TESTIMONY OF VERABOONE

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Government Affairs Committee, AARP Wisconsin

Before the Joint Committee on Finance
April 10, 2001
Kenosha, Wisconsin

Good morning. My name is Vera Boone. I live in Twin Lakes, and I'm a member of AARP Wisconsin's Government Affairs Committee.

I'm here today to express AARP Wisconsin's support for Wisconsin Care, the prescription drug benefit that could help as many as 335,000 Wisconsin seniors with the cost of medication.

As you know, the Milwaukee Journal Sentinel ran a three-part series last week examining every aspect of an issue that comes down to one huge problem: Prescription drugs cost too much.

How do seniors who have prescription drug coverage fare compared to those who don't? There's a new report published in Health Affairs magazine* that contrasts how Medicare beneficiaries did in 1997 and 1998, and the results make another powerful argument in favor of Wisconsin Care.

Let's look at just one element of the Health Affairs study. Nationwide, there were 4.2 million Medicare beneficiaries who were suffering from at least three chronic health conditions but who had no coverage. These seniors purchased about 25% fewer prescriptions than seniors with comparable conditions who had insurance. Uninsured seniors may have purchased fewer prescriptions, but they wound up paying about $375 more out of pocket than seniors who had insurance. It was the same sad story for Medicare beneficiaries whose health was simply described as poor, without identifying particular illnesses. Those without coverage spent about $330 more than their covered peers to purchase about 35% fewer prescriptions.

You don't need to be an expert on public health policy to understand what these figures mean.

While some seniors try to save money by purchasing only those medications they believe are indispensable, others try to stretch their prescriptions by taking pills every other day or by taking only half the recommended dosage. For those seniors who undertreat specific illnesses—or fail to treat them at all—the daily tasks of independent living become increasingly difficult, if not impossible. At a certain point, when failing health means these seniors are no longer able to look after themselves adequately, they're obliged to give up their independence and their homes and to seek institutional care.

Wisconsin Care will give Wisconsin seniors the resources they need to preserve good health practices and to remain independent. Wisconsin Care means that low-income seniors won't have to choose between medicine and groceries. And Wisconsin Care also means that moderate- and middle-income seniors without drug coverage won't have to use up their savings just to follow their doctor's orders.

Wisconsin Care is the best available prescription for Wisconsin seniors.

Thank you for your time.

* *Health Affairs – March/April 2001*

COUNTY OF KENOSHA COUNTY EXECUTIVE
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TO: State Legislature's Joint Committee on Finance

FROM: Allan K. Kehl, Kenosha County Executive AKK

SUBJECT: 2001-2003 Biennial Budget Policy Recommendation for Human Services

DATE: April 9, 2001

We appreciate the opportunities that you are making available throughout the State for citizens and local officials to provide input into the 2001-2003 State Biennial Budget. As you travel around the State taking testimony, you are undoubtedly hearing similar concerns expressed repeatedly about the negative impacts of inadequate state funding on communities and on the local units of government that provide services to support these communities. Also without doubt is the fact that there is no area of local government that has been more consistently affected in an adverse way during the past decade than county human services.

Every biennium, you hear complaints from local officials, client advocacy groups, human services professionals, religious leaders and ordinary citizens about various aspects of human services that have been under-funded for years. You have heard again and again about ever-increasing waiting lists in areas such as long term care, mental health and alcohol and drug treatment. You have heard again and again about inordinately high caseloads in Child Support and Child Welfare and about State-initiated rate increases for court-ordered placements in foster care, juvenile corrections, inpatient treatment and residential care. Local officials and human services professionals have complained bitterly about ever-increasing and ever-more-detailed state regulations and reporting requirements that cost counties money and about the latest unfunded legislative mandates for local human services agencies and county governments. You have heard all this and more year after year, budget after budget for over a decade. Unfortunately, relief has not been forthcoming, and the inequities in the state-county partnership in the funding of human services have continued to grow.

The results for county governments have been financially devastating in two areas: Youth Aids and Community Aids.

Youth Aids. When the Youth Aids funding mechanism was first implemented in 1981, the state funded over 90% of the total combined costs of county-provided juvenile justice services and state-provided juvenile corrections. By 1988, the state-funded percentage remained high (around 75%), with counties responsible for the difference. Since then, the vast bulk of system growth costs have been dumped onto county budgets. State Youth Aids funding for local juvenile justice has grown by only 30% since 1988 (about $20 million total increase). By contrast, the counties' costs have increased by over $100 million during that same period! That's a 500% increase! County property taxpayers are absorbing this increase in total cost. The funding partnership between the state and the counties in the area of Juvenile Justice has been crumbling steadily for more than 10 years and is now essentially broken.

Community Aids. Community Aids is the state funding program created by the Legislature in 1979 to cover the costs of county-provided services to a wide range of human services clients, including child welfare services, alcohol & drug treatment services, mental health services, some community services for the elderly and disabled, and prevention and early intervention services to children and families.

According to a recent analysis of Legislative Fiscal Bureau reports by the Wisconsin Budget Project, total state GPR spending for Community Aids allocations to county human services actually *decreased* by several million dollars during the 10-year period between 1988 to1998. During that same 10-year period, counties have had to increase local property tax contributions to these human service functions by 174%! The actual increase in county costs would have been closer to 200% had the state not taken over financial responsibility for child welfare services in Milwaukee in 1998.

The total dollar costs to counties reflected by these percentages are staggering -- and devastating to county budgets. The $90 million that county property taxpayers across the state were required to contribute to these Community Aids funded portions of local human services systems in 1988 increased to about $240 million by 1998. The state's total GPR contribution to Community Aids *decreased* during this time! Community Aids allocations have remained flat-lined since then, and county property taxpayers are picking up an even greater share of these costs today than they did two years ago. This has gone beyond unacceptable -- it is a travesty.

This deterioration in our system of financing county-operated human services in Wisconsin has been recognized and complained about with increasing bitterness in recent years by professional associations, advocacy organizations and elected county officials. These complaints have yielded no results. The local property tax hit on homeowners and local businesses to pay for county human services continues to soar each year. It is clear to all local elected officials that the property taxpayers are fed up with the increasingly disproportionate share they are being asked to pay to operate the state's human services programs at the local level. It is also clear that each year more and more counties are reaching their state-mandated levy caps and are therefore on the brink of financial crisis.

Kenosha County is one of these. We are retrenching. Despite growing waiting lists, unacceptably high caseloads and increasingly inadequate levels of community treatment and support services, we have been forced to begin the process of cutting back even further on the scope and amount of human services support we are able to provide to our most vulnerable citizens. With the state budget before you, I can guarantee you that this process of cutting important human services in Kenosha County will continue over the next biennium.

Let me give you one example of the level of financial difficulty this decade long pattern of state under-funding has produced. Ten years ago, we were spending about **$3 million** per year in Kenosha County for all court-ordered out-of-home placements of children and youth in human services -- including foster care, group home care, residential treatment and juvenile corrections.

During the past decade, these costs have increased substantially -- for a variety of reasons, including state-imposed rate hikes, get-tough legislation, public pressures that elected judges and DA's feel obliged to respond to, and periodic (though not dramatic) spikes in juvenile crime or in child abuse. We are now spending **$9 million** a year for these court-ordered placements. Since both Youth Aids and Community Aids funding to counties have been flat-lined for over a decade, **all** of these increased costs have been paid for locally -- $6 million more this year than a decade ago (and growing).

Our total state Youth Aids and Community Aids funding allocations in these program areas are not even adequate to cover our court-ordered placement costs. This means that we have to use local tax levy, grants and any other locally-generated revenues that we can find to pay for all of our staff costs, all of our community-based service and treatment costs, all of our overhead and infrastructure costs, any prevention programming we feel we should provide or any program enhancements or new initiatives in community services for children, youth and families. We can not afford to sustain these enormously increased placement costs with no help from the state and still maintain traditional levels of staffing and community services. So we are going to have to cut back our local service capacity. As an elected official who cares about quality of life in my community, I believe this breakdown in the state-county funding partnership in human services is nothing short of a tragedy.

The serious erosion of the state-county partnership was a major theme in the recently released Kettl Commission report. Not surprisingly, the Commission discovered through its work that the single area in which this relationship breakdown is probably most severe is human services. And the main issue underlying this breakdown is funding. To quote from the Commission's report:

> Among local governments, therefore, counties might be expected to have the smoothest relationships with the state government. In fact, however, tensions have grown, especially in human services programs. Counties are charged with administering state programs. The state funds the programs and requires counties to provide a local match. Counties have long complained that the level of state support is not sufficient to fund its commitments and that they have to dig deep into their taxpayers' pockets to make up the difference. State officials have long complained that county programs are insufficiently accountable. As a result, state-county relationships have become more difficult, and the human services partnership has become one of the most difficult. (p 49).

The Kettl Commission recommends more regionalized approaches to service coordination and functional integration as one way of achieving more efficiency in the delivery of governmental services. They also encourage local governments to pursue other structural innovations that could re-invent government in more cost-effective ways.

We agree with the principle here. But we do not agree that the way to achieve better results is to accept the state's starting premise that local human services systems are ineffectively and wastefully managed and that the only way to correct the problem is to give the state more micro-managerial control over the details of local human services business processes. A demeaning state perception of counties and a desire to pull as much GPR out of human services and to shift as much cost and financial risk to county governments as possible have been the main drivers of state human services fiscal and regulatory policy during the past decade. These have shown up repeatedly in county-damaging state budgets and in one-sided state approaches to state-county contracts and funding policies. We've experienced these negative perception and policy problems in Youth Aids, Community Aids, W-2, Family Care and elsewhere. We therefore have to believe these same unflattering state perceptions regarding county human services management and operations and this same cost-shifting strategic agenda would inevitably drive how the state would attempt to implement the Kettl Commission's recommended fix for the problem -- namely, putting the counties into a "general contractor" role.

Local officials have a different perception of the efficacy of county human services in this state. If you look closely, you will find that virtually all of the programmatic success stories in human services over the years have resulted from counties taking the ball to develop community-relevant strategies and customized program approaches to implement general program and policy guidelines. Conversely, the main source of inefficiency and poor performance in county human services has historically been ill-conceived attempts by the state to over-regulate and over-control the details of local service delivery or to over-standardize county infrastructure.

In the early days of W-2, for example, Kenosha County had to literally fight with state micro-managers to overcome the state's dogmatic insistence that the "FEP" function in W-2 service delivery be entirely performed by a single individual. Keep in mind, the state was arguing this point with a Kenosha Job Center management team that already had in place for over 5 years prior to W-2 a nationally award-winning Job Center program model, an important and valued component of which involved dividing up these job functions among different members of an integrated service team. How presumptuous and arrogant for the state to even push the point!

On the infrastructure side, counties have been struggling for years with duplicate data entry into state-mandated computer data reporting systems that are all totally unconnected to each other, while data access and systems integration needs at the county level (where human services program management and service delivery actually occur) have been completely ignored by the state. What kind of systems enterprise planning is that? The answer: wasteful, inefficient and ineffective. These are only two examples of the point. We could give you more from Kenosha, and other counties across this state could come up with dozens more.

Our Budget Policy Proposal. In light of the history we have had with state funding and fiscal policy in human services, we would like to request you to add a policy provision to the 2001-2003 state budget that contains the following components:

1. Any county or consortium of counties with a combined total population of 500,000 or more based on the 2000 Census will be permitted to negotiate directly with the federal government the necessary waivers and regulatory changes to permit this county or consortium to directly receive and administer its proportionate share of Social Service Block Grant (SSBG) and IV-E funding and to establish its own federally compliant service delivery systems for county or regional human services, the domain of such services being those whose primary state funding has historically come in the form of Community Aids and Youth Aids.

2. Any such federally approved and regulated county/regional social services delivery systems that are thereby created under such federal waivers and/or approvals shall operate under direct regulation and accountability to the federal government and shall be free of policy, regulatory or legislative control from the State of Wisconsin -- except for laws and

regulations that apply to all Wisconsin citizens and/or not-for-profit organizations operating within the state.

3. Any such federally approved and regulated county/regional social services system shall be entitled annually to its full proportionate share of state and federal funding as follows:
a) An annual share of federal SSBG funding equal to the total state allocation of SSBG funding times the total population in the county or consortium of counties divided by the total population of the state (population figures based on the 2000 Census or official Census updates);
b) An annual share of federal IV-E funding equal to the total state allocation of IV-E funding times the total population in the county or consortium of counties divided by the total population of the state (population figures based on the 2000 Census or official updates);
c) A state maintenance of effort share each year of all other federal funding obtained by the state that was previously incorporated into the Youth Aids and Community Aids allocations to that county or group of counties. The amount of each year's maintenance of effort federal pass-through allocation from the state to the county or consortium shall not be less than the larger of the following amounts:
1) The combined total amount of federal funding from all sources (excluding SSBG and IV-E) included in that county's (or that group of counties') combined Community Aids and Youth Aids allocations in 2000.
2) The combined total amount of federal funding from all sources (excluding SSBG and IV-E) that was or would have been included in that county's (or that group of counties') combined Community Aids and Youth Aids allocations in the year prior to the current funding year.
d) A state maintenance of effort share each year of all state GPR and other state funding that was previously incorporated into the Youth Aids and Community Aids allocations to that county or group of counties. The amount of each year's maintenance of effort state funding allocation to the county or consortium shall not be less than the larger of the following amounts:
1) The combined total amount of state GPR and other state funding from all non-federal sources included in that county's (or that group of counties') combined Community Aids and Youth Aids allocations in 2000.
2) The combined total amount of state GPR and other state funding from all non-federal sources that was or would have been included in that county's (or that group of counties') combined Community Aids and Youth Aids allocations in the year prior to the current funding year.

4. All federally approvable business plans, proposals, budgets or updates developed by counties or consortia of counties under this provision and all aspects of the administration and operation of such federally approved and regulated county/regional social services delivery systems shall be fully endorsed and supported by the State of Wisconsin.

5. The Secretary of the Wisconsin Department of Corrections and the Secretary of the Wisconsin Department of Health & Family Services are hereby directed to appoint an administrative lead and contact person to coordinate with the federal government and with any eligible county or consortium of counties under this provision that elects to pursue the establishment of a federally approved and regulated county/regional social services delivery system. The Secretaries are further directed to make appropriate administrative, fiscal and legal staff and technical resources available to clarify with counties and the federal

government the definitions and implementation issues required to successfully implement the concepts established by this provision and to support the application process of any eligible county or consortium to pursue the county/regional social services delivery system status established by this provision.

Ladies and gentlemen of the Joint Finance Committee, when you consider the fact that since 1996, the counties and the federal government have been the two primary funding partners in the Community Aids and Youth Aids areas of local human services systems, our proposal makes sense. We believe that if you enact the provision we are proposing, there will be one or more regional consortia of counties that will decide that they no longer need the state to be the overseer of local human services in these areas -- particularly since the state has been the minority funding partner for the past 5 years. I can assure you that even if most counties do not choose to exercise this option, they will appreciate having the choice to do so.

I thank you for the opportunity to share these views with you and to submit for your consideration this policy proposal for inclusion in the State's 2001-2003 Biennial Budget.

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County Executive Allan Kehl Testimony
Joint Finance Committee
April 10, 2001

Honorable members of the Joint Finance committee, I welcome you to Kenosha on behalf of my administration and the citizens of our county. We all appreciate the opportunities you are making available throughout the state for citizens and local officials to provide input into the 2001-2003 biennial budget.

People have come here today to provide you with the input you seek. A few are here to speak in support of specific budget initiatives. A much larger group, however, are here to express their concerns. I know you will listen well and pay them heed, for their concerns have great merit.

I'm going to ask you to think "out of the box". Rather than just ask you for more money, I'm going to give you some "food for thought", a pilot project perhaps.

I wish to speak with you about one overriding concern and to ask you to insert one new policy provision into the 2001-2003 state budget that may help sow the seeds of reform. The concern I have is the deterioration to the point of collapse in the base financial partnership between the state and county governments in the area of human services. Nowhere is this breakdown in our partnership more complete than in the base funding areas known as Youth Aids and Community Aids. The fact is that the state has consistently backed away from its share of fiscal responsibility for county-operated human services during the past 15 years by pulling state GPR dollars out of these funding allocations and forcing more and more of the costs onto county taxpayers -- with devastating results for county budgets.

The state's Youth Aids funding program was established in 1981 as a mechanism to fund locally-paid incarceration and locally provided juvenile probation and related community services. The state initially provided over 90% of the funding for this Juvenile Justice delivery system through Youth Aids allocations.

It worked well for several years, until the state began backing out of the partnership in the late 1980's. From 1988 to the present, the percentage of local delivery system costs covered by Youth Aids has dropped from over 75% to less than 40%. Counties have experienced a 500% increase in their share of these costs and now are putting in over $100 million per year more than we did in 1988. For the past few years, Kenosha's total

annual Youth Aids allocation hasn't even covered the costs of juvenile incarcerations in state institutions.

The Community Aids program was created by the Legislature in 1979 to cover the costs of county-provided services in a wide range of service areas -- including child welfare, alcohol and drug treatment, mental health, family services, prevention and early intervention services and a portion of the community support services provided to the elderly and disabled. Over the years, the same deterioration has occurred in this state-county partnership. Between 1988 and 1998, the total state GPR contribution to Community Aids actually *decreased*! The share of these service costs paid for by county property taxpayers, on the other hand, increased from $90 million statewide in 1988 to over $240 million! For the past several years, Kenosha's annual allocation of Community Aids funding hasn't even covered the costs of involuntary mental health commitments, foster care and related child welfare placements ordered by the juvenile court.

Historic and persistent under-funding in these two areas alone has forced Kenosha to cut back our human services capacity. The most

disadvantaged and vulnerable populations in our community will continue to take the hit.

What can we do about this broken partnership?

The Kettl Commission agreed that this state-county funding partnership in Community Aids and Youth Aids is broken. They recommended that the state should take over funding responsibility and assume complete policy and operational control over Juvenile Justice and Child Welfare in the counties. This control would be implemented by means of increased state regulation of local services and highly prescriptive contracting practices. These contracts would be designed to force local standardization around minimal service levels, while still shifting significant financial risks back to the counties. Unfortunately, the Commission's recommendations appear to have been based on an unflattering view of the efficiency and effectiveness of county managed human services and of locally determined public policy.

Many of us at the county level would beg to differ with this view. Instead, we see the state's practice during the past 15 years of substituting political loyalty for career expertise at the highest levels of state administration and backing away from their funding obligations (especially in Youth Aids and Community Aids) as two of the primary causes of the broken state-county partnership.

Therefore, we would propose giving counties the opportunity to take more control, not less, over these areas of the local human services enterprise – in a more direct management relationship with our other primary funding partner, the federal government.

This brings me to the policy provision I would request you to add into the 2001-2003 biennial budget. Due to time constraints, I will only summarize it briefly. A more detailed explanation of the key components of this policy proposal is contained in the written document I have provided to you. The gist of the proposition is this. Any county or consortium of counties with a combined total population of 500,000 or more would be permitted to negotiate directly with the federal government the necessary waivers and regulatory changes to permit this county or consortium to directly receive and administer its proportionate share of Social Service Block Grant and Title IV-E funding.

If such federal waivers and regulatory changes can be negotiated, the county or consortium of counties would thereby become empowered to operate its own federally compliant service delivery systems for county or regional human services free of any state legislation or regulation more restrictive than federal law or policy. The state's primary role would be to provide maintenance of effort funding from those sources other than Social Services Block Grant and IV-E that have historically been included in the Community Aids and Youth Aids allocations.

It is not clear at this time how many counties would pursue this direct human services option with the state out of the administrative middle man role -- or, indeed, how open the Department of Health & Human Services would be to approving the necessary waivers to try out this idea. It is likely, however, that a number of counties (who see themselves as the victims of a broken state-county funding partnership in Community Aids and Youth Aids) would find the idea attractive.

We are simply requesting that you give us a chance to explore this concept by putting enabling language to this effect in the 2001-2003 budget bill. We agree with the Kettl Commission's diagnosis of the situation -- we have a financial crisis looming in county human services

and it is time to think of wholly new approaches to address the problem. Our contention is that putting more, not less, funding and policy control in the hands of counties and regional county groups offers a better direction to improve county human services than creating a more powerful and more restrictive state bureaucracy.

Ladies and Gentlemen of the Joint Finance Committee, I thank you for your time and your consideration of these ideas.

COUNTY OF KENOSHA

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To: Honorable Members of the Joint Finance Committee
From: LaVerne Jaros, Director
Division of Aging Services
Kenosha County Department of Human Services
Date: April 10, 2001
Subject: Family Care

Thank you for the opportunity to comment on the 2002-3 biennial budget. I am here today to ask that you restore **$7 million to the Family Care budget**: $5 million so that Kenosha County has an opportunity to end its waiting list for community-based long term care and $2 million to restore other Family Care cuts. We also urge **increased funding for the Community Options Program** to help the 11,000 people statewide who cannot wait for Family Care.

Former DHFS Secretary Joseph Leann, despite what some people thought of him, had the foresight to know that Wisconsin cannot afford to continue on its present track for long term care. The demographics of the aging population is on a collision course with long term care system that is heavily reliant on institutional care.

One of my staff recently came to me in tears. A 50 year-old woman on our waiting list had prematurely entered a nursing home. Her caregiver-friend had worn out. With some respite the woman could have remained home with the help of her friend, at a cost of about $450-500 a month. Now the cost of her care now is about $3000 a month.

This doesn't make sense from a fiscal perspective. It doesn't make sense from a human perspective. Where people want to receive their care is also the least costly, but the state won't commit itself to that course.

Kenosha County asked to be a Family Care pilot so that we could end waiting lists and help shape long term care redesign. We have been involved in state Family Care meetings for five years and thousands of hours. The state has invested over $300,000 and many of its own hours to prepare for a site in Kenosha. That investment, not to mention the trust of our elderly and disabled citizens, will be lost if implementation is not allowed to move forward.

Let's commit to a balanced long-term care system

BY LAVERNE JAROS

Four hundred seventy five older peo- ıle and persons with disabilities in Kenosha County are on a waiting list 'or home and community-based long- erm care. Over 11,000 people statewide ıre waiting for services under the Community Options Program (COP) or Medicaid (MA) Waiver Programs. COP and MA Waivers are state and federal- y financed programs that allow eligi- ıle people to receive long-term care in heir own homes.

Anne 75, is trying desperately to ful- ill a promise made with her husband Bill that they would support each other ıt home. Bill has Alzheimer's disease ınd emphysema. He suffers from mem- ory loss and requires help with bathing ınd dressing. These tasks become nore difficult as Anne's own health leclines. Anne often postpones her ıppointments for fear of leaving Bill ılone. Family members periodically ıelp out but work full time. Anne and Bill have been on the COP waiting list since last July for assistance with Bill's personal care, a little housekeep- ng and respite services so that Anne can leave the house for medical appointments, grocery shopping and church. The longer they go without help the more difficult it is for Anne to keep her promise.

Guest Columnist

LaVerne Jaros is director of the Kenosha County Division of Aging Services.

About 1200 people in Kenosha County, 71,000 statewide, receive publicly funded care to maintain their health and provide for their daily needs. Two-thirds of all persons receiving long term care are in nursing homes and other medical facilities; one-third receive care in their own homes or group homes. Care in a nursing home is a Medicaid entitlement for eligible persons. Long-term community care is not. Prior to the 1980s Wisconsin had the highest growth of nursing home expenditures in the nation and still has a high rate of nursing home beds per capita.

ALTHOUGH STATE

funds for community long-term care have increased in every biennium, they have not kept pace with demand or with funding increases for institutional care.

Wisconsin caught the country's attention in 1981 when it created the Community Options Program. COP supplements the care provided by families. It helps individuals with personal care, adult day care and other supports needed to remain at home. The idea took hold nationally and a number of Medicaid Waiver Programs were created that would allow federal funds to match state funding for in-home or community-based care.

The growth in the aging population and peoples' desire to live at home has fueled the demand for COP and Medicaid Waiver services. Although state funds for community long-term care have increased in every biennium, they have not kept pace with demand or with funding increases for institutional care.

Two years ago the Legislature approved former Gov. Thompson's Family Care Plan. This program combines Medicaid, COP and Medicaid Waiver funds into a flexible long-term care benefit that allows care in the community, nursing home or other residential facility. Five counties began piloting the program last year and have substantially reduced their waiting lists.

Dollars were requested by the Department of Health and Family Services to allow Kenosha County to pilot the program in 2002, however they were cut by Gov. McCallum to reduce costs. Unless Family Care or COP funds are added to the governor's budget, there is little hope that Anne will be able to keep her promise or that many other people on the waiting list will be able to hang on to their homes.

Wisconsin's current course will not meet the needs of elderly citizens and people with physical or developmental disabilities as we move further into the 21st century. The present system has to be retooled. Wisconsin must reaffirm and demonstrate its commitment to a more balanced long-term care system that is responsive to public needs and makes the most efficient use of public funds.

WISCONSIN ASSOCIATED COUNTY EXTENSION COMMITTEES, INC.

Testimony of Richard Rehberg, Chair Racine County Extension Committee, Racine County Board of Superivisors

*Joint Finance Committee Hearing**Tuesday, April 10, 2001*

Co-Chair Gard, Co-Chair Burke and Members: My name is Richard Rehberg and I represent the Racine County Board of Supervisors and the member counties of the Wisconsin Association of County Extension Committees. We want to urge your support of the UW-Extension "Best Practices Partnership for Children, Youth & Families."

I know you heard from one of my county board colleagues up north, Ed Miller, at the hearing in Peshtigo. Ed told you about the important partnership that Wisconsin counties have with UW-Extension and why we believe this proposal is important.

Today, I want to tell you about just one of many educational programs in Racine County that has had positive outcomes for our community. With a grant from Family Preservation West, UW-Extension hired a Family Resource Coordinator to provide child development and parenting education for parents in Western Racine County. In addition to classes, fun programs, support groups and a lending library, the Family Resource Center trains volunteers to facilitate parent groups. This is a grass-roots effort that helps parents and community members learn and grow together. This education has important benefits for the parents involved. One parent said " Life in our home is quieter, calmer and more loving. I try to calmly talk things over using choices and consequences rather than yelling."

Folks, we can do more of this good work, all across the state, but we need a little help from you. We just don't have the resources to respond to the demands for quality education and prevention in our counties. Passing the "Best Practices Partnership" will allow us to develop new resources and increase our capacity to support our Family Living, 4-H and Youth Development faculty and staff across the state. We know you are faced with tough choices in this budget. We hope you and your colleagues in the legislature can make a small investment in prevention education. It will pay big dividends. Thank you.

WISCONSIN ASSOCIATION OF AREA AGENCIES ON AGING

THE NEED FOR ELDER ABUSE STATUTORY REFORM AND FUNDING: 2001-2003 BIENNIAL BUDGET PROPOSAL

1. **Elder Abuse is a serious and growing problem.**
   Since Wisconsin began to fully operate the elder abuse reporting system in 1986, there has been an increase of 139% in the number of cases reported. And because Wisconsin is experiencing an even more dramatic increase in the number of elders than the nation as a whole, the state will most likely see in the next decade a similar increase in the number of reports of elder neglect or physical, financial, emotional and sexual abuse as well as self-neglect.

2. **Counties and Tribes need staff to address elder abuse reports.**
   County boards are required by state statute to designate a county "lead elder abuse agency" to receive and investigate elder abuse reports. Although this statute was passed into law in 1985, there have been only limited legislative appropriations to carry out the assigned duties. As a result, the great majority of counties report serious staffing problems for this growing need and critical function.

3. **The need for public awareness is growing as the seriousness of this problem increases.**
   While public awareness is high for other types of family violence (e.g., child abuse and domestic violence), the public's understanding of the growing and shocking problem of elder abuse lags behind. Public awareness is needed to demonstrate to the public the systems in place and resources available to help with victim safety and to hold abusers accountable.

4. **Training of professionals is crucial to addressing elder abuse issues.**
   Elder abuse is a complex issue that requires sensitive and competent staff who understand the interrelationship between the civil and criminal laws, the dynamics of domestic violence, the dynamics of sexual assault/abuse, working with clients who may have compromised competency, family issues and/or long-term care concerns. Sophisticated, regular training for law enforcement, domestic violence and sexual assault service providers, county social service staff, attorneys, financial institutions, health care professionals, clergy and others is badly needed.

5. **More direct service funds are needed for health and social services.**
   Current state spending for Elder Abuse Direct Services is $625,000 per year. This is less than one dollar per older person in Wisconsin. The lack of funds for services such as assessment and case management, in-home care, respite, emergency shelter, legal assistance and remedies to counter financial exploitation may force elders to remain in extremely dangerous situations and/or lead to unnecessary expensive institutionalization. Lack of direct service funds jeopardizes the health and safety of Wisconsin's elderly.

6. **Elder abuse professionals need the necessary tools to do their job.**
Elder abuse investigators and service providers need special equipment such as cameras and film to record evidence of abuse and property damage, cellular phones for both staff and victims to obtain emergency assistance, locks and outside nightlights to safeguard homes, lock-boxes for securing personal items, cleaning services including dumpster rentals, and access to "lending closets" (where emergency items such as blankets, air conditioners, tarps, medical equipment, etc. are stored).

7. **Professional services are needed to remedy financial exploitation.**
Remedying the fast-growing and complex area of financial exploitation requires the purchase of services from financial and legal professionals (e.g. accountants, financial planners, representative payees and lawyers). Counties and Tribes have no special funds to address this problem.

8. **Education for prevention can minimize abuse and neglect.**
Communities need to be more aware of all types of elder abuse, warning signs, where to call for help and what services are available. Early identification and preventive measures should be employed so that abuse, neglect and exploitation can be avoided or minimized, thereby reducing the need for more expensive interventions. The elderly, especially the isolated and homebound, need to know that they have options for safe living environments in their later years.

9. **State staffing is inadequate to meet current elder abuse programming demands.**
Funds are needed for the Department of Health and Family Services to expand its leadership and coordination of the elder abuse and adult protective services systems. There is a high demand from lead elder abuse and domestic violence agencies for model program information, a statewide public awareness campaign, technical assistance in numerous areas including service development, alcohol abuse, development of elder abuse interdisciplinary teams, individual case consultations, and both statewide and regional training on elder abuse. Currently, DHFS has only one employee to respond to all of the above requests.

10. **Numerous statutory language changes are needed to enable investigators, law enforcement and others to better protect vulnerable adults.**
After over 15 years of elder abuse experience in Wisconsin, there is a significant number of statutory language changes needed to correct problems that inhibit lead elder abuse agencies and law enforcement agencies from performing their jobs efficiently and effectively. As we continue to expand Family Care it becomes even more important to have a cogent, comprehensive and well-coordinated system in place for all areas of adult protective services.

January 11, 2001

ANNUAL ELDER ABUSE BUDGET REQUEST

Elder Abuse Direct Services	$2,451,000
Public Awareness and Professional Education	$500,000
Two (2) FTE employees at $60,000 each.	$120,000
Total	$3,071,000

APPROACH

Direct Services:

A. The 1998 National Elder Abuse Incidence Study estimates that abuse in domestic settings (not institutions) involves approximately 1.3% of the nation's elderly per year. There are approximately 880,000 elderly residing in Wisconsin.

Therefore, approximately 11,440 older people in Wisconsin are likely affected by elder abuse (888,000 x 1.3% = 11,440).

B. According to a 1990 Bureau of Aging and Long Term Care Resources (BALTCR) study, the average cost per elder abuse case in Wisconsin is $3,000 (amount is adjusted for inflation).

Therefore, the real cost of elder abuse in Wisconsin is approximately $34,320,000 (11,440 x $3,000 = $34,320,000).

C. 1999 data includes 3266 reports of elder abuse in Wisconsin.

D. 11,440 (from A) minus 3266 = 8174 possible cases not reported.

E. If increased public awareness results in 10% of cases being reported that were previously not reported $2,451,000 would be needed annually.
(8174 x 10% = 817 x $3000 = $2,451,000)

Public Awareness and Professional Education:

A. In 1997 the Wisconsin Coalition Against Sexual Assault was awarded $500,000 to conduct a statewide public awareness campaign.

B. Milwaukee Women's Center, a domestic abuse program, conducted a nationally recognized, award-winning public awareness campaign valued at $500,000.

C. $40,000 would be needed to provide training for professionals in order to make training available in all areas of the state.

DHFS Support:

Two state level FTE's funded at Range 15 Civil Service Classification, plus position authority. Major responsibilities to include: management of the Wisconsin Guardianship Grant; training and technical assistance to professionals including individuals who work in the criminal justice system, the health care industry, domestic abuse and/or sexual assault victim services, or, in social service or aging agencies; oversight and evaluation of a statewide public awareness campaign; resource development including identification and implementation of best practices; and, development of outcome measures (performance standards).

ENDORSEMENTS FOR ELDER ABUSE STATUTORY REFORM AND FUNDING 2001-2003 BIENNEAL BUDGET PROPOSAL.

WISCONSIN COALITION AGAINST DOMESTIC VIOLENCE

BOARD ON AGING AND LONG TERM CARE

AGEADVANTAGE, INC.

ELDERLY SERVICES NETWORK OF DANE COUNTY

AARP WISCONSIN

WISCONSIN ASSOCIATION OF NUTRITION DIRECTORS

WISCONSIN ASSOCIATION OF BENEFIT SPECIALISTS

COALITION OF WISCONSIN AGING GROUPS

AREA AGENCY ON AGING OF DANE COUNTY

MILWAUKEE COUNTY DEPARTMENT ON AGING

SOUTHEASTERN WISCONSIN AREA AGENCY ON AGING

WISCONSIN ASSOCIATION OF AGING UNIT DIRECTORS

NORTHERN AREA AGENCY ON AGING

WISCONSIN COUNTY HUMAN SERVICES ASSOCIATION

WISCONSIN COALITION FOR ADVOCACY

OFFICE OF CRIME VICTIMS SERVICES

It Shouldn't Hurt To Grow Old

Over 500,000 older Americans experience abuse and neglect every year. Our oldest elders are abused and neglected at 2 to 3 times their proportion of the elderly population.

Please support the Wisconsin Association of Area Agencies on Aging's Elder Abuse Budget Initiative. Contact your legislators today.

Foster Parent Rates

Once again the children in the state of Wisconsin have been overlooked. Wisconsin has the lowest reimbursement rate we are reimbursed at the rate of 2 l/2 cents per hour. This is very difficult to raise a child on. Children are our future why are the legislators unwilling to help us. I have been a foster parent for 22yrs and we have spent anywhere from $6000 to $17,000 a year on children. This is out of pocket expense. We are given a one time clothing allowance for children all the while they are foster care whether it be 1 month or 6 yrs. It is not cheap to raise a child but the state has refused to allocate any funds for foster care. Please help all the dedicated foster parents to continue doing the fantastic job they do make their lives a little easier by helping to support the foster children financially.

COUNTY OF KENOSHA

Dennis R. Schultz, Director
Department of Human Services

John Jansen, Director
Division of Children & Family Services
714 - 52nd Street
Kenosha, WI 53140
Phone: (262) 605-6516
Fax: (262) 605-6570

JOINT FINANCE COMMITTEE
OF THE WISCONSIN LEGISLATURE

PRESENTATION

by

Kenosha County Division of Children & Family Services

John T. Jansen, Director

April 10, 2001

I would like to thank the members of the Joint Finance Committee for coming to Kenosha today to gather input as it relates to the Governor's Proposed State Budget. Unfortunately, as I have reviewed the proposed budget and the impact it has on the children, youth and families, I find little hope when it comes to assisting this county in helping families in need.

The crisis in funding Juvenile Justice Programs has become standard operating procedure for counties. This proposed budget only further strains the limited financial resources this county has in attempting to provide services. There is no proposed increase in Youth Aides; however, it is being proposed that during the next two years there will be over a 14% increase in the daily rate for care in Juvenile Correctional Institutions. To put these increases in perspective, the annualized cost per juvenile will increase from the current cost of $56,239 a year to $64,262 a year by the second year in the biennium. Using Kenosha County's average daily census of 40 juveniles in corrections, the County's base budget must be increased by $250,000 in the fiscal year 2002 and an additional $71,000 in fiscal year 2003 in order to pay for the rate increases. In short, the lack of Youth Aids funding means that these increases must once again be absorbed by the property tax levy at the local level.

I trust that this is not the first time you have heard about the crisis we are facing due to lack of inadequate funding through Youth Aids. To give an historical perspective of Youth Aids, it is important to note that in 1982, when the program was first implemented, Youth Aids funded 91.7% of Juvenile Justice Services. In 1999, Youth Aids covered only 40% of total cost of Juvenile Justice Services in Kenosha County. In addition, from 1991 to 1998, Youth Aids appropriation increased 6% while Juvenile Correction rates charged the counties increased 46%. A 25% increase in Out-of-Home Placements in that same period has meant an increase in county juvenile correction expenditures of nearly 70%. Finally, over 10 years ago, Youth Aids appropriation constituted 28% of the state's GPR expenditures for Adult & Juvenile Corrections compared to 12.8% in 1999 and about 10% in the 2000-2001 budget. I have attached a graph to this document, which shows the share of county spending on Juvenile Justice and Human Services covered by Youth Aids & Community Aids. This graph certainly summarizes and highlights what I have just indicated.

I am also concerned about the reference in the Governor's budget relating to Community Aids. The budget reflects no increase in FY02 and possible decrease in FY03 because the federal government is decreasing the amount of TANF Funding that can be converted to Social Service Block Grant (SSBG). This reduction is being passed on to counties which means there will be another impact on levy dollars.

Another area of concern is related to MIS programming. For over 5 years, Kenosha has been a pilot county as it relates to involvement in the State Automated Child Welfare Information System (commonly referred to as SACWIS). Participation in this project has been nothing short of a roller coaster ride. Recently, the counties and state have reached an impasse when it comes to supporting costs for SACWIS implementation and ongoing use. Initially, the state reported that they would pay for the implementation and ongoing costs. However, after much back peddling, the state now wants to pass on implementation and ongoing costs to counties, which is a practice that sets an unfavorable precedence. To the best of my knowledge, there is no other state mandated computer system where counties are forced to absorb implementation and ongoing costs. In the proposed Governor's budget, there is mention that IV-E Incentive Funds could be used to reimburse the state for the implementation cost of SACWIS. However, it is important to note that today Kenosha County is using these incentive funds to pay for much needed programs in the areas of Child Abuse & Neglect. In summary, using IV-E Incentive Funds to pay for a state run computer system would create a gap in services being offered to families and also have an impact on county tax levy dollars. If the state cannot fund the implementation and ongoing costs, SACWIS will not become a reality!

Turning now to Kinship Care, there are a couple things that surface. As is being proposed, a guardian or grandparent receiving Kinship can request and must be licensed as a Foster or Treatment Foster Parent for the child(ren) they are caring for. Currently, there are 91 children in the Kenosha Kinship Program that would fall under this provision. It is unknown at this time as to the exact number of guardians or grandparents who would request this transition; however, a conversion from Kinship to Foster Care payments would certainly increase placement costs for counties and have a impact on county tax levy dollars. To put this in perspective, Kinship payments are $215 per month while the average foster care rate is $500 in Kenosha County. Classifying someone as a treatment foster care provider means that the rate would be close to $1000 per month.

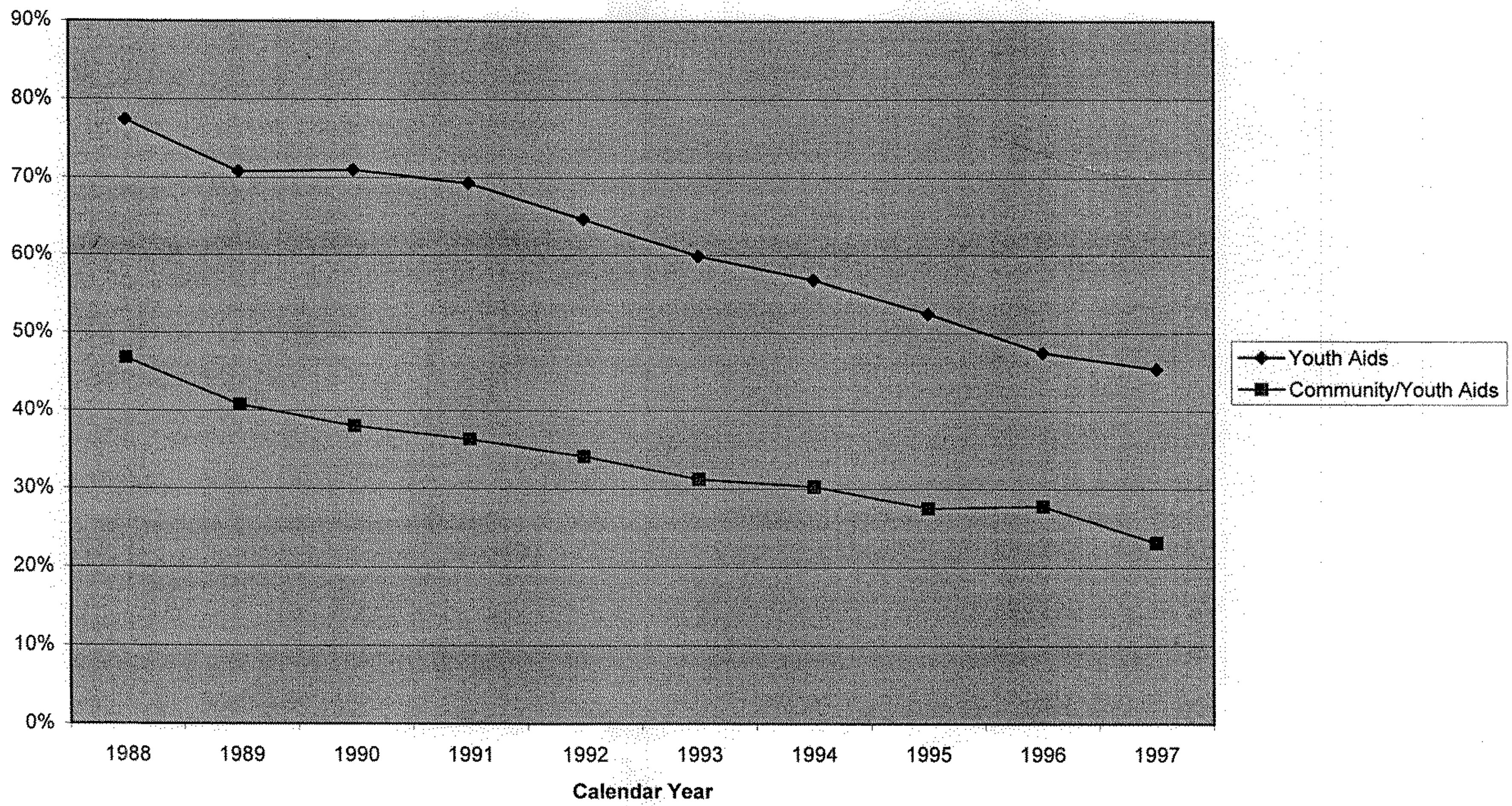
Finally, with regards to Foster Care rates; it is being proposed that effective January 1, 2001, Foster Care rates increase a meager 1%. This proposed "increase" continues to place the dubious distinction on Wisconsin as a leader in the lowest paid foster care rate when compared to other Midwest states. I'm not going to go into detail as to the inadequacies of this adjustment as Shirley Smith, President of the Kenosha County Foster Parent Association, and Bev Jambois, a Foster Parent, will discuss these issues.

I thank you for the opportunity to speak to you today and hope that when debates begin on the budget, that members of the Joint Finance Committee will lead the charge in searching for ways to correct funding issues which directly impact our ability to deliver services to Children & Families in this Community.

Prepared by the Wisconsin Budget Project
of the Wis. Council on Children and Families

March 31, 1999

Share of County Spending on Juvenile Justice and Human Services Covered by Youth Aids and Community Aids



Source: Legislative Fiscal Bureau data (converted to calendar year) and Wisconsin Human Services Reporting System

ENERGY STEWARSHIP 2020

Wisconsin Interfaith Power & Light

Faith-based, market solution to strengthen Wisconsin's family farms & urban centers, improve Wisconsin's electric reliability, secure our state's energy future while reducing economic and environmental injustices.

PROJECT GOAL: To reduce Wisconsin's annual CO_2 emissions to 130 million tons by 2010 through a combination of simple, market based measures:

* REAL TIME ELECTRIC PRICING (Price based on time of day & demand)
* LOAD SHIFTING (Price incentive to use electricity off peak- eve & weekends)
* ENERGY EFFICIENCY (efficient technogy before new generation/transmission)
* FUEL SWITCHING (move towards cleaner combustion technologies)
* RENEWABLE ENERGY (wind, biogas, solar ect. when cost effective)

WISCONSIN STATE TAX INCENTIVES: $100 million of GPR ~~over 5 years~~. $80 M of GPR $20 M of DOT funds

ENERGY EFFICIENCY: $ 70.0 million

Insulation: Roof	Residential	$.25/inch cellulose insulation to R60 attic
	Commercial/Industrial	$.25/inch insulation to R40.
Lighting	Light Shelf /Daylighting	
HVAC	New compressors/chillers (off peak ice making) combined cycle Nat gas	

Electric Motors / Water Heaters / Compressed Air & Advanced Technology

TRANSIT DIVERSITY $ 20.0 million

30+ mpg	$ 500.	35,000 vehicles
50+ mpg	$ 2,000.	1,000 vehicles (hybrid/electric & diesels)
Adv. Tech.	$ 2,500.	200 electric or fuel cells

RENEWABLE ENERGY $10.0 million

Community Wind	$.10/kwh annual production on systems < 2,300 Kw (2.3 Mw)
Community Solar	$.50/kwh annual production on systems < 2 Kw
Community Biogas	$.25/kwh annual production on systems < 100 Kw
Biodiesel	$.25/gal ann'l production from biowaste < 1.0 M gallons
Ethanol	$.25/gal ann'l production from biowaste < ~~1.0~~ 2.0 M gallons

Wisconsin Interfaith Power & Light, Mike Mangan, Consulting Dir. 262-646-4664
Wisconsin Interfaith IMPACT Rev. Dave Steffenson, Ph.D. 608-837-3108

For Immediate Release 9.April 01

CHURCH GROUP CALLS FOR "NEW" POWER PLANT

Sun Prairie - A faith-based utility, the Wisconsin Interfaith Power & Light (WIP&L) is proposing to "build" a new 600 negawatt "power plant without walls" to replace one of Wisconsin Electric's two proposed Oak Creek power plants.

WIP&L contends that 600 megawatts of energy efficiency is available to offset building one of the two coal-fired plants. The group contends that simple statewide energy efficiency measures like an L.E.D. traffic light retrofit undertaken in the Cities of Sheboygan and Milwaukee, could save an estimated 2 Mw of the 600 "Negawatts"

WIP+L

~~The Sun Prairie based group~~ promotes other faith based, market solutions like real time pricing, (sending price signals to customers when peak electric demand gets high) load shifting (give greater incentives to move electric use off peak), efficiency measures for industrial, commercial and residential customers, switching to cleaner burner fuels and cost effective renewable energy use.

Rev. Dave Steffenson, staff coordinator for the Wisconsin Interfaith Climate Change Campaign said the purpose of forming an Interfaith Power and Light was to "educate church members about how America's energy misuse defies religious teachings and threatens Creation".

WIP&L was proposed by Michael Mangan, owner of Ecology Services & Products, a Waukesha county energy services company, and is it's consulting director.

Mangan stated that the goal of the group is to "give a voice to the voiceless" when it comes to forming Wisconsin's future energy policy. "Utility executives, industrialists and a few token consumers are the only one's making energy decisions that will effect Wisconsin for the next 50-100 years." "WIP&L hopes to broaden the present energy dialogue so not just the rich and powerful determine Wisconsin's energy future." "A faith-based market approach to energy use is unique and critical at this moment," Mangan concluded.

The Sun Prairie based Wisconsin Interfaith IMPACT joined with 17 states in 1999 forming a national Climate Change Campaign. It is circulating a religious leaders Climate Change statement and is planning to have 75 congregations signing on by the end of 2001.

For More Info Contact: Rev Dave Steffenson, PhD. Home 920-623-4360
c/o Wisconsin Interfaith IMPACT 608-837-3108
Mike Mangan - WIP&L c/o Ecology Services & Products 262-646-4664

WISCONSIN PEDESTRAIN SAFETY PROPOSAL

DOT funding

From the Wisconsin Interfaith Power & Light

To ensure safer streets and highways for pedestrain traffic, WIP&L proposes the following measures be funded by the Dept of Tran[redacted]

STATEWIDE L.E.D. TRAFFIC AND PEDESTRIAN LIGHT RETROFIT

Project Goal: Retrofit 20,000 Traffic Lights (red only) and Pedestrian Crosswalk Lights with brighter, safer, long lasting and efficient L.E.D. lamps over 2 years.

8+12" Red traffic lights

Replace existing 9" and 12" WALK/DON'T WALK Ped lights with large, better visible 12" HAND/MAN symbol Ped lights such as the City of Sheboygan has done.

Project Cost: $2.0 million over 2 years.
Project Payback: < ~~5~~ 3 years on energy savings alone.

Wisconsin Interfaith P[redacted] & Light
Mike Mangan, Consulting Dir. 262-646-4664

WISCONSIN FAMILY FARM AND COMMUNITY WIND PROPOSALS

Mike MANGAN
Energy Services Co.

by Wisconsin Coalition For Community Wind

Ask the
that

State of Wisconsin Joint Finance Committe ~~Hearing~~ April 10, 2001.

Undue the damage that Act 204 ("Electric Reliability") and Act 9 ("Public Benefits") did in favor of subsidizing huge corporate owned wind farms in Wisconsin at the expense of locally owned, farm friendly, economically sustainable COMMUNITY (COM) WIND. Development

Com Wind is locally produced, locally owned util scale wind turbines scattered in micro clusters of 1-3 over a broad area.

MEASURE #1.

Raise electric utility net metering cap from 20 kilowatts to 750 kilowatts.

MEASURE #2.

TAX CREDIT for Community Wind:
$.10/kwh x 2 years on wind turbines < 751 Kw and total projects < 2.3 Mw.
[7.5 Mw of COM Wind per $1.0 million annual tax credit]

MEASURE #3.

REPEAL Act 204 and ACT 9's 50 Mw and 2% renewable portfolio standard mandates.
Replace with COM Wind school district tax credits (5 yrs x $.10/kwh)
for 1000 Mw [@10% of total state generating capacity] of dist. generation COM Wind.

WISCONSIN COALITION FOR COMMUNITY WIND

Michael Mangan, Director
P.O. Box 180076
Delafield,WI 53018
262-646-4664

Good morning:

Thank you for giving me the opportunity to update you on the tremendous benefits of ethanol.

It is my hope to give Wisconsin and all its residents a way to enhance the economy and to improve the environment.

The passage of Act 55 would provide for a producer credit of $.20 per gallon up to 15 million gallons for a period of five years for producing ethanol.

This equates back to the state of Wisconsin a payback of $10 for every one dollar the state would invest in the producing of ethanol.

In the year 2000 the state bought 67 million gallons of ethanol from Illinois and Minnesota for cleaner air and to help reduce our need for foreign aid. The cost of this was about 100 million. It provided jobs, increased corn prices and business for those two states.

A very important part of adding 10% to this fuel is that it cuts emissions by 25% and carbon monoxide by 50% and a 20% additive will stop all of the carbon monoxide of our gas emissions. It is important for our state to clean our air and the environment.

What is really needed is to fund the ethanol producer credit at a sum sufficient to build the industry in Wisconsin. This action would pay back $10 for every dollar that the state would spend.

Minnesota has done this for a number of years and because of the forward thinking they now have 14 plants operating for a better over-all economy. The state would not spend one cent until the fuel is produced and the economic impact is already back in the state treasury.

The main issue that a Greenfield ethanol plant has is the ability to obtain financing. The way Act 55 is a structured bank will not give value to the equity base for a loan. The reason for this is there is not a long-term commitment on the part of the state to fund the producer credit and therefore not a value for a bank. What is really needed is a plan similar to Minnesota's so an ethanol plant can present to a bank the states commitment for the industry to become a viable business. A sum sufficient with a total cap would accomplish this.

Thank you for your time and consideration. What I have tried to do is convey to you the great opportunity for a new industry in Wisconsin.

For questions or comments you can reach me at:

Office 608-329-3900
Cell phone 262-939-0873
Home 262-895-2206
Fax 262-895-7437
E-mail jmalchine @aol.com

John Malchine

BADGER STATE ETHANOL PLANT TECHNOLOGY AND BENEFITS

Benefits for Wisconsin:

- 40 million gallons of ethanol treating 400 million gallons of useable fuel with 25% less emissions in our air.
- 15 million bushels of corn for a better price for agriculture
- Return to the state of Wisconsin of 48 million dollars of instate business from ethanol alone
- An overall economic activity of 98.32 million dollars for Wisconsin per year
- Constructed by the best design and build companies in the United States
- Locally owned and wanted by the community.

Benefits for local community:

- 175 foot stack for better air dispersions
- Scrubbers to control odor and emissions
- Upgraded rail service for Monroe and surrounding cities.
- High energy savings for equipment run by electricity
- The best possible plant efficiencies
- 0 discharge plant with no waste

Ethanol, Vegetable Oil And Ag Prosperity

Here is a proposal to bring some balance to supply and demand.

For more than 60 years, we have attempted to balance supply and demand in agriculture.

Weather, the one unknown uncontrollable factor, has largely made this an exercise in futility. Even when we plant the right number of acres, good weather will produce a surplus and bad weather will make a short crop.

It is wishful thinking to believe that we can export our way out of trouble for two reasons. First, the availability of new equipment and technology in the developing countries will likely increase the world surplus during the next 20 to 25 years. Second, the two types of export buyers we can sell to—the person who has money and does not need our products, and the person who needs our products but has no money—cannot be sold very much if we intend to make a profit. Giving our products away will not help our problems.

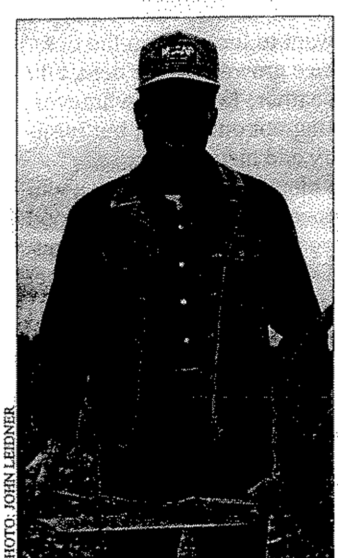


PHOTO: JOHN LEIDNER

Willis Nash

Regardless of what we do, we all must eat first and work or play later. It is necessary that we maintain a reasonable food surplus at all times. It is risky business for us to depend on imports just because they might be cheaper. In Central and South America, they still use chemicals that we have not used in 30 to 50 years.

The main reason for the downfall of the Soviet Union was the downfall of Soviet agriculture. When the food supply runs out, you have planted the seeds for revolution. We are setting ourselves up for a rude awakening if we think it cannot happen to us.

We still need the family farm because it is the training ground for tomorrow's farmers. Hands-on experience is the ultimate education in any field.

We became a major industrial nation because we had a profitable agriculture. Food is the ultimate energy source, and without it the best of technology and know-how will fail.

All new money comes from the soil. It is the cornerstone of economic prosperity. If we let the family farmer go down the drain, we have undermined the foundation of democracy.

We must maintain a food supply that will meet our domestic needs with a reasonable carryover, plus the amount that we can reasonably expect to export. Anything beyond this amount is the true surplus and the cause of our problems.

Under the laws of supply and demand, a 10% shortage will greatly inflate prices. If we expect to operate in a free-trade market, we must develop a method to micromanage the true surplus.

Here's how we can do this. We should implement a law that requires every gallon of gasoline sold to contain somewhere between 2 and 20% ethanol and every gallon of diesel to contain between 2 and 20% vegetable oil. We already have reports of planting intentions, and projected yields, carryover and exports. By using a variable amount of ethanol or vegetable oil, we can increase or decrease the amount used every 30 days, if necessary.

This should maintain a balance that will put a profitable floor under commodity prices and a ceiling on fuel prices without cost to the government.

This program would create both consumer and environmental benefits. When 10% ethanol is added to gasoline, the carbon monoxide is cut by about 50%. A 20% blend will eliminate most of the carbon-monoxide emissions.

If we had spent 25% of the money spent in Kuwait for a renewable energy source, we would have received 10 times more for our money. It is my belief that big oil intends to move our fuel prices to the world average, which is well above our prices at this time.

This program would allow agriculture to operate at a reasonable profit at full capacity without gouging the consumer. Every business must have a profit if it is to survive, and agriculture is no exception.

Such a program will require major grassroots action to get it passed. Every farmer and agricultural supplier knows many other voters who would benefit from such a program. If we work to persuade our elected officials, it can be done.

Willis O. Nash

EDITOR'S NOTE: *Nash is an inventor and entrepreneur, a former banker and a retired farmer from Irwin County, Ga. You can contact Willis O. Nash at 356 Crepe Myrtle Drive, Ocilla, GA 31774-3300, or by phone, 912-468-7867.*

Respond to this column on our web site:
http://www.progressivefarmer.com/issue/0401/ethanol

ECONOMIC IMPACT OF THE ETHANOL INDUSTRY IN THE STATE OF WISCONSIN

February 19, 2001

by Bob Sather, Director of Public Relations, Ace Ethanol LLC

POTENTIAL ECONOMIC IMPACT OF THE EHTANOL INDUSTRY IN WISCONSIN ASSUMMING THE PROPOSED SIX PLANTS PRODUCE ETHANOL

Currently, there are six ethanol plants being proposed in the State of Wisconsin with locations at Stanley, Menomonie, Oshkosh, La Crosse, Monroe, LaCrosse, and Elba. All of the plant developers are anticipating an incentive program similar to that of the Minnesota State incentive program which essentially provides each plant with twenty cents per gallon of produced ethanol up to $3 million dollars per year for a ten year period. Ethanol production is a high- risk enterprise that requires such a huge magnitude of capital investment and potential income is primarily dependent upon two highly speculative commodities, corn and ethanol.

The principle case to provide incentives for ethanol production is to provide an economic engine to enhance the recovery of the state's depressed farm economy. If the six proposed ethanol plants produce ethanol as anticipated, they will produce approximately 187 million gallons of ethanol and require the purchase of nearly 85 million bushels of corn. The original capital investment in the six plants will be about $229 million dollars.

STATE ECONOMIC PARAMETERS \ BENEFITS (The data is modeled by extrapolating research data from the Minnesota Department of Agriculture). The study is course grain and it is suggested the Wisconsin Department of Agriculture prepare a study using imperical data.

Benefit to farmers for increased price of corn at ten cents a bushel:	$40. million
Balance of trade (Dollars saved on imported oil)	$78.
Value added (Value of ethanol & by-products less value of corn)	$102.
Capital Investment (Plants, equipment, design, etc.)	$229.
Total economic Impact	$449. Million

In addition, jobs created (including construction & service jobs will be about 3874.)

BENEFITS OF ETHANOL

Ethanol, as a gasoline additive produced in the state, provides the following benefits for Wisconsin, its citizens, the economy and our quality of life:

- It is made from corn and other biomass products; it will reduce CO_2 emissions and global warming.
- It is produced domestically, reducing our state and national oil imports.
- It is contributing to fuel self-sufficiency and improving the state's balance of payments.
- Rich in oxygen, it will help the large metropolitan areas become "in attainment" for carbon monoxide for the future.
- It will add value to Wisconsin crops, helping depressed rural economies and enhancing farmers' financial independence as other federal farm programs are phased out.
- It will provide the fuel of choice for fuel cells, which is ethanol.
- It will reduce Wisconsin's current export of more than 200 million bushels of unprocessed corn each year and Wisconsin farmers receives one of the lowest on-farm prices for corn in the nation.
- It will provide a ready market to farms of an ethanol by-product, distillers grain, a preferred grain, high in protein used to feed livestock.

Full funding of the producer payment legislation will enhance rural development, increase the value of corn processed and create a new industry in the state. As in Minnesota, the economic returns to the state will be several times the initial cost to the state's incentive program. **Remember that the State pays nothing until the plants are built, the jobs are created and the ethanol is produced. The proposed expanded State of Wisconsin ethanol incentive legislation is not an expense to the State. Most important, it has the potential to bring an economic renaissance to Wisconsin farms and agribusiness and the financial return to the State will be far greater than the original incentive investments.**

Minnesota Statutes 2000, Table of Chapters

Table of contents for Chapter 41A

41A.09 Ethanol development.

Subdivision 1. **Appropriation.** A sum sufficient to make the payments required by this section is annually appropriated from the general fund to the commissioner of agriculture and all money so appropriated is available until expended.

Subd. 1a. **Ethanol production goal.** It is a goal of the state that ethanol production plants in the state attain a total annual production level of 240,000,000 gallons.

Subd. 2. Repealed, 1995 c 220 s 141

Subd. 2a. **Definitions.** For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(a) "Ethanol" means fermentation ethyl alcohol derived from agricultural products, including potatoes, cereal, grains, cheese whey, and sugar beets; forest products; or other renewable resources, including residue and waste generated from the production, processing, and marketing of agricultural products, forest products, and other renewable resources, that:

(1) meets all of the specifications in ASTM specification D 4806-88; and

(2) is denatured as specified in Code of Federal Regulations, title 27, parts 20 and 21.

(b) "Wet alcohol" means agriculturally derived fermentation ethyl alcohol having a purity of at least 50 percent but less than 99 percent.

(c) "Anhydrous alcohol" means fermentation ethyl alcohol derived from agricultural products as described in paragraph (a), but that does not meet ASTM specifications or is not denatured and is shipped in bond for further processing.

(d) "Ethanol plant" means a plant at which ethanol, anhydrous alcohol, or wet alcohol is produced.

Subd. 3. Repealed, 1995 c 220 s 141

Subd. 3a. **Payments.** (a) The commissioner of agriculture shall make cash payments to producers of ethanol, anhydrous alcohol, and wet alcohol located in the state. These payments shall apply only to ethanol, anhydrous alcohol, and wet alcohol fermented in the state and produced at plants that have begun production by June 30, 2000. For the purpose of this subdivision, an entity that holds a controlling interest in more than one ethanol plant is considered a single producer. The amount of the payment for each producer's annual production is:

(1) except as provided in paragraph (b), for each gallon of ethanol or anhydrous alcohol produced on or before June 30, 2000, or ten years after the start of production, whichever is

later, 20 cents per gallon; and

(2) for each gallon produced of wet alcohol on or before June 30, 2000, or ten years after the start of production, whichever is later, a payment in cents per gallon calculated by the formula "alcohol purity in percent divided by five," and rounded to the nearest cent per gallon, but not less than 11 cents per gallon.

The producer payments for anhydrous alcohol and wet alcohol under this section may be paid to either the original producer of anhydrous alcohol or wet alcohol or the secondary processor, at the option of the original producer, but not to both.

No payments shall be made for production that occurs after June 30, 2010.

(b) If the level of production at an ethanol plant increases due to an increase in the production capacity of the plant, the payment under paragraph (a), clause (1), applies to the additional increment of production until ten years after the increased production began. Once a plant's production capacity reaches 15,000,000 gallons per year, no additional increment will qualify for the payment.

(c) The commissioner shall make payments to producers of ethanol or wet alcohol in the amount of 1.5 cents for each kilowatt hour of electricity generated using closed-loop biomass in a cogeneration facility at an ethanol plant located in the state. Payments under this paragraph shall be made only for electricity generated at cogeneration facilities that begin operation by June 30, 2000. The payments apply to electricity generated on or before the date ten years after the producer first qualifies for payment under this paragraph. Total payments under this paragraph in any fiscal year may not exceed $750,000. For the purposes of this paragraph:

(1) "closed-loop biomass" means any organic material from a plant that is planted for the purpose of being used to generate electricity or for multiple purposes that include being used to generate electricity; and

(2) "cogeneration" means the combined generation of:

(i) electrical or mechanical power; and

(ii) steam or forms of useful energy, such as heat, that are used for industrial, commercial, heating, or cooling purposes.

(d) Payments under paragraphs (a) and (b) to all producers may not exceed $37,000,000 in a fiscal year. Total payments under paragraphs (a) and (b) to a producer in a fiscal year may not exceed $3,000,000.

(e) By the last day of October, January, April, and July, each producer shall file a claim for payment for ethanol, anhydrous alcohol, and wet alcohol production during the preceding three calendar months. A producer with more than one plant shall file a separate claim for each plant. A producer that files a claim under this subdivision shall include a statement of the producer's total ethanol, anhydrous alcohol, and wet alcohol production in Minnesota during the quarter covered by the claim, including anhydrous alcohol and wet alcohol produced or received from an outside source. A producer shall file a separate claim for any amount claimed under paragraph (c). For each claim and statement of total ethanol, anhydrous alcohol, and wet alcohol production filed under this subdivision, the volume of ethanol, anhydrous alcohol, and wet alcohol production or amounts of electricity generated using closed-loop biomass must be examined by an independent certified public accountant in accordance with standards established by the American Institute of Certified Public Accountants.

(f) Payments shall be made November 15, February 15, May 15, and August 15. A separate payment shall be made for each claim filed. Except as provided in paragraph (j), the total quarterly payment to a producer under this paragraph, excluding amounts paid under paragraph (c), may not exceed $750,000.

(g) If the total amount for which all producers are eligible in a quarter under paragraph (c) exceeds the amount available for payments, the commissioner shall make payments in the order in which the plants covered by the claims began generating electricity using closed-loop biomass.

(h) After July 1, 1997, new production capacity is only eligible for payment under this subdivision if the commissioner receives:

(1) an application for approval of the new production capacity;

(2) an appropriate letter of long-term financial commitment for construction of the new production capacity; and

(3) copies of all necessary permits for construction of the new production capacity.

The commissioner may approve new production capacity based on the order in which the applications are received.

(i) The commissioner may not approve any new production capacity after July 1, 1998, except that a producer with an approved production capacity of at least 12,000,000 gallons per year but less than 15,000,000 gallons per year prior to July 1, 1998, is approved for 15,000,000 gallons of production capacity.

(j) Notwithstanding the quarterly payment limits of paragraph (f), the commissioner shall make an additional payment in the eighth quarter of each fiscal biennium to ethanol producers for the lesser of: (1) 20 cents per gallon of production in the eighth quarter of the biennium that is greater than 3,750,000 gallons; or (2) the total amount of payments lost during the first seven quarters of the biennium due to plant outages, repair, or major maintenance. Total payments to an ethanol producer in a fiscal biennium, including any payment under this paragraph, must not exceed the total amount the producer is eligible to receive based on the producer's approved production capacity. The provisions of this paragraph apply only to production losses that occur in quarters beginning after December 31, 1999.

(k) For the purposes of this subdivision "new production capacity" means annual ethanol production capacity that was not allowed under a permit issued by the pollution control agency prior to July 1, 1997, or for which construction did not begin prior to July 1, 1997.

Subd. 4. **Rulemaking authority.** The commissioner shall adopt rules to implement this section.

Subd. 5. Repealed, 1995 c 220 s 141

Subd. 5a. **Expiration.** This section expires June 30, 2010, and the unobligated balance of each appropriation under this section on that date reverts to the general fund.

Subd. 6. **Continued payments.** A plant in production or under construction by January 1, 1990, shall continue to receive uninterrupted payments under subdivision 3 of at least 20 cents per gallon of ethanol produced until July 1, 2000.

Subd. 7. **Coordination with departments of revenue and public service.** The agriculturally derived ethanol definition and specifications in this section are intended to match the definition and specifications in sections 239.761 and 296A.01.

Subd. 8. **Promotional and educational materials; description of multiple sources of ethanol required.** Promotional or educational efforts related to ethanol that are financed wholly or partially with state funds and that promote or identify a particular crop or commodity used to produce ethanol must also include a description of the other potential sources of ethanol listed in subdivision 2.

HIST: 1Sp1986 c 1 art 8 s 1; 1987 c 390 s 1,2; 1988 c 688 art 18 s 1; 1989 c 257 s 1,2; 1989 c 269 s 37; 1989 c 277 art 1 s 2; 1989 c 335 art 4 s 106; 1991 c 254 art 3 s 21; 1991 c 302 s 1; 1992 c 513 art 2 s 18; 1992 c 575 s 1,2; 1993 c 13 art 1 s 52; 1993 c 172 s 30,31; 1993 c 366 s 2; 1994 c 632 art 2 s 15-17; 1995 c 220 s 45-48; 1996 c 471 art 5 s 1; 1997 c 7 art 5 s 8; 1997 c 216 s 57; 1998 c 299 s 30; 1998 c 401 s 19,20; 2000 c 488 art 3 s 11

BADGER STATE ETHANOL ECONOMIC IMPACT ANALYSES

General Economic Impact Statement

The construction and operation of the Badger State Ethanol Facility (BSE) will have a very positive impact on the economy of the local Monroe, Wisconsin area and surrounding region. The detailed analysis of the different economic parameters and specific impacts associated with this project are discussed in the next few sections but a summary of overall results is presented in the table below.

Table 1 – Overall Economic Impacts

	Total Economic Activity ($MM)	Increased Earnings ($MM)	Created Job-Years
Construction Phase	$75.34	$22.22	1,091
Operational Phase	$98.32	$20.01	1,079

The overall economic impact for the construction phase is $75.34 million with an increase in earnings of $22.22 million and additional job creation of 1,091 job-years. The increased earnings are included in the total economic activity numbers. The construction phase of this project is a one-time event with the construction phase expenditures effectively becoming an investment in the Monroe, Wisconsin region. The operational phase of the plant will create an annual overall economic impact of $98.32 million with an increase in earnings of $20.01 million and job creation of 1,079 job-years.

In addition to the construction and operational economic impacts, the region will benefit from:

- An increase in the balance of trade of $48 million
- An increase in the value added to Wisconsin corn of $31 million
- Increased corporate property and income tax revenues of $2.3 million increasing to $4 million over the first ten years of full production
- Increased annual state income tax revenue of $1.34 million on increased personal income

It is very important that the overall economic impacts exceed the cost of any state incentive programs. The Wisconsin Ethanol Bill was signed by Gov. Thompson on April 11, 2000 and contains the following key elements:

- $3 million per year available

- $0.20/gallon per year production incentive
- Plant must produce 10 million gallons per year
- Maximum per plant is $3 million
- Funds may be prorated to multiple plants
- Sunsets in 5 years

For BSE, the desired approach is to raise $15 million dollars through the sale of future producer payments to be received from the State. Proceeds from the sale will be used to fund the facility.

As can be seen by the projected economic impacts, the construction phase of this project alone will stimulate in excess of $15 million in economic activity for the region.

Project Overview

Badger State Ethanol (BSE) is constructing a grain ethanol facility in Monroe, Wisconsin located in the south central region of the State. The BSE plant will process 14 million bushels of corn annually and produce 40 MMGPY of fuel ethanol, 128,574 tons/year of DDGS and 125,714 tons/year of carbon dioxide. At the present time, there are no grain ethanol facilities in the state of Wisconsin.

The typical mid-west based dry milling ethanol plant currently produces 15-30 MMGPY annually with co-products of DDGS and carbon dioxide. BSE will not only be able to compete effectively with an efficient technology but will also be able to benefit from some economies of scale.

Regional Economic Impact

Balance of Trade

According to the Wisconsin Energy Markets Bureau, 67 million gallons of ethanol were blended into Wisconsin gasoline, primarily in the Milwaukee area reformulated gasoline (RFG) in 1999. An additional 8 million gallons were also blended into Wisconsin Gasohol in 1999. As there are no existing ethanol production facilities in Wisconsin, the BSE plant, at 40 MMGPY capacity, will displace 40 million gallons of ethanol currently being imported into the state. At a plant gate price of $1.20/gallon, this equates to an improved balance of trade of **$48 million**.

Value Added to Corn

Value added to corn at the local level is another strong reason to produce ethanol and high protein co-products. There are over 400 million bushels of corn produced in Wisconsin annually, 200 million of which are within a 100 mile radius of Monroe. This corn is currently fed to livestock, processed into corn flour or exported out of state. The BSE plant will utilize 15 million bushels of corn annually or 3% of the corn production in a 100 mile radius of Monroe. Although part of this radius extends into Illinois, it is felt that most of the corn (if not all) will be purchased from Wisconsin producers due to the wider basis than Illinois corn ($0.35 to $0.50). According to a study conducted by the Wisconsin Energy Bureau, approximately 140 million bushels of corn is exported from Wisconsin every year. The corn utilized by BSE would potentially reduce the export quantity, keeping both the corn and jobs associated with processing it in the state, specifically the Monroe county region.

Table 2 illustrates the economic impact on the value added to the Wisconsin corn processed by BSE.

Table 2 – Value Added to Corn

Product	Annual Quantity	Price/ unit	Revenue (Cost)	$Rev / bu
Ethanol	40 million gallons	$1.20	$45,714,488	$3.35
DDGS	128,411 tons	$115.60	$14,844,290	$1.04
CO_2	107,340 tons	$6.00	$ 644,041	$0.05
				$4.44
Feed				
Corn	14,308,298 bu	$2.25	($32,193,671)	($2.25)
Value Added			**Net Total**	**$2.19**

The product quantities and values are from the BSE business plan and are based on 10-year averages. The value added to corn benefiting the county of Monroe, Wisconsin and nearby region is **$31 million**. The processing costs and tax impacts are reviewed in the Operational Phase and Fiscal Impacts sections respectively.

Further Agricultural Impacts

The production of the high protein co-product DDGS will have an impact on the local livestock sector. The BSE business plan has estimated that the market potential for DDGS in Wisconsin is 2,171,750 tons per year. An inclusion factor of 3.5 lbs multiplied by the total number of cattle in Wisconsin was used to determine this. Livestock statistics are included in the business plan. A market penetration/displacement of 5.8% would need to occur for the sale of the BSE DDGS. Hogs, turkeys and chickens are also potential consumers of DDGS although it has been more readily accepted in beef cattle and dairy cattle feed rations at this time. The direct competitors to DDGS in the high protein supplement market are corn gluten feed (CGF), dry brewer's grain and mill feeds.

Increased Investment in Plant and Equipment

The direct investment in the plant and associated equipment will be substantial. It is estimated that the BSE facility will cost $45 million to build with an additional $2 million for land and infrastructure improvements. The plant is a "grass-roots" project with some integration into existing infrastructures. The construction will be from the ground up in regards to buildings and equipment. The current railroad tracks will be upgraded to provide the capacity to service forty cars for both inbound and outbound traffic and minor upgrades will be made by local jurisdictions to the city truck routes which access the nearby state highways.

Economic Activity, Job Creation and Fiscal Impacts

Economic development opportunities are very high on the list of priorities for Wisconsin policy makers, with increased jobs, investment, income and tax revenues being especially important. This is particularly true as BSE is effectively requesting $15 million in state contributions under the current Wisconsin incentive program, outlined in the General Economic Impact Statement.

The construction phase impacts and operational phase impacts have both been analyzed and are discussed in the following sections.

Economic Activity and Job Creation

CONSTRUCTION PHASE

The construction phase of the project will bring a great deal of economic activity into the Monroe area. Temporary workers coming into the area will have a positive impact on the local hotels, restaurants and other businesses. Local workers that are qualified and available will also benefit which could impact housing and local businesses. Equipment supply and servicing companies as well as local site servicing companies will potentially be awarded contracts associated with this project.

Fagen Inc. and Fagen Engineering as well as ICM Inc. and ICM engineering are the official participants in the design and construction of the BSE facility. Fagan will be managing the construction and ICM will be supplying the ethanol production process technology and specific equipment items such as the DDGS dryer and ICM/Phoenix water treatment system.

It is the intent of all parties involved to utilize local products and services wherever possible. Preliminary project design and construction budgets indicate that approximately $500,000 has already been allocated to local suppliers as well as service companies. This includes items such as buildings, internal office components, smaller construction equipment (i.e., fork-lift, front end loader), environmental permitting assistance, local survey work and construction site services (i.e., sanitary, office trailers).

It is anticipated that the construction will peak at 200 on-site workers. Although it will be mostly self-performed by Fagan, average annualized incoming wages will be approximately $65,000 per person. Trade labor will be local with Fagan supervision. Local bids will be accepted for site excavation, metal buildings, structural steel, civil materials, and possibly grain handling.

The table below outlines the anticipated economic impact of the construction phase of the BSE project. At this point, the "input" data by economic sector has been generated based on the overall projected capital cost from the BSE business plan of $45 million and a percentage distribution of capital from the study conducted by the Wisconsin Energy Bureau. This breakdown of capital could be further refined by inputting the actual estimated construction expenditures when Fagan and ICM have completed their more detailed project budgets.

Wisconsin regional multipliers have been applied in order to estimate the extended economic impacts or "outputs". The derivation of the construction phase multipliers is described in more detail along with the operational phase multipliers in the Operational Phase section. The regional multipliers and purchase coefficients themselves are tabulated in the Appendix.

A short summary is presented here for purposes of explaining the basis of the table. The output ($) refer to the total economic activity generated for every expenditure delivered to an economic sector. The earnings ($) refer to the portion of each dollar of output allocated to wages and salaries, and the employment job-years refer to the total change in jobs for every $1 million of expenditures.

It is important to note that the construction phase expenditures are a one-time investment.

Table 3 – Construction Phase Impacts

Sector	Construction Item	Capital Brkdown (%)	Est. Cost MM ($)	Output MM ($)	Earnings MM ($)	Job-Years
New Construction	Site Prep & Structure	10%	$ 4.5	$ 7.62	$2.40	117
Households	Labor	36%	$16.2	$19.56	$5.83	348
Stone, Glass & Clay Products	Concrete, Paint	1%	$ .45	$ .60	$ .17	8
Primary Metals	Steel	1%	$ .45	$ .81	$ .25	11
Fabricated Metals	Fabricated Equip.	42%	$18.9	$34.51	$9.82	438
Machinery, except Electric	Machinery, except Electric	5%	$ 2.25	$ 4.70	$1.40	59
Electronics	Electrical Machinery	2%	$ .90	$ 1.77	$ .54	24
Instr. & Related Products	Instruments & Controls	1%	$ .45	$ .84	$ .26	12
New Construction	Unspecified(1)	2%	$ 2.9	$ 4.91	$1.55	75
Total Impacts		**100%**	**$47(2)**	**$75.34**	**$22.22**	**1,091**

Note(s):

1. The "Unspecified" is defined as including land, taxes, transportation and other expenses that could not be broken out. For this report, it also includes the $2 million shown in the BSE business plan specific to land and infrastructure.
2. The total also accounts for this additional $2 million. The percentage breakdowns are based on the $45 million maximum price contract.

The construction of the BSE facility will generate $75.34 million in total economic activity with $22.22 million in increased earnings. Local and regional jobs created will be 1,091 job years, or for the 18-month construction period, approximately 727 equivalent full-time jobs.

OPERATIONAL PHASE

The plant will generate permanent employment, which will have a positive impact on the community of Monroe. There will also be a need for support services, which will have a positive impact on the surrounding local businesses. The direct expenditures associated with the BSE facility generate a rippling effect throughout the regional economy. In order to capture the total economic activity that is anticipated to occur, the Wisconsin State multipliers utilized by the Wisconsin Energy Markets Bureau have been applied. These multipliers are from the Regional Input/Output model (RIMS II) developed by the US Department of Commerce and are included in the Appendix to this report. The multipliers take into consideration the direct, indirect and induced effects on the regional economy. The transactions of all economic sectors are included, except government. Taxes are discussed under Fiscal impacts.

The table below outlines the economic impact of the operations phase of the BSE project. As with the construction phase multipliers, the output ($) refer to the total economic activity, the earnings to the portion of each dollar allocated to wages and salaries and the employment job-years refer to the total change in jobs for every $1 million of expenditures. The difference during the operational phase is that these are now annual expenditures as opposed to a one-time investment. The estimated expenditures for this phase are based on the BSE business plan.

Table 4 – Operational Phase Impacts

Sector	**Production Item**	**Est. Cost MM ($)**[(2)]	**Output MM ($)**	**Earnings MM ($)**	**Job-Years**
Utilities[(1)]	Steam, Electricity, Water & Sewer, Natural Gas	$5.31	$7.07	$ .97	39
Chem. & Petrol. Refining	Chemicals, Enzymes, Yeast, Denaturant	$3.85	$2.99	$ .60	25
Households	Plant Payroll	$2.04	$2.46	$ .73	44
Repair Construction	Repair & Maintenance	$1.0	$1.92	$ .70	32
Business Services	Hedging Service, Loan Interest[(3)]	$2.98	$5.98	$2.54	131
Agricultural Products	Corn[(4)]	$32	$83.43	$16.22	894
Total Prod. Costs		**$47.18**	**$103.86**	**$21.76**	**1,164**
Reduced Federal Highway Funds		($2.5)	($5.54)	($1.75)	-85
Total Annual Impacts		**$44.68**	**$98.32**	**$20.01**	**1,079**

Note(s):

1. Utilities include Electric, Gas, Water and Sanitary Services.
2. Annual operating expenditures are taken from the first full fiscal year of the BSE business plan.
3. Loan interest has been assumed to be paid to a bank in Wisconsin and includes all loans discussed in the BSE business plan.
4. Corn is assumed to be local and taken from current export quantity.
5. Total production costs do not include byproduct credits or annual capital carrying charges.
6. This represents Wisconsin's share of lost federal highway funds resulting from reduced excise taxes from the blending of ethanol in Wisconsin and is taken from the Wisconsin Energy Bureau data for a plant of 40 MMGPY capacity.

The annual economic activity generated by the BSE ethanol facility is $98.32 million with $20.01 million allocated to increased personal income. The project will stimulate the creation of 1,079 job-years. Included in this 1,079 job-years are 41 full-time employees at the BSE facility at an average wage of $15.50/hr (this does not include management salaries). The state will lose highway funds due to a reduction in excise taxes but this loss is more than offset by the economic gains for the region.

Fiscal Impacts

The impact on the state highway fund has been evaluated in the previous section. The BSE business plan has estimated that property taxes will be $280,000 annually and an income tax allowance of approximately $2 million on average has also been included. The tax allowance is anticipated to increase to $4 million within the first ten years of full operation.

The income generated for the state of Wisconsin by taxes on the increased personal income will be approximately $1.34 million at a state income tax rate of 6.7%.

Additional Impacts

Transportation Sector

The project will be served by the Wisconsin Southern Railroad Company (WSOR), a short line rail operator. The business plan does not make reference to any significant hauling by truck although the State highways are easily accessible and minor upgrades to the city routes are planned by local jurisdictions. The current railroad tracks will be upgraded to provide the capacity to service 100 car trains for both inbound and outbound traffic. A combination of local and state funds will fund this upgrade.

WSOR has offered attractive rates to serve the facility with both inbound and outbound cars. This provides BSE with the capability to source corn from a broader geographic area and will reduce any local price pressure effects. The railroad is also offering a car usage rebate to help defray the BSE cost of rail improvement.

From the financial statements, 75 hopper cars and 30 ethanol cars with lease costs of $400/car and $800/car respectively will be required annually. Rail rebate is $.0025/bushel on 12 million bushels. Applying the regional purchase coefficient and relevant Wisconsin multipliers, there will be an increased total economic activity of $4.64 million with the increased earnings portion being $1.78 million and increased job-years of 84.6.

Statement of Energy Use

The impact of the energy consumption of the BSE facility has been shown in Table 4. In addition to the quantitative annual impacts, there will be a construction phase investment made in the natural gas distribution pipeline facilities. Approximately 6.5 miles of natural gas distribution pipeline facilities are required. The project estimates have incorporated a contingency for BSE to construct and operate it, although a contract with a third party would be preferred. Electricity will be purchased from Alliant Energy Company, the local utility owning the service franchise for the plant location.

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Appendix A

Wisconsin State Multipliers

The table (Table 3) from the study, "The Economic Impacts of Renewable Energy Use in Wisconsin", is shown on the next page. The regional purchase coefficients and multipliers used in the following calculations to develop the data for this report have been taken from Table 3. Where services are known to be from the local area, for example, the Wisconsin based hedging services company, a regional purchase coefficient of 1.00 was applied.

The excel worksheet developed to calculate the data in this report is also included.

	Regional Purchase Coefficient	Wisconsin Multipliers			Construction Phase		
Capital		Output	Earnings	JobYears	Output	Earnings	JobYears
$4.50	0.7643	2.2160	0.6992	33.9	$7.62	$2.40	117
$16.20	1.0000	1.2074	0.3597	21.5	$19.56	$5.83	348
$0.45	0.7026	1.9033	0.5300	24.2	$0.60	$0.17	8
$0.45	0.9500	1.9019	0.5792	25.2	$0.81	$0.25	11
$18.90	0.9500	1.9219	0.5472	24.4	$34.51	$9.82	438
$2.25	0.9500	2.2010	0.6561	27.7	$4.70	$1.40	59
$0.90	0.9500	2.0715	0.6273	27.6	$1.77	$0.54	24
$0.45	0.9500	1.9751	0.6174	28.2	$0.84	$0.26	12
$2.90	0.7643	2.2160	0.6992	33.9	$4.91	$1.55	75
$47.00					$75.34	$22.22	1,091
					Operations Phase		
Est. Cost							
					Output	Earnings	JobYears
$5.31	0.9092	1.4646	0.2009	8	$7.07	$0.97	39
$3.85	0.4433	1.7532	0.3527	14.5	$2.99	$0.60	25
$2.04	1.0000	1.2074	0.3597	21.5	$2.46	$0.73	44
$1.00	0.8866	2.1687	0.7905	36.1	$1.92	$0.70	32
$2.98	1.0000	2.0070	0.851	43.9	$5.98	$2.54	131
$32	0.9500	2.7444	0.5335	29.4	$83.43	$16.22	894
$47.18					$103.86	$21.76	1,164
($2.50)	1.0000	2.2160	0.6992	33.9	($5.54)	($1.75)	-85
$44.68					$98.32	$20.01	1,079

Table 3-1
1989 RIMS II Multipliers and Regional Purchase Coefficients for Wisconsin

	RIMS II Sector		Wisconsin Multipliers		
		Regional Purchase Coefficient	Output/ Dollar	Earnings/ Dollar	Job-Years/ Million Dollar
1.	Agricultural Products	95.00%	2.7444	0.5335	29.4
2.	Forestry and Fishery Products	95.00%	1.9704	0.2477	15.2
3.	Coal Mining	0.39%	1.0000	0.0000	0.0
4.	Crude Petroleum and Natural Gas	6.79%	1.0000	0.0000	0.0
5.	Miscellaneous Mining	64.15%	1.8376	0.5280	23.2
6.	New Construction	76.43%	2.2157	0.6992	33.9
7.	Repair Construction	88.66%	2.1687	0.7905	36.1
8.	Food Processing	95.00%	2.8153	0.4965	24.6
9.	Textiles	30.28%	1.7780	0.4742	24.7
10.	Apparel	35.12%	1.7571	0.4776	29.1
11.	Paper and Allied Products	95.00%	1.9953	0.4482	18.3
12.	Printing and Publishing	95.00%	2.1429	0.6265	30.7
13.	Chemicals and Petroleum Refining	44.33%	1.7532	0.3527	14.5
14.	Rubber and Leather Products	95.00%	1.9650	0.5120	25.1
15.	Lumber and Wood Products	95.00%	2.2573	0.6238	31.6
16.	Stone, Glass and Clay Products	70.26%	1.9033	0.5300	24.2
17.	Primary Metals	95.00%	1.9019	0.5792	25.2
18.	Fabricated Metals	95.00%	1.9219	0.5472	24.4
19.	Machinery, Except Electric	95.00%	2.2010	0.6561	27.7
20.	Electrical and Electronic Equipment	95.00%	2.0715	0.6273	27.6
21.	Motor Vehicles and Equipment	95.00%	2.2968	0.5118	20.9
22.	Transportation, Except Motor Vehicles	31.96%	2.2784	0.6419	28.3
23.	Instruments and Related Products	95.00%	1.9751	0.6174	28.2
24.	Miscellaneous Manufacturing	95.00%	2.1388	0.5931	30.3
25.	Transportation	95.00%	2.0178	0.7746	36.8
26.	Communication	72.14%	1.6284	0.4891	21.5
27.	Electric, Gas, Water and Sanitary Services	90.92%	1.4646	0.2009	8.0
28.	Wholesale Trade	90.94%	1.8150	0.6601	29.1
29.	Retail Trade	95.00%	2.0376	0.7960	55.8
30.	Finance	79.87%	2.0125	0.7169	35.7
31.	Insurance	95.00%	2.4048	0.8599	40.7
32.	Real Estate	66.96%	1.2127	0.0793	4.2
33.	Lodging and Amusements	84.28%	1.9321	0.6095	55.1
34.	Personal Services	95.00%	1.9996	0.8134	61.5
35.	Business Services	72.94%	2.0070	0.8510	43.9
36.	Eating and Drinking Places	95.00%	2.3090	0.6400	59.7
37.	Health Services	95.00%	2.0682	0.9144	44.5
38.	Miscellaneous Services	88.47%	2.1486	0.7125	46.4
39.	Households	100.00%	1.2074	0.3597	21.5

Sources: *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, U.S. Department of Commerce, Bureau of Economic Analysis, May 1992. Regional Purchase Coefficients are based on 1990 two-digit Standard Industrial Classification (SIC) employment data for Wisconsin and the U.S., available by economic sector from the Bureau of Economic Analysis, U.S. Department of Commerce.