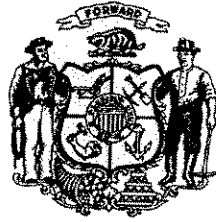


# THE STATE OF WISCONSIN

pt 8

SENATE CHAIR  
**BRIAN BURKE**

317-E Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-8535



ASSEMBLY CHAIR  
**JOHN GARD**

308-E Capitol  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: (608) 266-2343

## JOINT COMMITTEE ON FINANCE

May 29, 2001

Secretary George Lightbourn  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, Wisconsin 53703

Dear Secretary Lightbourn:

We are writing to inform you that the members of the Joint Committee on Finance have reviewed your budget request, received May 9, 2001, pursuant to s. 16.515/16.505, Stats., pertaining to requests from the Department of Health and Family Services, the Department of Corrections and the Department of Administration.

No objections have been raised concerning this request. Therefore, the request is approved.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of John G. Gard in black ink.

JOHN G. GARD  
Assembly Chair

BB:JG:dh

- cc. Members, Joint Committee on Finance  
Secretary Phyllis Dubé, Department of Health and Family Services  
Secretary Jon Litscher, Department of Corrections  
Robert Lang, Legislative Fiscal Bureau  
Vicky La Belle, Department of Administration

# THE STATE OF WISCONSIN

SENATE CHAIR  
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## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Brian Burke  
Representative John Gard  
Co-Chairs, Joint Committee on Finance

Re: s. 16.515/16.505, Stats. Request

Date: May 10, 2001

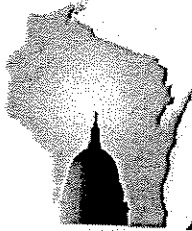
Attached is a copy of a request from the Department of Administration, received May 9, 2001, pursuant to s. 16.515/16.505(2), Stats., pertaining to requests from the Department of Health and Family Services, the Department of Corrections and the Department of Administration.

Please review the material and notify **Senator Burke** or **Representative Gard** no later than **May 24, 2001**, if you have any concerns about the request or if you would like to meet formally to consider it.

Also, please contact us if you need further information.

Attachment

BB:JG:dh

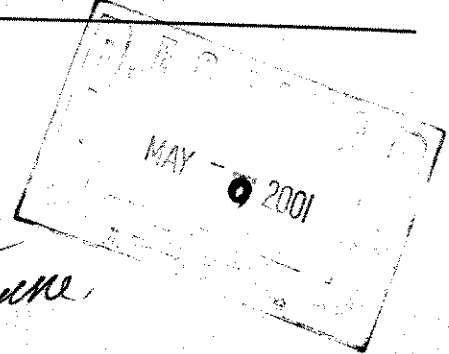


**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

SCOTT McCALLUM  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY

Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
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TTY (608) 267-9629



*George Lightbourn*

**Date:** May 8, 2001

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

The Honorable John Gard, Co-Chair  
Joint Committee on Finance

**From:** George Lightbourn, Secretary  
Department of Administration

**Subject:** S. 16.515/16.505(2) Requests and 14-Day Passive Review Request

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

AGENCY	DESCRIPTION	1999-2000		2000-01	
		AMOUNT	FTE	AMOUNT	FTE
DHFS 20.435(5)(ja)	Congenital Disorders			\$ 252,100 *	
DOC 20.410(1)(km)	Prison industries			\$ 3,175,600	
DOA 20.505(10)(q)	General program operations			\$ 4,429,600 **	

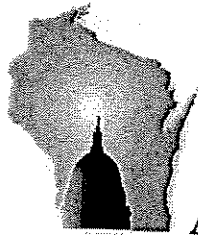
\* One-time increase.

\*\* DOA requests under the 14-day passive approval process (as required by the July 2000 s. 13.10 meeting), the release of \$4,429,600 (\$3,973,600 SEG ongoing; \$456,000 one-time) for the statewide Focus on Energy program

As provided in s. 16.515, the request will be approved on May 29, 2001, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Vicky LaBelle at 266-1072, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT McCALLUM**  
GOVERNOR

**GEORGE LIGHTBOURN**  
SECRETARY

Office of the Secretary  
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**Date:** April 10, 2001

**To:** George Lightbourn, Secretary  
Department of Administration

**From:** Susan Jablonsky, Budget Analyst  
Department of Administration

**Subject:** Request Under s. 16.515 from the Department of Health and Family  
Services (DHFS) for the Congenital Disorders Program

**REQUEST:**

DHFS requests a one-time expenditure authority increase of \$252,100 PR in s. 20.435(5)(ja), the congenital disorders appropriation. This increase will allow the department to continue to serve children with congenital disorders, including those who have been added to the caseload by requiring tests for additional disorders.

**REVENUE SOURCES FOR APPROPRIATION:**

The revenue that supports this program comes from a fee charged by the State Laboratory of Hygiene (SLOH) for screening tests on all newborns. The SLOH charges \$55.50 per test and, of that amount, \$24 is sent to DHFS to support this program.

**BACKGROUND:**

The congenital disorders program funds diagnostic services, special dietary treatment and follow-up counseling for children with a variety of congenital disorders, such as sickle cell anemia and galactosemia. Such diseases can be treated through the use of special diets that will prevent subsequent serious impairments, permanent disabilities and costly medical treatment. The diseases are identified through a screening done by the SLOH for all infants born in the state. If a certain disease is detected, the SLOH notifies the child's doctor who will inform the parents of the test results. DHFS contracts with a number of hospitals and genetics organizations to provide counseling for the parents and to develop a treatment plan for the child that identifies the types of dietary supplements that should be provided and how the supplements should be administered.

The program is supported by fees charged by the SLOH for the newborn screening test and these fees are set by rule. The DHFS secretary is advised by the Newborn Screening Advisory Group (NBSAG), which consists of members that represent all of the disorders for which screens are performed, the Department and the SLOH. The Board recommends any fee increases that are needed to fund the program and any increase would need to be agreed to by DHFS and the SLOH. The DHFS secretary would then forward such a request to the SLOH. The NBSAG recommends which new disorders should be added to the program and which tests should be discontinued.

On January 1, 1999, at the recommendation of the NSBAG, the newborn screening fee was increased by \$10.00 to \$55.50 to allow the SLOH to conduct tests on additional congenital disorders. Part of the fee covers the SLOH's testing costs and \$24 is returned to DHFS to support this program. Included in the \$24 fee is a \$3.00 surcharge which the Department proposed to use for treatment of children who are diagnosed as having fatty acid disorders for which SLOH began to test on July 1, 1999. While DHFS raised the fee in anticipation of caseload growth due to the additional diseases being screened, they did not request additional expenditure authority. They wanted to wait to make such a request so that they could more accurately project expenses based on experience. This request represents the expenditure authority increase to reflect the increase in fees.

The new tests are for 14 metabolic disorders related to fatty acid and organic acid defects. Medium Chain Acyl-CoA Dehydrogenase Deficiency (MCAD) is the most common of the fatty acid disorders for which the tests are conducted. The estimated frequency of MCAD in the Wisconsin population is approximately 1 in every 16,000 births, making it as common as Phenylketonuria (PKU), another disorder for which the state tests. Affected individuals are born healthy and show no symptoms until a crisis occurs within the first 12 months of life that requires hospitalization. The disease generally results in significant morbidity and mortality. It is estimated that approximately 25% of undiagnosed infants die following their first metabolic crisis and another 20% to 40% of the survivors have significant developmental abnormalities.

Until recently, the technology was not available to screen mass populations for MCAD. Recent advances in laboratory technology have made it possible to screen not only for MCAD but also for 13 other fatty acid oxidation and organic acid disorders without additional sample collection or laboratory expense. Although the prevalence of the additional 13 disorders in the general population varies considerably, undiagnosed individuals all experience life-threatening episodes of metabolic decompensation which result in permanent developmental abnormalities and/or death. Since April 2000, eleven babies have been diagnosed with a fatty acid oxidation disorder.

Due to the inclusion of the new tests for these 14 metabolic fatty acid disorders, the budgeted expenditure authority will be insufficient. The current budgeted level of the aids appropriation is \$1,456,400 and the state operations appropriation is funded at \$16,200 PR, for a total of \$1,472,600. DHFS has reestimated the needed expenditure

authority to be \$1,724,700 which results in a need for an increase of \$252,100. The department included a request for an ongoing expenditure authority increase, which was modified slightly, and included in the Governor's biennial budget proposal.

**ANALYSIS:**

In preparing its biennial budget request, DHFS staff projected costs for FY01 and then inflated those amounts to derive costs for the next biennium. Staff have updated this projection based on providers' estimates of the dietary products they would need through the end of the fiscal year.

	Budgeted FY01	Revised FY01
Hospital Contracts	977,200	977,200
Dietary Products	479,200	731,300
Operations	16,200	16,200
Total Expenditures	1,472,600	1,724,700
Base	1,472,600	1,472,600
Difference		252,100

Each of the nine hospitals and organizations estimated their need for each specific product based on their caseload for the period between February 1 and the end of June. For example, Children's Hospital of Milwaukee contracts with seven different companies for a variety of supplement products. For each company, they identified all of the individual products they would purchase and used unit costs to project their expenditures through the end of the fiscal year. Because this review was so thorough and detailed, the cost estimate is very credible.

Revenues are sufficient to support the request. Annual revenues of \$2,394,800 are available from the DHFS' \$24 share of the fee. Deducting the projected new expenditure level of \$1,724,700 and the cost of the SLOH staff (\$89,600) results in a balance of \$580,500 of DHFS' revenue.

**RECOMMENDATION:**

Approve the request for a one-time expenditure authority increase of \$252,100 in FY01.

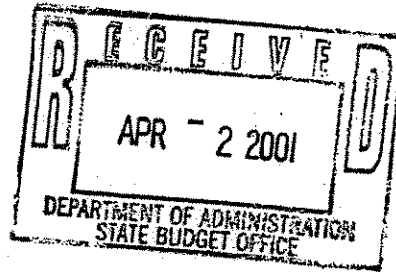


State of Wisconsin  
Department of Health and Family Services

CA: JAK  
~~SS~~

Scott McCallum, Governor  
Phyllis J. Dubé, Secretary

March 30, 2001



Mr. Richard Chandler  
State Budget Office  
10<sup>th</sup> Floor, 101 East Wilson Street  
Madison, WI 53702

Dear Mr. Chandler:

Under the provisions of s. 16.515, the Department requests a one-time increase of \$252,100 PR in FY 01 for the Division of Public Health in appropriation s. 20.435(5)(ja)[528], the Congenital Disorders program. The expenditure authority increase is requested to allow the Department to continue to provide services to children with congenital disorders, including the expanded caseload that has resulted from a new series of tests that began in 1999.

Source of Revenue

The program is funded from a surcharge added to the fees charged by the State Laboratory of Hygiene (SLOH), which conducts tests performed for congenital diseases on newborns.

Background

The congenital disorders program funds diagnostic services, special dietary treatment and follow-up counseling for congenital disorders and periodic evaluation of infant screening programs (see Attachment 1 for a list of these disorders). The current budgeted level of appropriation (5)(ja) is \$1,456,400. In addition, appropriation 20.435(1)(jb), a state operations appropriation, is funded at \$16,200 PR. Both appropriations are funded by the fees charged by the State Laboratory.

These fees are set by rule. The Secretary of Health and Family Services has the authority to approve the types of tests and diseases for which the fee revenue may be used. The Secretary is advised by the Newborn Screening Advisory Group (NBSAG), which consists of an umbrella committee and different subcommittees covering all groups of disorders screened. All of the committees are composed of health care professionals and consumers and meet at least twice a year. The NBSAG recommends which new disorders should be added to the program, as well as which tests should be discontinued.

On January 1, 1999, at the recommendation of the NSBAG, the newborn screening fee was increased by \$10.00 to \$55.50 to allow SLOH to conduct tests on additional congenital disorders. Included in this fee is a \$3.00 surcharge which the Department will use for treatment of children who are diagnosed as having these disorders. This revenue is earmarked for follow-up services to individuals with the fatty acid disorders or organic acidemias for which SLOH began to test on July 1, 1999.

The new tests are for 14 metabolic disorders related to fatty acid and organic acid defects. Medium Chain Acyl-CoA Dehydrogenase Deficiency (MCAD) is the most common of the fatty acid and organic acid disorders for which the tests are conducted. The estimated frequency of MCAD in the Wisconsin population is about 1 in every 16,000 births, making it as common as Phenylketonuria (PKU), another disorder for which the state tests. Affected individuals are born healthy and show no symptoms until a crisis occurs within the first 12 months of life that requires hospitalization. The disease generally results in significant morbidity and mortality. It is estimated that approximately 25% of undiagnosed infants die following their first metabolic crisis and another 20% to 40% of the survivors have significant developmental abnormalities.

Until recently, the technology was not available to screen mass populations for MCAD. Recent advances in laboratory technology have made it possible to screen not only for MCAD but also (concurrently) for 13 other fatty acid oxidation and organic acid disorders without additional sample collection or laboratory expense. Although the prevalence of the additional 13 disorders in the general population varies considerably, undiagnosed individuals all experience life-threatening episodes of metabolic decompensation which result in permanent developmental abnormalities and/or death.

Treatment for MCAD and the other disorders is simple, involving diet supplementation and regulation, which is inexpensive and very cost-effective. Prompt initiation of treatment prior to clinical onset results in nearly 100% survival and normal development. The addition of tests for these 14 disorders satisfies the criteria established by the NSBAG for adding tests to the newborn screening program (see Appendix 2). The facilities for providing confirmatory diagnosis and the specialized follow-up care for affected individuals are already established in Wisconsin. Since April 2000, eleven babies have been diagnosed with a fatty acid oxidation disorder or organic acidemia.

Children with congenital disorders that are not diagnosed and treated are likely to have very high medical bills. Medical crises resulting from undiagnosed disorders typically result in a two-week hospitalization. Of those who survive these crises, 50% will be left with permanent motor and cognitive disability and will require sustained treatment for the disability. The Department anticipates a significant cost benefit to the state and to private insurance companies as a result of adding these tests in terms of reduced medical care and hospitalization, in addition to reduced infant mortality. Early identification and treatment of these 14 disorders will not only provide a substantial savings in total dollars spent on clinical detection, treatment and care, but will also provide for a significant improvement in the quality of life for affected individuals and a reduction in the mortality related to this type of metabolic disease.



Proposal

The Department proposes to increase the expenditure authority in s. 20.435(5)(ja) by \$252,100 in FY 01 to meet the needs of the Congenital Disorders program. In FY 01 there is a revenue surplus in the Congenital Disorders program of \$696,800 PR. Current revenue for the program, from the surcharge on newborn screening, is projected to be \$1,623,000 PR annually. In addition, the appropriation is expected to receive \$75,000 from interest income in FY 01. Total revenues in the appropriation are estimated at \$2,394,800 PR in FY 01. This amount is sufficient to pay for anticipated expenditures of \$1,814,300 PR (see Appendix 3). The revenue collected on the Department's behalf from the fees cannot be used for any purpose other than the Congenital Disorders program.

In its 2001-03 biennial budget submittal, the Department requested an increase in expenditure authority for the Congenital Disorders program in FY 02 and FY 03. The Governor approved this request, with minor modifications. At the time that the Department submitted this request, we indicated that a similar increase would be requested in FY 01 through the s. 16.515 process.

Thank you for considering this request. If you have any questions, please call Ellen Hadidian at 266-8155.

Sincerely,



Phyllis Dubé  
Secretary

cc: Fredi Bove  
Sheri Gehl  
Mike Stueck  
Susan Uttech  
Roger Bean  
John Chapin

## Appendix 1: Disorders covered by the Congenital Disorders Program

- biotinidase deficiency - an inability to use the vitamin biotin which can result in abnormal growth and development;
- congenital adrenal hyperplasia - an insufficiency of a certain enzyme needed to regulate hormones;
- congenital hypothyroidism - an insufficiency of thyroid hormone which may lead to poor physical and mental development;
- cystic fibrosis - a respiratory and digestive system disease;
- galactosemia - an inability to use galactose which can result in permanent brain, eye and liver damage;
- phenylketonuria (PKU) - lack of an enzyme needed to digest an amino acid found in protein foods which can lead to permanent brain damage; and,
- sickle cell disease - a condition that causes red blood cells to become sickle-shaped when they give up oxygen to the tissues, thus becoming trapped in body organs and causing organ damage.

These diseases are treated through dietary supplements as well as drugs such as hydrocortisone.

The disorders for which the Department began testing in July 1999 are:

### Fatty Acid Oxidation Defects

MCAD  
LCHAD  
VLCAD/LCAD  
SCAD  
GA-II  
CPT-II  
2,4-Dienoyl CoA Reductase

### Amino Acidopathies

Propionic Acidemia  
Isovaleric Acidemia  
Beta-Ketothiolase  
3-OH-3Me-glutaryl CoA Lyase (HMG)

Methylmalonic Acidemia  
3-methylcrotonyl  
GA-1

## Appendix 2: Criteria for Adding Tests to the Newborn Screening Program

1. The incidence of the disorder is at least 1 case per 100,000 births.
2. Demonstrable reduction in morbidity and mortality through detection in the neonatal period can be achieved.
3. There is a potential for effective therapy.
4. The cost of the tests is comparable cost to established tests such as PKU.
5. Laboratory feasibility.

**Appendix 3  
Congenital Disorders  
Proposed Expenditures, FY 01 - FY 03**

**SFY 01**

Grants*	977,200
Products	731,300
Aids Total	1,708,500
Operations	16,200
Total Expenditures	1,724,700
Base - Aids	1,456,400
Base - Ops	16,200
Total	1,472,600
Difference	252,100

\*includes cystic fibrosis centers

**Estimated Revenue**

**SFY 01**

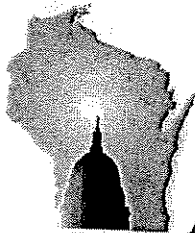
Beginning Balance	696,800
Screening Revenue	1,623,000
Interest Revenue	75,000
SLOH Staffing	(89,600)
DHFS Expenditures	<u>(1,724,700)</u>
Ending Balance	580,500

**Assumptions:**

6 mos revenue =  $811,456 \times 2 = 1,623,000$

6 mos interest = 44,813

Congenital Disorders revenue supports 1.5 FTE; however, the .5 FTE is currently vacant



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT McCALLUM**  
GOVERNOR

**GEORGE LIGHTBOURN**  
SECRETARY

Division of Executive Budget and Finance  
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Madison, WI 53707-7864  
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**Date:** May 4, 2001

**To:** George Lightbourn, Secretary  
Department of Administration

**From:** Jana D. Steinmetz, <sup>405</sup> Budget Analyst  
Executive Budget Office

**Subject:** Request under s. 16.515 from the Department of Corrections for an increase in expenditure authority for expansion of the Industries Distribution Center warehouse, supplies and services, capital equipment and rent.

**REQUEST:**

The Department of Corrections (DOC) requests an increase in expenditure authority of \$3,175,600 PR-S in fiscal year 2000-01 for the expansion of the warehouse at the Industries Distribution Center (IDC) in Waupun and for supplies and services, capital equipment and rent for Prison Industries.

**REVENUE SOURCES FOR APPROPRIATION(S):**

The revenue for appropriation s. 20.410(1)(km), prison industries, is derived from receipts from products and services provided to customers of traditional prison industries.

**BACKGROUND:**

Approval of this request would result in a balance of \$1,371,600 at the end of fiscal year 2000-01.

Opening Cash Balance	\$ 1,594,300
Projected FY01 Revenues	\$ 25,700,000
Projected FY01 Expenditures	- \$ 22,747,100
<u>Requested Expenditure Authority</u>	<u>- \$ 3,175,600</u>
Ending Balance	\$ 1,371,600

Prison industries operates 13 industries and the computer recycling project and provide employment for approximately 600 inmates at 11 correctional institutions and centers. Prison industries are an integral part of the correctional system, providing laundry, textiles, printing, and wood and metal furniture for new and existing correctional institutions. Prison industries also provides similar products and services to other governmental agencies and limited products and services for non-profit agencies.

At the Industries Distribution Center (IDC) in Waupun, inmates aid staff in receiving, warehousing, transportation and installation of systems furniture materials and supplies. From IDC, supplies are shipped to various industries and finished products are delivered to customers. The IDC also provides laundry pick-up and delivery services to a number of state organizations.

#### **ANALYSIS:**

##### **IDC Warehouse Expansion**

The Department of Corrections (DOC) plans to expand the current Industries Distribution Center (IDC) warehouse by 24,000 square feet. The cost of the expansion is estimated at \$498,200, based on estimates received from three construction firms in Appleton and Waupun. On February 28, 2001, the Building Commission approved the expansion of the IDC warehouse with a total project budget of \$498,200.

Prison Industries has experienced significant growth in the sign, upholstery and systems furniture industries in recent years. Sales have increased from \$4.3 million in fiscal year 1979-1980 to over \$20.3 million in fiscal year 1999-2000. Growth has been due in part to the increase in State buildings requiring systems and other furniture.

The current 13,200 square foot warehouse was leased in 1981 and purchased in 1984, and has become inadequate for the current and future needs of Badger State Industries (BSI). Products are made to fill only existing orders because there is no capacity to store products for future sales. Large systems projects require Prison Industries to start production of products and store those products until a building is ready for the installation of the goods.

As a result of the lack of space in the warehouse, Prison Industries currently spends \$18,500 annually to rent several trailers for storage of finished goods prior to installation. During fiscal year 1999-2000 BSI rented a minimum of 11 trailers for storage every month. BSI also rents 12,000 square feet of remote warehouse space in Horicon and 11,000 square feet in Fox Lake at an annual cost of \$55,400. The warehouse in Horicon has been in use since May 2000. The warehouse in Fox Lake

has been in use since July 1995. BSI anticipates that the proposed expansion will eliminate the need for storage trailers and remote warehouses.

### Supplies & Services

The Department of Corrections requests increased expenditure authority of \$2,156,300 for Prison Industries supplies and services in fiscal year 2000-01.

Prison Industries has experienced a significant increase in sales in fiscal year 2000-01, requiring additional expenditures for raw materials to produce the products being sold. Total sales for this fiscal year are projected to be \$25,700,000, an increase of \$3,503,400 over the fiscal year 1999-2001 biennial budget estimate of \$22,196,600. DOC requests \$1,896,300 to purchase raw materials to support the increased sales and \$260,000 to purchase systems furniture for use by the Bureau of Correctional Enterprises (BCE) in the new DOC central office location in Madison.

### Utilities

The Department of Corrections requests increased expenditure authority of \$200,400 for increased utility costs in fiscal year 2000-01. The Prison Industries utility budget for fiscal year 2000-01 is \$523,700. The department projects actual expenditures of \$724,100.

Prison Industries spent \$110,000 for natural gas in fiscal year 1999-2000. Through January 2001, invoices totaled \$113,900 compared to \$56,200 at the same time last year. Prison Industries projects electricity costs to be 42% higher than fiscal year 1999-2000 and heating costs for steam, water and air to be 34% higher.

### Capital Equipment

The Department of Corrections requests increased expenditure authority of \$231,100 in fiscal year 2000-01 for purchase of the following capital equipment:

Energy Initiative Costs	\$34,900
Offset Duplicator (Print Shop)	\$25,000
Lift-Rite Manual Ergonomic 3000 Lift Truck (Print Shop)	\$ 1,600
Envelope Feeder (Print Shop)	\$ 5,600
Forklift (Laundry)	\$12,000
Buttonhole Machine (Textiles)	\$ 4,500
Wide belt two head sander (Wood Furniture)	\$45,000
Press Brake w/CNC Back Gauging (Metal Furniture)	\$65,000
Press Brake Tooling (Metal Furniture)	\$10,000
Semi Trailer w/Lift Gate (Industries Distribution Center)	<u>\$27,500</u>
	\$231,100

Prison Industries' capital budget was \$1,036,000 in fiscal year 1999-2000 and \$370,000 for fiscal year 2000-01. There was sufficient expenditure authority to purchase the requested equipment in fiscal year 1999-2000, however, as a result of

the late signing of the budget, state agencies delayed purchases from Prison Industries resulting in slow revenues until late in the fiscal year. Concerned that revenues would not be adequate to support the expenditures, Prison Industries did not proceed with the purchase of this equipment. Prison Industries lapsed \$531,100 of permanent property expenditure authority, resulting in a cash profit of \$1,026,000 in fiscal year 1999-2000. DOC requests that \$231,100 be restored to enable Prison Industries to purchase the equipment and meet customer demands in fiscal year 2000-01.

Rent

The Department of Corrections requests increased expenditure authority of \$89,600 in fiscal year 2000-01 for rent costs. The annual rent budget for Prison Industries is \$205,000. Prison Industries anticipates actual rent of \$315,400 for fiscal year 2000-01 for office space in Madison at \$215,600 and warehouses in Madison, Fox Lake, Horicon and Hixton at \$99,800. The expenditure authority needed has been reduced by a transfer of \$10,200 to the farms for two positions located at the central office for Badger State Industries (BSI) and a rent supplement of \$10,600 for fiscal year 2000-01. The additional expenditure authority will enable Prison Industries to meet fiscal year 2000-01 rent payments.

**RECOMMENDATION:**

Approve the request.



Scott McCallum  
Governor

Jon E. Litscher  
Secretary



Mailing Address

149 East Wilson Street  
Post Office Box 7925  
Madison, WI 53707-7925  
Telephone (608) 266-2471  
Fax (608) 267-3661

## State of Wisconsin Department of Corrections

**DATE:** April 11, 2001

**TO:** Richard Chandler, Director  
Division of Executive Budget and Finance  
Department of Administration

**FROM:** Jon E. Litscher, Secretary  
Department of Corrections

**SUBJECT:** §.16.515 Request – IDC Warehouse Expansion, Raw Materials, S&S, Rent, Utilities and Equipment

### Request

The Department of Corrections (DOC) requests an increase in expenditure authority in the amount of \$3,175,600 in FY01 for the expansion of the warehouse at the Industries Distribution Center (IDC) located in Waupun, Wisconsin and for the purchase of raw materials and equipment and the payment of utilities and rent needed for the 14 industries.

Prison Industries estimates revenues of \$25,700,000 in FY01, an increase of \$3,503,400 over the 1999-2001 biennial budget estimate of \$22,196,600. With an opening balance of \$1,594,289 and projected expenditures of \$25,922,677 a \$1,371,612 balance would remain at the end of FY01 if this request is approved.

### Revenue Sources For Appropriation

Revenue for appropriation §20.410(1)(km), prison industries, is derived of receipts from products and services provided to customers of traditional prison industries.

### Background

Traditional prison industries are an enterprise activity operating 13 industries and the computer-recycling project providing employment for approximately 660 inmates at 12 correctional institutions and centers. Prison industries are an integral part of the correctional system providing laundry, textiles, printing, and wood and metal furniture for new and existing correctional institutions. Traditional prison industries also provides similar products and services to other governmental agencies and limited products and services for non-profit agencies.

At the Industries Distribution Center in Waupun, inmates are employed aiding staff in the receiving, warehousing, transportation and installation of systems furniture materials and supplies. From IDC, supplies are shipped to various industries, and finished products are delivered to customers. Laundry pick-up and delivery services for a number of State organizations are also provided by IDC.

Analysis

Prison Industries is requesting increased expenditure authority for the following items:

	<i>Additional Expenditure Authority</i>
IDC Warehouse Expansion	\$ 498,200
Raw Materials	\$ 2,156,300
Utilities	\$ 200,400
Equipment	\$ 231,100
Rent	\$ 89,600
<b>TOTAL Additional Expenditure Authority Requested</b>	<b>\$ 3,175,600</b>

IDC Warehouse Expansion

*\$498,200*

Prison Industries has experienced tremendous growth in the sign, upholstery, and systems furniture shops in recent years. The current warehouse has been in use for many years. Industries sales have grown from \$4.3 million in FY80 to over \$20.3 million in FY00. This growth has been partially due to the increase in State buildings requiring systems and other furniture.

The current 13,200 square foot warehouse is inadequate for current and future needs of the organization. Prison Industries currently spends \$18,500 annually to rent trailers for storage of finished goods prior to installation. Products are made to fill existing orders. There is no capacity to store products for future sales. Large systems projects require Industries to start production of products and store those products until a building is ready for the installation of the goods. Prison Industries is currently renting two remote warehouses for a total of \$55,400 annually. This combined with the trailer rental results in the total annual storage cost of \$71,900. This doesn't include the additional cost of travel by staff and mileage of vehicles to the rented warehouses that include a minimum one-half hour per trip in commuting alone.

On February 28, 2001, the Building Commission approved the expansion of the IDC warehouse with a total project budget of \$498,200. Prison Industries projects a 7-year payback on this expansion. Approval of this request will enable Prison Industries to proceed with the warehouse expansion.

Supplies & Services

Raw Materials

*\$2,156,300*

Prison Industries has experienced a major increase in sales during the current year, requiring additional expenditures for raw materials to produce the products being sold. Prison Industries currently projects total sales for fiscal 2001 to be \$25,700,000, an increase of \$3,503,400 above the \$22,196,600 projected in the biennial budget estimate. The Department is requesting

\$2,156,300 increased expenditure authority for raw materials. Of this amount, \$1,896,300 is needed for these increased sales.

In addition, \$260,000 is needed for new systems furniture for the Bureau of Correctional Enterprises move to the new Department of Corrections location at 3009 E. Washington Avenue.

#### Utilities

\$200,400

Prison Industries spent \$110,000 for natural gas in FY00. Through January of this year invoices have totaled \$113,900 compared to \$56,200 at the same time last year, a 102.44% increase. That extends to \$222,700 for the year. The price of natural gas to the institutions in January 2001 was \$11.04 per DTH. The price for the same period in January 2000 was \$2.92. It is projected that compared to FY00, electricity costs for FY01 will be 42% higher, and that the costs for heat (steam, water, air) will be 34% higher.

#### Capital Equipment

\$231,100

Prison Industries requests additional spending authority for the following equipment:

Energy Initiative Costs	\$34,900
Offset Duplicator (Print Shop)	25,000
Lift-Rite Manual Ergonomic 3000 Lift Truck (Print Shop)	1,600
Envelope Feeder (Print Shop)	5,600
Forklift (Laundry)	12,000
Buttonhole Machine (Textiles)	4,500
Wide belt two head sander (Wood Furniture)	45,000
Press Brake w/CNC Back Gauging (Metal Furniture)	65,000
Press Brake Tooling (Metal Furniture)	10,000
Semi Trailer w/Lift Gate (Industries Dist. Center)	<u>27,500</u>
	\$231,100

Prison Industries' capital budget for FY01 was reduced from previous years. The budgeted amount was \$524,000 in FY99 and \$1,036,000 in FY00. The capital budget for FY01 is \$370,000. There was enough expenditure authority in FY00 to purchase much of this equipment. However, since the budget was not signed until late October, 1999, state agencies delayed purchasing from Industries until well into the middle of the fiscal year. As a result, sales and the resulting revenues were down until late in the fiscal year. Industries did not proceed with the purchase of this equipment because of concern that revenues would not be adequate to support the expenditures. Prison Industries lapsed \$531,100 of permanent property expenditure authority in FY00. As a result Prison Industries realized a cash profit of \$1,026,000 in FY00. Prison Industries needs a portion of the lapsed expenditure authority restored to meet the customer demands in the current fiscal year.

#### Rent

\$89,600

Prison Industries annual budget for rent is \$205,000. It is anticipated that BSI will receive a rent supplement of \$10,600 in FY01. Prison Industries will pay \$305,200 rent in the current year that includes \$215,600 for office space in Madison and \$99,800 for four warehouses in Madison, Fox Lake, Horicon, and Hixton. Increased expenditure authority of \$89,600 will enable Prison Industries to meet FY01 rent requirements.

As the table below indicates, the department has sufficient funding for this request.

**Numeric Appropriation 134 – Prison Industries**

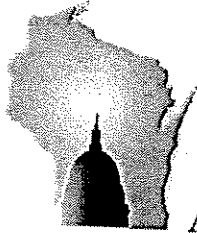
Opening Cash Balance			\$ 1,594,289
Revenue			
Revenue as of February 28, 2001	\$ 17,717,043		
Revenue projected to June 30	<u>7,982,957</u>		
Total Projected Revenue			\$25,700,000
Expenditures			
Expenditures as of February 28, 2001	\$15,014,147		
Expenditures projected to June 30	7,732,930		
<i>This § 16.515</i>	<u>3,175,600</u>		
Total Projected Expenditures			<u>\$25,922,677</u>
Projected Closing Cash Balance			\$1,371,612

**Summary**

The Department of Corrections is requesting a one-time increase in expenditure authority in appropriation §20.410(1)(km) of \$3,175,600 for the expansion of the warehouse at the Industries Distribution Center (IDC) and for the purchase of raw materials and equipment and the payment of utilities and rent.

cc: Robert Lang, Legislative Fiscal Bureau  
George Lightbourn, Department of Administration

Prepared by: Colleen Godfriaux, Bureau of Budget and Facilities Management  
266-0300



WISCONSIN DEPARTMENT OF  
ADMINISTRATION

SCOTT McCALLUM  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY

Office of the Secretary  
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Voice (608) 266-1741  
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**Date:** May 3, 2001

**To:** George Lightbourn, Secretary  
Department of Administration

**From:** Cynthia Dombrowski *CAD*  
State Budget Office

**Subject:** Request from the Department of Administration for the Release of Funding from the Unallotted Reserve Line for Utility Public Benefits

**REQUEST:**

The Department requests under the 14-day passive approval process (as required by the July 2000 s. 13.10 meeting), the release of \$4,429,600 SEG (\$3,973,600 on-going; \$456,000 one-time) for Fiscal Year 2000-01 from the unallotted reserve line of the appropriation under s. 20.505 (10)(q), General program operations, for the statewide Focus on Energy program.

**REVENUE SOURCES FOR APPROPRIATION(S):**

The sources of revenue for the appropriation under s. 20.505(10)(q), general program operations, are (a) Public Benefits Fee; (b) Utility Public Benefits Fund; and (c) federal funds for Low-Income Energy Programs.

**BACKGROUND:**

1999 Wisconsin Act 9 created a state-run public benefits program to be administered by DOA. Historically, the state utility companies, working under Public Service Commission oversight, have provided public benefit programs. Act 9 created two public benefits program components: one for assistance to low income households for weatherization and energy conservation services, payments of energy bill and the early identification and prevention of energy crises. The second is for energy conservation and efficiency services and for renewable resource programs. DOA must design and administer these programs while working with the newly formed Council on Utility Public Benefits.

Actual implementation of the program will be done via contractual agreements for fiscal management and evaluation of the programs. Beginning in fiscal year 2004-2005, DOA must thoroughly evaluate the program and determine what elements of the energy efficiency and renewable resources components to continue, reduce or discontinue.

The Joint Finance Committee, at its July 2000 meeting under s.13.10, provided a supplement of \$12,762,200 SEG for the implementation and administration of statewide public benefits programs to DOA's s. 20.505(10)(q) appropriation. Of the funding granted, \$2,662,200 SEG (of which \$453,500 SEG was designated as one-time funding) was provided for immediate expenditure. The remaining \$10,100,000 SEG was placed in the unallotted reserve line. For release, DOA would need to develop a more comprehensive plan for the use of contractual services funding and present those findings to the Committee under the 14-day passive review process.

**ANALYSIS:**

The Department has evaluated the need for contractual services and provided detailed descriptions and cost allocations for each contract area.

**Evaluation Coordinator:** The Division of Energy will contract with PA Consulting Group to perform evaluation and market assessment activities. This will be a three-year contract at \$3,303,200 annually, totaling \$9,903,600 for the duration of the contract.

The major services to be provided by the firm are: (a) oversee and monitor the design and implementation of public benefits programs; (b) evaluate the effectiveness of public benefits programs on an annual basis; (c) report to DOA and the Legislature on the success of public benefits programs in meeting the policy objectives of Act 9; and (d) assess the need for continued public benefits programs.

PA Consultant Group will sub-contract with 10 different consulting firms to achieve the major areas above as well as:

- Provide an unbiased comprehensive process and impact evaluation of each program element of the statewide Wisconsin Focus on Energy (WFOE) as well as the overall public benefits administrative process in the private and public sectors.
- Evaluate the effectiveness of public benefits programs in furthering the policy objectives of Act 9, including documenting both short and long-term benefits of the programs.
- Monitor all statewide WFOE programs to provide regular feedback to DOA and the program administrators.

**Compliance Agent:** The Division of Energy will enter into an annual contract with Virchow, Krause & Company, LLP to provide oversight to the statewide WFOE program

as a Compliance Agent. The contract has been negotiated at an annual amount of \$230,000. The following products will be provided by the Compliance Agent:

- Develop a user-friendly electronic invoice system and electronic program activity report to document monthly, quarterly and annual work progress.
- Complete an initial desk review of the contractor's invoice copies and back-up documentation followed by field audits.
- Develop a prioritized business system requirements document.
- Collaborate with the Evaluation Coordinator to ensure minimal duplication of efforts.

**Baseline Data:** The Division of Energy will enter into a one-time contract with Xenergy, Inc. for \$456,000 in FY01. The contractor will be responsible for providing baseline information on the energy efficiency markets statewide to support program design, implementation and evaluation for the statewide WFOE program. The baseline information will include current levels of energy efficiency attitudes, practices and awareness. The study will also review the different markets addressed by the statewide WFOE. The baseline study will consist of four phases:

- Gap Analysis and Market Research Plan Development - Phase 1 will review the existing data from previous studies, identify key gaps in that information and develop a general plan for collecting data within this study. Phase 1 will also address data collection methods for possible future studies.
- Data Collection Plans - Phase 2 will develop specific data collection plans, including sampling strategies as well as questionnaire protocol for the data elements outlined in the Market Research plan.
- Primary Data Collection - Phase 3 will consist of the collection of data primarily via telephone surveys of residential and non-residential customers or providers of energy efficiency products/services.
- Analysis and Reporting - Phase 4 will compile and analyze the collected data as well as prepare reports for the various stakeholders.

While DOA has not yet entered into this contract, the department is in a position to enter into it as soon as funds are released. It can be argued that because the department will encumber the funds in 2000-01, the entire amount needed for the contract could be released.

The department is also requesting the release of an additional \$440,400 SEG on-going to supplement existing costs associated with 4.0 FTE GPR which are currently assigned to the statewide WFOE program but not paid from associated WFOE segregated funds. The Department states that increased time spent working on the program coupled with the required 5% GPR reduction in the 2001-03 biennial budget justify the request. The agency is not at this time requesting SEG position authority

but will do so at the next quarterly meeting under s. 13.10. If position authority is approved under the next s. 13.10 meeting, the majority of the fiscal year 2000-01 will have elapsed. It can therefore be argued that the position funding be provided beginning in fiscal year 2001-02.

DOA has identified the four positions which it feels have taken on responsibilities under the statewide WFOE program.

- Salary and Fringe Benefits for the Division of Energy's Division Administrator and the Energy Markets Bureau Director (\$206,800)
- Salary and Fringe Benefits for two support staff positions (\$121,600)
- Supplies and Services (\$12,000)
- General Supplies and Services for supporting the statewide WFOE program (\$100,000)

The original July 2000 s. 13.10 request also included funding for a Market Coordinator contract. The Department is not currently requesting the release of funding for this contract as it needs further clarification of duties and responsibilities prior to the release of funding.

Table 1: Total Need for Contract Funding by Fiscal Year

<b>Contract</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>
Evaluation Coordinator	\$3,303,200	\$3,303,200	\$3,303,200
Compliance Agent	\$230,000	\$230,000	\$230,000
Baseline Data	\$456,000*	\$0	\$0
Position Funding	\$0	\$440,400	\$440,400
<b>TOTAL</b>	<b>\$3,989,200</b>	<b>\$3,973,600</b>	<b>\$3,973,600</b>

\* = one-time financing

**RECOMMENDATION:**

Modify the request to provide the position funding beginning in 2001-02.





**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

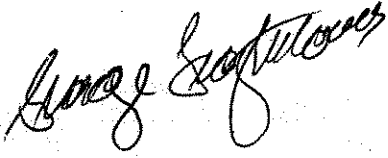
**SCOTT McCALLUM**  
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April 26, 2001

To: Richard Chandler, Director  
State Budget Office  
Department of Administration

From: George Lightbourn, Secretary   
Department of Administration

Subject: Request for Release of Unallotted Reserve Under s. 16.515

**REQUEST**

Under the provisions of s. 16.515 Wis. Stats, the Department requests release of \$4,429,600 SEG (\$3,973,600 in base authority and \$456,000 in one-time authority) in FY01 and \$3,973,600 SEG in base authority in FY02 and FY03 from unallotted reserve. This request is a requirement of the July 12, 2000 13.10 in which the Joint Finance Committee placed \$10,100,000 in allotted reserve and requested more definitive cost projections for the level of funding needed for expenditures for the energy conservation and efficiency-related public benefits program. The Department is initiating this request to meet the needs of the statewide Wisconsin Focus on Energy (WFOE) program and to provide funding for existing program and support staff currently funded by GPR as part of its 5% GPR reduction.

**BACKGROUND**

1999 Wisconsin Act 9 creates a statutory framework that continues and expands public benefits programs historically provided by public utilities under Public Service Commission (PSC) oversight. Act 9 encompasses the operating areas of the following utilities: Alliant Energy; Madison Gas and Electric; Wisconsin Electric Power Company; Wisconsin Public Service Corporation; Northern States Power Company; Superior Water, Light and Power; Wisconsin Fuel and Light; and Wisconsin Gas Company.

The law creates two public benefits programs. One program provides assistance to low-income households for weatherization and other energy conservation services, payment of energy bills and the early identification and prevention of energy crisis. The other program contracts for energy conservation and efficiency services and for renewable resource programs. The Department must design and administer the programs in consultation with the new Council on Utility Public Benefits. It must also contract for the actual implementation of the programs including administrative contracts for the fiscal management and evaluation of the programs. There is no end date for either of the programs, although beginning in FY05, the Department must determine what elements of the energy efficiency and renewable programs to continue, discontinue or reduce.

**Previous Committee Action**

Act 9 includes three sources of funding for the public benefits program: public benefits fee, utility public benefits fund and federal funds for low-income energy programs. The Department of Administration requested \$12,822,200 SEG in the July 12, 2000 13.10 to establish base spending authority under s.20.505 (10)(q), *Utility Public Benefits, General Program Operations*. It also requested converting 2.00 FTE existing project positions to permanent status and adding 3.00 FTE new permanent positions.

The Joint Finance Committee provided a supplement in FY01 of \$12,762,200 SEG from the Committee's s.20.865 (4)(u) appropriation (from the utility public benefits fund) to the Department's s.20.505 (10)(q) appropriation to support the implementation and administration of statewide public benefits programs. It made available \$2,662,200 SEG of the total amount for immediate expenditure, but designated \$2,208,700 SEG of that amount as annual funding. It also authorized the 5.00 FTE SEG positions. Finally, it placed \$10,100,000 SEG of the total amount in allotted reserve subject to release by the Committee under a 14-day passive review process. The Joint Finance Committee required the Department of Administration to develop more a definitive cost projections for the level of funding needed for expenditures for the energy conservation and efficiency-related public benefits program before the unallotted reserve would be released.

**ANALYSIS**

The requested release is based on the following information; presented in a 2001-2003 context:

CONTRACT	FY01	FY02	FY03
Evaluation Coordinator	\$3,303,200	\$3,303,200	\$3,303,200
Compliance Agent	\$230,000	\$230,000	\$230,000
<b>Annual Contract Total</b>	<b>\$3,533,200</b>	<b>\$3,533,200</b>	<b>\$3,533,200</b>
Baseline	\$456,000	\$0	\$0
<b>One-Time Contract Total</b>	<b>\$456,000</b>	<b>\$0</b>	<b>\$0</b>
Transfer GPR Administrative Costs to SEG	\$440,400	\$440,400	\$440,400
<b>GRAND TOTAL</b>	<b>\$4,429,600</b>	<b>\$3,973,600</b>	<b>\$3,973,600</b>

**Evaluation Coordinator**

This is a three-year contract with PA Consulting Group totaling \$9,909,399 dollars. The annual cost will be \$3,303,200 per year and will be renegotiated at the end of the contract (60 days after June 30, 2004). PA Consultant Group was the sole respondent to DOA's request for proposals. PA Consulting is a private, for-profit consulting firm with over 20 years of experience in energy and environmental evaluation and market research activities. PA Consultant Group will work with 10 subcontractors (Attachment 1 & 2) to achieve the following objectives:

- Work with the baseline data developed by Xenergy, Inc. to produce an unbiased, comprehensive process and impact evaluation of each program element of the statewide WFOE effort as well as of the overall public benefits administrative process of both the private and public side.
- Evaluate the effectiveness of public benefits programs in furthering the policy objectives of Act 9. This includes documenting both the full range of short-term benefits resulting from energy savings and the

longer-term benefits from the development of competitive energy efficiency and renewable energy markets.

- Monitor all statewide WFOE programs to provide regular and timely feedback to DOA and the program administrators for improving programs and increasing the likelihood of successfully achieving program and policy goals.

### **Rationale**

This contract allows DOA to comply with 1999 Wisconsin Act 9. This requires DOA to evaluate and report on the success of the statewide WFOE program in four major areas:

1. Overseeing and monitoring the design and implementation of public benefits programs;
2. Evaluating the effectiveness of public benefits programs on an annual basis;
3. Reporting on the success of public benefits programs in meeting the policy objectives of Act 9;
4. Periodically assessing whether there is a continuing need for public benefits programs.

### **Compliance Agent**

This is an annual contract with Virchow, Krause & Company, LLP totaling \$230,000 each fiscal year.

Virchow, Krause & Company, LLP was the sole respondent to DOA's request for proposals for a Compliance Agent administrator to provide oversight to the statewide WFOE program. This company is a certified public accounting and consulting firm with a Public Sector Group dedicated entirely to serving governmental clients. In addition, Virchow, Krause & Company, LLP has an established working relationship with the State of Wisconsin and with DOA.

The Compliance Agent will perform a range of duties, including but not limited to the following objectives:

- Financial Guidance Manual – development of a user-friendly electronic invoice system and an electronic program activity report that documents monthly, quarterly and annual work progress.
- Fiscal Monitoring – completion of an initial desk review of the contractor's invoice copies and back-up documentation followed by field audits.
- Management Information System – development of a prioritized business system requirements document.
- Field Monitoring and Reporting – collaboration with the Evaluation Coordinator to make sure there is no duplication of these activities. Virchow, Krause & Company, LLP anticipates they will only be involved in the initial implementation of this process.

### **Rationale**

The statewide Public Benefits program involves the administration of \$104,500,000. The program requires fiscal management oversight and program monitoring to ensure that preventive measures exist to reduce exposure to misconduct and liability, and that contractors comply with the terms of their contracts. The department's internal Bureau of Financial Management within the Division of Administrative Services does not have the financial staff to perform these reviews on a statewide basis.

### **Baseline Data**

This is a one-time contract with Xenergy, Inc. totaling \$456,000 in FY01. Xenergy, Inc. was the only bidder for this contract.

This contract will provide baseline information on energy efficiency markets statewide to support program design, implementation and evaluation for the statewide WFOE program. The study will provide information on the current levels of energy efficiency attitudes, practices and awareness. The

study will address all markets addressed by the statewide WFOE, including both residential and nonresidential consumers, as well as providers of energy-efficiency products and services. The study will consist of four phases (Attachment 3):

1. **Gap Analysis and Market Research Plan Development** – This phase reviews the existing information from previous studies, identifies key gaps in that information and develops a general plan for collecting data within this study and recommendations for data collection in subsequent studies.
2. **Data Collection Plans** – This phase develops specific data collection plans, including sampling strategies, questionnaires and protocols, for the data elements identified in the Market research plan.
3. **Primary Data Collection** – This phase collects new data, mainly through phone surveys of residential and nonresidential customers, or providers of energy efficiency products and services, and of other market players such as lenders and appraisers who affect consumer decisions.
4. **Analysis and Reporting** – This phase will compile the information from both the previously existing sources and the new data collections and provide reports in a variety of formats suitable to the needs of different stakeholders.

#### **Rationale**

Baseline market research is necessary to establish a valid basis for comparing current market conditions and energy use before and after statewide Wisconsin Focus on Energy programs have delivered benefits. In addition, it potentially saves time and public resources by identifying the most promising markets for targeted program efforts. As a result of lessons learned in the Wisconsin Focus on Energy pilot, baseline market research will reduce the negative impacts of a hit or miss approach to program design and delivery. Finally, baseline market research allows DOA to target its efforts where there is the most need for energy efficiency and renewable energy services, including low-income households.

#### **Transfer of GPR Administrative Costs**

The department is requesting release of \$440,400 SEG annually to cover the cost of four existing GPR positions and general departmental supplies and services. The transfer of the statewide WFOE program to DOA has changed the work of many department program and support staff. The staff's increased time working on the program and the required 5% GPR reduction in the FY01-03 biennium is the reason for the request.

The request includes \$206,800 SEG for the salary and fringe of the Division of Energy's Division Administrator and the Energy Markets Bureau Director. The request also includes \$121,600 SEG for the salary and fringe of two support staff FTE positions in the Division of Administrative Services. Finally, the request includes \$12,000 SEG for staff supplies and services (\$3,000 each FTE position) and an additional \$100,000 SEG for general departmental supplies and services supporting the statewide WFOE program. (The department in requesting release of these funds is not requesting formal creation of SEG position authority as that can only be accomplished under s.13.10. The department, based on the committee's approval of this request, will make a technical request to delete GPR and increase SEG position authority at the next 13.10 meeting.)

#### **Balance of Administrative Funds**

The department is currently not requesting the release of the remaining unallotted reserve at this time. While the original 13.10 request also included a Marketing Coordinator, the department needs to define this need further before it can make a release request. DOA plans to return to the Joint Finance Committee this fall to request release of funds from unallotted reserve to cover the cost of a Marketing Coordinator and other program delivery needs.

April 26, 2001

Page 5 of 5

**SUMMARY**

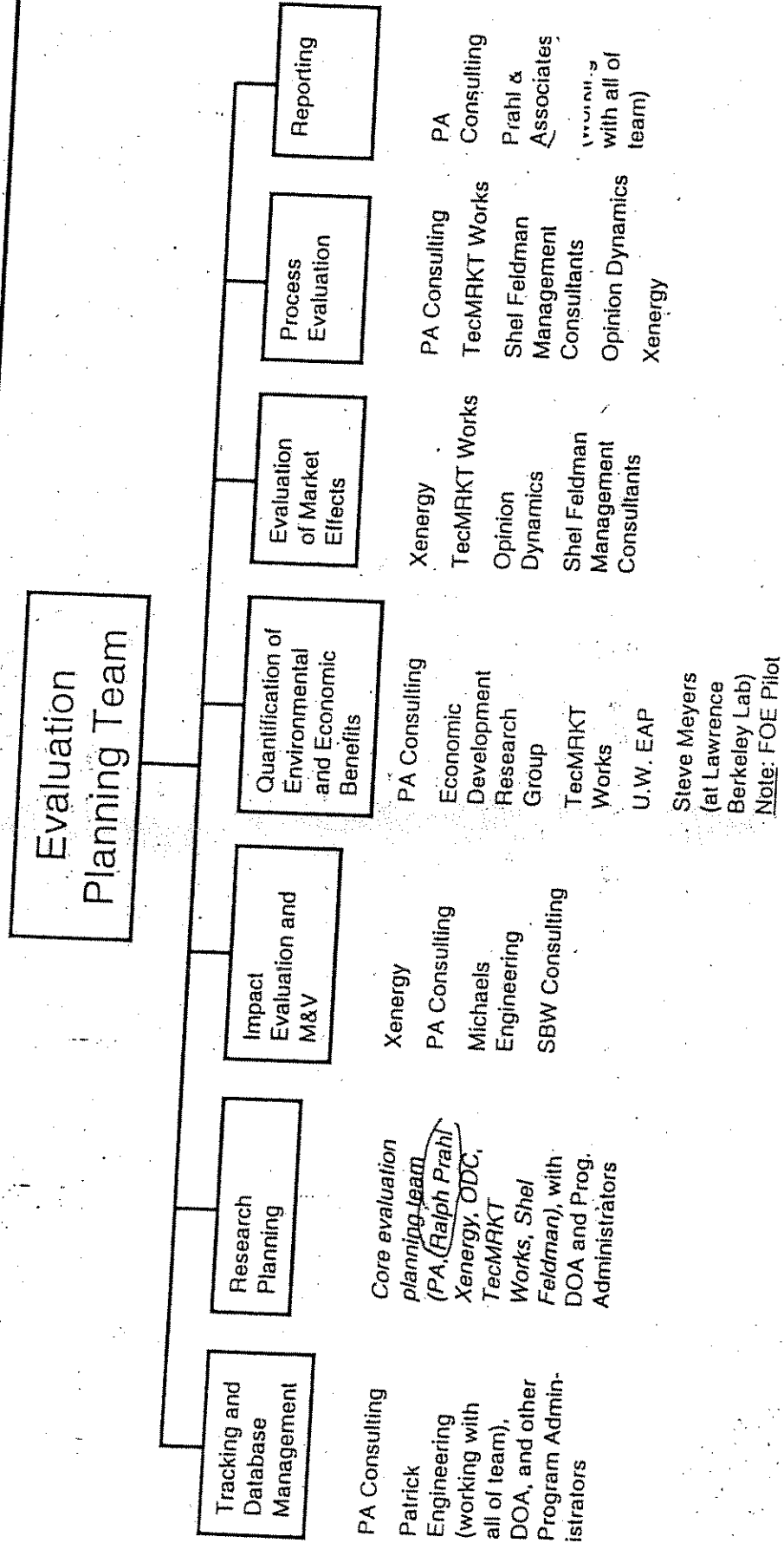
The department requests that \$4,429,600 SEG (\$3,973,600 base and \$456,000 one-time) be released from unallotted reserve for FY01. The department also requests that \$3,973,600 SEG be released from unallotted reserve for FY02 and FY03. This will enable the department to contract for evaluation, fiscal compliance and baseline services as part of the statewide Wisconsin Focus on Energy program. It will also fund WFOE program and support staff as well as supplies and services as part of the department's 5% GPR reduction.

Cc: Linda Seemeyer  
Brian Hayes  
John Marx  
Paul McMahan

ATTACHMENT 1  
SUMMARY OF EVALUATION COORDINATOR BUDGET PROPOSAL

	<b>3-Year Total</b>
<b>PA Consulting</b>	<b>\$1,734,144</b>
<b>Subcontractors</b>	
EDRG	\$198,188
SBW Consulting, Inc.	\$198,188
TecMRKT Works	\$1,684,598
Michaels Engineering Inc.	\$297,225
Opinion Dynamics	\$1,486,398
Patrick Engineering, Inc.	\$49,547
Prahl & Associates	\$346,829
Shel Feldman Mangement Consulting	\$99,094
University of Wisconsin Energy Analysis and Policy Program	\$98,465
Energy	\$2,477,350
To be competitively bid	\$496,168
<b>Subcontractors Subtotal</b>	<b>\$7,432,050</b>
PA Consulting Mangement and Administration Fee (10.0%)	\$743,205
<b>GRAND TOTAL</b>	<b>\$9,909,399</b>
<b>Average Annual Total</b>	<b>\$3,303,133</b>

# Evaluation Contractor Responsibilities: Functional Areas



*Phase 1 — Gap Analysis and Market Research Plan Development*

The gap analysis will develop a compendium of existing information on market baselines, and identify gaps that can be filled in the present study or subsequent work. The market research plan will identify which gaps should be addressed in this study and by what means, and which should be addressed in future work.

The gap analysis will begin with a high-level review of the available baseline data, culminating in a relatively brief report with a qualitative analysis of key gaps and recommendations on new data to be collected. As part of the high-level review, a stakeholder meeting will be held to solicit input on this report. After the high-level plan has been developed, a more detailed gap analysis and market research plan will be developed.

*High-Level Review*

The first phase of the gap analysis will be a high-level review of available data and assessment of the 'state of the knowledge' in different areas. This high level review will be qualitative in nature. We will rely on the high level of expertise and experience in Wisconsin and throughout the US of team members to relatively identify those areas where the greatest *relevant* gaps exist. In order to determine relevancy we will meet with stakeholders and review plans for public benefits programs. A qualitative assessment of the most immediate gaps will then be determined. In summary, our professional experience, knowledge and ready access to much data will allow us to assess the most immediate data needs based on:

- gaps in the existing 'state of the knowledge'; and
- usefulness of data to likely public benefits programs.

*Detailed Review*

The second phase will be a more methodical and thorough review of the existing literature and available data. During this phase we will systematically go through reports and data identified in our searches. Each report or data set will be catalogued in the database that is simultaneously being developed.

In this phase we will go through available information, by sector, starting with the most current and working backwards in time. We will make an initial assessment of each report or potential data set to determine whether it is likely to have useful data that is relevant. In this initial assessment we will err on the side of inclusion so that valuable information is not missed. (Whether or not a report or data set is included, we will document its existence for possible future reference.)



*Phase 1 (cont.)*

Next we will read each document or review each data set to identify the type of information that is included. This information will be entered into the database by sector, market actor, geography and end-use/technology. It will also be assessed on the three criteria (usefulness, feasibility and relevance). As we finish each sector we can systematically identify the gaps using the database.

*Sources Examined*

Specific sources that will be examined in the gap analysis include:

- Data from the Focus on Energy Pilot evaluations and programs
- Energy Center of Wisconsin data and reports
- Wisconsin Utility reports filed with the PSCW and stored at the Energy Center of Wisconsin.
- Program information from the selected public benefit's teams, utilities and others.
- Wisconsin Demand-Side Demonstration data and reports.
- Information sources outside of Wisconsin such as CADMAC (for California information) and the CEE Information Clearinghouse (with reports from around the nation).
- Others identified by DOA or other experts in the energy field.

*Uses of the Database*

DOA will be able to use the database in the following ways:

- Search (by market actor, sector, geography, end-use or technology and more, to be determined) to identify gaps in information
- Search (as above) to identify data and information sources. The database will contain references to reports and data sets so that DOA staff can access these reports. When reports are not available, this will also be noted.
- Determine the assessed quality of available reports and data individually on the following the parameters:
  - *Usefulness* – extent, quality, and age of existing data (older data okay for market characteristics, but not quantitative estimates)
  - *Feasibility* – technical feasibility and associated cost of obtaining new data
  - *Relevance* – relates to specific public benefits program and likely evaluation area

*Phase I (cont.)*

- Add to the database as new information or data is gathered.

Examples of the classifications that will be used include the following.

- *market actors*: retailers, consumers, building contractors, distributors, salespersons
- *sector*: residential, commercial, industrial, agricultural
- *geography*: Wisconsin statewide, region of Wisconsin, outside of Wisconsin
- *end-use*: residential heating, residential cooling, commercial HVAC, residential lighting, water treatment, residential refrigeration.

*Market Research Plan Development*

XENERGY will design the market research plan to provide critical information that can support the program design, implementation, and evaluation process following any of the major theoretical frameworks. The gap analysis will be implemented with the objectives of both identifying data collection gaps and establishing priorities for filling these gaps. The end result of the process will be a market research plan that includes a ranked list of data collection activities to pursue.

The data-collection activities will be identified by sector, technology, service, market actor, and tracking indicator. The analysis will identify and categorize existing data sources for these data elements. The pre-existing data will be assessed in terms of usefulness, feasibility of application, and relevance to program objectives. Limitations of the existing data will be identified. Priorities for new data collection will be identified. These priorities will indicate which data should be collected within this project, which within subsequent baseline efforts, and which should become ongoing tracking efforts.

In developing the gap analysis, the focus of the effort will be on the most valuable information to program development and evaluation. Primary data collection in the present study will be targeted at those elements that are perishable and have high value. Recommendations for future data collection will be made for less perishable but high-value data elements. In considering the value of data, XENERGY will recognize that the level of detail and accuracy required will vary for different types of information.

In consultation with the Department of Administration (DOA), XENERGY will determine which activities to implement. These will tend to be those at the top of the list that fit within the project budget and timeline. The list (and associated database) will also serve as a guide for future data gathering beyond the scope of the current effort, as well as the foundation for a central catalog of market research and evaluation studies and data.

*Phase 1 (cont.)*

The data collection activities recommended for completion within this project will be based on DOA priorities, findings from the gap analysis, and the practicalities of what can be achieved within the time and budget constraints of this project. The recommendations provided will include identification of tradeoffs in resource allocation within this project, as well as identification of additional activities that could be conducted if additional funds were available. These additional activities might include data collection in a market or from a particular market actor that would otherwise be deferred, expanded sample sizes to allow more refined analysis, or a more costly data collection approach to provide better quality data.

*Deliverables*

<b>Deliverables</b>	<b>Tentatively Completed by Week Ending</b>
1 Gap Analysis and Research Plan	
Kickoff Meeting	3/2/01
Preliminary Report	3/9/01
Stakeholder Meeting	3/16/01
Proposed High-Level Plan	3/23/01
DOA Approval of High-Level Plan	3/23/01
Meeting with DOA	3/23/01

*Phase 2 — Data Collection Plans*

Data collection plans will be developed in two tiers. Tier 1 will be plans for data collection needs identified quickly based on the high-level analysis. Development of these plans will proceed immediately upon approval from DOA following the stakeholder meeting. Tier 2 will be plans for data collection needs identified through the detailed gap analysis. To expedite the project, Tier 2 plans for particular data collection efforts will be submitted as they are developed, rather than submitting these plans as a single package.

*Sample Frames and Sampling Plans*

XENERGY will develop sampling frames and sampling plans for each primary data collection effort. Sampling frames may be obtained by purchasing commercial lists, or by obtaining access to utility databases, state databases, or trade association lists. Random digit dialing may also be used, avoiding the need for explicit frame development.

*Phase 2 (cont.)*

Sampling plans will be developed to provide efficient, unbiased estimates. Sampling plans will be developed, in consultation with analysis plans, to ensure appropriate handling of the data and achievement of the best possible accuracy for each sample, given the sample size and/or budget constraints. Sampling plans will also take into account the data collection mode to be used.

*Survey Instruments and Protocols*

XENERGY will develop survey instruments and protocols for data collection. The instruments will balance the desire for detailed information against the need to keep surveys short to ensure good response rate and the need to pose questions that respondents can reasonably answer.

*Deliverables*

<b>Deliverables</b>	<b>Tentatively Completed by Week Ending</b>
2 Data Collection Plans	
Tier 1 Plans	3/16/01
DOA Approval	3/23/01
Tier 2 Plans	4/27/01
DOA Approvals	5/4/01
Meeting with DOA	4/22/01

*Phase 3 — Primary Data Collection*

XENERGY will implement the data collection plans. Data collection methods may include any of the following:

- Closed End Surveys
- In-Depth Expert Interviews
- Focus Groups
- Mystery Shopper
- Shopper Intercepts
- Web TV
- Site Visits and Inspections
- Sales Meeting Observation

*Phase 3 (cont.)*

- Panels

XENERGY anticipates that most of the data collection will be via closed-end surveys and in-depth expert interviews. The specific types of data to be collected, methods, and numbers of sample points will be determined in consultation with DOA based on the gap analysis. The budget shows illustrative examples and a preliminary estimate of the resource allocation.

To ensure quality of data collection, XENERGY will use professional, experienced interviewers. Surveys will be pre-tested, and interviewers will be trained on the meaning and intent of survey questions as well as on the survey structure. Interviewers will be flexible in calling hours. For business surveys, incentive payments may be offered to respondents.

Closed-end surveys will be conducted by Opinion Dynamics Corporation using their computer-assisted telephone interviewing (CATI) facility, featuring

- on-line sample management,
- quota control by demographics or location,
- automated tracking of survey dispositions,
- automated call scheduling,
- reporting of every phone contact attempt,
- on-screen monitoring of interviewers, and
- remote client call-in monitoring.

Tools to ensure high response rates and high data quality will include:

- Pre-tests
- Experienced/trained interviewing staff
- Identify and contact proper respondents
- Record all relevant re-contact information (Callback Module)
- Survey pre-letters
- Provide alternatives to telephone interviews
- Clear client sponsorship
- 800 number for respondent-initiated callbacks
- Appropriate calling period
- Consistent monitoring for quality control.

*Phase 3 (cont.)*

*Deliverable*

3	Deliverable	Tentatively Completed by Week Ending
	Primary Data Collection Meeting with DOA	5/18/01

*Phase 4 — Analysis and Reporting*

*Data Analysis*

XENERGY will conduct data analysis consistent with the data collection objectives and sample design.

*Development of Reports*

To meet the differing information needs of a wide range of stakeholders, XENERGY will provide a range of final work products, rather than a single, monolithic final report. The following are some examples of specific work products that might be developed. Specific work products will be determined in consultation with DOA.

*White papers* (primary audience — DOA and members of the Legislature): One or more high-level white papers, focusing on the broad picture of energy efficiency markets painted by existing and new baseline data. Preliminary expectations are for two white papers of roughly 20 pages each. Tentative topics are high-level reviews of what is known regarding current status of energy-efficiency markets, one white paper for residential and one for nonresidential markets. Alternative topics may be addressed as directed by DOA.

*Market Research Fact Sheets* (primary audience — program administrators): A series of two- to three-page market research fact sheets, focusing on specific markets. The sheets summarize the state of knowledge for those markets, provide some baseline statistics, and point administrators and evaluators to reports and data sets with more detailed information. These fact sheets would be made available as paper sheets, as well as PDF files that could be available on a website.

Unless otherwise determined based on DOA's need, XENERGY will deliver approximately 20 fact sheets. Each fact sheet will focus on compactly summarizing what is currently known about one of the following:

*Phase 4 (cont.)*

- (1) specific technologies;
- (2) specific customer groups;
- (3) specific categories of upstream market actors;
- (4) specific types of market indicators; or
- (5) specific markets, where "market" is defined at a fairly fine level to mean a combination of a specific category of product or service and a specific distribution chain or stable configuration of market actors engaged in a system of exchange.

Specific topics will be determined based on discussions with DOA and other stakeholders.

*Detailed Relational Database* (primary audience — programming implementers and new statewide evaluation administrator): The database used for the gap analysis, and updated as data collection proceeds, will include references to the data and reports included in the analysis, as well as the scores assigned to the data elements. It will be possible to query the database by sector, technology, and market actor, as well as in other ways.

*Data Sets*: All data collected as part of this project, as well as other publicly available and pertinent data sets, will be provided in a consistent format. This will include providing all data in a platform agreed upon by DOA (ASCII, ACCESS, SPSS, Excel or other), with codebooks and consistent coding conventions so that program administrators and evaluators can take full advantage of them. As part of this effort, XENERGY may include a recommendation for some standard categories for demographic and firmographic variables for program tracking and evaluation data collection to facilitate the comparison of data across studies.

*Final Report*: The final report will provide background on the project objectives; discussion of the methodology for developing the market research plan, including solicitation and incorporation of stakeholder input; documentation of all survey instruments, protocols, and sampling plans; sample disposition reports; key findings from the data collection; and recommendations for additional baseline data collection and future tracking activities.

*Database Documentation*

The gap analysis will summarize existing information in a detailed relational database. Information collected in the present study will also be entered into the same database. This database can be used by program implementers, DOA evaluation staff, and the FOE evaluation team. The database will contain references to data and reports, scored in terms of data quality and relevance. The database will be searchable by factors such as market

*Phase 4 (cont.)*

actor, sector, and geography. In addition, the database will be expandable to accommodate information developed in future studies.

The relational database will be a description of available studies. The specific data collected as part of the present study will also be provided to DOA, in documented data sets.

*Deliverables*

<b>Deliverables</b>	<b>Tentatively Completed by Week Ending</b>
<b>4 Analysis and Reporting</b>	
White papers and Fact Sheets	6/22/01
Draft Final Report	6/15/01
Meeting with DOA	6/15/01
<i>DOA Comments</i>	6/22/01
Final Report	6/29/01
Databases and Documentation	6/29/01



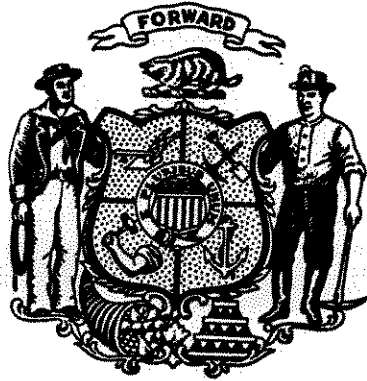
**DEPARTMENT OF ADMINISTRATION  
DIVISION OF ENERGY**

**STATEWIDE WISCONSIN FOCUS ON ENERGY PROGRAM (WFOE)**

**16.515 Request – Release of Funds from Unallotted Reserve (\$10,100,000 SEG)**

- As part of the July 12, 2000 13.10, the JFC is requiring DOA to return with a request to release funds from unallotted reserve under a 14-day passive review process.
- Request \$3,989,200 SEG in FY01 (\$3,533,200 in base authority and \$456,000 in one-time authority) and \$3,533,200 SEG in base authority in FY02 and FY03 for WFOE contracts.
  - Evaluation Coordinator (\$9,909,399 total, \$3,303,200 per fiscal year)
    - 3-year contract with PA Consulting Group and its ten partners (9 of the 11 have a major business presence in Wisconsin)
    - Necessary for DOA to comply with 1999 Wisconsin Act 9 requiring DOA to evaluate and report on WFOE's success
    - The Evaluation Coordinator will produce an unbiased, comprehensive process and impact evaluation of each program element (Residential and Commercial Energy Efficiency, Low-Income Heating Assistance) in the WFOE program. This will allow DOA to see both the short-term and the long-term impact of the program and its activities. The evaluation will assist DOA in planning for the future direction of the program.
  - Compliance Agent (\$230,000 per fiscal year)
    - Annual contract with Virchow, Krause & Company, LLP
    - To perform fiscal management oversight and program monitoring of the \$104,500,500 program. This will ensure that preventive measures exist to reduce exposure to misconduct and liability
    - DOA's internal Bureau of Fiscal Management does not have the financial staff to perform these reviews on a statewide basis
  - Baseline Data (\$456,000 in FY01)
    - One-time contract with Xenergy, Inc.
    - To capture a "snapshot" of what the current market conditions and energy use are before the implementation of WFOE. This is vital to the Evaluation Coordinator in determining how the WFOE program affects statewide market conditions and energy use.
- All three companies were the sole respondents to the requests for proposals.
- Currently not requesting release of remaining unallotted reserve (\$6.6 million in FY02 and FY03), but plans to return to the JFC this fall to request release of funds to cover the cost of a Marketing Coordinator.
- Many existing department employees spend a significant amount of time on the WFOE program. Because of this, DOA is considering whether other existing program and support staff in the department should be funded from Public Benefits (SEG) dollars rather than GPR.
- The department plans to return to the JFC in the fall to request release of SEG funds for 2-4 positions and \$300,000 annually as part of it's 5% GPR reduction plan.

END



END

# THE STATE OF WISCONSIN

SENATE CHAIR  
BRIAN BURKE

316-S Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-8535



ASSEMBLY CHAIR  
JOHN GARD

315-N Capitol  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: (608) 266-2343

## JOINT COMMITTEE ON FINANCE

May 15, 2001

Secretary George Lightbourn  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, Wisconsin 53703

Dear Secretary Lightbourn:

We are writing to inform you that the members of the Joint Committee on Finance have reviewed your request, dated April 24, 2001, pursuant to s. 16.515/16.505, Stats., pertaining to a request from the Department of Veterans Affairs.

No objections have been raised concerning this request. Therefore, the request is approved. Should you have any questions or concerns, please feel free to contact us.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of John Gard in black ink.

JOHN GARD  
Assembly Chair

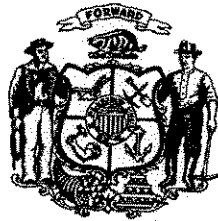
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cc: Members, Joint Committee on Finance  
Bob Lang, Legislative Fiscal Bureau  
Vicky La Belle, Department of Administration  
Secretary Boland, DVA

# THE STATE OF WISCONSIN

SENATE CHAIR  
**BRIAN BURKE**

316-S Capitol  
P.O. Box 7882  
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Phone: (608) 266-8535



ASSEMBLY CHAIR  
**JOHN GARD**

315-N Capitol  
P.O. Box 8952  
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## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Brian Burke  
Representative John Gard  
Co-Chairs, Joint Committee on Finance

Date: April 25, 2001

Re: s. 16.515/16.505(2), Stats. Request

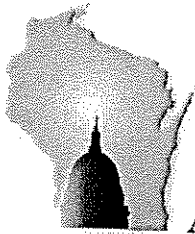
Attached is a copy of a request from the Department of Administration, received on April 24, 2001, pursuant to s. 16.515/16.505(2), Stats., pertaining to a request from the Department of Veterans Affairs.

Please review the material and notify **Senator Burke** or **Representative Gard**, no later than **Friday, May 11, 2001**, if you have any concerns about the request or if you would like to meet formally to consider it.

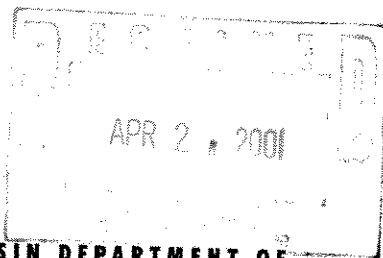
Also, please contact us if you need further information.

Attachment

BB/JG/js



WISCONSIN DEPARTMENT OF  
ADMINISTRATION



SCOTT McCALLUM  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY

Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1741  
Fax (608) 267-3842  
TTY (608) 267-9629

**Date:** April 24, 2001  
**To:** The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance  
The Honorable John Gard, Co-Chair  
Joint Committee on Finance  
**From:** George Lightbourn, Secretary  
Department of Administration  
**Subject:** S. 16.515/16.505(2) Request(s)

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

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1999-2000</u>		<u>2000-01</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DVA 20.485(1)(gk)	Institutional operations			\$ 974,100 *	

\* One-time expenditure authority.

As provided in s. 16.515, the request(s) will be approved on May 14, 2001, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Vicky LaBelle at 266-1072, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



Division of Executive Budget and Finance  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1736  
Fax (608) 267-0372  
TTY (608) 267-9629

**Date:** April 17, 2001

**To:** George Lightbourn, Secretary  
Department of Administration

**From:** Deborah A. Uecker *D.U.*  
State Budget Office

**Subject:** Request Under s. 16.515 from the Department of Veterans Affairs for Funding Related to a Salary Shortage at the Wisconsin Veterans Home at King.

**REQUEST:**

The Department of Veterans Affairs (DVA) requests a one-time increase in expenditure authority of \$974,100 in FY01 in its institutional operations appropriation for the Wisconsin Veterans Home at King, s. 20.485 (1)(gk), to meet a salary shortage projected due to increased nursing costs for the King Home.

**REVENUE SOURCES FOR APPROPRIATION(S):**

The sources of revenue deposited in the appropriation under s. 20.485 (1)(gk), institutional operations, are from member payments, federal per diem payments, and medical assistance payments. Under s. 20.485(1)(gk), DVA has the authority to expend revenues credited to the institutional operations appropriation for the operation of the Veterans Home at King for the care of its members.

**BACKGROUND:**

Causes for Salary Shortage:

1997 Wisconsin Act 237:

- Changed the staffing requirements for minimum daily care standards for nursing home residents in Wisconsin
- Redefined the types of positions that could meet the new standards for care, placing more emphasis on nursing staff care hours per resident rather than on care hours provided by other employees at nursing homes

#### Statewide Nursing Shortage:

- King Home is experiencing difficulty in recruiting additional nursing staffs to meet the current staffing requirements
- All state nursing homes must provide the required care 24 hours a day, 365 days per year

#### Salary Contracts for Nursing Staff

- A negotiated contract also increased the salary costs for particular nursing staff positions

The King Home is struggling to meet these care standards through recruitment of more nursing staff, paying overtime when needed to cover care hours and paying for the costs of increased negotiated salaries. The Home has had several vacant nursing positions it has been trying to fill in recent years. Until the nursing shortage ends these problem will likely continue.

#### How the King Home Meets all of the Required Care Needs:

- Overtime hours required by nursing staff
- Increasing reliance on LTE staff to provide care where needed
  - Reallocation of a portion of permanent salary budget to pay for LTE staff costs to provide care
- In-house nursing training program to train interested persons to help fill vacant nursing positions
  - Training program has also increased the staffing costs of the King Home

#### **ANALYSIS:**

According to payroll records and the table below, DVA has spent \$15,690,703 in permanent position salary payroll expenses through pay period 5. Payroll expenses until the end of FY01 include nine additional pay periods, holiday pay for Labor Day, new hires and performance awards as staff graduate from training to accept permanent nursing positions and length of service payments. These additional costs are expected to be an additional \$7,844,130, for a total projected salary expenditure of \$23,534,493. These costs will exceed the King Home's current budget authority for permanent salaries by \$1,066,343 after taking account \$2,401,050 in pay plan and other supplements available from the Department of Administration. The department has found \$140,000 in budget authority available to help fund a FY01 fuel and utility shortage in supplies and services funding in s. 20.485(1)(gk), and has transferred \$363,300 which reduces the need for additional budget authority to \$974,100.

**DVA 16.515 Request for Increased Funding for King Home Salaries**

Permanent Payroll Expenses through Pay Period 5 (Payroll Reports)	\$15,690,703
Estimated Payroll Expenses from PP5 through PP14	\$7,693,973
Labor Day Holiday Pay	\$16,535
Length of Service Payments	\$62,100
New Hires and Performance Awards	\$71,522
<b>Total Projected Salary Expenditures</b>	<b>\$23,534,493</b>
Current Expenditure Authority	
20.485(1)(gk) Permanent Position Salaries as of 2/28/01	\$20,067,100
Maximum Pay Plan Supplement	
Length of Service Payments	\$1,655,435
	\$62,100
27 <sup>th</sup> Pay Period Pay Plan Supplement	
<b>Total Salary Budget Authority</b>	<b>\$683,515</b>
	<b>\$22,468,150</b>
Permanent Salary Shortage	
LTE Salary Shortage	\$(1,066,343)
Fuel and Utilities Shortage	\$(271,031)
<b>Total Salary and Fuel Shortage</b>	<b>\$(140,000)</b>
	<b>\$(1,477,374)</b>
Funds Available to Cover Salary and Fuel Shortage:	
20.485(1)(gk) Supplies and Services	\$140,000
Transfer from budget for Southern Wisconsin Veterans Retirement Center	\$363,300
<b>DOA 16.515 Recommended Funding</b>	<b>\$974,100</b>

The Veterans Home at King appropriation currently (April 17, 2001) has a \$1,255,516 unexpended revenue balance. Therefore the Home has the revenues available to pay for the requested increase.

**RECOMMENDATION:**

Approve \$974,100 program revenue funding on a one-time basis in FY01 in s. 20.485 (1)(gk) for the Veterans Home at King.



CORRESPONDENCE /  
MEMORANDUM

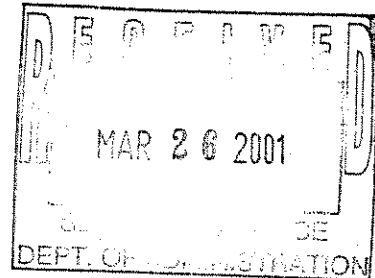
STATE OF WISCONSIN  
DEPARTMENT OF VETERANS AFFAIRS

GL:DC  
DU

Date: March 23, 2001

To: George Lightbourn, Secretary  
Department of Administration

From: *RGB*  
Raymond G. Boland, Secretary  
Department of Veterans Affairs



Subject: S. 16.515, WIS.STATS. REQUEST FOR SPENDING AUTHORITY TO COVER SALARY SHORTAGE AT THE WISCONSIN VETERANS HOME AT KING

REQUEST

The Wisconsin Department of Veterans Affairs is requesting increased spending authority \$974,100 for FY01 to cover permanent salary costs at the Wisconsin Veterans Home (WVH) at King. Based on the pay increases included in the most recent bargaining agreements, it is estimated that actual negotiated salary adjustments for permanent staff will exceed available spending authority and pay plan supplement by \$937,000. The Department is requesting that spending authority in the amount of \$937,000 be approved as base building to cover the negotiated wage increases that are higher than the pay plan supplement provided.

BACKGROUND

Recent tight labor markets in general, and other factors unique to selected health care professions, has made it more difficult to fill positions for many health care employers. At the Wisconsin Veterans Home, vacancy rates for all nursing classifications have been abnormally high in the last two years. Recruitment in other personnel categories has also become more difficult. As a result, during the last contract negotiation WDVA provided input to the State's bargaining team in support of pay range reassignments for Licensed Practical Nurses and Nursing Assistants which were considered outside of the normal contract settlement that would be offset by pay plan allotments to agencies. Market adjustments were negotiated for Nurse Clinicians (RN's), and other employee categories that are also over the approved pay plan allotment.

It is estimated the actual wage increases negotiated for staff at the Home will be \$937,000 higher than what is available as pay plan supplement. These negotiations have also affected the cost of overtime at the Home. While the number of overtime hours worked has decreased, the actual cost has increased by approximately 20 percent. While the employment situation remains critical at the Veterans Home, the approved pay adjustments have helped to assure competitive wages to address retention of current employees, and to allow us to market to a still tight supply of available, qualified workers in the central part of the State. Pay increases, along with other changes in our method of doing business have stabilized our situation, and allowed us to meet our mission, serving 749 members consistent with 1999-2001 budget assumptions.

There are other costs that the Home has experienced as a result of the labor environment described above. Specifically, we are experiencing higher training and orientation expenses (principally affecting limited term salary costs.) The need to meet member staffing requirements with relatively high staff vacancy rates has resulted in increased overtime expenses and LTE

expenses in excess of budgeted levels. The recent increase in fuel costs has also resulted in expenses higher than the amount budgeted. The Department has already reallocated \$503,300 of spending authority to cover the increased cost of fuel, LTEs, and part of the permanent salary shortfall. The remodeling of the Community-Based Residential Facilities at Southern Center has taken longer than projected. Therefore, \$363,300 of spending authority for salary and fringe benefits has been reallocated to the Home at King for LTE and overtime costs. The increased fuel costs of \$140,000 are being absorbed by the Home.

I am attaching worksheets that show how the Department projected the amount of funds being requested. Thank you for your consideration of the Department's request. If you have any questions, please contact Bob Cocroft at 266-2256.

cc: Bob Lang, Legislative Fiscal Bureau

**16.515 REQUEST FOR INCREASED SPENDING AUTHORITY  
FOR WVH SALARIES**

<b>EXPENSES</b>	
Permanent Payroll Expenses through PP 5 (February 24, 2001)	\$15,690,363
Projections from PP 5 through PP 14	7,693,973
Holiday (May 28, 2001)	16,535
Length of Service Payments	62,100
New Hires and Performance Awards	71,522
<b>TOTAL PROJECTED EXPENSES</b>	<b>23,534,493</b>
<b>SPENDING AUTHORITY</b>	
Current Spending Authority	20,067,100
Pay Plan and Length of Service Supplements	2,401,050
<b>TOTAL SPENDING AUTHORITY</b>	<b>22,468,150</b>
<b>SALARY AND SUPPLIES SHORTAGES</b>	
Permanent Salary Shortage	-1,066,343
LTE Salary Shortage	-271,031
Fuel and Utilities Shortage	-140,000
<b>TOTAL SHORTAGE</b>	<b>-1,477,374</b>
 Reallocation of Spending Authority	 503,300
<b>TOTAL SHORTAGE</b>	<b>-974,074</b>