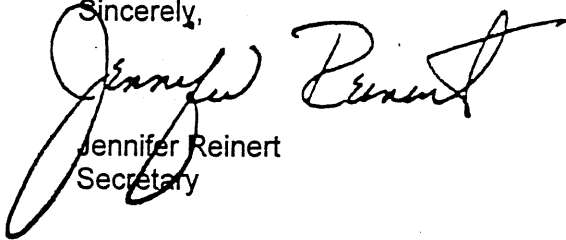
This letter is intended to address all criteria enumerated under s 13.101 (3) and (4) (depending on whether the additional funding would be provided from the Committee's appropriation or from a reallocation from another appropriation):

- 1) An emergency exists if the Committee agrees with the Department that it is critical to match all available federal aid, ensure uninterrupted service to current DVR clients, and begin to help additional persons with disabilities who want to join the workforce. Precedent exists for the Committee to approve supplementary funding for DVR. One such request was approved in September 1998.
- 2) No other funds are available for this purpose. The Department's only discretionary funding source was expended to assist DVR through the last fiscal year, and its other GPR appropriations are almost entirely earmarked to provide the match or required state expenditures for other federally funded programs.
- 3) The purposes for which additional funding is requested are DVR's core mission, which has been authorized by the Legislature.

Senator Brian Burke
Representative John Gard
November 29, 2000
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I thank the Committee's for its consideration of this request. Tom Dixon, Administrator of the Division of Vocational Rehabilitation, Eric Baker, Administrator of the Division of Administrative Services, and I will represent the Department at the s.13.10 meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jennifer Reinert". The signature is written in black ink and is positioned to the right of the typed name.

Jennifer Reinert
Secretary

DVR TASKFORCE MEMBERSHIP

1. Citizen participants

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2. Representatives of advocacy groups of people with disabilities

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Linda Vegoe, Chair
Wisconsin Rehabilitation Council
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David Stinson, Chair
Governor's Committee for People with Disabilities
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3. Managers and employees of DVR

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Bonnie Hughes, District Director
Division of Vocational Rehabilitation
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Shawn Zee, VR Counselor
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4. Financial management experts, including some from outside this department

Coleen Neuenschwander and Shane Helser, Financial Management Experts
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Kevin Myren, Financial Management Expert
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5. Educators and counselors in the field of vocational rehabilitation

Lou Brown, Professor
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School of Education
Department of Rehabilitation Psychology and Special Education
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262-2722
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Tom Modahl (Former Director, UW-Stout Vocational Rehabilitation Institute)
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Joe Mielczarek
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Center for Students with Disabilities
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Victoria Groser, Director
Student Accessibility
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Wisconsin Technical College System Board
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6. Job Center managers

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7. Private business representatives

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Human Resources Policy
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Jackie Philpott, Director
Catalyst Home Care
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8. Representatives of sister state agencies, whose programs relate to those of DVR

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Job Seekers Bureau
Department of Workforce Development
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9. Other Stakeholders

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Judi Page (ASD/BITS)
266-1836

Tom Smith (ASD)
266-7895
FAX – 267-3757

Wanda Jones (ASD)
266-0414

Patti Shaw/DVR-Milwaukee SE
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John Conway/DVR-CO

Enid Glenn/DVR-South Central

Suzanne Lee/DVR-CO

Updated 10/18/00

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FACILITATOR:

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OTHER REPRESENTATIVES:

Jennifer Rehnert, Secretary
Department of Workforce Development

Dick Wegner, Deputy Secretary
Department of Workforce Development

Tom Dixon, Administrator
Division of Vocational Rehabilitation

Task Force Workgroups

- A. Improving operational management**
(Includes better efficiency, program control, support systems, and more consistency)
1. Victoria Grosser, UW-Milwaukee
 2. Colleen Neuenschwander, Deloitte
 3. Manuel Lugo, DVR
 4. Shawn Zee, DVR
 5. Steve Stowell, DVR
 6. Judi Page, DWD
 7. Charlotte Haglin, DVR
- B. Improving fiscal management and reporting**
(Includes monitoring and support systems)
1. John Conway, DVR
 2. Margaret Erickson, DWD
 3. Shane Heiser, Deloitte
 4. Kevin Myron, MATC
 5. Mike Greco, DVR
 6. Greg Smith, DWD
 7. Jerry Guenther, DWD
 8. Ron Thorson, DWD
 9. Rick Hall, DVR
- C. Better communication**
- 1. Internally**
 - A. Bonnie Hughes, DVR
 - B. Linda Vegoe, Wisconsin Rehabilitation Council
 - C. Jim Mather, Citizen
 - D. Teresa Weideman-Smith, DWD
 - 2. Externally**
 - A. Wayne Corey, Wisconsin Independent Business
 - B. Dick Pomo, Wisconsin Council for the Blind
 - C. Vickie Tomaszewski, Citizen
 - D. Kathie Knoble-Iverson, Great Rivers Independent Living
 - E. John Truesdale, UW – Whitewater
 - F. Kim Markham, DWD
- D. Lack of understanding/culture clash between DVR and DWD**
1. Secretary Jennifer Reinert, DWD
 2. Deputy Secretary Dick Wegner, DWD
 3. Enid Glenn, DVR
 4. Wanda Jones, DWD
 5. Jack Wichita, DWD
 6. Dale Block, SILC
 7. Nancy Burkholder, DVR
 8. Eric Baker, DWD

E. Lack of resources

(Includes funding, leadership, and discretionary money)

1. Bruce Borden, Ebbtide
2. Tom Heffron, Wisconsin Technical College System
3. Bob Stuva, Rehabilitation for Wisconsin
4. John Metcalf, WMC
5. Secretary Jennifer Reinert, DWD
6. Deputy Secretary Dick Wegner, DWD
7. Tom Dixon, DVR
8. Tom Smith, DWD
9. Scott Fromader, DWD

F. Scope and Role of VR

1. Tom Dixon, DVR
2. Lynn Breedlove, Wisconsin Coalition for Advocacy
3. Lou Brown, UW-Madison
4. Charlene Dwyer, Ebbtide
5. Dale Hopkins
6. Pat Mommaerts, DWD
7. Deputy Secretary Dick Wegner, DWD
8. Al Noll, UW – Stout
9. Susan Arnhold, DVR
10. John Haugh, DVR
11. Troy Cobb, DVR

G. Recruiting, Compensating, Training and Retaining Staff

1. Karla Opatz, DVR
2. Jean Rogers, DVR
3. Mark Riccobono, NFB
4. Bill Komarek, DWD
5. Suzanne Lee, DVR
6. Bill Magrath
7. Joe Mielczarek, North Central Technical College
8. Dean Showers