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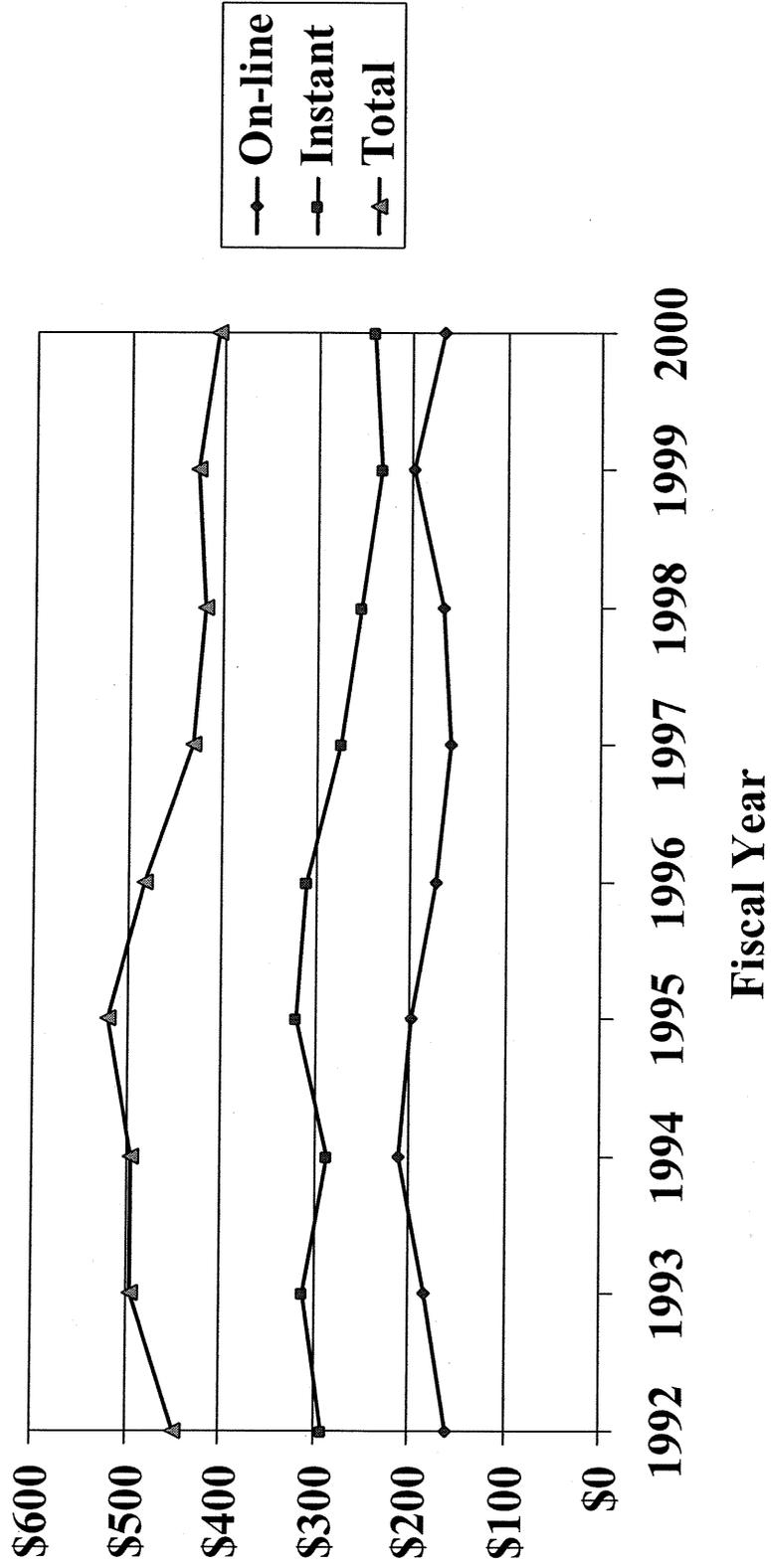
# WISCONSIN LOTTERY

Legislative Audit Bureau

August 31, 2000

# Lottery Sales (in millions)

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# Liquidated Damages

Damage Assessments from

June 1997 - April 1999

\$2,532,583

Amount Collected

( 235,213)

Outstanding Assessments

\$2,297,370

Lottery-GTECH Settlement

\$ 750,000



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER  
STATE AUDITOR

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June 12, 2000

Senator Gary R. George and  
Representative Carol Kelso, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator George and Representative Kelso:

As required by s. 13.94(1)(em), Wis. Stats., we have completed our annual financial audit of the Wisconsin Lottery, which is administered by the Department of Revenue. We have issued an unqualified opinion on the Wisconsin Lottery's fiscal year (FY) 1998-99 and FY 1997-98 financial statements.

Total lottery sales increased from \$418.6 million in FY 1997-98 to nearly \$428.2 million in FY 1998-99. This increase, which is the first since FY 1994-95, is due largely to several large on-line jackpots. For example, in July 1998, the Powerball jackpot reached a record amount of \$295.7 million. Sales of instant ticket lottery games, however, continued a four-year decline from \$252.9 million in FY 1997-98 to \$230.8 million in FY 1998-99.

During our audit, we identified a concern related to payment of liquidated damages. In June 1997, GTECH Corporation implemented a new computer system to support the Lottery's instant ticket and on-line games. Between June 1997 and April 1999, GTECH Corporation experienced significant complications with the system and the Lottery assessed liquidated damages totaling \$2.53 million. GTECH has already paid the Lottery \$235,200 in the form of sales credits on its monthly invoices. Recently, the Lottery and GTECH have agreed to a tentative settlement of \$750,000, including \$500,000 in cash, to resolve the outstanding balance due. The remaining \$250,000 will be received in the form of goods and services, which GTECH may contract with any vendor to provide. To ensure sufficient legislative and budgetary oversight of the tentative \$750,000 settlement, we recommend that the Lottery report to the Legislature on its plans for these funds.

We appreciate the courtesy and cooperation extended to us by the Department of Revenue. The Department's response is the appendix.

Respectfully submitted,

Janice Mueller  
State Auditor

JM/JG/ao

## SUMMARY

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The Wisconsin Lottery, which sells tickets for instant and on-line lottery games, began operations in September 1988 and has been under the management of the Department of Revenue since August 1995. To fulfill our audit responsibilities under s. 13.94(1)(em), Wis. Stats., we have completed a financial audit of the Wisconsin Lottery and have issued an unqualified opinion on its financial statements for the years ended June 30, 1999 and 1998.

During our audit, we noted that, for the first time since fiscal year (FY) 1994-95, overall lottery sales increased. This increase from \$418.6 million in FY 1997-98 to nearly \$428.2 million in FY 1998-99 is primarily due to several large on-line jackpots, including a record Powerball jackpot of \$295.7 million in July 1998. Because Lottery staff cannot control jackpot size, future on-line lottery sales may not continue at this level. Sales of instant ticket lottery games have continued to decline, from \$252.9 million in FY 1997-98 to \$230.8 million in FY 1998-99.

As part of our audit, we also reviewed the computer system that supports the Lottery's instant ticket and on-line games. In October 1996, the Lottery awarded GTECH Corporation a contract, worth approximately \$11.7 million in FY 1998-99, to provide and maintain this computer system. Significant processing complications were encountered upon implementation of the GTECH system and, between June 1997 and April 1999, the Lottery assessed liquidated damages of \$2.53 million against GTECH as provided for in the contract.

Through negotiations, Lottery and GTECH have tentatively agreed that, in addition to \$235,200 previously received by the Lottery in the form of sales credits, a one-time payment of \$750,000 would settle the outstanding liquidated damages balance. Under the terms of the agreement, GTECH will pay the Lottery \$500,000 in cash and \$250,000 in goods and services. In addition, the Lottery may require GTECH to contract with another vendor, if the desired goods and services can not be provided directly by GTECH. Lottery staff indicated there is currently no detailed plan for specific goods and services to be purchased with the \$250,000. We believe receiving payment in the form of goods and services will circumvent the legislative and budgetary process. Therefore, we include a recommendation that the Wisconsin Lottery report to the Legislature on its planned use of the GTECH settlement.

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## CONTRACT LIQUIDATED DAMAGES

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Throughout its history, the Wisconsin Lottery has relied on private contractors to provide significant operating assistance. Computer services have been, and continue to be, a major area of contracting. Since 1989, the Wisconsin Lottery has contracted with GTECH Corporation to operate a computer system supporting its on-line games, such as Powerball and Wisconsin's Very Own Megabucks.

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**GTECH Corporation was awarded the instant-ticket and on-line system contracts in 1996.**

In 1994, the Wisconsin Lottery concluded that a state-run system that supported its instant ticket lottery games was inadequate to meet current and future lottery needs. A study commissioned by the Lottery concluded that contracting with a private company for instant ticket computer services would be more cost-effective than updating the old system or purchasing a new one. As a result of this study and as part of an extensive privatization initiative, the Lottery in 1996 requested bids to operate a computer system to support on-line lottery games and another system to support instant ticket games. In October 1996, the Lottery awarded both contracts to GTECH Corporation.

On June 15, 1997, GTECH Corporation implemented a computer system, known as Pro:Sys, to fulfill the terms of both contracts. The primary function of Pro:Sys include:

- maintaining inventory records for instant lottery tickets by recording the purchase of tickets from the printer and the sale of tickets to retailers;
- validating tickets by ensuring winning tickets are legitimate and have not previously been paid;
- recording instant ticket and on-line lottery sales;
- billing retailers on a weekly basis; and
- generating sales reports for lottery management.

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**Computer system vendor payments represent 38 percent of the Lottery's administrative expenses.**

Under the terms of a five-year contract, the Wisconsin Lottery pays GTECH Corporation an annually determined fixed fee, plus 0.2 percent of sales. The fixed fee for instant ticket lottery games is \$723,000 annually, while the fee for on-line games increases from \$10.0 million in year one of the contract to \$10.8 million in year five. During fiscal year (FY) 1997-98 and FY 1998-99, total payments to

GTECH Corporation totaled \$11,659,039 and \$11,731,420, respectively. These amounts represent approximately 38 percent of the Lottery's administrative expenses.

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**Collection of liquidated damages reduces expenditures and increases the amount available for property tax relief.**

The contract also allows the Wisconsin Lottery to assess liquidated damages against GTECH Corporation for various processing complications. Payment of liquidated damages reduces the Lottery's expenditures, resulting in higher net income and increased amounts available for providing property tax relief. Liquidated damage amounts are determined based on specific criteria set forth in the contract. Examples of situations that may warrant the assessment of liquidated damages are computer failure or "downtime" for the Wisconsin Lottery or its retailers, failure to install new games in a timely manner, and computer system reports not being available in a timely manner. Damages are typically assessed on a per minute basis for critical functions, such as computer downtime, or on a per day basis for less significant functions, such as late reports. The damage amounts are credited against the next monthly invoice, thereby reducing the Lottery's monthly payment to GTECH Corporation.

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**Significant computer system problems were identified after system implementation.**

After the implementation of Pro:Sys in June 1997, the Wisconsin Lottery, its retailers, and GTECH Corporation experienced significant complications with the system. For example, for various periods of time:

- instant ticket validations could not be performed;
- the hotline telephone number for retailer questions and concerns was unavailable; and
- invoices were not available for retailers.

The Lottery experienced its most significant computer system difficulties between June 15, 1997, and January 15, 1998. For that time period, it assessed over \$2.97 million in liquidated damages against GTECH Corporation. In March 1999, the Lottery reevaluated these damage assessments and reduced the assessment to \$1.23 million, as shown in Table 1. Lottery staff indicated the reassessment was necessary because, in some instances, the computer system difficulties were misreported or the incorrect contract sections were applied when determining the per minute or per day charge, resulting in overstated liquidated damage assessments. Since January 15, 1998, additional liquidated damages of \$1.30 million have been assessed. Of the total liquidated damages of \$2.53 million, only \$235,213 has been collected. For computer system problems after April 30, 1999, liquidated damages have been assessed and collected on a timely basis.

Table 1

**Liquidated Damages Assessments**  
June 15, 1997 through April 30, 1999

<u>Assessment Period</u>	<u>Assessment</u>	<u>Collected</u>	<u>Balance Due</u>
June 15, 1997 to January 15, 1998	\$1,232,067	\$151,052	\$1,081,015
January 16-31, 1998	37,697	-	37,697
February 1998	268,472	-	268,472
March 1998	217,429	-	217,429
April 1998	80,289	-	80,289
May 1998	115,386	84,161	31,225
June 1998	184,747	-	184,747
July 1998	41,768	-	41,768
August 1998	26,187	-	26,187
September 1998	34,038	-	34,038
October 1998	25,796	-	25,796
November 1998	5,752	-	5,752
December 1998	15,569	-	15,569
January 1, 1999 to April 30, 1999	<u>247,386</u>	<u>-</u>	<u>247,386</u>
Totals	\$2,532,583	\$235,213	\$2,297,370

Given the volume of problems, Lottery staff indicated that it has been difficult to determine the total amount of liquidated damages. Therefore, they attempted to negotiate a settlement amount with GTECH Corporation to fairly compensate the Lottery and its retailers for computer system problems. Through negotiations, the Lottery and GTECH have tentatively agreed that, in addition to \$235,200 previously received by the Lottery in the form of sales credits on its monthly invoices, a one-time payment of \$750,000 would be paid by GTECH Corporation to settle the outstanding balance due.

Lottery staff indicated this agreement will require GTECH Corporation to pay the Wisconsin Lottery \$500,000 in cash and provide \$250,000 in goods and services, which do not necessarily have to be provided directly from GTECH. Therefore, based on the terms of this agreement, the Wisconsin Lottery could require GTECH Corporation to contract with another vendor to provide goods or services, such as computer hardware or marketing research. These goods or services, if purchased through GTECH, will not appear as an expenditure on the Lottery's financial statements. Lottery staff added that, currently, there is no plan for how the \$250,000 will be spent.

To ensure there is sufficient legislative and budgetary oversight of the use of the settlement funds, *we recommend the Wisconsin Lottery report to the Legislature's Joint Finance Committee and Joint Audit Committee by September 1, 2000, on its planned use of the GTECH settlement.*

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**State of Wisconsin • DEPARTMENT OF REVENUE**

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*Tommy G. Thompson*  
Governor

*Cate Zeuske*  
Secretary of Revenue

**MEMORANDUM**

August 31, 2000

**TO:** Senator Brian Burke  
Co-Chair, Joint Committee on Finance  
316 South Capitol

Representative John Gard  
Co-Chair, Joint Committee on Finance  
315 North Capitol

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

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

**FROM:** Cate S. Zeuske  
Secretary of Revenue *Cate Zeuske*

This report is being submitted in response to the Legislative Audit Bureau's recommendation in their annual financial audit of the Wisconsin Lottery, issued on June 12, 2000. Specifically, the recommendation was for the Wisconsin Lottery to address, by September 1, 2000, the planned use of a settlement from GTECH Corporation, the Lottery's computer services vendor.

**Background**

The Legislative Audit Bureau recommended that the Lottery develop a plan on the use of the \$250,000 settlement to receive legislative and budgetary oversight. GTECH Corporation owed the Lottery an accumulated amount of assessed liquidated damages. The Lottery and GTECH negotiated a settlement of these damages, part of which included a provision that GTECH would provide the Lottery with \$250,000 in products and/or services to enhance and otherwise improve the lottery/retailer relationship.

This paper outlines our plan in detail, including costs associated with the products and services selected and an estimate of the expected benefits to taxpayers.

The department is committed to using this funding to benefit lottery retailers as directly as possible. This commitment to retailer service is due to the fact that many of the liquidated damages covered by the settlement were for deterioration of services that inconvenienced the retailers directly. It seems appropriate to use the settlement in a way that would result in improved retailer service and which may result in improved sales over time. This decision is intended to compensate, in part, the retailers for their patience during the time period of reduced services and inconvenience.

### **Planned Use of Settlement**

The Wisconsin Lottery plans to utilize the \$250,000 to purchase "GVT Extra" terminals. This technology is an upgrade developed from existing technology that GTECH currently supplies the Lottery, called "GVT". The current GVT is a small terminal at the retail location that allows immediate validation of scratch tickets. The upgrade ("GVT Extra") maintains the same validation services for instant tickets, and adds the ability to sell terminal-generated "quick pick" tickets for daily and jackpot games. This means that a small retailer who currently can not produce enough sales to justify the cost of a full-size ISYS terminal (for full-service terminal-generated games such as Powerball, Megabucks, etc.) may be able to support a GVT Extra, which is smaller and less costly to operate.

The GVT Extra is different from an ISYS terminal in that the GVT Extra will not process the selection of a player's personal favorite numbers – it is designed to sell only quick picks (random numbers) for terminal-games. It also has some limitations in terms of its communications capabilities, in that it is a direct-dial system. That means that it is slower to generate tickets than an ISYS (full-size system), which makes it ideal for smaller retailer locations but not ideal for larger ones with higher customer traffic counts.

The GVT Extra terminals will be placed by the Lottery at retailer locations consistent with the criteria stated under s.565.02(3)(b) and WGC 61.04. A return-on-investment strategy will be identified. Priority will be given first to ensuring public access and convenience, and then to retailers who are not able to meet the cost of a full-service ISYS terminal but who potentially can generate the strongest return-on-investment with the use of a GVT Extra.

### **Cost of Operation**

The cost to implement this plan contains both one-time and ongoing expenses. One-time costs will be covered by the settlement valued at \$250,000. This amount will cover the hardware, software and installation costs for 125 GVT Extra terminals. The cost is \$2,000 per terminal. The one-time cost includes a one-year comprehensive service agreement, valued at \$16,000 per year. Therefore, in the first year of installation, there will be no costs that are separate from the value of the settlement.

In subsequent years, the Lottery will maintain the yearly service agreement (at an estimated annual cost of \$16,000 to \$20,000) from base level funding.

### **Benefits of Operation**

The Lottery estimates that this plan will result in 125 more retailers having access to sell terminal-generated games (i.e., Powerball, Megabucks, SuperCash, etc.). It is estimated that

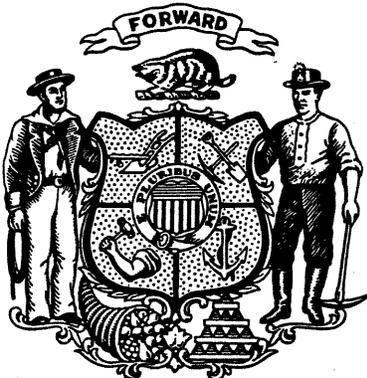
August 31, 2000  
Page 3

these retailers may generate as much as \$714,000 per year in increased sales of terminal generated products.

CZ:DS:pl

cc: Janice Mueller, State Auditor

*END*



*END*

# WISCONSIN ALLIANCE OF CITIES

14 W. MIFFLIN STREET #206 • MADISON, WI 53703-2576  
(608) 257-5881 FAX 257-5882 • EMAIL: wiscall@inxpress.net



February 15, 2000

Appleton  
Ashland  
Baraboo  
Beaver Dam  
Beloit  
Cudahy  
De Pere  
Eau Claire  
Fond du Lac  
Green Bay  
Greenfield  
Janesville  
Kaukauna  
Kenosha  
La Crosse  
Madison  
Manitowoc  
Marinette  
Marshfield  
Menasha  
Merrill  
Milwaukee  
Monroe  
Neenah  
Oshkosh  
Racine  
Sheboygan  
Stevens Point  
Superior  
Two Rivers  
Watertown  
Waukesha  
Wausau  
Wauwatosa  
West Allis  
West Bend  
Whitewater  
Wisconsin Rapids

**TO:** Senator Gary George and Representative Carol Kelso,  
Co-Chairs, Joint Committee on Audit

**FROM:** Edward J. Huck, Director

**RE:** Proposed Audit on Recycling

The Wisconsin Alliance of Cities supports an audit on local recycling programs if the audit goes beyond a simple comparison of costs. We may agree that recycling could be done in a more efficient manner, but we need to know the causes of those inefficiencies. If state statutes need to be amended to consolidate programs or offer other ways of taking waste out before it is buried the audit should make those recommendations.

We suggest the following factors be investigated:

- ◆ Economies of scale
- ◆ Diseconomies of scale
- ◆ Markets and price elasticity
- ◆ Product bans and mandatory deposit alternatives
- ◆ DNR oversight with emphasis on staff functions and need
- ◆ Density of population
- ◆ Per cent of rental units in a community
- ◆ Impact on spending controls under expenditure restraint
- ◆ Impact on the levy

We understand the business community does not want to pay for programs that are more expensive than necessary and neither do we. We believe, however, a simple comparison of costs will never get to the questions as they relate to how do we deliver this service at the least cost to our common citizenry.

*Potential cities  
a new landfill  
had we not  
started  
Energy costs to recycling  
to not recycling*



# David Ward

Wisconsin State Assembly  
Member: Joint Committee on Finance

## MEMORANDUM

**DATE:** February 15, 2000

**TO:** Senator George, Representative Kelso, and Audit Committee Members

**FROM:** Representative David Ward

**RE:** Proposed audit of Wisconsin's Recycling Program

*10 years  
304 mill  
+ 30 mill*

Thank you for allowing me to speak to you today in regards to the proposed audit of Wisconsin's Recycling Program. I believe that a recycling program is very beneficial and necessary to our state, however, with several of the discrepancies found in data, I think it is essential that the current program be audited. An audit would not only reveal the program's strengths, but it would also highlight shortfalls in which Wisconsin could improve upon. In my opinion, as members of the Legislature, it is our responsibility to ascertain that the money being spent on Wisconsin's Recycling Program is being spent wisely and effectively.

Below, you will find a number of the questions/concerns that I think need to be addressed by the proposed audit:

- Citizens around the state spend time separating newspapers, cardboard, aluminum, glass, plastic, etc. How many of these items end up mixed up and in the landfills anyway?
- In my Assembly district there is great discrepancy in the cost of recycling programs. In gathering information on this topic, I found an article in The Shawano Leader quoting the Shawano Public Works Director as saying that they try to make their recycling program look bigger for grant purposes. "We could show a lower cost, but this way we are getting more back from the DNR." Why is there so much discrepancy in costs from community to community? How do Wisconsin communities pay for the portion of recycling expenses not covered by state grants? How do costs per capita and costs per ton for residential recycling compare among Wisconsin's responsible units?
- In regards to the municipal and county recycling grants that are awarded, to what extent are travel expenses, conference registrations, dues, and subscriptions used as eligible expenses for qualification? Is there a relationship between the total expenditures for recycling by individual communities and the amount of waste recycled by them? Is there a relationship between the size of grants received by individual communities and the amount of waste recycled by them?
- Some research shows that Wisconsin spends more money on recycling each year than California while our population is much less. How do Wisconsin's state expenditures per capita for recycling compare to state expenditures in other states? How do Wisconsin's costs per capita and costs per ton for residential recycling compare to those in other states?
- Businesses, counties, and municipalities spend a lot on money for recycling programs. What are their total expenditures?
- Wisconsin statute 287.11 relates to establishing effective recycling programs around the state. Is the recycling program, overall statewide, effective? Is the number and purpose of the state positions funded through the segregated recycling fund appropriate? Is there replication or overlap in recycling related duties by the DNR and the UW-Extension?

*Act 335  
Recycling Subcommittees  
to Business*

*\$122/Resident  
\$40/Resident  
\$17/Resident  
Waukegan  
State Ave.*

Again, thank you for your attention this morning. If you have any questions regarding the audit request, I would be happy to address them.

# Recycling

## Stautz: High cost is misleading figure

By KEVIN DITTMAN  
Leader Reporter

The city of Shawano is getting its money's worth from its recycling program, according to city's director of public works.

An initial look at the costs, however, seems to indicate a different story.

Of the 129 Wisconsin cities that had a recycling and a yard waste program in

1986, only 23 had a higher average recycling cost per city resident.

Shawano's average was \$2.88, compared to a \$17.18 state average, a recent Wisconsin Taxpayers Alliance study said.

The costs ranged from \$40.18 in Waterloo to \$1.22 in Mequon. The wide variation in costs was the result of differing methods of collection and who does the pickup, the study said.

Rick Stautz, the director of



A familiar scene throughout Shawano each weekday morning includes a blue recycling bag resting by the curb.  
Leader photo/Kevin Dittman

### 1996 recycling costs in selected cities

City	Program cost	Cost/Person	Cost/Hshld.	Lbs./Person
Shawano	\$181,176	\$22.73/9.73*	\$53.35/22.6*	284.01
Chippewa Falls	\$55,000	\$4.58	\$12.22	108.83
Hudson	\$59,896	\$8.22	\$22.20	137.82
Fitchburg	\$138,222	\$11.52	\$35.66	204.67
Prairie Du Chien	\$56,624	\$10.55	\$27.42	195.94
Wausau	\$210,000	\$5.53	\$15.00	109.0
Wisc. Rapids	\$181,070	\$10.86	\$27.33	96.81
Stevens Point	\$230,435	\$12.83	\$33.37	130.43

Source: City of Shawano \*First figure includes depreciation of equipment, second figure does not. Leader graphic

public works, though, said Shawano's cost simply looks higher because the city tried to make it look bigger for grant purposes.

In 1996, the city of Shawano's recycling expenses was listed as \$181,176.34, which according to his figures translates to a \$22.93 cost per person.

However, \$56,071.14 of the total was depreciation from the vehicles.

Without the amount included, the city would have only received \$19,801 — a difference of \$29,238, he said.

Factors that may affect each city's total cost include the type of collection — public vs. private and curb pickup vs. drop off — and the frequency of the recycling collecting.

In Shawano, for instance, the city collects the recycling each week.

Other state communities have bi-weekly or monthly collections.

"We feel with weekly collection of the blue bags we get better participation," Stautz said.

"Other communities may have it less often (and save some money) but their participation might be less."

The city, which started its recycling program in 1988, has considered what it can do to help lower the cost, Stautz said.

Eliminate the curb-side pickup and go to a drop-off site? Participation would probably go down, he said.

Only pick up the recycling on a monthly basis? Residents would probably sneak some of the recyclables into their garage rather than have it sit around their house for four weeks, he added.

The key to having a good recycling program is to actually have people participate, Stautz said.

In this category, the director of public works says his city shines.

Stautz compared Shawano with Wisconsin Rapids, which

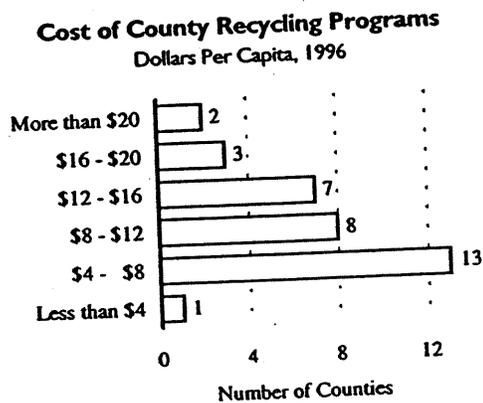
See Recycling Page A2

table on page 6); indicates that other factors might influence costs.

Other variables that affect recycling costs include: the frequency of collection (weekly, biweekly or monthly); the degree of sorting required of the resident (many different bins or one); and density of homes.

### County Recycling Costs Compared

The 34 county recycling programs had per capita costs between \$3.21 (Oneida) and \$24.33 (Menominee), a narrower range than cities. The average was \$9.92.



Florence and Menominee were the only counties with per capita costs in excess of \$18, while Oneida was the only one that spent less than \$4. Over one-third of county responsible units (13) had per capita costs between \$4 and \$8 (see chart above).

### Yard Waste Costs Compared

**Cities.** The cost to manage yard waste varied from a high of \$22.44 per capita in Waterloo to \$0.09 in Arcadia. Waterloo was followed by Glendale (\$21.75) and Neenah (\$21.53).

The variation is likely related to differences in service provided. Cities are not legally required to manage yard waste; therefore, they may direct residents to do so at their homes. However, many cities provide curbside pickup in season.

**Counties.** Just under half (16) of the 34 counties reported yard-waste expenses. Their costs were significantly lower than city expenditures. Of the counties with yard-waste expenditures, Florence spent the least (\$0.14 per capita) and Waukesha the most (\$3.60). Thirteen of the 16 counties spent less than \$1 per capita.

### Total Costs

**Cities.** Total per capita costs (recycling plus yard waste) were lowest in Mequon (\$1.22), where residents contract for recycling and the city spent \$1.20 on yard waste. They were highest in Waterloo, \$40.18 per capita, followed by Neenah (\$38.13), Glenwood City (\$34.43) and Watertown (\$33.30). Waterloo's ranking reflects high yard-waste costs (\$22.44) and above-average recycling costs (\$17.74). Average total costs were \$17.18 per capita.

**Counties.** Total county costs were between \$4.52 (St. Croix) and \$24.33 (Menominee) per capita. Florence (\$22.41 per capita) and Portage (\$19.86) counties were second and third in total costs. The average total costs for county units was \$10.90 per capita.

### State Grant/Local Share

**Cities.** On average, cities received \$6.13 per capita from the state to help pay for recycling. State grants varied from a high of \$12.27 per capita (Horicon) to a low of \$0.63 (Mequon).

Three cities (Arcadia, Independence and Whitehall) were reimbursed 100% of recycling expenditures because of a supplemental state grant to communities that impose a system of volume-based fees for garbage disposal. Thirty-nine other cities received supplemental grants in addition to the basic, cost-share grant.

(Text continues on page 10.)

**Recycling and Refuse Management Costs and Characteristics**  
City Responsible Units for Recycling, 1996

City	Pop.	Recycling and Yard Waste							Refuse		
		\$ Per Capita							\$ Per Capita		
		Recy.	Yard Waste	Total	State Grant	Local Share	Coll. Meth.	Service Provider	Coll.	Disp.	Service Provider
Abbotsford	2,023	\$11.36	\$0.49	\$11.85	\$3.61	\$8.25	Drop	Public	-	\$27.36	Public
Adams	1,768	23.35	8.40	31.75	8.18	23.57	Both	Private	\$37.19	2.85	Private
Algoma	3,388	16.65	-	16.65	11.83	4.83	Curb	Private	11.54	-	Private
Alma	890	6.44	0.54	6.98	4.12	2.86	Drop	Comb.	9.43	10.82	Private
Antigo*	10,025	14.84	-	14.84	8.84	6.00	Both	Public	6.09	59.57	Public
Arcadia	2,193	3.52	0.09	3.61	3.61	0.00	Both	Private	37.20	26.54	Public
Ashland	8,784	13.63	1.20	14.83	11.41	3.42	Curb	Private	9.59	16.56	Private
Baraboo	10,059	13.38	-	13.38	4.01	9.37	Curb	Public	20.41	26.74	Public
Beaver Dam	14,752	9.69	9.74	19.43	6.22	13.21	Both	Comb.	19.59	48.94	Private
Beloit	36,087	9.87	6.89	16.76	6.21	10.55	Both	Public	22.76	5.69	Public
Berlin	5,395	10.57	16.20	26.76	6.22	20.54	Curb	Comb.	35.00	-	Private
Blair	1,183	2.89	-	2.89	0.84	2.05	Curb	Private	56.51	15.31	Private
Boscobel	2,742	11.86	6.02	17.88	6.19	11.68	Curb	Private	55.28	-	Private
Brillion	2,912	13.73	4.84	18.57	6.22	12.34	Curb	Private	23.98	21.06	Private
Brodhead	3,226	12.13	6.32	18.46	6.72	11.73	Curb	Private	20.58	37.47	Private
Burlington	9,515	8.06	4.89	12.94	5.14	7.80	Curb	Private	22.68	8.48	Private
Cedarburg	10,513	8.78	7.10	15.88	5.30	10.58	Curb	Comb.	28.31	-	Private
Chilton	3,361	11.23	8.68	19.91	11.76	8.15	Curb	Private	20.01	8.96	Private
Colby	1,611	12.25	2.40	14.65	6.23	8.42	Curb	Private	2.69	27.35	Private
Cornell	1,548	12.91	1.17	14.08	11.61	2.47	Curb	Comb.	1.14	0.79	Residents
Cuba City	2,043	7.31	3.41	10.73	4.38	6.35	Curb	Private	25.65	-	Private
Cudahy	18,872	12.99	3.41	16.39	6.23	10.16	Curb	Comb.	15.36	21.36	Public
Darlington	2,298	9.74	6.09	15.83	6.14	9.69	Curb	Private	29.76	-	Private
De Pere	18,885	13.88	9.48	23.36	6.08	17.28	Both	Public	14.26	5.49	Public
Delavan	6,849	0.00	16.07	16.07	6.07	10.00	Curb	Other	-	0.13	Residents
Dodgeville	4,190	7.76	4.08	11.84	4.80	7.04	Curb	Private	27.51	-	Private
Edgerton	4,474	14.75	4.66	19.42	6.12	13.29	Curb	Private	24.60	33.57	Private
Elkhorn	6,301	10.69	4.58	15.27	6.17	9.09	Curb	Private	21.92	-	Private
Elroy	1,589	24.43	1.03	25.47	10.70	14.76	Curb	Public	17.20	21.26	Public
Evansville	3,526	10.69	3.06	13.74	11.75	1.99	Curb	Private	21.95	0.07	Private
Fennimore	2,479	25.59	3.41	28.99	6.25	22.74	Curb	Public	13.09	17.45	Public
Fitchburg	17,642	7.85	3.89	11.74	7.79	3.95	Curb	Private	18.70	-	Private
Fond du Lac	40,389	9.79	8.37	18.17	6.17	12.00	Both	Private	9.39	13.84	Public
Fort Atkinson	10,783	12.57	0.72	13.29	5.56	7.73	Both	Private	31.46	10.00	Private
Fox Lake	1,417	13.15	-	13.15	9.96	3.18	Curb	Comb.	11.11	14.95	Comb.
Franklin	25,726	6.96	1.07	8.03	4.14	3.89	Both	Private	22.45	-	Private
Glendale	14,241	6.87	21.75	28.62	7.37	21.24	Curb	Private	7.25	24.73	Private
Glenwood City	1,065	34.25	0.19	34.43	3.09	31.35	Drop	Public	-	27.30	Public
Green Bay	101,596	8.18	16.65	24.83	6.51	18.32	Both	Public	9.78	8.98	Public
Green Lake	1,079	11.29	16.41	27.70	6.27	21.43	Curb	Private	36.84	-	Private
Greenfield	35,449	11.45	0.93	12.38	5.42	6.96	Curb	Comb.	21.90	-	Private
Greenwood	1,012	11.57	-	11.57	4.59	6.98	Curb	Private	32.37	-	Private
Hartford	9,087	8.52	-	8.52	2.79	5.73	Curb	Private	23.01	-	Public
Hayward	1,978	0.64	7.11	7.75	3.99	3.75	Both	Other	0.81	45.25	Private
Horicon	3,914	11.29	16.57	27.87	12.27	15.60	Curb	Private	15.47	12.00	Private
Independence	1,110	5.22	-	5.22	5.22	0.00	Both	Private	20.29	0.87	Private
Janesville	57,928	9.35	3.22	12.57	5.79	6.79	Curb	Public	11.44	81.24	Public
Jefferson	6,541	17.89	3.71	21.60	6.11	15.48	Curb	Private	23.46	-	Private
Juneau	2,294	6.43	5.17	11.60	5.62	5.98	Curb	Private	20.29	14.50	Private

### Recycling and Refuse Management Costs and Characteristics, Cont.

City	Pop.	Recycling and Yard Waste							Refuse		
		\$ Per Capita					\$ Per Capita				
		Recy.	Yard Waste	Total	State Grant	Local Share	Coll. Meth.	Service Provider	Coll.	Disp.	Service Provider
Kenosha	85,685	\$10.51	\$3.07	\$13.58	\$6.15	\$7.43	Curb	Public	\$19.11	-	Public
Kewaunee	2,830	10.43	8.80	19.22	12.03	7.19	Curb	Public	14.49	\$5.19	Public
Kiel	3,101	8.63	6.11	14.74	10.49	4.25	Curb	Private	28.77	-	Private
La Crosse	51,942	3.68	8.08	11.75	4.91	6.84	Both	Private	12.18	15.39	Private
Lake Geneva	6,426	10.04	13.04	23.08	6.21	16.87	Curb	Private	23.97	-	Private
Lake Mills	4,467	15.36	11.12	26.49	6.82	19.66	Curb	Private	39.13	-	Private
Lancaster	4,244	7.61	12.37	19.98	6.24	13.74	Curb	Private	16.97	1.59	Private
Loyal	1,271	15.94	1.42	17.35	4.25	13.10	Curb	Public	20.16	-	Public
Madison	200,814	9.33	11.51	20.84	6.38	14.46	Curb	Public	16.76	25.20	Public
Manitowoc	33,910	0.52	11.88	12.40	9.95	2.46	Curb	Other	5.96	30.68	Private
Marinette	11,894	25.24	5.79	31.03	7.67	23.36	Curb	Public	34.61	-	Public
Markesan	1,518	8.27	15.90	24.17	6.25	17.93	Both	Private	26.44	11.98	Private
Marshfield	19,942	14.73	1.60	16.34	6.23	10.11	Both	Private	12.96	9.10	Private
Mauston	3,604	11.89	7.35	19.25	6.23	13.02	Curb	Comb.	23.72	-	Private
Mayville	4,624	24.39	0.76	25.15	11.55	13.60	Curb	Private	31.81	-	Private
Medford	4,368	9.78	9.17	18.95	6.22	12.73	Curb	Private	37.70	1.22	Private
Menasha	15,685	8.81	15.22	24.03	6.19	17.84	Both	Public	22.33	11.51	Public
Mequon	21,045	0.02	1.20	1.22	0.63	0.59	Curb	Other	-	0.77	Residents
Merrill	10,322	8.73	5.39	14.13	2.28	11.85	Curb	Public	33.52	18.45	Public
Middleton	14,854	7.67	3.74	11.41	4.46	6.95	Curb	Private	8.27	19.22	Private
Milton	4,904	10.58	7.85	18.43	6.13	12.30	Curb	Comb.	7.54	5.11	Public
Milwaukee	620,609	11.13	5.41	16.54	6.28	10.26	Curb	Public	27.16	12.91	Public
Mineral Point	2,544	12.20	-	12.20	4.20	8.00	Curb	Private	19.01	-	Private
Monona	8,574	7.66	9.57	17.23	6.23	11.00	Curb	Private	17.71	0.23	Private
Monroe	10,490	21.91	3.43	25.34	11.89	13.45	Curb	Public	8.37	32.40	Public
Mosinee	4,040	8.87	9.69	18.56	6.20	12.36	Curb	Comb.	26.56	-	Private
Muskego	19,677	13.29	-	13.29	6.14	7.14	Curb	Private	20.02	-	Private
Neeah	24,316	16.60	21.53	38.13	9.36	28.77	Curb	Public	29.42	-	Public
Neillsville	2,654	8.10	6.11	14.21	4.33	9.88	Curb	Private	22.67	15.81	Private
Nekoosa	2,624	5.71	15.80	21.51	6.27	15.24	Curb	Private	10.00	12.51	Public
New Holstein	3,363	6.04	12.67	18.71	11.38	7.33	Curb	Private	26.76	1.67	Private
New Lisbon	1,496	6.57	-	6.57	1.61	4.97	Curb	Private	25.17	12.78	Comb.
Niagara	2,053	11.04	7.58	18.62	6.03	12.59	Curb	Comb.	7.07	8.30	Private
Oak Creek	23,915	10.37	1.05	11.42	4.13	7.29	Both	Private	9.20	8.09	Public
Omro	3,086	7.85	6.98	14.83	6.09	8.74	Curb	Private	25.49	2.64	Private
Onalaska	14,257	3.83	3.99	7.82	3.53	4.29	Curb	Private	13.92	17.68	Private
Oshkosh	60,240	8.69	6.61	15.30	6.12	9.18	Curb	Public	12.74	8.32	Public
Osseo*	2,353	7.44	-	7.44	5.10	2.34	Drop	Public	1.50	-	Residents
Owen	924	6.92	3.53	10.45	3.61	6.84	Curb	Comb.	30.47	6.60	Private
Park Falls	3,119	10.45	-	10.45	6.20	4.25	Curb	Private	-	23.18	Comb.
Peshtigo	3,283	6.99	19.10	26.09	6.39	19.70	Curb	Private	21.82	16.25	Public
Phillips	1,709	16.03	-	16.03	8.80	7.23	Curb	Comb.	14.63	12.04	Public
Pittsville	845	8.51	-	8.51	6.84	1.67	Curb	Comb.	8.42	4.82	Public
Platteville	10,011	6.02	12.68	18.70	7.49	11.21	Curb	Private	15.73	-	Private
Plymouth	7,239	11.80	-	11.80	4.54	7.26	Curb	Private	25.92	1.03	Private
Port Washington	10,126	4.50	3.57	8.07	3.13	4.94	Curb	Private	20.19	-	Private
Portage	9,064	8.24	4.97	13.20	4.50	8.70	Both	Comb.	11.61	37.15	Comb.

## Recycling and Refuse Management Costs and Characteristics, Cont.

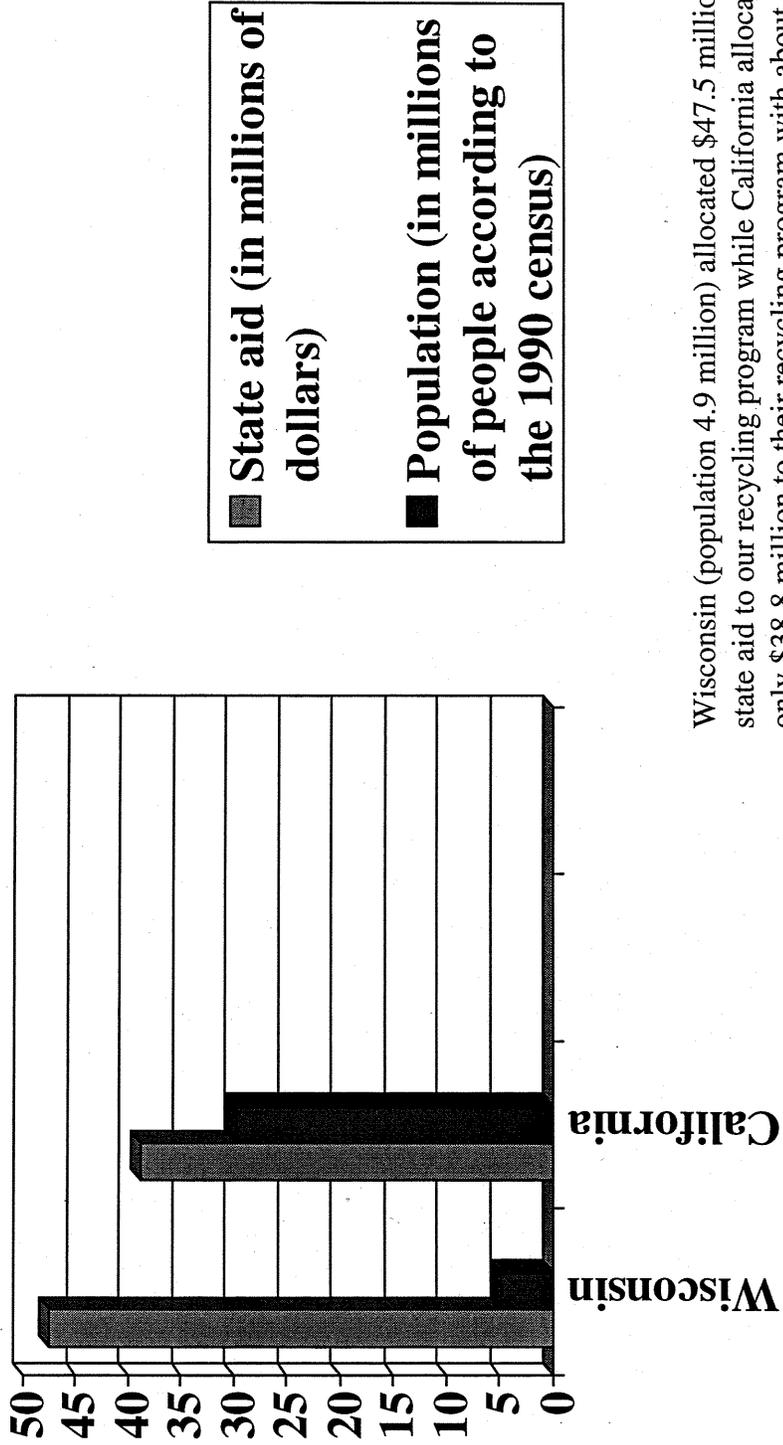
City	Pop.	Recycling and Yard Waste					Refuse				
		\$ Per Capita					\$ Per Capita				
		Recy.	Yard Waste	Total	State Grant	Local Share	Coll. Meth.	Service Provider	Coll.	Disp.	Service Provider
Prairie du Chien	5,699	\$10.23	-	\$10.23	\$4.39	\$5.84	Curb	Private	\$33.79	-	Private
Princeton	1,469	10.75	-	10.75	4.61	6.14	Curb	Private	-	\$11.20	Private
Racine	85,433	10.76	\$9.23	19.99	6.23	13.75	Curb	Public	19.91	10.37	Public
Reedsburg	6,808	1.10	2.06	3.17	1.15	2.02	Curb	Other	7.81	-	Private
Rice Lake	8,167	5.35	-	5.35	2.25	3.10	Both	Private	42.43	15.38	Private
Ripon	7,463	16.73	3.75	20.48	6.23	14.24	Both	Public	27.59	-	Public
Saint Francis	9,323	10.87	2.90	13.76	6.18	7.58	Curb	Private	26.28	-	Private
Schofield	2,423	19.54	2.36	21.90	6.67	15.23	Curb	Private	23.84	-	Private
Shawano	7,919	16.79	6.09	22.88	6.19	16.69	Curb	Public	21.39	93.64	Public
Sheboygan	50,763	25.41	1.81	27.22	6.56	20.65	Both	Public	17.93	0.21	Public
Sheboygan Falls	6,362	7.95	0.79	8.73	3.05	5.68	Curb	Private	10.10	10.59	Private
Shullsburg	1,264	9.82	-	9.82	4.20	5.62	Drop	Private	29.42	2.47	Comb.
South Milwaukee	21,315	11.38	3.03	14.41	6.45	7.96	Both	Private	28.06	25.59	Public
Stoughton	10,467	5.94	-	5.94	1.72	4.22	Curb	Private	25.10	5.20	Private
Sun Prairie	17,785	6.18	2.84	9.02	3.92	5.10	Curb	Private	22.50	-	Private
Superior	27,455	9.22	-	9.22	3.43	5.79	Curb	Private	19.72	13.35	Public
Thorp	1,677	14.13	0.17	14.30	11.72	2.58	Curb	Comb.	34.56	-	Comb.
Tomahawk	3,446	12.99	-	12.99	4.34	8.65	Curb	Public	56.67	-	Public
Two Rivers	13,396	17.06	3.44	20.50	10.22	10.29	Curb	Private	13.17	0.06	Private
Verona	6,017	9.54	9.78	19.32	10.91	8.41	Curb	Private	26.43	-	Private
Washburn	2,321	15.79	2.45	18.24	11.44	6.79	Curb	Private	-	27.53	Private
Waterloo	2,860	17.74	22.44	40.18	6.85	33.33	Curb	Comb.	1.25	36.69	Private
Watertown	20,565	18.90	14.40	33.30	7.97	25.33	Both	Public	6.75	9.43	Public
Waupun	9,878	8.44	-	8.44	4.07	4.38	Curb	Comb.	-	8.34	Residents
Wausau	38,700	6.49	3.07	9.56	3.75	5.80	Curb	Private	27.30	5.88	Private
Wauwatosa	49,299	11.23	12.68	23.92	6.49	17.42	Both	Comb.	19.34	28.67	Public
West Allis	63,576	10.14	9.74	19.88	6.51	13.36	Both	Public	42.00	1.71	Public
West Bend	27,796	13.76	3.99	17.76	6.20	11.55	Both	Private	6.95	24.27	Public
Weyauwega	1,705	5.29	3.89	9.19	4.06	5.13	Curb	Private	26.92	-	Private
Whitehall	1,556	5.11	0.27	5.37	5.37	0.00	Both	Private	3.30	41.18	Private
Whitewater	13,264	6.49	2.41	8.89	3.99	4.91	Curb	Private	18.23	-	Private
Wisconsin Dells	2,445	7.45	3.52	10.97	4.05	6.92	Curb	Comb.	48.34	52.84	Public
Wisconsin Rapids	18,798	10.21	8.43	18.65	6.21	12.44	Curb	Public	15.63	10.47	Public
<b>Total/Avg.</b>	<b>2,444,207</b>	<b>\$10.46</b>	<b>\$7.12</b>	<b>\$17.18</b>	<b>\$6.13</b>	<b>\$11.05</b>			<b>\$20.80</b>	<b>\$16.38</b>	

\* These two city responsible units have member municipalities. The population and recycling costs listed are for both the city and the associated town. The per capita refuse collection and disposal costs include only the city. (Antigo, population 8,567, includes the town of Rolling, population 1,458; Osseo, population 1,617, includes the town of Sumner, population 736.)

*Counties.* In counties, the average state grant was \$6.27 per capita, slightly higher than for cities. The local share was \$4.63 per capita, significantly less than cities. The relatively low local share reflects the state's providing a minimum of \$100,000 or 100%

of eligible costs to many counties. Thirteen counties received the \$100,000 minimum grant, while five received 100% of costs. Also, 20 counties received additional grants for operating volume-based fee systems for waste collection.

# State Aid for Recycling Programs (1995-1996 budget)



Wisconsin (population 4.9 million) allocated \$47.5 million in state aid to our recycling program while California allocated only \$38.8 million to their recycling program with about 6 times the number of people (29.8 million people) to serve.

*END*



*END*



**Dane County**  
**Department of Human Services**

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Director – Susan Crowley

**KATHLEEN M. FALK**  
DANE COUNTY EXECUTIVE

MEMO

To: Senator Gary George  
Representative Carol Kelso

From: Susan Crowley, Director

Re: Nursing Home Audit

Date: February 15, 2000

Thank you for agreeing to hold this hearing today. It is an important opportunity for the counties who run nursing homes, the Department of Health and Family Services and others to advance ideas to address the problems that the Legislative Audit Bureau report on county nursing homes highlighted.

The LAB report validates concerns that Dane County has had about funding for the nursing home we operate, the Badger Prairie Health Care Center. As the LAB report indicates, county homes typically care for residents with higher acuity levels. For example, 27 percent of the residents in private homes have challenging behaviors, and 22 percent have a primary diagnoses of mental illness. Forty-eight percent of the residents Badger Prairie Health Care have primary diagnoses of mental illness, and 45 percent have dementia and other challenging behaviors. These percentages have increased over the past decade as we have moved all residents we are able to safely care for in the community into community-based placements.

In order to provide safe and appropriate care for individuals, who cannot be adequately cared for in many private nursing home settings or community settings, we must ensure that we have appropriately trained staff and an adequate number of staff. This clearly contributes to our direct care costs, which, as the audit report indicates, are higher than the industry average.

The Intergovernmental Transfer Program (ITP) was created to help county homes such as ours get reimbursement for direct care costs that the Medical Assistance rate does not cover. In the first year of the program, Badger Prairie's direct care losses were reimbursed 100 percent by ITP. In the most recent fiscal year, the home's losses were reimbursed at only 47 percent. This is in spite of the fact that ITP revenues that the state receives on the county homes' losses are more than adequate to cover the entire loss. So, instead of using federal ITP revenues to cover our losses, these unreimbursed costs of care must be passed on to the local property taxpayer. In the most recent fiscal year (98-99), Dane County's property taxpayers paid for an unreimbursed loss of \$1.87 million.

There must be a better solution. I was heartened to hear that you were both interested in seeing alternatives developed. The audit report makes several good recommendations, and clearly given the serious discussion that counties with some of the larger county homes are having about closing their homes, it is essential to take action. If these homes close, the state will lose a significant portion of the ITP revenue it can currently collect. This will have a detrimental effect on the entire nursing home industry.

We favor an approach that would incrementally increase the reimbursement for indirect care losses from ITP from the current statewide percent of 50 percent to the initial reimbursement level of 86%. This could be done over a series of the next several biennial budgets.

Thank you again for holding this hearing and for your serious consideration of our recommendation for a solution to the problems that are facing county homes at this time.

cc. Dane County Legislative Delegation



**Clark  
County  
Health  
Care  
Center**

W4266

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Owen WI 54460

(715) 229-2172

FAX (715) 229-4540

February 15, 2000

Joint Committee on Audit  
Room 225 Northwest  
State Capitol  
Madison, WI 53702

To Whom It May Concern:

The purpose of this letter is to comment on the Legislative Audit Bureau's report of County Nursing Home Funding and to elaborate on the findings of the report as they relate to the Clark County Health Care Center.

The report discusses several key points which are very pertinent to the Clark County Health Care Center which are identified as follows:

1. CCHCC provides care to residents with more behavioral challenges than a typical, privately owned nursing home. Many of these residents are referred to CCHCC from other counties which do not have their own county facility.
2. The cost of caring for the residents at CCHCC is higher than privately owned nursing homes because of higher staffing demands required for residents with behavioral challenges. Municipal wages and union collective bargaining agreements also contribute to the higher costs.
3. Payments to CCHCC from the State's Intergovernmental Transfer (IGT) Program have not kept pace with cost increases and have actually decreased in amount over the past few years.
4. Clark County is a rural farming county with a small population, a low property tax base and low average per capita income. The annual property tax levy required to support the CCHCC is a burden to the taxpayers of Clark County.

CCHCC was built in 1922 as a county mental hospital and was located in the northern part of Clark County (near the City of Owen) to serve not only Clark County residents, but residents from other counties in the region that do not have their own facility. For many years the State provided an economic incentive for county mental hospitals to admit and care for residents from other counties (out of county residents) by providing a reimbursement rate of 110% of cost. The

first residents admitted to the facility in 1922 were transferred from Northern Colony (Northern Wisconsin Center, Chippewa Falls). CCHCC has traditionally admitted and cared for the difficult and hard to manage residents of, not only Clark County, but residents of other counties throughout the State. The location and size of the CCHCC has made it especially suitable to the role as a regional center for this area of the State. Even today, our inpatient population is still comprised of over 40% of our residents who were referred from counties other than Clark County.

Our facility also offers a unique "safety net" to privately operated nursing homes in the region by accepting difficult and hard to manage residents of these other nursing homes. At times, over 40% of our admissions have been directly transferred from other nursing homes because the level of care required could not be provided by that nursing home. We look at our facility, not in competition with the private sector, but as providing a unique and special service in the long-term care system.

A concern was raised in response to the report by Mr. Joe Leean, Secretary of the State Department of Health and Family Services, regarding the possible disincentive to community placement that additional funding would create. Mr. Leean expressed his belief that county nursing homes would inappropriately "hold onto" residents suitable for community placement. There is no basis in fact for this assertion made by Secretary Leean. CCHCC has in the past, and will continue in the future, to aggressively place residents of our facility who are deemed appropriate for community placement. This emphasis on community placement is attributed to the merge of the Clark County Health Care Center and Clark County Community Services into one agency which occurred in 1986. Clark County is a leading supporter of community placement and the least restrictive environment for our residents.

The Legislative Audit Bureau's report goes into great detail regarding the higher costs of county nursing homes. Our facility is faced with the same high costs as other county nursing homes. Additional staff needed to care for a difficult and hard to manage resident population is one of the main reasons for our higher costs. Our facility is also faced with municipal wage and fringe benefit provisions as well as union collective bargaining agreements. Despite the fact that we offer a relatively high level of wages and benefits, our facility has been faced with the inability to hire and retain sufficient qualified direct care staff to meet our needs. To address this situation, an improved entry level wage schedule was instituted last fall. This has been instrumental in helping us meet our staffing goals.

Once touted as a means of eliminating county nursing home deficits, the Inter-governmental Transfer (IGT) Program has fallen far short of this lofty goal. The State has adeptly manipulated IGT funding to meet its own needs at the expense of county property tax payers. The Clark County Health Care Center is projected to receive \$1,074,000 in 1999-2000 from IGT. While this amount is slightly higher than the amount received in 1998-1999, it is \$86,744 less than in 1997-1998. CCHCC has a projected deficit before applying IGT funds of \$2.5 million for year 2000. IGT will offset only about 40% of Clark County Health Care Center's operating deficit this year. Since nearly 90% of our residents are Medicaid recipients, it is our concern that the shortfall is mostly attributed to the funding of this program.

Clark County is a rural farming county with a small population, a low property tax base, and, a low average per capita income. The annual property tax levy required to support the CCHCC is a burden to the taxpayers of Clark County. In 1997, The Clark County Board of Supervisors directed that a study be done on the operations and funding of the Clark County Health Care Center because of the potential for increasingly higher deficits. One possible outcome of the study was that the Clark County Health Care Center could have been sold to a private corporation. It was decided that the facility should remain an operating entity of the county due, in part, to the expected future growth in IGT funding. This has not been the case, however.

It would be unfortunate if circumstances were such that the Clark County Board of Supervisors would be faced with a decision to sell or close the CCHCC. The future uncertainty of funding from the IGT program makes that situation more and more likely. The West-central Wisconsin region would lose a valuable resource for it's most difficult and challenging residents. The State would lose the opportunity to continue to claim losses attributed to CCHCC for IGT funding. This could be avoided by simply re-allocating current IGT funding back to its' original level of 86% of county nursing home deficits.

If you have any questions or concerns regarding this matter, please contact me.

Sincerely,

Arlyn A. Mills  
Administrator

## Wisconsin County Homes Testimony to Joint Legislative Audit Committee

Chairs Representative Kelso, Senator George and committee members. As a County Homes Administrator and as the current County Homes President, I am here representing County Homes with comment on the recent study completed, "An Evaluation County Nursing Home Funding".

I would like to thank the Joint Legislative Audit Committee for directing the evaluation of County Homes. We believe the audit was thorough and accurately represented County Homes and the fiscal concerns we face. The audit represents an accurate compilation and confirmation of facts that we as County Home providers believe and know exist.

We are indebted to the committee for initiating the audit in relation to our expressed concerns that include:

- Current State and Federal reimbursement levels are inadequate to cover costs associated with providing care to individuals, who in addition to their medical needs, exhibit challenging behaviors, such as wandering or behaving aggressively.
- County property taxes increasingly are used to cover Medicaid shortfalls.
- Funds received for the IGT program have been diverted away from their original intent, which was to reduce the effects of Medicaid deficits on the property tax payer.

Audit highlights address the first concern and conclude the following:

County facilities reported a higher percentage of residents exhibiting challenging behaviors than did other facilities.

- 41.9% of residents in county owned facilities were reported to exhibit challenging behaviors, compared to only 27.1% in privately owned facilities.
- Chapter 51 placements were higher for residents at County owned facilities than for residents of privately owned facilities.
- County Homes have historically received the emotionally disturbed supplement to assist in dealing with the emotionally difficult to manage resident.
- County Homes currently receive \$9 a day for specialized services, which briefly stated is a payment that is intended to compensate facilities for the federally mandated active treatment of behavioral residents. Counties receive 60.8 % of these funds indicative of the population being served by County Homes. It is also interesting to note that the percentage would be higher had three County Homes not closed and their private owners were listed as non County Homes claiming specialized service funds.

It is also interesting to note that if one compares the statistics of the closed County facilities today, as compared to pre closure there is a notable decline in the number of mentally ill being served.

## Staffing Considerations:

The department suggests that there is little to support a correlation between staffing levels/cost and care of the emotionally disturbed. Yet the audit study cites:

- The study found that within County Homes there is a statistical correlation between nursing aide-staffing levels and the extent of resident's reported with behavioral challenges.
- Additionally as a County Nursing Home Administrator who has the opportunity to operate a geriatric facility as well as facility with programming specifically designed to manage the emotionally disturbed, I can personally attest to the difference:
  - ✓ Additional training – CPI (Crisis Prevention/Intervention), medication side effects, vocational services, recreational activity therapies, psychology, etc.
  - ✓ Increased worker compensation costs
  - ✓ Increased worker stress
  - ✓ Worker preferences to work with those individuals that are not emotionally difficult to manage.
  - ✓ Turnover needs to be minimized and consistent staffing maintained for all the traditional reasons, plus the more extensive training needed to maintain an appropriate care and treatment entity. For instance on a weekend where I experienced relief or fill in help we experienced a nearly 10 fold increase in the number of behavioral incidents as compared to the experienced/trained staff usually on duty. A quote from the Center for Health Statistics, Division of Health, DHFS—Wisconsin Nursing Homes, 1994 still holds true, "It can be generally assumed that the lower the turnover among nursing employees in a nursing home, the better the quality of care."
  - ✓ This merely confirms the need to retain trained/experienced and competent staff.

## Family Care Considerations:

- County Homes will serve as a safety net in a system where the hard to care for will not be considered as a desirable care candidate.
- County Homes already do this as Trempealeau County serves individuals from 56 of Wisconsin Counties and other Counties do much the same, i.e. Rock County, Lakeview, etc. If these Counties are not available under Family Care where and at what expense will they be cared for?
- In a study in Outagamie County nursing facility rates were found to be very competitive when all services were considered for the medically or behaviorally ill.
- Family Care is intended to identify people with the greatest need and will steer those most functionally impaired to nursing homes. County Homes already serve those individuals and are in an excellent position to continue this service under Family Care.

## Financing:

The County Homes have, with the cooperation of the legislature, instituted several programs over the years to enable the Counties to serve the emotionally difficult to manage only to have these financially supportive programs wither away with DHFS recommendations: First, there was the emotionally disturbed program, specialized services program (currently available-same funding level as when initiated in 1988), and more recently IGT.

The study points out that what started out at covering 86.1% of County costs will be at 50.2% of County costs in 2000-2001. We as a County organization can no longer afford to have the Counties fund a greater and greater portion of all nursing facilities in Wisconsin. The Wisconsin Counties would request that the Committee consider:

- Follow through on the Study's recommendation that the Departments of Administration and Health and Family Services report jointly to the Joint Legislative Audit Committee, by May 1, 2000, on the consultant's conclusions and whether the aggregate payments made for nursing homes should be adjusted.
- Parallel to this request the County Homes request that a schedule be established that will gradually return Counties reimbursement level under the IGT program to 86% of medical assistance costs, or where we began as contributors to Wisconsin's IGT program

Thank you for the opportunity to appear before you!



**JAMES E. GILLIGAN, CHAIRMAN**  
**SHEBOYGAN COUNTY BOARD OF SUPERVISORS**

**CHARLES W. CONRARDY, CHAIRMAN**  
**SHEBOYGAN COUNTY HEALTH CARE CENTERS COMMITTEE**

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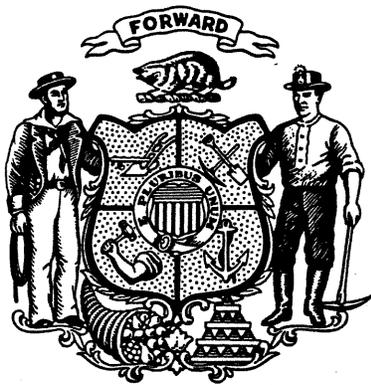
As representatives of Sheboygan County which owns and operates Sunny Ridge Nursing Home, Rocky Knoll Health Care Facility and Sheboygan County Comprehensive Health Center, we wish to make the following statements for the record, concerning the Wisconsin Intergovernmental Transfer program.

- The IGT program has been instrumental in assuring adequate funding for county facilities as their costs have increased. Continuation of the IGT program is essential to the financial health of county and municipal agencies.
- Based on the findings of the Wisconsin Legislative Audit Bureau, residents of county-owned facilities exhibit more behavioral challenges than do residents of private facilities. Since it is probable that a link exists between challenging behavior and higher staffing levels, we urge the state to consider additional funding to county-owned facilities to cover the cost of the "more difficult" residents.
- County facilities have been criticized for having higher wage costs than private facilities. All facilities, whether private or county-owned, operate in the same labor market. We all compete for qualified and motivated employees. Counties are cost conscious and do not voluntarily pay more than they feel is necessary to recruit suitable staff. The higher county wages are a direct reflection of a higher concentration of challenging residents. If private facilities are going to use the counties as a "dumping ground" for challenging residents, it follows that wages will need to be higher to compensate for the more difficult working conditions.
- The current allocation methodology of IGT funds should not be changed at the present time. A change in the method of allocation between facilities could cause a financial hardship to those facilities who would receive fewer funds under the new method.
- We urge the state to investigate the application process to insure that federal funds for the IGT program are maximized to the extent allowed by the Federal Medicare Limit.
- The legislative audit bureau study shows that IGT awards have not kept pace with the Medical Assistance losses incurred by County-Owned facilities. In the 1993-1994 fiscal period, 86.1% of Medical Assistance losses were reimbursed by the IGT program. For the 2000-2001 budgeted fiscal period, only 50.2% of Medical Assistance losses will be covered by IGT awards. This is a significant decline. To help mitigate this financial hardship, the state of Wisconsin must allocate a larger portion of the federal IGT funds directly to the counties, rather than using the funds to supplement the general purpose revenue fund.

  
Supervisor James E. Gilligan, Chairman, Sheboygan County Board

  
Supervisor Charles W. Conrardy, Chairman - Sheboygan County Health Care Centers

*END*



*END*

Assembly Hearing Slip

(Please print plainly)

Date: 5-18-99

Bill No. Special Ed Funding  
Or.  
Subject

Philip Kruebel  
(Name)

4792 Nanger Rd  
(Street Address or Route Number)

Madison, Wis 53704  
(City & Zip Code)

SAA - WCASS  
(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only;  
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 18 May, 1999

Bill No. Special Ed. Audit  
Or.  
Subject

Joe Quick  
(Name)

545 W. Dayton St.  
(Street Address or Route Number)

Madison 53702  
(City & Zip Code)

Madison Metropolitan School Bd.  
(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only;  
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 5/18/99

Bill No. \_\_\_\_\_  
Or \_\_\_\_\_  
Subject: Audit Bureau Report  
Special Ed Funding

(Name) \_\_\_\_\_

See back - Panel  
(Street Address or Route Number)

School District of  
(City & Zip Code)

Janesville, 527 So.  
(Representing)

Franklin Janesville

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

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Assembly Sergeant at Arms  
Room 411 West  
State Capitol  
Madison, WI 53702

OVER-list

Assembly Hearing Slip

(Please print plainly)

Date: 5-18-99

Bill No. Audit bureau report  
Or \_\_\_\_\_  
Subject: special ed funding

Paula Witbro  
(Name)

202 S Sawyer  
(Street Address or Route Number)

Shawano 54166  
(City & Zip Code)

WEAC/WFT  
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

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Assembly Sergeant at Arms  
Room 411 West  
State Capitol  
Madison, WI 53702

Virginia Wyss, President  
Board of Education  
+ Co-chair, J. Leg. Com.  
Dr. Tom Evert, Supt.

John Eyster, Teacher  
and Co-chair,  
Joint Legislative  
Committee

Dr. Jeanine Allen,  
Director of Special  
Education

Lauri Clifton,  
Comptroller  
Mrs. Kathy Brickman,  
Parent

Jennifer Dye,  
Student and Member,  
Joint Leg. Committee

Assembly Hearing Slip

(Please print plainly)

Date: 5/18/99

Bill No. \_\_\_\_\_  
Or  
Subject: SPECIAL ED. AUDIT

JEFF SPITZER RESNICK  
(Name)

16 N. CARROLL #400  
(Street Address or Route Number)

MADISON, WI 53703  
(City & Zip Code)

WIS. COALITION FOR ADVOCACY  
(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only;  
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

I MUST LEAVE  
BY 9:15.

DPI

Assembly Hearing Slip

Assembly Hearing Slip

(Please print plainly)

(Please print plainly)

Date: MAY 18, 1999

Date: 5/18/99

Bill No. \_\_\_\_\_  
Or Subject Special Ed Funds

Bill No. \_\_\_\_\_  
Or Subject Special Education Audit

DAVID L. MUNRO  
(Name)

Paul Halverson  
(Name)

904 ROYALTY CT  
(Street Address or Route Number)

1629 Kings Mill way - Apt 106  
(Street Address or Route Number)

Oconomowoc, 53066  
(City & Zip Code)

Madison, WI 53718  
(City & Zip Code)

SELF  
(Representing)

Dept. of Public Instruction  
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 5/18/99

Bill No. \_\_\_\_\_  
Or Subject: SPECIAL ED. AUDIT

JEFF SPITZER RESNICK  
(Name)

16 N. CARROLL #400  
(Street Address or Route Number)

MADISON, WI 53703  
(City & Zip Code)

WIS. COALITION FOR ADVOCACY  
(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only;  
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

I MUST LEAVE  
BY 9:15.

WISCONSIN LEGISLATURE - COMMITTEE ATTENDANCE FORM

Joint Committee on Audit  
COMMITTEE 5-18-99 DATE

Hearing Slip

(Please print plainly)

Bureau Report  
Ed Funding  
1 - Panel  
Number)  
Triet of  
527 So.  
Janesville

- 
- 
- 
- 

Information only;

Please return this slip to a messenger promptly.

at Arms:

= list

Assembly Hearing Slip

(Please print plainly)

Date: 5-18-99  
Bill No. Audit bureau report  
Or  
Subject special ed funding  
Paula W. Schro  
(Name)  
202 S. Sawyer  
(Street Address or Route Number)  
Shawano 54166  
(City & Zip Code)  
WEAC / WFT  
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only;  
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

DPT

Hearing Slip

Assembly Hearing Slip

print plainly)

(Please print plainly)

1999

Date: 5/18/99

Ed Funding

Bill No. \_\_\_\_\_  
Or Subject: Special Education Audi

MUNRO

Paul Halverson  
(Name)

174 CT  
(Route Number)

1629 Kings Mill way - Apt 106  
(Street Address or Route Number)

53066

Madison, WI 53718  
(City & Zip Code)

Dept. of Public Instruction  
(Representing)

- 
- 
- 
- 

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only; Neither for nor against:

Information only;

to a messenger promptly.

Please return this slip to a messenger promptly.

at Arms:

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

Hearing Slip

(Print plainly)

799  
D. Audent

Winton St.  
(Street Number)  
53702

Winton School Bd.

- 
- 
- 
- 

Information only;

Return to a messenger promptly.

Assembly Sergeant at Arms:

Assembly Hearing Slip

(Please print plainly)

Date: 5-18-99  
Bill No. Special Ed Funding  
Or.  
Subject

Philip Knobel  
(Name)

4292 Nenger Rd  
(Street Address or Route Number)

Madison, Wis 53704  
(City & Zip Code)

SAA - WCASS  
(Representing)

- Speaking in favor:
- Speaking against:
- Registering in favor:
- Registering against:
- Speaking for information only;  
Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms:  
Room 411 West  
State Capitol  
Madison, WI 53702

WISCONSIN LEGISLATURE - COMMITTEE ATTENDANCE FORM

*Audit*

COMMITTEE

*5/18/99*

DATE

LEGISLATOR NAME

*FRANK LASER*

WISCONSIN LEGISLATURE - COMMITTEE ATTENDANCE FORM

*Joint Committee on Audit*

COMMITTEE

*5-18-99*

DATE

LEGISLATOR NAME

*Robert Borl*

WISCONSIN LEGISLATURE - COMMITTEE ATTENDANCE FORM

Audit

COMMITTEE

5/18/99

DATE

LEGISLATOR NAME

Tim Carpenter

WISCONSIN LEGISLATURE - COMMITTEE ATTENDANCE FORM

Curlit

COMMITTEE

5/18/99

DATE

LEGISLATOR NAME

Rep. Tading

# HIRSP

- Secretary Lecan, Angie?

Need for Medicaid cost controls, legis.  
put in BPR so program is not  
completely Medicaid funded  
increases in customer service reps

- Bob Wood, WPS

MONTHLY reports on data (financial)  
EXCESS premiums collected b/c of not  
knowing what costs will be

Special Ed

Need for fixed dollar contract

• Jamesville <sup>School</sup> ~~Special~~ Dist.

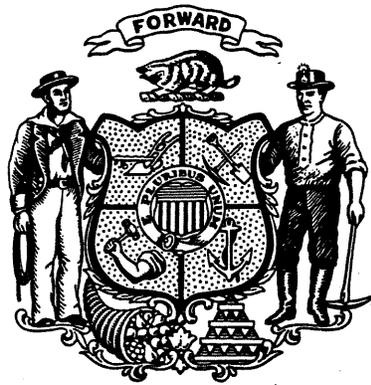
• Paula, Shawno

• David Montor

• DPI

• Madison School Dist.

*END*



*END*



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER  
STATE AUDITOR

22 E. MIFFLIN ST., STE. 500  
MADISON, WISCONSIN 53703  
(608) 266-2818  
FAX (608) 267-0410  
Leg.Audit.Info@legis.state.wi.us

April 5, 2000

Senator Gary R. George and  
Representative Carol Kelso, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator George and Representative Kelso:

We have completed a review of the Environmental Cooperation Pilot Program, which was established by 1997 Wisconsin Act 27. The program, operated by the Department of Natural Resources (DNR), is intended to provide increased flexibility for facilities in complying with environmental regulations, while maintaining existing levels of environmental protection. The Legislative Audit Bureau is directed to monitor and report annually on the program.

The program allows DNR to sign cooperative agreements with facility owners and operators. No cooperative agreements were established in the program's first two years. However, in March 1999, the Department and the U.S. Environmental Protection Agency (EPA) signed a formal agreement stating that facilities that enter into cooperative agreements will not be subject to different EPA requirements at a later date. DNR staff believe the agreement with the EPA will encourage more facilities to consider developing cooperative agreements. Seven facilities have submitted letters of intent to join the program, and DNR expects to sign two cooperative agreements by the summer of 2000.

Because of the limited activity in the program during its first two years, it is too early to assess its effectiveness. We will, however, continue to monitor it and issue a report in early 2001.

Sincerely,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller  
State Auditor

JM/bm

Enclosure

## THE ENVIRONMENTAL COOPERATION PILOT PROGRAM

1997 Wisconsin Act 27 created the Environmental Cooperation Pilot Program with the goal of encouraging innovation and experimentation in environmental regulation, while maintaining at least the current level of environmental protection. To do that, the program authorizes the Department of Natural Resources (DNR) to establish up to ten cooperative agreements with owners or operators of facilities covered by environmental regulatory licenses or permits, such as water pollution discharge elimination permits or air pollution control permits. More than one facility may be covered under an agreement, if they have the same owner or operator. In these agreements, which last five years and can be renewed for an additional five years, DNR agrees to give facilities greater flexibility in meeting federal and state environmental regulations and reduce administrative requirements. In return, facilities must evaluate their entire effect on the environment, establish goals to reduce their overall level of pollution, and measure their progress toward those goals. Cooperative agreements will replace and supercede provisions of any DNR licenses or permits for the term of the agreement. However, the owner or operator will still be required to pay the same fees under the cooperative agreement as under superseded licenses or permits.

Statutes and DNR procedures determine the process by which DNR and participating facilities develop cooperative agreements. First, a facility owner or operator sends DNR a letter of intent and application, indicating plans to negotiate a cooperative agreement. The facility then submits to DNR a draft agreement, or initial proposal for items to be included in the cooperative agreement. DNR staff develop a counter-proposal that indicates points of agreement and areas that require greater explanation or negotiation. At this point, formal negotiations begin between DNR and the participating facility, the product of which is a signed cooperative agreement.

Terms of the cooperative agreements are specific to each participating facility. For example, DNR can grant one or all of the following:

- reduced monitoring, record-keeping, and reporting requirements;
- removal of requirements to screen for pollutants that have not appeared in earlier analyses;
- creation of facility-wide permits for some waste or pollution sources; and
- expedited decision-making from DNR and the U.S. Environmental Protection Agency (EPA) regarding new permits or variances to existing permits.

In addition, DNR is prohibited from bringing civil action against participating facilities for civil violations disclosed by the facility that do not present an imminent threat to public health or the environment and are corrected within 90 days. However, the Department retains its authority to bring civil and criminal charges against facilities if it discovers serious violations during routine enforcement reviews. The program also requires participating facilities to engage in

public involvement activities. Specifically, they are required to establish "interested persons groups" composed of local citizens who review both the design of their environmental management systems and progress toward meeting waste reduction goals. DNR also must provide for public comment on any issuance, modification, or revocation of a cooperative agreement.

Finally, the legislation requires annual progress reports to the Legislature by the DNR, and for the Legislative Audit Bureau to monitor the program.

### **Memorandum of Agreement between DNR and EPA**

DNR staff indicate that because the EPA did not provide its formal support to the program during the first one and one-half years, progress on establishing agreements was impeded. Facility owners and operators were concerned that EPA might not recognize the permit variances granted by DNR, resulting in additional rather than reduced work required to follow both the federal and state rules. Moreover, concern was expressed that citizens could bring legal action against firms for not following federal regulations.

However, on March 25, 1999, EPA and DNR signed the nation's first federal-state agreement allowing development of an experimental regulatory system. The principal points of the agreement include:

- assurance to facilities that DNR's cooperative environmental agreements are allowed and supported by EPA;
- creation of an Interagency Innovations Team, composed of DNR and EPA staff, to coordinate regulatory change and enforcement decisions for each participating facility; and
- assurance to EPA that Wisconsin will continue to provide adequate enforcement against facilities with serious violations.

The memorandum of agreement outlines the process that the interagency team will follow when implementing cooperative agreements. First, both DNR and EPA will review draft agreements and agree upon their strengths and challenges. The EPA will have four weeks to react to draft agreements and identify any potential issues that need to be resolved. Second, DNR will negotiate a cooperative environmental agreement with interested facilities. While EPA has no role in the actual negotiations, the interagency team may be used to identify mechanisms that can carry out specific innovations requested by facilities. Third, DNR and EPA will work together as issues arise through the implementation process of individual cooperative agreements and the pilot project in general. Finally, the interagency team, along with other interested parties, will develop criteria with which to evaluate the program.

In addition, the memorandum of agreement clarifies the steps that DNR and EPA will take to ensure that any changes to state or federal environmental requirements are legally binding and enforceable. If a facility requests modifications to the state environmental program, such as those that govern noise, odors, or airborne chemicals not regulated by EPA, the state will decide whether to approve the changes. However, if a facility requests changes to a federal program, EPA will decide whether to approve the changes. If they are approved, EPA will decide on accommodating actions depending on the type of changes requested. In any case, EPA and DNR have agreed that any approved modifications written in cooperative agreements will replace those previously in effect and become the enforceable rules for those facilities.

### **Current Status of the Program**

In addition to signing the agreement with EPA, since 1997 Wisconsin Act 27 was enacted in October 1997, DNR has:

- provided information about the program to facilities and the public through flyers and public speaking opportunities;
- received letters of intent to join the program from seven facilities; and
- organized a Cooperative Agreement Advisory Group to evaluate the program's success over the long term.

DNR's initial mail solicitation generated 49 requests for additional information on the pilot program, and DNR staff met with representatives from 11 facilities. Although DNR has not yet signed any cooperative environmental agreements, four of the seven facilities that have sent letters of intent also have submitted draft agreements. These facilities are:

- Packaging Corporation of America, of Tomahawk;
- Navistar International of Waukesha;
- Cook Composites and Polymers of Saukville; and
- Northern Engraving Corporation of Sparta.

The Kohler generator facility in Mosel had sent a letter of intent and a draft agreement to DNR. However, after receiving a formal response from DNR, it decided to withdraw from the program.

Draft agreements allow participating facilities to propose variances and operational flexibility from DNR. Requested variances include:

- reduced sampling frequency for wastewater discharges;
- a single permit that would cover all environmental emissions for the entire facility;

- fewer inspections upon implementation of a recognized environmental management system; and
- a facility-wide air pollution cap, which would allow a facility to construct or modify air emission sources within existing facilities without going through DNR's permit process.

Finally, the draft agreements describe how participating facilities will incorporate public input through interested persons groups, any steps they commit to make toward exceeding current environmental requirements, and how agreements will be enforced.

DNR has organized teams of regional and headquarters staff to develop counter-proposals for each of the draft agreements that it has received. DNR staff also met with Navistar officials in preparation for writing a counter-proposal to assess the types of pollutants that the facility's owners wish to address through the agreement and develop possible alternatives to accommodate the facility's requests. Because the facility is in an area of the state that does not meet EPA's overall air quality standards and the facility has decided to focus on air quality issues, DNR and Navistar met with EPA representatives to discuss whether EPA can provide flexibility to federal air quality regulations. While DNR expects that counter-proposals to Packaging Corporation of America, Cook Composites, and Northern Engraving will be relatively straightforward, it anticipates Navistar's counter-proposal will take longer to develop because of the facility's issues.

To evaluate the program's ongoing performance, DNR has organized a Cooperative Agreement Advisory Group, which consists of representatives from facilities that have submitted a letter of intent, EPA, the Department of Commerce, and business and environmental organizations. The advisory group has met three times since its formation, and is currently focusing on developing performance measures for the program. In addition, to increase the program's accessibility to the public and other facilities, DNR has all documents related to the program, including draft agreements and counter-proposals, available on its internet web site.

Statutes require DNR to try to attract facilities "of a variety of types, sizes, and locations" to the program; thus far, only larger facilities have expressed interest. DNR has been attempting to attract smaller facilities through discussions with consulting firms that act to ensure those facilities' environmental compliance and through other outreach activities. However, none have yet shown interest, apparently because in general they have fewer regulations to follow and fewer resources to commit to developing program requirements such as an environmental management system.

### **Future Considerations**

According to its October 1999 report, DNR expects to have two cooperative agreements negotiated and signed, and to receive three additional draft agreements by the summer of 2000. By the end of 2000, DNR expects to have signed five cooperative agreements and to have received ten letters of intent to participate.

However, as of March 2000, DNR has not returned any counter-proposals or begun formal negotiations with any facilities that have submitted draft agreements, and it has missed deadlines it has set for itself in its last two reports. Therefore, it is possible that it will not reach all of its goals. The statutes state that DNR may not sign any agreements after October 1, 2002.

\*\*\*\*