Legislative Fiscal Bureau
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May 29, 2001

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Issue Papers

Attached are 2001-03 budget issue papers, prepared by this office, on the following agencies:

- Program Supplements (Private Lease Space Supplements Only)
- Legislature
- Workforce Development -- Division of Vocational Rehabilitation
- Workforce Development -- Child Support
- Administration -- Land Information
- Health and Family Services -- Children and Families
- Agriculture, Trade and Consumer Protection -- Trade and Consumer Protection
- Corrections -- Juvenile Corrections (Staffing Only)
- Corrections -- Departmentwide
- Corrections -- Adult Correctional Facilities
- Corrections -- Community Corrections

These agencies have been scheduled for executive action by the Joint Committee on Finance on Thursday, May 31. The meeting will begin at 10:00 a.m. in Room 411 South, State Capitol.

BL/sas
Attachments

2001-03 BUDGET PAPERS

May 31, 2001

Paper #

Paper #	
	Program Supplements
719	Private Lease Space Supplements -- DOA Directed Moves
	Legislature
580	Full Funding of Lease Costs
	Workforce Development -- Division of Vocational Rehabilitation
1033	Vocational Rehabilitation -- Rehabilitation Case Services Funding
	Workforce Development -- Child Support
1060	KIDS Computer System, Centralized Receipt and Disbursement Fee
1061	Use of Percentage-Expressed Child Support Orders in Wisconsin
	Administration -- Land Information
138	Land Information and Comprehensive Planning Grants
139	Wisconsin Land Council Staffing
	Health and Family Services -- Children and Families
505	Foster Care and Adoption Assistance Reestimate
506	Milwaukee Child Welfare Aids
507	Milwaukee Child Welfare Operations
508	WISACWIS
509	Special Needs Adoption Network
510	Child Welfare Quality Assurance
511	Priority for Mental Health and Substance Abuse Services for Youths Leaving Out-of-Home Care
	Agriculture, Trade and Consumer Protection -- Trade and Consumer Protection
215	Transfer Consumer Protection Functions
216	Ethanol Producer Grant Program
217	Federal Agricultural Policy Reform
218	Weights and Measures Funding
219	Johne's Program Position

(over)

Paper #

Corrections -- Juvenile Corrections

366 Staff Reductions at Secured Correctional Facilities

Corrections -- Departmentwide

310 Standard Budget Adjustments
311 Full Funding of Nonsalary Costs
312 Bureau of Technology Management Staffing
313 Personnel Recruitment
314 Minor Policy and Technical Changes -- GPR-Earned Reestimates

Corrections -- Adult Correctional Facilities

325 Inmate Population Adjustments
326 Prison Contract Bed Funding
327 Stanley Correctional Institution
328 Prison Staffing -- New Lisbon, Highview, Taycheedah, Oshkosh, Inmate Workhouses and Sturtevant Probation and Parole Hold Facility
329 Milwaukee Secure Detention Facility Full Funding of Non-Salary Costs
330 Adult Correctional Facilities Increased Staffing for Population Management
331 Correctional Officer Position Modifications
332 Oakhill Correctional Institution Treatment Plant
333 Prairie du Chien Kitchen Operation

Corrections -- Community Corrections

350 Community Corrections Increased Staffing
351 Community Corrections Purchase of Services Funding
352 Milwaukee Drug Court Project
353 Parole Commission Membership and Staffing
354 Intensive Sanctions Program

2001-03 BUDGET PAPERS

Cumulative List Thru May 31, 2001

Paper #

Administration -- General Agency Provisions

125 Railroad Crossing Hearing Examiner
126 Transfer of Electrician Position to the Department of Administration
127 Division of Vocational Rehabilitation -- Position Transfer to DOA
128 Transfer of the State Fair Park Police Function to DOA
129 Task Force on Technology and Electoral Participation
130 State and Local Government Policy Coordination
131 Minor Policy and Technical Change -- School District Data and Video Line Connection Fees
132 Agency Appropriations Consolidations
133 Badger State Games Assistance
134 Funding Conversion of Certain Public Benefits Administrative Costs
135 Office of Federal-State Relations in Washington, D.C.
136 Volunteer Firefighter Service Award Program

Administration -- Information Technology

Administration -- Land Information

138 Land Information and Comprehensive Planning Grants
139 Wisconsin Land Council Staffing

Administration -- Agency Services

141 Division of State Agency Services -- Conversion to Program Revenue
142 Replacement of Existing Aircraft

Administration -- Attached Programs

145 Board on Education Evaluation and Accountability

Administration -- Division of Gaming

165 Tribal Gaming Vendor Certification Costs

Paper #

166 Overview of Tribal Gaming Revenue Allocations
167 Reversion of Unencumbered Tribal Gaming Revenue
168 Management Assistance Grant Program
169 County, County-Tribal and Tribal Law Enforcement Grant Programs
170 Travel Information Center LTE Funding
171 Reconstruction of West Canal Street in Milwaukee
172 Aquaculture Demonstration Facility
173 Agricultural Development and Diversification Program
174 Gaming Economic Development and Diversification Grant and Loan Program
175 Wisconsin Development Fund, Manufacturing Assessment Grants and Business Employees' Skills Training Program -- Funding
176 Native American Economic Development Program
177 Funding for Forward Wisconsin
178 Dental Loan Reimbursement Program
179 Deer Management
180 Elk Herd Monitoring
181 County and Municipal Enforcement Aids
182 Revenue Transfer to Parks
183 Transfer Tribal Gaming Revenue to Environmental Fund

Adolescent Pregnancy Prevention and Pregnancy Services Board

Agriculture, Trade and Consumer Protection -- Departmentwide and Resource Management

205 Information Technology
206 Federal Grant Levels
207 Convert Program Revenue Appropriations to Continuing

Agriculture, Trade and Consumer Protection -- Trade and Consumer Protection

215 Transfer Consumer Protection Functions
216 Ethanol Producer Grant Program
217 Federal Agricultural Policy Reform
218 Weights and Measures Funding
219 Johne's Program Position

Arts Board

Paper #

Board of Commissioner of Public Lands

230 Reimbursements for Certain Administrative Expenses

Child Abuse and Neglect Prevention Board

270 Primary Prevention Staff
271 "Celebrate Children" License Plate Revenue and Segregated Revenue Reestimate
272 Miscellaneous Budget Adjustments

Circuit Courts

275 Court Interpreters
276 Minor Policy and Technical Changes -- GPR-Earned Reestimates
277 Minor Policy and Technical Changes -- Chapter 20 Schedule

Commerce -- Departmentwide and Economic Development

280 Forest Product Marketing
281 International Liaison Funding
282 Administrative Position Reallocation
283 Economic Development Administration Consolidation
284 Community-Based Economic Development Program Conversion to New Economy for Wisconsin Program
285 Rural and Minority Business Economic Development Programs -- Repayments Appropriations

Commerce -- Building and Environmental Regulation

300 Transfer Mobile Home Park Water and Sewer Service Regulation from the Public Service Commission to Commerce
301 Aviation Fuel Petroleum Inspection Fee Allowance
302 PECFA -- Revenue Obligation Authority
303 PECFA Staff
304 PECFA -- High-Cost Sites
305 PECFA -- Interest Cost Reimbursement
306 PECFA -- Farm Tank Eligibility
307 Groundwater Monitoring Near Onsite Wastewater Treatment Systems
308 Transfer Code Consultant Section to Administrative Services Division
309 Fire Dues Distribution

Paper #

Corrections -- Departmentwide

Corrections -- Adult Correctional Facilities

Corrections -- Community Corrections

Corrections -- Juvenile Corrections

Court of Appeals

Paper #

District Attorneys

380 Elimination of Special Prosecution Clerks Fee and Appropriation
381 Additional Prosecutors

Elections Board

Electronic Government

400 Creation of the Department of Electronic Government

Employee Trust Funds

410 Benefits Payment System Redesign
411 Participant Services Staffing Increases
412 Customer Call Center Enhancements
413 Technical Change -- Retired Employees Benefit Supplement Reestimate
414 Group Insurance Board Authority to Modify or Expand State Employee Group Health Insurance Coverage
415 Additional Resources for Act 11 Implementation Costs
416 Group Health Insurance Ombudsperson Position
417 Funding for Accumulated Sick Leave Conversion Credits for Certain Retired State Employees

Employment Relations

420 Advance Labor Management Training Costs
421 Funding of Shared Human Resources System

Employment Relations Commission

425 Arbitration Award Affecting City of Milwaukee Police Officers
426 Staff Support for Collective Bargaining Training Activities

Environmental Improvement Fund

430 Clean Water Fund General Obligation and Revenue Bonding Authority, Present Value Subsidy Limit and Priority List Allocation
431 Environmental Improvement Fund Debt Service
432 Wisconsin Fund Residual Bonding Authority
433 Clean Water Fund - Unsewered Communities

Paper #

Ethics Board

Financial Institutions

440 Technology Initiatives
441 Business Association Fees

Fox River Navigational System Authority

445 Fox River Navigational System Authority

Governor

455 Children's Cabinet Board
456 Rural Policy Advisor Position

Health and Family Services -- Departmentwide and Management and Technology

460 Program Revenue Lapses
461 Required Reports and Plans
462 Income Augmentation Revenue

Health and Family Services -- Health

490 HIRSP Funding
491 Women's Health
492 Wisconsin Well Woman Program
493 Vital Records Program -- Funding and Fee Increases
494 Environmental Regulation and Licensing
495 Regulation of Radioactive Materials
496 Disease Aids -- Patient Liability for Costs

Health and Family Services -- Care and Treatment Facilities

500 State Centers -- Budget Reductions to Reflect CIP IA Placements Made During the 2001-03 Biennium
501 Drug, Food, Medical and Other Variable Costs
502 Supervised and Conditional Release
503 Mental Health Institutes -- Revised Funding Split
504 Budget Corrections

Paper #

Health and Family Services -- Children and Families

505 Foster Care and Adoption Assistance Reestimate
506 Milwaukee Child Welfare Aids
507 Milwaukee Child Welfare Operations
508 WISACWIS
509 Special Needs Adoption Network
510 Child Welfare Quality Assurance
511 Priority for Mental Health and Substance Abuse Services for Youths Leaving Out-of-Home Care

Health and Family Services -- Community Aids and Supportive Living

515 Community Aids
516 Community Services for Individuals with Mental Illness
517 Urban/Rural Substance Abuse Treatment Grants for Women and Substance Abuse Services Grants
518 Family Support Program
519 Birth-to-Three Program

Higher Educational Aids Board

530 Academic Excellence Scholarship Program
531 Wisconsin Higher Education Grant and Tuition Grant Programs

Historical Society

535 Historical Legacy Trust Fund

Insurance

540 Standard Budget Adjustments
541 Information Technology -- Programming Services
542 Medigap Helpline
543 Treatment of Certain Revenues
544 Authority to Set Fees by Rule

Investment Board

Judicial Commission

Paper #

Justice

560 Elimination of the Research and Information Services Unit
561 Handgun Purchaser Record Check Fee
562 Restitution Appropriation
563 Federal Funding Reestimates
564 Minor Policy and Technical Changes -- GPR-Earned Reestimates
565 Minor Policy and Technical Changes -- Sum Sufficient Reestimate

Legislature

580 Full Funding of Lease Costs

Lieutenant Governor

Lower Wisconsin State Riverway Board

Marquette Dental School

Medical College of Wisconsin

Military Affairs -- Agencywide

605 National Guard Tuition Grant Program
606 Creation of a Wisconsin Naval Militia

Military Affairs -- Emergency Management

610 Reimbursement of Certain County and Municipal Worker's Compensation and Liability Costs Due to Emergency Management Activities
611 Emergency Response Equipment Funding

Minnesota-Wisconsin Boundary Area Commission

Paper #

Miscellaneous Appropriations

620 Repeal of Capitol Offices Relocation Appropriation
621 Buildout Costs for Senate, Retirement Committees and Law Library
622 Space Rental Costs for Law Library

Natural Resources -- Fish, Wildlife and Recreation

645 GPR-Supported Conservation Wardens
646 Fisheries Management Staffing
647 Wildlife Management Staffing
648 Managing Wildlife Diseases
649 Venison Processing Donation Program
650 Automated License Issuance System
651 Forestry and Law Enforcement Radio Equipment
652 Car-Killed Deer
653 Fuel Tax Transfer Reestimates
654 Snowmobile Registration Fees and Trail Aids
655 State Snowmobile Education and Enforcement
656 Dredging to Improve Great Lakes Recreational Access

Natural Resources -- Forestry and Parks

660 Shift Stewardship Debt Service to Forestry Account
661 Assistance to Private Forest Landowners
662 County Forestry Assistance
663 Forest Fire Suppression Grants
664 Forestry Education and Partnerships
665 Forestry Demonstration Center
666 Urban Forestry Grant Program
667 Forest Fire Emergency Fund Cap
668 State Parks Funding Adjustments
669 Funding for New State Parks Properties

Paper #

Natural Resources -- Water Quality

675 Nonpoint Program Funding
676 Land and Water Resource Management and Rural Nonpoint Bonding
677 Urban Nonpoint and Flood Control Funding
678 Wetland Compensatory Mitigation Staff
679 Wisconsin Waters Initiative
680 Dam Safety Program
681 Invasive Species
682 Premier Lakes Program

Natural Resources -- Air, Waste and Contaminated Land

690 Air Management Staff and Air Emissions Fees
691 Solid and Hazardous Waste Staff
692 Vehicle Environmental Impact Fee
693 Brownfields and Site Assessment Grant Programs
694 Dry Cleaner Environmental Response Program - Deductible for Closed Facilities and Awards Appropriation
695 Environmental Cleanup and Restoration Settlement Appropriation
696 Dump Closure Grants

Personnel Commission

Program Supplements

715 Private Lease Space Supplements -- Appropriation Structure
716 Private Lease Space Supplements -- DOA Directed Moves
717 Private Lease Space Supplements -- Rent Increases Component
718 State-Owned Space Rent Supplements
719 Private Lease Space Supplements -- DOA Directed Moves

Public Instruction -- General School Aids

730 General School Aids Funding Level
731 Secondary Cost Ceiling

Public Instruction -- Revenue Limits

735 Revenue Limit Per Pupil Annual Increase
736 Summer School Revenue Limit Enrollment Counts
737 Revenue Limit Flexibility

Paper #

Public Instruction -- Categorical Aids

740 Special Education Aids
741 Student Achievement Guarantee in Education
742 Tuition Payments
743 Bilingual-Bicultural Education Aids
744 School District Charter School Development Loans
745 Grants for Cooperative Educational Service Agencies and Grants for Consolidation and Coordination Studies

Public Instruction -- Choice, Charter and Open Enrollment

750 Milwaukee Parental Choice Program Student Eligibility
751 State Aid for Summer Classes for Milwaukee Charter Schools
752 Open Enrollment and Tuition Payment Amount
753 Funding Mechanism for the Milwaukee Parental Choice and the Milwaukee Charter School Programs

Public Instruction -- Assessments and Licensing

760 High School Graduation Test
761 Wisconsin Knowledge and Concepts Examinations and Reading Comprehensive Test

Public Instruction -- School District Operations

765 School District Referenda Scheduling

Public Instruction -- Administrative and Other Funding

770 National Teacher Certification Reestimate
771 Reorganization Plan
772 Distribution of Federal Aid

Public Service Commission -- Agencywide

780 Electronic Filing of Documents
781 Stray Voltage Research Funding

Public Service Commission -- Office of the Commissioner of Railroads

785 Railroad Safety Analyst Salary Funding

Paper #

Regulation and Licensing

790 Information Technology Initiatives
791 Examination Fee Vendor Payment Reestimate
792 Revised Agency Credential Fees
793 GPR-Earned Credited from Criminal Background Check Fees
794 Technical Change -- GPR-Earned Reestimate

Revenue -- Tax Administration

800 Administration of Local Exposition Tax
801 Business Tax Registration Administration and Debt Collection Funding
802 Status of Integrated Tax System Implementation

Revenue -- Lottery Administration

810 Lottery Sales, Retailer Compensation, Vendor Fees Reestimates and Lottery and Gaming Tax Credit Reestimate
811 Repeal GPR Appropriations for Lottery Operations

Secretary of State

820 GPR-Earned Reestimate

Shared Revenue and Tax Relief -- Direct Aid Payments

825 Shared Revenue Modifications and Expenditure Restraint Funding Level

Shared Revenue and Tax Relief -- Direct Aid Payments

826 Direct Aid Payments -- Funding Level
827 Use of Census Figures in Shared Revenue and Mandate Relief Calculations
828 Utility Tax on Wholesale Merchant Plants
829 Shared Revenue Payments on Utility Property
830 Use of County Shared Revenue
831 State Aid for Exempt Computers

Shared Revenue and Tax Relief -- Property Tax Credits

835 Homestead and Farmland Preservation Tax Credit Reestimate

Paper #

Shared Revenue and Tax Relief -- Property Taxation

Shared Revenue and Tax Relief -- Local Revenue Options

State Treasurer

855 Repayment of GPR Start-Up Administrative Funding -- College Savings and College Tuition & Expenses Programs

856 Administrative Funding for College Savings and College Tuition and Expenses Programs

857 Appropriations Structure -- College Savings and College Tuition and Expenses Programs

Supreme Court

860 Court Commissioner Judicial Education

Technology for Educational Achievement in Wisconsin Board

870 Public Library Financial Assistance for Communications Hardware

871 E-rate Funding

872 Eligibility for Secured Correctional Facilities

873 Eligibility for Charter Schools

874 Ameritech Settlement

Tobacco Control Board

880 Grant Funding

881 Staff

Tobacco Settlement Securitization

885 Discussion of Tobacco Settlement Securitization

Tourism

890 Kickapoo Valley Reserve Law Enforcement Funding

891 Expand Heritage Tourism Grant Program

892 DNR Tourism Support

Paper #

Transportation Finance

895 Transportation Fund Condition Statement
896 Federal Highway Formula Aid
897 Revenue Bonding Increases -- Bonding Policy
898 Driver's License and Vehicle Registration Abstract Fees
899 Tax Exemption for Air Carriers with Hub Terminal Facilities
900 Tax Exemption for Air Carriers with Hub Terminal Facilities -- Aeronautics Funding
901 Local Roads for Job Preservation Debt Service

Transportation -- Local Transportation Aid

905 General Transportation Aid -- Funding Level
906 Grants to Local Professional Football Stadium Districts
907 Mass Transit Operating Assistance -- Funding Level
908 Supplemental Mass Transit Aids
909 Lift Bridge Aid

Transportation -- Local Transportation Projects

910 Transportation Economic Assistance Program -- Funding Level
911 Local Roads Improvement Program -- Town Road and Municipal Street Discretionary Program
912 Local Roads Improvement Program -- Basic Allocation
913 Freight Rail Infrastructure Improvement Program
914 Kenosha Transit Parking Facility

State Highway Program

920 Marquette Interchange Reconstruction
921 Marquette Interchange Reconstruction -- Use of State Highway Rehabilitation Funds
922 State Highway Rehabilitation -- Funding Level
923 Park East Freeway
924 Major Highway Development -- Funding Level
925 State Highway Maintenance and Traffic Operations

Transportation -- Motor Vehicles

930 Computer Database Redesign
931 Automated Oversize/Overweight Permit Issuance System
932 Special License Plate Issuance Fees

Paper #

	Transportation -- State Patrol
935	DNR Payments for DOT Radio Services
	Transportation -- Other Divisions
940	Safe-Ride Grant Program
941	Funding for Payments for Municipal Services
	University of Wisconsin Hospital and Clinics Authority
945	Bonding Authority
	University of Wisconsin Hospital and Clinics Board
	Veterans Affairs -- Homes and Facilities for Veterans
995	Standard Budget Adjustments - Night and Weekend Differential
996	Supplies and Services
997	Staffing at the Veterans Home at King
	Wisconsin Housing and Economic Development Authority
1005	Wisconsin Development Reserve Fund
	Wisconsin Technical College System
1010	Technical and Occupational Program Grants
1011	Capacity Grant Program Transfer and Funding Reduction
1012	General Aids for Technical College Districts
	Workforce Development -- Departmentwide

Paper #

Workforce Development -- Employment, Training and Vocational Rehabilitation Programs

Temporary Assistance for Needy Families (TANF)

W-2 Agency Contracts

Child Care

Other Current Programs in DWD and DHFS

DWD Appropriations Structure

Paper #

Workforce Development -- Economic Support and Child Care (Other Than TANF Issues)

Workforce Development -- Child Support

Program Supplements

Bill Agency

(LFB Budget Summary Document: Page 524)

LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #	Title
4 (part)	Private Lease Space Supplements -- DOA Directed Moves (Paper #719)

Legislative Fiscal Bureau
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May 31, 2001 Joint Committee on Finance Paper #719

Private Lease Space Supplements -- DOA Directed Moves (Program Supplements)

[LFB 2001-03 Budget Summary: Page 525, #4 (part)]

Alt 2 OK

CURRENT LAW

There is a single GPR appropriation under Program Supplements for state agencies' costs of rent in private leased space and for DOA-directed moves. A total of $3,395,000 GPR was appropriated in 2000-01 for these purposes. There are two other existing appropriations to allow comparable supplements from program revenue and segregated revenue funding sources.

GOVERNOR

Provide overall increased funding under this GPR appropriation of $5,774,700 in 2001-02 and $6,298,800 in 2002-03. Total GPR funding in this appropriation under the Governor's recommendation (which includes base level funding of $3,935,000) would be $9,709,700 in 2001-02 and $10,233,800 in 2002-03.

DISCUSSION POINTS

1. The program supplements appropriation section of the statutes allows the establishment of reserve funds, particularly GPR funding, for the supplement of individual state agency appropriation levels. Generally, these reserve appropriations are established for certain costs that are anticipated to have to be borne by state agencies in the next biennium, but for which the precise amount of increased funding is not yet determinable at the time the budget is under consideration.

2. This GPR appropriation will provide reserve funding for the amounts that are

estimated to be needed in the next biennium to supplement state agencies' GPR appropriations for two types of cost increases. These are for: (a) increased costs of any privately-leased space that these agencies occupy; and (b) required agency moves when directed by the Department of Administration (DOA). Costs under this second category could include increased space costs as a result of the required move, the actual cost of making the physical relocation and other costs associated with the move such as telephone and IT relocations and reconnections, building improvements in the new location and temporary overlapping rent payments. The comparable PR and SEG appropriations are established for the same purpose.

3. The total requested funding for this appropriation in 2001-03 consists for funding for two distinct purposes as shown in Table 1.

TABLE 1

Lease Space Supplements By Purpose

Purpose	GPR Funding Amount 2001-02	GPR Funding Amount 2002-03
Private Lease Space Supplements	$1,288,700	$1,967,000
Costs for DOA Directed Moves	8,421,000	8,266,800
TOTAL	$9,709,700	$10,233,800

4. A previous paper (Issue Paper #716), which was acted on at the Committee's May 16, 2001, executive session, addressed several of the component requests that were included in the total funding indicated under "Costs for DOA Directed Moves". This paper addresses one additional component of that total funding involving costs related to the move of the Department of Revenue to its new facility on Rimrock Road. The components of the DOA directed moves funding for this agency is shown in Table 2.

TABLE 2

Detail of Funding for Directed Moves Cost for Department of Revenue

Agency	Cost Components	GPR Funding 2001-02	GPR Funding 2002-03
Revenue	Increased lease costs	$965,400	$965,400
	Supplements for 2001-03 rent increases	465,900	652,200
	IT master lease payments	380,000	375,300
	Miscellaneous costs	45,900	46,000
	Total	$1,857,200	$2,038,900

5. The results of a review and analysis by this office of the cost items included in Table 2 are described in the next paragraph.

6. *Revenue.* Supplements for 2001-03 rent increase. The funding provided for increased lease costs is calculated to bring the space budget for the Department of Revenue (DOR) up to its current space level costs at the state-office building rent in effect for 1999-00. The agency will also need funding in the next biennium to cover state-office building rent increases of $1.50 per square foot in 2000-01, another $1.00 per square foot in 2001-02 and a further $1.00 per square foot increase in 2002-03. However, these latter funding needs are the same as those that will faced by all other state agencies which occupy space in state-owned office-buildings. A separate appropriation for state-owned space supplements exists to provide funding for agencies with rent costs funded from GPR. A separate paper (Issue Paper #718), which was also acted on by the Committee at its May 16, 2001, executive session, reviewed this appropriation and noted as a part of that review that the total square footage listing for rent increase calculation purposes was examined. That space total included the square footage for the new Revenue Building and the DOR funding need component identified as "supplements for 2001-03 rent increase" in Table 2 has already been budgeted for in that overall funding calculation. Therefore, there is no need for the separate allocation under the directed moves costs for DOR for that same purpose. The Committee could delete the $465,900 GPR in 2001-02 and $652,200 GPR in 2002-03 included in the bill for this component of DOR's allocated funding under this appropriation.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation for the cost items for the Department of Revenue.

2. Reduce the Governor's recommended funding level for this appropriation by an additional $465,900 GPR in 2001-02 and an additional $652,200 GPR in 2002-03.

Alternative 2	GPR
2001-03 FUNDING (Change to Bill)	- $1,118,100

MO# Alt 2

1 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

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Prepared by: Terry Rhodes

Legislature

Bill Agency

(LFB Budget Summary Document: Page 441)

LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #	Title
1 (part)	Full Funding of Lease Costs (Paper #580)

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 31, 2001 Joint Committee on Finance Paper #580

Full Funding of Lease Costs (Legislature)

[LFB 2001-03 Budget Summary: Page 441, #1(g)]

Alt 2

CURRENT LAW

The costs of leased space for the Assembly and Senate Chief Clerks and their staffs, the staffs of the Assembly and Senate Caucuses, the Legislative Documents room, the Senate Sergeant's staff, and four legislative service agencies (Legislative Council, Legislative Reference Bureau, Legislative Fiscal Bureau and Legislative Technology Services Bureau) are paid from the sum sufficient capitol offices relocation appropriation under the Miscellaneous Appropriations section of the appropriations schedule. The costs of the current leased space for the Retirement Committees is paid from the Committees' own appropriation.

GOVERNOR

Move base level funding under the capitol offices relocation appropriation to the individual appropriations under the Legislature which otherwise support all of costs for the operations of the above entities and include required increases in funding for lease costs in 2001-03. Provide total increased funding under the Legislature for this purpose of $2,178,000 GPR in 2001-02 and $2,380,700 GPR in 2002-03. In addition, provide additional funding of $24,800 GPR in 2001-02 and $25,800 GPR in 2002-03 for Retirement Committees' separate appropriation (which already has rent funding for existing space in the Tenney Building) to pay for increased rent costs for relocation of that office to the new Justice Center.

DISCUSSION POINTS

1. The capitol offices relocation appropriation was originally established in the 1989-91 budget when those legislative service agencies then located in the Capitol, plus the chief clerks

staffs, were relocated to leased space around the capitol square. This was done to allow commencement of the anticipated ten-year phased remodeling of the State Capitol. Multi-year leases were arranged to house the staffs of these entities until final space allocations for the remodeled Capitol were determined and the phased remodeling was completed.

2. Since that time, remodeling has proceeded wing by wing and remodeling of the final wing (the East Wing) is now nearing completion. During the course of this remodeling process, decisions were finalized to have these entities permanently housed outside of, but in close proximity to, the Capitol. Two legislative service agencies (the Legislative Council and the Legislative Fiscal Bureau) and the Assembly Chief Clerk have now renewed leases for space in the One East Main building and a third legislative service agency (the Legislative Reference Bureau) will be relocating to the One East Main location when the State Law Library moves to the new Justice Center. The Legislative Technology Services Bureau and the Assembly Caucuses staffs will retain space in the Fairchild Building where they are presently located. The Senate Chief Clerk's staff, the Senate Sergeant's staff, the Legislative Documents room, the Retirement Committees' office and the Senate Caucuses staffs will all be relocating to the new Justice Center.

3. Under the Governor's budget instructions, these legislative entities were directed to include in their budget requests the estimated full funding necessary to pay out of their respective appropriations in 2001-03 the costs of these existing and/or new space arrangements. Based on information then available, the Governor's budget staff subsequently modified these funding requests to reflect DOA's estimate of the funding required. The funding provided under the bill is shown in the Table 1 below.

TABLE 1

Full Funding of Lease Costs Under Governor's Recommendations
GPR Funds

Entity	2001-02	2002-03
Assembly	$185,800	$185,800
Senate	858,800	884,200
Legislative Reference Bureau	485,400	662,700
Legislative Fiscal Bureau	216,400	216,400
Legislative Council	270,600	270,600
Legislative Technology Services Bureau	161,000	161,000
Retirement Committees	24,800	25,800
TOTAL	$2,202,800	$2,406,500

4. Based on a review of the assumptions used in developing the above cost figures, and with the availability of additional or updated information, the data in Table 2 below represents a reestimate of the total initial funding levels needed to be included in each of the entities' individual appropriations to fully fund projected rent costs. Table 2 also shows the adjustment needed to each entity's appropriation compared to the Governor's recommendation.

TABLE 2

Comparison of Lease Costs Full Funding Requirements
GPR Funds

Entity	Gov. Recommendation 2001-02	Gov. Recommendation 2002-03	Funding Reestimate 2001-02	Funding Reestimate 2002-03	Change to Governor 2001-02	Change to Governor 2002-03
Assembly	$185,800	$185,800	$195,800	$195,800	$10,000	$10,000
Senate	858,800	884,200	684,000	650,500	-174,800	-233,700
Legislative Reference Bureau	485,400	662,700	332,400	665,100	-153,000	2,400
Legislative Fiscal Bureau	216,400	216,400	284,400	284,400	68,000	68,000
Legislative Council	270,600	270,600	268,500	268,500	-2,100	-2,100
Legislative Technology Services Bureau	161,000	161,000	270,600	194,300	109,600	33,300
Retirement Committees	24,800	25,800	13,500	13,500	-11,300	-12,300
TOTAL	$2,202,800	$2,406,500	$2,049,200	$2,272,100	-$153,600	-$134,400

The reasons for the above needed modifications to the Governor's recommended levels are discussed in order below.

5. Using an updated calculation of the assigned square footage for the Assembly Chief Clerk's office in the One East Main building and the Assembly caucuses in the Fairchild building, using April lease payment rates and including required funds for existing rent costs for separate storage, a required increase of $10,000 GPR annually over the Governor's recommendation is indicated for the Assembly.

6. Under the Governor's recommendation, the funding for rental space for the Senate (Chief Clerk's staff, Senate Caucuses staff, Sergeant's office and legislative documents room) included funding for an anticipated second year rent increase in the new Justice Center building and included an offset of existing rent costs for separate storage space. Budgeting funds only at the new base level for both years of the biennium would be consistent with treatment of other service agencies. Rent increases above the base level will be funded from supplemental appropriations under Program Supplements that exist for this purpose. In addition, under the Governor's recommendation, existing expenditures for district office space, which will continue, were incorrectly deducted from the increased funding required and the costs of separate leased storage space was not included in the calculation of total funds newly required in the Senate appropriation for rent costs. Finally, the Building Commission has recommended in the proposed building that the State purchase the new Justice Center rather than lease that space. Separate legislation (SB144/AB316) has also been introduced to provide this increased bonding authorization in advance of budget passage. As a state-owned office building, the rental rate will be less (2000-01 rate of $18.10 per square foot versus $22.61). Using the current base rate for Class A state space instead of the previously assumed private leased space rate results in reduction in the rent cost for the Senate in the new office building. The net of these various funding adjustments results in a decreased funding requirement of $174,800 GPR in 2001-02 and $233,700 GPR in 2002-03 for the Senate.

7. The Legislative Reference Bureau (LRB) will be relocating to the space in the One East Main building currently occupied by the State Law Library (which will be relocating to the new Justice Center in December of 2001). Following the move, the LRB will responsible for payment of the rent even though some remodeling will be required before the LRB can move from its current space in the Hamilton building. Under the Governor's budget recommendations, an earlier move date was anticipated. Funding for the LRB in 2001-02 can be reduced for the later move date (an offsetting adjustment required for the Law Library costs in 2001-02 was already addressed in a separate issue paper). In addition, under the Governor's recommendation, funding for rent increases was included in the projected funding for the LRB. As with the Senate costs above, supplemental funding from a separate appropriation will be available to cover those costs; providing only needed base funding in both fiscal years would be consistent with how other agencies are being budgeted. The actual lease rate for the LRB when it moves into the One East Main location has not yet been negotiated. However, based on current rates for the Law Library and information from the building manager, a revised estimate of the base rate has been used. The net effect of these several adjustments results in a reduced funding requirement of $153,000 GPR in 2001-02 and a needed funding increase of $2,400 GPR in 2002-03 for the Legislative Reference Bureau.

8. In a March 21, 2001, memorandum, the Department of Administration informed the Committee that the rent amount included in the Governor's budget for the Legislative Fiscal Bureau was calculated incorrectly. In order to provide the correct amount, the appropriation for that office needs to be increased by $68,000 annually.

9. Using April lease payment costs and an updated square footage allotment for the Legislative Council space in the One East Main building, a recalculation of needed rent funding resulted in an indicated reduction in funding need, compared to the Governor's recommendation, of $2,100 GPR annually for the Legislative Council.

10. The Legislative Technology Services Bureau (LTSB) currently occupies space on the fourth and fifth floors of the Fairchild Building, plus a small amount of storage space in the basement. Based on certain recent developments, in projecting the LTSB's base rent amount for inclusion in its separate appropriation for full funding of lease costs, it is necessary to separately calculate rent costs for each space area. The estimated square footage rent costs for the fourth floor and the fifth floor are different because the building owner recently established a separate process for assessing electricity costs for the LTSB's space on the fourth floor (where its computer room with all the Legislature's centralized computer facilities is located) instead of simply using a flat addition to the base square footage rate which is the procedure used for other space in the building. The owner's rationale for doing this was that the required electricity use by the equipment, including special air-conditioning requirements, was not adequately captured in the flat square footage charge for electricity typically assessed tenants (including the LTSB) in other space in the building. It is necessary to include some estimate for the increased cost of this change to the LTSB's full funding of lease costs calculation. Using data based on the first approximate three and one-half of months of calculated separate electric costs, a per day electric cost has been derived and included in the rent base in lieu of a flat per square footage cost. In addition, space related costs for one-time improvements as a result of providing special air conditioning for the LTSB's computer room and

additional related maintenance costs need to be included. Based on these revised estimates, increased funding of $109,600 GPR in 2001-02 and $33,300 GPR in 2002-03 is required for the LTSB.

11. Three modifications to the level of funding recommended by the Governor for the Retirement Committees are indicated. First, as with the Senate and the Legislative Reference Bureau, under the Governor's recommendation, funding was included for increased rental rates in 2002-03. Consistent with the standard treatment for other agencies, increased funding for both years of the biennium should be included in the Committees' budget at the estimated base rate. As with the other legislative service entities, the separate existing appropriation for space rental increases would be used to cover the cost of increases over the base rent included in the Committee's budget. Second, the gross funding needed for rent for the Committees' space in the new Justice Center can be further adjusted by deducting from the gross amount needed the amount in the Committees' existing budget actually being paid in 2000-01 for rent in the Tenney building. Finally, as with the full funding of lease costs calculation for the Senate, as a tenant in the new state-owned Justice Center, the Retirement Committees will have a lower required amount needed for rent in the new building that was anticipated under the Governor's recommended funding level. Based on these three changes, the funding included under the Governor's recommendation for additional rent costs for the Retirement Committees can be reduced by $11,300 GPR in 2001-02 and by $12,300 GPR in 2002-03.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation to make the following changes relating to funding for leased space rent costs for the Legislature: (a) increase funding for the Assembly by $10,000 GPR annually; (b) for the Senate, decrease funding by $174,800 GPR in 2001-02 and by $233,700 GPR in 2002-03; (c) decrease funding for the Legislative Reference Bureau by $153,000 GPR in 2001-02 and increase funding by $2,400 GPR in 2002-03; (d) increase funding for the Legislative Fiscal Bureau by $68,000 GPR annually; (e) increase funding for the Legislative Technology Services Bureau by $109,600 GPR in 2001-02 and by $33,300 GPR in 2002-03; (f) decrease funding for the Legislative Council by $2,100 GPR annually; and (g) decrease funding for the Retirement Committees by $11,300 GPR in 2001-02 and by $12,300 GPR in 2002-03.

Alternative 2	GPR
2001-03 FUNDING (Change to Bill)	- $288,000

Prepared by: Terry Rhodes

MO# 1112

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS ____

Representative Gard

LEGISLATURE

Assembly and Senate Redistricting Costs

Motion:

Move to delete the authorization of 4.0 one-year project positions in 2001-02 for work on redistricting plans for the Assembly and to delete the authorization of 4.0 one-year project positions in 2001-02 for work on redistricting plans for the Senate.

Note:

Under the bill, $413,600 GPR is provided in 2001-02 for the Assembly and $413,600 GPR is provided in 2001-02 for the Senate for the costs of redistricting activities. Of this total funding for each house, $257,400 GPR is provided for the salary and fringe benefit costs of 4.0 project positions and $156,200 GPR is provided for consultant costs. This motion would remove the authorization for the project positions.

[Change to Bill: -8.0 GPR project positions]

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS

Motion #1037

LEGISLATURE

Bill Agency

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
1 (part)	Standard Budget Adjustments
3	Senate -- Redistricting Costs
4	Assembly -- Redistricting Costs
5	Revisor of Statutes Bureau -- Transfer Position to LTSB
6	Setting Legislative Per Diem Rate

LFB Summary Items to be Addressed in a Subsequent Paper

Item #	Title
2	Base Budget Reductions

LFB Summary Items for Introduction as Separate Legislation

Item #	Title
7	JCLO Review of Kettl Commission Report

Gard - Items 3 & 4

Workforce Development

Employment, Training and Vocational Rehabilitation Programs

Bill Agency

(LFB Budget Summary Document: Page 720)

LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #	Title
2	Vocational Rehabilitation -- Rehabilitation Case Services Funding (Paper #1033)

AGENCY: Department of Workforce Development

LFB PAPER #: 1033

ISSUE: DVR – Rehabilitation Case Services Funding

ALTERNATIVE: Alt. 1

SUMMARY:

Alt. 1 is the Gov's recommendation & provides an additional $1 million annual for DVR services.

In December, 2000, we put $500,000 in the Committee's supplemental appropriation for DVR's use for counselor provided services. This is above the amount they asked for in their 13.10. DVR has not requested any of these extra funds to date.

DWD thinks that with the number of counselors they have, the number of cases this additional funding will open is manageable for them. If we gave them the amount of money necessary to eliminate the waiting lists in all the categories, they would not have the counselors, or infrastructure to be able to provide those services.

Alt. 1 is the reasonable approach.

BY: Cindy

Gard – 1

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 31, 2001 Joint Committee on Finance Paper #1033

Vocational Rehabilitation -- Rehabilitation Case Services Funding (DWD -- Employment, Training & Vocational Rehabilitation Programs)

[LFB 2001-03 Budget Summary: Page 725, #2]

CURRENT LAW

Under current law, the Division of Vocational Rehabilitation (DVR) within the Department of Workforce Development (DWD) is required to advise and assist any disabled individual who applies to DVR for vocational rehabilitation services. Disabled individuals apply for services and staff counselors arrange evaluations to determine eligibility and subsequent rehabilitation services for those deemed eligible. After an individual completes the employment plan and is employed for 90 days, he or she is determined to be rehabilitated and the case file is closed. The primary source of funds for DVR rehabilitation services is Federal Title I-B funds. Each year the federal government allocates a certain amount of these funds to each state. A match of 21.3% of state funds to 78.7% federal funds is required to receive federal monies.

GOVERNOR

Provide $1,000,000 GPR annually for vocational rehabilitation case services funding for the Division of Vocational Rehabilitation. Expenditure authority for federal Title I-B funds would be increased by $1,800,000 annually to reflect anticipated increases in funding. In addition, expenditure authority for the Division's contract service aids appropriation would be reduced by $400,000 PR annually to reflect decreased reliance on third-party/cooperative agreements for providing a state match for federal funding for rehabilitation services.

DISCUSSION POINTS

1. Disabled individuals apply for services at a DVR field office (typically at a DWD job center) and staff counselors arrange medical, psychological and vocational evaluations to

determine eligibility. For those deemed eligible, the field staff develop individual rehabilitation plans (Individual Plan for Employment--IPE), provide guidance and counseling, and in some cases, job placement services. Other services that are provided can include medical treatment, transportation, training and education at technical schools, and occupational licenses, tools, equipment and supplies. The individual rehabilitation programs are designed to assist the person to become capable to compete in the labor market, practice a profession, be self-employed, raise a family and make a home, and participate in sheltered employment or other gainful work. DVR counselors purchase required services and materials for individual clients from local vendors.

2. DVR also provides for certain rehabilitation services that are needed for individual rehabilitation plans through contracts with other government agencies. Counselors develop plans for services for individual clients and the plans are reviewed to determine client needs. In certain cases, DVR contracts with governmental units to provide ongoing, new or expanded services based on client needs. For example, DVR could contract for interpreter or job training services offered by a technical college. The governmental units can contract with private, nonprofit organizations to provide these services. Typically, the DVR client is given a purchase order for the services and the agency is reimbursed for services provided.

3. The primary source of funds for DVR rehabilitation services is federal Title I-B funds. Each year the federal government allocates a certain amount of funds to each state. As noted, a match of 21.3% of state funds to 78.7% federal funds is required to receive federal monies. A state must provide the required amount of matching funds or it will not receive its total allotment for that year. This finding is used to provide services to disabled individuals and to cover administrative expenses. The total amount of Title I-B funds allocated to Wisconsin is $49,585,800 for federal fiscal year 2001-02 and $50,528,000 for federal fiscal year 2002-03.

4. The federal Title I-B award has increased an average of 2% a year since federal fiscal year 1996-97. Each increase requires a corresponding increase in state matching funds. State matching funds are provided through DVR program revenue and GPR appropriations and third-party/cooperative agreements. Total base level funding amounts for 2001-02 state matching funds are $11,331,100 GPR and $387,000 PR. In addition, $350,000 PR annually in Native American gaming compact monies for vocational rehabilitation services for Native Americans is provided as state matching funds.

5. Over the past three biennia, the amount of GPR matching funds provided has been determined independently from the amount of the federal Title I-B award. In both the 1995-97 and 1997-99 biennial budgets, annual base level funding for client services was reduced by $500,000 GPR. In addition, the 1997-99 biennial budget reduced GPR matching funds for state counselor services (general program operations) by $104,300 GPR annually. The 1999-01 biennial budget provided base level GPR funding as a match for federal Title I-B funds. As noted, additional matching funds were provided with the $350,000 PR annual tribal gaming compact monies.

6. DVR has used third-party/cooperative agreements to provide the state matching funding to cover the gap between the state GPR matching funding and the amount of state match

required to capture the full federal Title I-B grant. Federal regulations authorize states to use third-party/cooperative agreements to provide matching funds for federal Title I-B monies. Generally, third-party/cooperative agreements involve an agreement between DVR and another governmental agency. Under the agreement, the agency or organization typically agrees to provide a rehabilitation service and the 21.3% in matching funds required to capture the federal funds. As a result, the services that a vocational rehabilitation counselor might otherwise purchase for a client with state GPR funds would be provided through an agreement with a third-party agency or organization.

7. DVR client services have required supplemental funding in each of the last three state fiscal years. In January, 1998, a projected $2.8 million deficit in DVR's available case service funds for January through June was identified. Although DVR addressed the projected shortfall by reallocating $2.8 million in Social Security reimbursement funds, rehabilitation services were denied or delayed for some clients during that period. In September, 1998, DWD requested a supplement of $422,100 GPR for case service aids under s. 13.10. The Joint Committee on Finance approved the DWD request. The Department indicated that the funding was necessary to obtain all of the federal 1998 allotment.

8. In April, 2000, DVR reported that state funds would be insufficient to fund vocational rehabilitation services to clients for the remainder of state fiscal year 1999-00. The Department developed an estimate of state fiscal year expenditures for 1999-00 using current expenditures, encumbrances and projected future expenditures and determined that additional state funding was required or a budget shortfall would occur. DVR indicated that the budget shortfall was due to increased referrals for services. In addition, a change in departmental business finance practices, initiated on May 1, 2000, in response to the budgetary situation and regarding the encumbrance and expenditures of state and federal match transactions, increased the draw on GPR funds to a level that would have exceeded expenditure authority. The projected shortfall would have caused a suspension of financial transactions before the close of the fiscal year.

9. DVR addressed the projected shortfall by supplementing rehabilitation case services funding with the following sources of additional revenues: (a) $3.2 million in Social Security Administration reimbursements [reimbursement funds received from the Social Security Administration for successful rehabilitation of social security disability insurance (SSDI) and supplemental security income (SSI) clients to pay for vocational rehabilitation services]; (b) $930,000 in federal indirect cost reallocation funds [payments for administering certain federal programs]; and (c) $2,696,100 in accelerated federal Title I-B funds that were drawn into the fiscal year due to the net increase in matching funds (the state fiscal year overlaps two federal fiscal years and the state can draw funds from two years of federal awards).

10. Federal law requires that, prior to the start of each federal fiscal year, DWD must determine the amount of funding available for vocational rehabilitation services and estimate the cost of: (a) providing services to all current clients; (b) assessing the eligibility of all new applicants; (c) providing rehabilitation services to the new applicants determined to be eligible to receive services; and (d) administering the vocational rehabilitation program. Rehabilitation services can only be limited by the severity of the disability, not the type of disability or availability of funding.

When funding is not sufficient to provide services to everyone who is eligible, DVR is required to use federal order of selection criteria to create service categories (order of selection) based on the severity of the disability. Services must be provided to the most significantly disabled individuals first.

11. Prior to December, 1994, DVR provided services to all eligible persons with a disability, regardless of the severity of the disability. However, in December, 1994, DVR implemented an order of selection (OOS) for the provision of vocational rehabilitation services. DVR established seven order of selection categories based on the severity of the disability and the need for multiple services over an extended period of time. The last category was suspended in December, 1994. These persons had one to three non-severe limitations and may or may not require multiple services over time.

12. DVR has submitted an amendment to the Title I-B State Plan to the Rehabilitation Services Administration to implement a new order of selection that consists of three categories, rather than the previous eight categories. Category 1 is equivalent to the old category A for persons with the most severe disabilities. Category 2 is equivalent to the old categories B and C, for persons with severe disabilities. Category 3 is for all other persons eligible for DVR services.

13. In June, 2000, DVR projected demand for fiscal year 2000-01 for rehabilitation services funding based on the existing and estimated future caseload and estimated costs for services. Based on the projections, the Secretary of DWD announced that on August 21, 2000, all DVR order of selection categories would be deactivated. Individuals who were receiving services under a DVR approved plan for employment as of that date were not affected by the action. However, clients not receiving services under an approved plan on that date could not receive services and were placed on a waiting list. These people can only be served when order of selection categories are activated.

14. In December, 2000, acting under s. 13.10, the Joint Committee on Finance approved a DVR request for an additional $426,000 GPR for client services and $74,000 GPR for state counselor provided services. The funding was in reserve in the Committee's supplemental appropriation for prison contract beds. The Committee also placed $500,000 GPR in its supplemental appropriation to be reserved for DVR to be released to provide funding for rehabilitation services for additional new clients. To date, DVR has not requested the additional funding.

15. The $500,000 GPR provided to DVR under the s. 13.10 process has allowed the Department to access an additional $1.8 million in federal Title I-B matching funds. The additional state and federal funds allowed DVR to activate approximately 6,100 cases from the OOS waiting list. As a result, the entire OOS Category 1 waiting list has been activated as have a significant number of cases in Category 2.

16. Table 1 shows federal funds, third-party/cooperative agreements, total funding for case services and the percentage of total funding attributable to third-party matching funds under

current law. The table shows that, under current law provisions, the percentage of federal funds obtained through third-party/cooperative agreements would be 17.9% in federal fiscal year 2002 and 20.2% in federal fiscal year 2003. Note that cooperative agreement funding as a percentage of total case service funding declined in federal fiscal year 2000. This reflects the supplemental state matching funding that was used to address the projected budget shortfall in that fiscal year. However, the share of state matching funds provided through cooperative agreements increased in 2001 and would increase annually in the 2001-03 biennium under current law.

17. The increasing use of third-party/cooperative agreement matching funds has proven to be controversial. The GPR matching funds that are appropriated to DVR for client services are typically distributed to vocational rehabilitation counselors in the Division's district offices. The counselors use this money to purchase services and materials for individual clients. However, third-party/cooperative agreements have been substituted for some GPR matching funds. The provision of some services through contracts with governmental agencies rather than individual purchases can be workable. However, a number of advocates and officials believe there are problems with the current situation.

TABLE 1

Cooperative Agreement Related Funding and Total Funding for Vocational Rehabilitation Services Under Current Law

Federal Fiscal Year	Cooperative Agreement Match*	Federal Matching Funds	Total Cooperative Agreement Funds	Total Case Services	Cooperative Agreement as a Percent of Total Services
1992	$153,100	$484,800	$637,900	$28,274,000	2.3%
1993	467,900	1,403,700	1,871,600	29,144,300	6.4
1994	486,600	1,797,900	2,284,500	31,376,200	7.3
1995	609,200	2,250,900	2,860,100	32,828,300	8.7
1996	651,800	2,408,300	3,060,100	30,758,500	9.9
1997	850,000	3,140,600	3,990,600	31,682,300	12.6
1998	1,245,800	4,603,000	5,848,800	32,678,300	17.9
1999	1,557,400	5,754,300	7,311,700	32,404,600	22.6
2000	1,073,700	3,967,100	5,040,800	37,198,600	13.6
2001	1,296,500	4,790,400	6,086,900	36,703,300	16.6
2002	1,374,900	5,080,000	6,454,900	36,121,600	17.9
2003	1,629,900	6,022,200	7,652,100	37,905,600	20.2

*The current federal/state match ratio is 78.7% federal/21.3% state. The previous state matching percentages were 24% in 1992 and 25% in 1993.

18. A criticism of the use of third-party/cooperative agreements is that the services that are purchased through the contracts do not always match the needs of individual clients. Also, many of the contracted services are not directed at severely disabled individuals. For example, a contract for interpreter services will not benefit people with orthopedic impairments. In some cases, the services may match individual needs but are provided at a location some distance from the client. In these instances, the transportation costs can further reduce counselor budgets. On the other hand, counselors can often avoid these problems by purchasing individual services and materials with the GPR funding. In addition, it is generally more expensive to provide rehabilitation services through third-party contracts. A 1998 analysis by DVR staff determined that it cost $5,100 per rehabilitation when some third-party services were used while the cost per rehabilitation was $2,800 when no third-party services were used.

19. However, DVR first determines the local service need for persons with disabilities. If a service need exists, the Division then determines the most appropriate funding mechanism for meeting that need. When a third-party contract lends itself to meeting the service need, the Division pursues that option. Advocates indicate that third-party agreements can provide new ways to serve people with the most significant disabilities. These agreements can also be used to create more effective services for specific disability groups with very high unemployment rates.

20. As noted, DVR has activated all of Category 1 and part of Category 2 of the Order of Selection. As of April 23, the waiting list for Category 2 included 1,532 individuals and Category 3 included 1,181 persons. It should be noted that all individuals on the Category 2 waiting list will receive services at some point in the future. As current clients in Category 2 complete their IPEs, individuals on the waiting list are activated in chronological order, while new individuals who seek services are placed on the list. To date, Category 3 has not been activated.

21. The bill would provide $1.0 million GPR annually for client services. Based on assumptions about rehabilitation service costs, the annual growth in federal Title I-B funding, the projected caseload, and the current level of staffing and ability to fill counselor positions, DVR estimates that this amount would reduce required third-party/cooperative agreement matching funding to 4.8% of total state case services matching funding in 1991-92 and 7.8% in 1992-93. In addition, an estimated 19,300 average monthly cases could be served. As a result, Category 1 and part of Category 2 would remain activated. Table 2 shows state GPR and PR matching funds, including tribal gaming monies, and required third-party/cooperative agreement funds that would be provided under current law while Table 3 shows those amounts under the bill. Under the bill, third-party/cooperative agreement matching funds would be reduced by $1.0 million in each year.

TABLE 2

Federal Vocational Rehabilitation Allotment and State Matching Funds Under Current Law

Fiscal Year	Federal Allotment	Total Required Match	State GPR and PR Matching Funds	Native American Gaming Revenue	Estimated Cooperative Agreement Matching Funds
2002	$49,585,800	$13,420,300	$11,695,400	$350,000	$1,374,900
2003	50,528,000	13,675,300	11,695,400	350,000	1,629,900

TABLE 3

Federal Vocational Rehabilitation Allotment and State Matching Funds Under The Bill

Fiscal Year	Federal Allotment	Total Required Match	State GPR and PR Matching Funds	Native American Gaming Revenue	Estimated Cooperative Agreement Matching Funds
2002	$49,585,800	$13,420,300	$12,695,400	$350,000	$374,900
2003	50,528,000	13,675,300	12,695,400	350,000	629,900

22. Under the assumptions used to estimate additional state match requirements and assuming an average monthly caseload of 22,750, DVR estimates that an additional $4,250,000 GPR in 2001-02 and $6,400,000 in 2002-03 would be necessary to open all OOS categories and activate all individuals currently on the OOS waiting list during the 2001-03 biennium. The additional funding would not draw additional matching dollars but would fully fund rehabilitation services for additional clients with GPR. In total, the required increase in GPR funding over base level would be $5,250,000 in 2001-02 and $7,400,000 in 2002-03. It should be noted, that with current counselor staff levels, DVR would view 19,300 clients as a more manageable caseload.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $1,000,000 GPR annually for vocational rehabilitation case services funding for the Division of Vocational Rehabilitation. Increase expenditure authority for federal Title I-B funds by $1,800,000 annually to reflect

anticipated increases in funding. In addition, reduce expenditure authority for the Division's contract service aids appropriation by $400,000 PR annually to reflect decreased reliance on third-party/cooperative agreements for providing a state match for federal funding for rehabilitation services.

2. Modify the Governor's recommendation to provide additional funding of $4,250,000 GPR in 2001-02 and $6,400,000 GPR in 2002-03 for case services. (It is estimated that this would allow the Division of Vocational Rehabilitation to fully activate all order of selection categories.)

Alternative 2	GPR
2001-03 FUNDING (Change to Bill)	$10,650,000

3. Maintain current law. (The federal Title 1-B funds would be matched through additional third-party/cooperative agreements.)

Alternative 3	GPR	PR	TOTAL
2001-03 FUNDING (Change to Bill)	- $2,000,000	$800,000	- $1,200,000

Prepared by: Ron Shanovich

MO#________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE_____ NO_____ ABS_____