



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor
Connie L. O'Connell, Commissioner

Wisconsin.gov

March 14, 2001

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Testimony Presented to
The Joint Committee on Finance
Relating to the 2001-2003 Biennial Budget
Presented By
Connie L. O'Connell
Commissioner of Insurance
March 15, 2001

Thank you co-chairs Burke and Gard, and members of the Committee, for the opportunity to offer my perspective on the details of Governor McCallum's biennial budget related to the Office of the Commissioner of Insurance. Wisconsin has long prided itself on having the best insurance regulation in the country. The budget submitted to you seeks to maintain OCI's position as a leader in protecting Wisconsin's insurance consumers.

I would like to break my comments into three areas, moving ahead into the future, enhancing the agency's regulatory effort, and addressing labor market challenges.

Moving Ahead Into the Future

Rapid increases in technology, especially the Internet, are resulting in new and revolutionary ways of doing business. OCI sees substantial current and future use of the Internet to deliver insurance-related information and to conduct regulatory activity, such as licensing of insurance agents. OCI is proceeding toward a 24/7 presence on the Internet, which will allow consumers to obtain and submit information, agents to renew and check on the status of licenses, and for companies to file forms and other materials.

Increasingly, the Internet is being used as a distribution channel for insurance. While the Internet will bring significant benefits to consumers, it can also provide new avenues for fraudulent activity. Wisconsin consumers must be protected with as much diligence in this new area as they are in the conventional marketplace. As our regulated entities change how they do business, OCI needs to respond to these new capabilities and update its own capabilities as well. The Governor's budget includes \$321,900 annually for the scheduled replacement of the agency's current inventory of information technology hardware and software.

As more insurance companies and agents from all over the nation and world do business on the Internet, OCI needs to have the resources and expertise to address the regulatory concerns emerging from this new marketplace. OCI is proposing a permanent insurance examiner position, which would be devoted entirely to regulatory matters concerning e-commerce, including the use of the Internet. The cost of this position is \$39,800 in FY 2002 and \$43,400 in FY 2003.

OCI recognized that establishing a sound information technology structure is essential to maintaining Wisconsin's leadership role in insurance regulation and in promoting a healthy insurance marketplace. Therefore, OCI utilizes an extensive information technology planning process in order to support the regulatory staff with appropriate computer applications to increase efficiency and productivity. Effective use of information technology and increased efficiency in agency operations has resulted in a reduced need for revenue from the industry. In October 1999, OCI cut fees paid by insurance companies to list insurance agents by 12.5% and froze the annual assessment on insurance companies. The Governor's budget includes \$177,100 in FY 2002 and \$206,500 in FY 2003 to continue supporting the information technology programming services of this agency.

Enhancing the Regulatory Effort

Wisconsin has a healthy and competitive insurance marketplace resulting in the lowest health insurance uninsured rate in the nation, the lowest homeowners insurance rates in the nation, some of the lowest workers' compensation insurance rates in the nation, and some of the lowest automobile insurance rates in the nation. This is the direct result of Wisconsin's strong economy, reasonable regulatory climate, and the competitive insurance environment in this state.

An important component of the marketplace is informed and educated consumers. Informed and educated consumers are better able to make educated insurance buying decisions. This helps to maintain the successful competitive nature of the market and helps to minimize the level of regulatory intervention needed.

The agency has approximately 39 separate educational brochures, buyer's guides, and other public information materials that are available for distribution. In FY 2000, OCI distributed over 117,400 copies of brochures, pamphlets or booklets on various topics of insurance. These publications are also available on the agency's Internet website.

The Consumer Federation of America has awarded OCI an "A" grade for consumer information related to insurance. This top rating was for both the quality and quantity of information provided on the agency's Internet Website.

The Hispanic population in Wisconsin has increase by 107% since 1990. Therefore, OCI released its first Spanish language consumer publication in December 2000. The publication has been very popular and OCI proposes translating other brochures into Spanish as well.

OCI has requested \$24,300 in FY 2002 and \$25,200 in FY 2003 in order to continue to distribute and update its current consumer publications as well as to develop new publications during the 2001-2003 biennium.

Addressing Labor Market Challenges

OCI believes that the quality and efficiency of its staff has always been one of its greatest assets. Due to the low unemployment rate in Wisconsin and the large demand for accountants in the state, the Bureau of Financial Analysis and Examinations has experienced a large number of position vacancies. The Bureau currently needs temporary, external support until the Bureau is fully staffed and the new staff members have received the necessary experience and training to become fully functioning members of the Bureau. Therefore, we have

requested one-time funding of \$160,000 per year in the 2001-2003 biennium to contract with CPA firms.

Conclusion

Wisconsin operations of insurers result in over \$9.6 billion of direct premiums written. The state receives \$86.9 million of premium taxes from this industry. Last year, OCI spent \$10.2 million regulating the industry. OCI investigated over 9,000 complaints and recovered almost \$3.7 million for Wisconsin consumers. As a whole, OCI's budget reflects a continued commitment to protecting consumers and efficiently performing our regulatory function. The changes proposed in our budget will allow us to maintain our nationally recognized position as a leader in insurance regulation.

Thank you for the opportunity to provide more detail on OCI's budget. I would be happy to answer any questions the Committee may have.

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Senate Bill 2

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**Remarks by Chief Justice Shirley S. Abrahamson
Before the Joint Committee on Finance**



March 15, 2001

Good afternoon, Chairman Burke, Chairman Gard, and members of the Joint Committee on Finance. Thank you for your willingness to accommodate my schedule today. I appreciate the opportunity to appear before you this afternoon to speak about the Wisconsin court system and the effect the Governor's budget recommendations might have on court operations.

During my tenure as Chief Justice, one of my primary goals has been to improve relations between the judiciary and the executive and legislative branches of our state government. I am encouraged by the progress we have made together thus far and hope that our discussions during this budget process will be similarly constructive.

I come here as the representative of the judicial branch of state government — a branch that virtually every one of your constituents will come in contact with at some point in their lives. They may be litigants. They may be victims. They may be witnesses. They may be jurors. Some will come to the courts voluntarily. Others will be required to come in response to traffic or other citations. But in some way, big or small, all of your constituents are sure to be affected by how the courts function.

The judicial branch is an indispensable institution in an ordered society, and it is critical that it functions in a way that encourages people to bring their disputes to court for peaceful resolution. We need not look far to see the price other countries pay when the rule of law is not respected or adhered to, or when the courts are not trusted.

I am concerned that the court system's ability to provide necessary and timely service to our mutual constituents is in danger of being eroded if the legislature ratifies what the executive has proposed in this biennial budget.

I am concerned because, with the exception of a half-time position that would be funded by program revenue, not one item that was contained in our original budget request is before this body. Not one item.

I am concerned because, in addition to striking down our modest funding requests for critical and overdue initiatives, the Governor's budget requires us to sustain a permanent 5% decrease in our base tax-supported funding. Our budget presently contains minimal discretionary funds. We cannot absorb this decrease.

I am also concerned that we enter the legislative budget process without the legislature knowing what we have identified as important or critical issues to be addressed on behalf of the people who use our courts for peaceful settlement of disputes.

We turn to the legislature to ensure that the judiciary, as a separate but co-equal branch of government, has sufficient funds to fulfill its constitutional responsibilities to the people of Wisconsin.

We understand that the availability of funds in the coming biennium will be limited and that priorities set forth for the courts must mesh with those of the state as a whole. But we believe that the items contained in our original budget request do fit into those priorities, because they will allow us to provide the level of service to which the people are entitled.

I will now address selected budget requests the court has made that are critical to the functioning of the court system.

Base Budget Reductions

The Governor's budget recommendations contain a general purpose revenue (GPR) increase for State Government of 3.6% in fiscal year 2002 and 2.4% in fiscal year 2003, excluding money for compensation reserves. If these increases were also given to the court system's budget, my presentation today would be brief. I would probably just say thank you and go back to work. In contrast, the projected GPR base budget for the court system is reduced.

The appropriation for the circuit courts is cut by 5.0% for 2001-2002 with no additional cut for 2002-2003. In terms of dollars, the total cut for the circuit court appropriation is about \$2.7 million. The circuit court appropriation funds the salaries, fringe benefits, and expenses of circuit court judges, official court reporters, reserve judges, and free-lance court reporters — and very little else. If this 5.0% reduction is approved, we will not be able to pay for reserve judges or free-lance court reporters. Circuit court judges and court reporters will not be able to assist in neighboring counties as the system depends on them to do and as they routinely do now to cover for sickness, recusals, heavy workloads, and the like. We will not be able to pay nondiscretionary obligations such as insurance or other DOA chargebacks. Even if we were able to take these ill-advised measures to reduce circuit court expenditures, we still might not have enough money to pay our elected circuit court judges and official court reporters.

The court of appeals appropriation, which will be discussed in greater detail by Chief Judge Cane, is reduced by 5.0%, or \$400,000, for 2001-2002. This sum represents the entire supplies and expenses budget of that court other than rent and travel. Thus the

court of appeals would have no funds for postage, printing, telephone, electricity, insurance, electronic research, maintenance, or miscellaneous supplies.

The supreme court operations appropriation is reduced by \$212,000, or 5.0%. This sum is equivalent to the court's budget for travel, maintenance, printing, postage, telecommunications, electronic research, and insurance.

The base budget reductions are drastic reductions that will seriously affect court service to the public. These reductions should not occur.

This leads me to a modest statutory language request that we proposed, and you approved, in the last biennial budget. The Governor, however, vetoed it. This proposed change would cost nothing but its benefits would be significant. We again request that you convert the Director of State Courts appropriation from annual to biennial. This change would allow the Director of State Courts the flexibility afforded to the six legislative service agencies that are funded by biennial appropriations. The flexibility to respond to needs effectively is simply good government and smart management and is especially crucial in times of scarce resources.

Court Interpreters

A key item in our budget request, and the one I would have spoken to first were it not for the base budget reduction, is the need to provide court access for litigants who face language barriers, either because they speak a foreign language or because they are deaf or hard of hearing.

The number of people appearing in our courts who have language barriers — litigants, victims and witnesses — continues to increase dramatically. According to the

2000 census, the Hispanic and Asian populations in Wisconsin have doubled in the last ten years. At the same time, people who speak eastern European and African languages have been arriving here in considerable numbers. And an estimated 7% of the state's population is deaf or hard of hearing. These demographic changes affect some communities more acutely than others, but all communities are feeling the impact.

Language is the basic tool of the courts. When litigants cannot communicate with the court or understand the proceedings, justice cannot be done. There are not enough interpreters with the requisite skills to meet the needs of these litigants. Very few interpreters currently working in the courts have received any training concerning legal proceedings, or in fact any training at all. Even fewer interpreters have been tested to determine whether they are able to express complex legal concepts accurately in two languages, or, for that matter, whether they are actually competent in both languages. As a result, we are requesting funds over the next biennium for three pressing interpreting needs:

1. Ensuring the quality of interpreters used in legal proceedings. Interpreter training and certification are essential to ensure the quality of the interpreters used in legal proceedings. We are seeking \$200,000 and a two-year project position to coordinate the initial development of an interpreter training and certification program. This program would include the administration of certification exams and the development and maintenance of a new statewide roster of qualified interpreters. Such a roster would be helpful to law enforcement, prosecution, and social services, as well as the courts.

2. Guaranteeing the availability of interpreter services to all who require such services. People in court for matters such as landlord-tenant disputes, child custody

hearings, and domestic violence matters must be able to understand the proceedings. We must bring the state courts into compliance with the Americans with Disabilities Act by providing sign language interpreters to all eligible litigants and jurors. We must assure that crime victims receive the protections under the Wisconsin Victim's Rights Act. Foreign language interpreters must be made available to all litigants who require them. In this way, we can provide equal access to the courts for all.

3. Providing counties with the resources to pay qualified interpreters at a reasonable rate. The counties must pay for interpreters at a market rate averaging \$40 per hour, but are reimbursed by the Director of State Courts Office at the statutory rate of \$35 per half day, or about \$10 per hour. This rate was set in 1987 and has not been changed since. The shortfall becomes a county expense. We are seeking \$1.8 million over the next biennium to reimburse counties for the cost of using interpreters in all cases where effective communication is hampered by language barriers.

In summary, with the exception of the \$200,000 we are requesting to improve the quality of interpreters, the funds relating to interpreters will go directly to the counties to provide an adequate level of communication in court. Our request for funding interpreters at both the state and county level will ensure that all of our citizens receive fair hearings in court.

Court Staff

Circuit courts: Some say the definition of insanity is doing the same thing over and over again and expecting a different result. Others say a hallmark of effective leadership is not being defeated by lack of success. I subscribe to the latter position.

In that spirit, we are again — for the eleventh biennium since 1978 — seeking law clerks for the circuit courts. Providing law clerks as support staff for our circuit court judges would allow them to work more efficiently and effectively.

In this budget we are requesting a pilot law clerk program for the Sixth Judicial District. We have asked for funds to reimburse the 11 counties in this district for the actual costs of providing up to 10 full-time-equivalent law clerks for the 21 judges in the district. This is a new approach to a continuing issue.

District Six encompasses a large area in the center of the state, from Sauk County north to Clark County and as far east as Dodge County. Of the eleven counties in this district, only Dodge currently provides any permanent law clerk services to its trial judges. While the \$400,000 cost of this pilot program is significant, it is a reasonable and modest approach to a long-recognized and unmet need.

Court of appeals: The court of appeals continues to deal with an increasing workload. As documented in our budget request, they need more staff attorneys. Chief Judge Cane will speak about this issue.

Supreme court: The supreme court budget submission includes a request for a second law clerk for each justice. The court, although not unanimous, supports this request. As we noted in our budget request, an independent study is now being completed by the National Center for State Courts concerning the workflow of the supreme court's case-deciding process. This study will be provided to you when it becomes available.

Law Library

I turn now to the Wisconsin State Law Library. The court system received rent money for the law library. Rent is now necessary because the law library was moved from the Capitol, where no rent was paid, into the new Justice Center.

The users of the law library include legislators and legislative staff, state government employees, lawyers, judges, students, and the general public. They all count on having access to current library materials. The library collection must contain up-to-date information, because "old law is worse than no law." Unfortunately, the Wisconsin State Law Library is in danger of having "old law."

Law book prices have been rising at a significantly faster rate than the consumer price index for many years. While the book budget has increased in most biennia, the increases do not reflect the actual cost increases that the library has been facing. For example, this year the law library book budget is \$92,000 less than what is needed to keep its collection up to date. That situation continues in this biennium.

The law library requested a 7% (\$30,000) increase in its book budget for the coming biennium. But instead of approving this request, the Governor reduced the law library budget by \$52,500. These cuts will have to come from the book budget. If the budget recommendations are retained, the law library will face a shortage of almost \$150,000 (before inflation) in 2001-2002.

Under the Governor's recommendation, there would be no money to pay for over 36% of the law library's book continuations. The library would have to cancel sets of books that are needed and used. A series of publications that cannot be kept current is of little value to its users and a waste of taxpayers' already-spent money.

The state has made a considerable investment in the State Law Library, which has become an essential state resource. Continued erosion of funding and our inability to keep our publications current will undermine the state's investment. Adequate financial support will enable the law library to maintain its present high level of service that users deserve and have come to expect.

Kettl Commission

Finally, the Governor's budget includes a provision that the Joint Committee on Legislative Organization (JCLO) study the Kettl Commission report and make recommendations to the legislature on the state takeover of "justice services." While this item does not have a cost during this biennium, the recommendations from the JCLO could have a dramatic effect on how the court system delivers services to the public in the future. We look forward to working with you on these issues.

* * * *

Again, I thank you for the opportunity to speak before you in this my third biennial budget. The last time I spoke to this committee, the courts had identified the Circuit Court Automation Program (CCAP) as our top priority because of the dramatic effect of technology on court operations. Thanks to your legislative appropriations for this program, the court system has been able to provide better service to the public. I come to say thank you for your past support and to say we need and welcome your help now.

We in the judicial branch recognize that we are only one part of a system that includes thousands of men and women working in law enforcement and corrections, in social services, and as attorneys. We shall continue to seek the support and help of the public and our partners in government in assuring justice and fair and equal treatment for the people of this great state.

Though our budget requests are relatively small in terms of dollars, their potential impact on the court system and the people of this state would be great. I look forward to working with all of you in the months ahead. Thank you again for your time.

**Remarks by Chief Judge Thomas Cane
Before the Joint Committee on Finance**



March 15, 2001

JOINT FINANCE COMMITTEE TESTIMONY

Chief Judge Thomas Cane
Wisconsin Court of Appeals
March 15, 2001

Good afternoon Chairman Gard, Chairman Burke, and members of the Joint Committee on Finance. I am here today to again speak to the need for additional staff attorneys in the Court of Appeals. I am the Chief Judge of the Wisconsin Court of Appeals, and I spoke with you two years ago on this identical request. At that time you seemed receptive to our request for the additional staff help. However, on a tie vote the request was not granted. The need was urgent then, and the urgency has become even greater since then.

We are requesting the addition of two staff attorney positions. These attorneys would be assigned to help the Milwaukee and Waukesha districts, which together handle appeals from Milwaukee, Waukesha, Calumet, Fond du Lac, Green Lake, Kenosha, Manitowoc, Ozaukee, Racine, Sheboygan, Walworth, Washington and Winnebago counties.

Let me explain the need. Very briefly, unlike the Supreme Court, which can control the number of cases it accepts, the Court of Appeals must accept all cases filed for appeal. For example, last year we had 3,472 cases filed in our court which must all be decided in writing. Over a ten-year period, the filings have increased from 2,970 cases filed in 1991 to 3,472 in the year 2000 or an increase of 17%. Keep in mind that the Court of Appeals was designed under a national standard to decide 100 appeals per judge

annually. That means with 16 judges, we are designed to handle 1,600 cases annually. We decide more than twice that number.

Additionally, over the same ten-year period, the number of motions filed in our court has increased from 6,384 in 1991 to 9,814 in 2000, or an increase of 54%. Each of these motions requires a written decision. Our staff attorneys shoulder a great deal of this responsibility by initially reviewing and researching the applicable law before it is turned over to the judges for a decision.

In addition, the Court of Appeals must meet the increasing demands of your constituents who appear without an attorney. To make the legal process available and understandable to these citizens, our court must have resources and personnel to develop and implement creative programs to facilitate their access to the appellate court system.

Presently, we have the equivalent of 14.5 staff attorneys serving the four districts. They serve two functions: (1) they handle motions to the court—which you can see is becoming an ever-increasing problem—and (2) they draft opinions, under a judge's supervision, in cases that do not involve new questions of law. This is work outside of the judges' own authored opinions which are for the more complex cases and written for publication—meaning that the opinions become precedent for the caselaw on that particular legal issue.

Here is the problem. The last time a staff attorney position was authorized for the Court of Appeals was 1991. Since that time, the work for the staff attorneys has mushroomed in all of the districts, but especially in our Milwaukee and Waukesha districts. Here is a snapshot of what is happening in these districts as it relates to staff attorneys:

In 1991, if one of your constituents brought an appeal before the Court of Appeals in Milwaukee, he or she waited an average of 234 days, or 8 months for the result. This was in a less complex matter in which the judges assigned a staff attorney to draft an opinion. In 1999, the constituent waited an average of 372 days, or just over a year (a 50% increase). In Waukesha, the wait went from 249 days – or 8 months – in 1991, to 400 days – or just over 13 months – in 1999 for those cases the judges assigned to a staff attorney. That was a 61% increase.

We are not significantly better off in the other districts. I should be asking for an additional staff attorney for each of the districts, but Milwaukee and Waukesha are the districts in most critical need of help. In other words, I am not going to play the game of asking for four additional staff attorneys with the hope that you will give us at least two. Understanding your budget constraints, I want to be realistic and request only what is absolutely critical.

Some of you will ask, how do we know that if we approve your request, whether there will be any improvement? Last August, we added two limited term staff attorneys, one each for the Milwaukee and Waukesha districts. I did this as an emergency measure because of the backlog that continued to grow in each of those districts where the motions and filings were overwhelming.

What is interesting is that with the help of just one additional temporary staff attorney in each of those districts, the average time from appeal to decision for those cases the judges assigned to a staff attorney decreased significantly. In Milwaukee, the average time from appeal to disposition in those cases decreased from 372 days in 1999 to 338 days in 2000 (a 9% decrease). In Waukesha, the average time from appeal to

disposition in those cases decreased from 400 days in 1999 to 362 days in 2000 (also a 9% decrease).

Keep in mind that we had these two staff attorneys in place for only approximately six months. Had they been with us a full year, the decrease in the average time from appeal to disposition would have been even greater. It is also important to note that the average time from appeal to decision in the Madison and Wausau districts, where the number of staff attorneys remained constant, actually increased for those cases assigned to staff attorneys. This tells us that the temporary staff attorneys for Milwaukee and Waukesha were of great help even considering the fact that we had them in place for only half a year. Consequently, with these two additional staff attorney positions, we should be able to stay relatively current in Milwaukee and Waukesha. Without these two additional positions, matters will only continue to get worse.

Some of you may respond by saying that we should simply hire a temporary staff attorney for the districts. The problem is that these attorneys do not receive full employee benefits and their future with the court is uncertain. Consequently, these staff attorneys look for other more permanent employment providing complete employee benefits. Therefore, unless we make them permanent staff, they will not be with us very long. We already had one of these staff attorneys leave us for a permanent position elsewhere. The Court of Appeals simply cannot operate fairly and efficiently in the long run with temporary help.

For a while we were able to keep relatively current in the past few years with efficiencies such as the use of computers and shorter opinions in some of the cases. But keep in mind, all of our decisions must be in writing and somebody must do the work of

drafting what the judges have decided. If the judges had to draft every opinion themselves, there is no possible way the system would work. Staff attorneys and law clerks are absolutely essential to any appellate court to work efficiently.

When I was here two years ago, a member of the Joint Finance Committee asked Chief Justice Abrahamson about access to the justice system. Access is only part of the judicial process. If we simply open the door to our court, let you in, but place you in a waiting room with hundreds of people and then make you wait over a year for our decision, that is not justice. There is truth to the old saying that justice delayed is justice denied.

I would just like to remind the Joint Finance Committee that as an equal and essential branch of our constitutional government, the judiciary must have sufficient resources to fulfill its responsibilities. Just as appellate courts must be held accountable for its performance, it is also the obligation of the legislative and executive branches of our constitutional government to provide sufficient financial resources to the judiciary so that it may meet its responsibility to your constituents. Without adequate resources, we will not be able either to promote or protect the rule of law or to preserve the public trust in the judicial system.

In 1978, the legislature created the Court of Appeals in response to the citizens' needs, cries and pleas for a responsive appellate system. You succeeded in 1978. The Court of Appeals has been extremely successful with your past support, but as the state's population increases, the laws become more complex and the citizens continue to need their disputes resolved in a fairly and timely fashion. It is essential that Wisconsin provide a timely resolution of cases for all people in the appellate system.

I was trying to think of some analogy that would be helpful. The best I can think of is where you have a two-lane highway designed in 1978 to handle the traffic existing at that time and for a reasonable time in the future. However, when the traffic on that highway more than triples and there develops backups, delays and other problems associated with a substantial increase in traffic on the highway, you don't hesitate to do something such as widening the highway with additional lanes to allow for the increased traffic.

Similarly, I am not asking that you build a new highway. What I am simply asking is that you widen our highway slightly to allow us to perform the task you assigned to us, namely providing not only access, but timely and thoughtful decisions for our citizens using the appellate system.

Thank you for your time.



Scott McCallum
Governor

**State of Wisconsin
Higher Educational Aids Board**

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Jane M. Hojan-Clark
Executive Secretary

**Testimony before the Joint Committee on Finance
Regarding the 2001-03 Wisconsin State Budget**

March 19, 2001

**Jane Hojan-Clark, Executive Secretary
Higher Educational Aids Board**

Chairmen and Members of the Committee:

Thank you for the opportunity to appear before the Committee to comment on the items in the budget bill that impact the Higher Educational Aids Board. We appreciate the support the Committee has extended to the Board over the years and look forward to your support in the future.

Programs

The Higher Educational Aids Board (HEAB) submitted two versions of a 2001-03 Biennial Budget. The first version, Version A, reflected the understanding that there were projected fiscal constraints. Version A included an increase of zero and one percent over FY01 GPR Program Funding. The second version, Version B, was developed and recommended if funds became available. Version B included funding increases to various financial assistance programs depending on a variety of issues. Background information below and the Attachment summarizes HEAB's 2001-03 Biennial Budget Version B request.

Background:

The Higher Educational Aids Board administers need based undergraduate grant programs, the Academic Excellence Scholarship Program, tuition capitation programs for dental and medical students, the MN-WI Reciprocity and other interstate reciprocal tuition programs, as well as several undergraduate loan forgiveness programs. The Higher Educational Aids Board administered \$52,003,149 in need-based undergraduate student grants and loans used in Wisconsin in 1999-00. This amounted to 5.21% of the total college costs needy Wisconsin families faced in 1999-00 compared to meeting 5.39% in 1995-96. After family resources and federal, institutional, community, and state resources were taken into consideration, \$215,388,030 remained in unmet need. This reflects a 40.82% increase in financial need when compared to the level of financial need found in 1995-96. The financial assistance taken into consideration for this calculation includes need-based employment, loans, and grants. 175,430 needy Wisconsin students applied for State assistance in 1999-00. 47,221 awards based on financial need were made to those applicants. Wisconsin has, in the past, ranked between 12th and 14th in the country in terms of providing undergraduate need-based assistance to residents. However, Minnesota, a neighboring state which has a comparable number of applicants as Wisconsin, had in 1998-99 18% more awards and 113% more in state funded aid for college students. The average award for a Wisconsin undergraduate aid recipient in 1998-99 was \$1,032. This was 158% less than Illinois (\$2,662), 69% less than Michigan (\$1,743), and 128% less than Minnesota (\$2,356).

Version B Request:

1. Due to substantial and increasing unmet financial need, need based undergraduate grant program funding increases are necessary.
2. Additional funding is required to maintain the same level of funding that college students in Wisconsin received ten or more years ago.
3. In order to provide program statutory award maximums under the Talent Incentive Program Grant and the Wisconsin Higher Education Grant Program, additional funding is necessary.
4. The maximum grant statutory language under the Wisconsin Tuition Grant Program must be eliminated in order to assist the neediest students.
5. Funding is necessary for programs focused on specific State needs:
 - A. The Indian Student Assistance Grant Program must be expanded and the maximum award increased in order to provide access and to assist the ever-growing financial need of Wisconsin Native American college students.
 - B. The Minority Undergraduate Grant Program must be expanded in order to include not just continuing students but to also include first year, minority, college students. Additional funding would also provide access and assistance to the ever-growing financial need of Wisconsin minority college students.
 - C. The Minority Teacher Loan Program must be expanded and the maximum award increased in order to meet the growing need for minority teachers in Wisconsin as well as to provide access and to assist the ever-growing financial need of Wisconsin minority college students.
6. Due to a projected severe shortage of dentists in Wisconsin, the Dental Capitation Program must be expanded.
7. To address the "brain drain and/or labor force deficit" concerns in Wisconsin, the Academic Excellence Scholarship Program that keeps the best and the brightest in the State must be expanded.

It is understood that projections continue to reflect fiscal constraints. However, if funding does become available, college financial assistance programs need to be given consideration. Financial need of Wisconsin college students continues to grow. The need to expand Wisconsin's trained workforce continues to grow. In order to provide access for Wisconsin residents to a college education or training beyond high school, financial assistance programs administered by HEAB for postsecondary education should become a priority.

Operations

1. Technological Needs

Given the small number of staff members, HEAB has had to rely heavily on technology in order to provide timely and quality service to our client, the Wisconsin college student. There has been great success in fully utilizing all PC based applications that are available. The Governor's budget recommendations include funding for basic desktop information technology support as part of a Small Agency Support Infrastructure (SASI) program. Without this support HEAB would not be able to operate. The majority of the agency's processing is done using an archaic mainframe computer system that needs to be completely rebuilt. The quality of service and substantial amounts of resources has been sacrificed because of continuous breakdowns. Funding has been requested in HEAB's 2001-03 biennial budget request in order to complete a review and rebuild or upgrade of the mainframe computer programs. Support for this project is also included in the Governor's budget recommendations.

2. Tight Administrative Budget

HEAB's current administrative budget is extremely tight. The cost of services provided by other agencies to HEAB, e.g. computer production time, printing costs, mail services, insurance costs, etc., continues to increase even though agency administrative funds either remain the same or decrease. Funds available for basic supplies are extremely limited. Currently funds are not available for staff training. Travel funds do not meet minimal obligations. As a small agency of thirteen full-time staff members reliant on GPR funding, costs cannot be absorbed as potentially a larger agency could or an agency with PR.

Other Related Issues

Budget Cycle vs. Academic Year Cycle

Funding for the majority of the student financial aid programs HEAB administers is based on a biennial budget period. The academic year cycle in which students are funded through these programs continues to move earlier and earlier. The time difference between when funding is determined and when formulas need to be constructed for the various programs continue to become greater and greater. Therefore, it is becoming more and more difficult to develop accurate formulas to appropriately spend program funding. Moving to a Continuing Appropriation approach would allow funds to be spent on a more predictable and even basis from year to year. This would allow Wisconsin college students to make more informed and sound decisions in regards to their higher education.

If a pure continuing appropriation could not be adopted, then perhaps a continuing appropriation with a cap on the amount carried forward would be an acceptable approach. For example, 20% of the appropriation could be carried forward under a continuing appropriation approach.

**STATE OF WISCONSIN
HIGHER EDUCATIONAL AIDS BOARD
2001-2003 BIENNIAL BUDGET**

Due to fiscal constraints an increase of zero and one percent over FY01 GPR
Program Funding was requested in Version A. However, if funds do become available
financial assistance programs administered by the Higher Educational Aids Board
(HEAB) for postsecondary education should become a priority as Version B Budget Request indicates.

PROGRAMS	2000-01		VERSION A		% OF INCREASE FROM 00-01	VERSION A		VERSION B		% OF INCREASE FROM 01-02	VERSION B		GOVERNOR'S		% OF INCREASE FROM 01-02
	BUDGET	2001-02	BUDGET	2002-03		BUDGET	2002-03	BUDGET	2002-03		BUDGET	2001-02	BUDGET	2002-03	
Tuition Grant (B)	21,038,600	21,038,600	21,038,600	21,248,900	0.0	21,248,900	1.0	24,926,800	18.5	26,920,900	8.0	21,038,600	0.0	21,038,600	0.0
Wisconsin Higher Education Grant-WTC (B)	13,201,900	13,201,900	13,201,900	13,333,900	0.0	13,333,900	1.0	15,668,004	18.7	16,921,400	8.0	13,201,900	0.0	13,201,900	0.0
Wisconsin Higher Education Grant-LW (B)	18,900,300	18,900,300	18,900,300	19,089,300	0.0	19,089,300	1.0	22,481,700	18.9	24,280,200	8.0	18,900,300	0.0	18,900,300	0.0
Talent Incentive Grant (B)	4,503,800	4,503,800	4,503,800	4,548,800	0.0	4,548,800	1.0	5,336,200	18.5	5,763,000	8.0	4,503,800	0.0	4,503,800	0.0
Wisconsin Higher Education Grant-Tribal (B)***	400,000	400,000	400,000	404,000	0.0	404,000	1.0	432,000	8.0	466,600	8.0	400,000	0.0	404,000	1.0
Indian Student Assistance (B)***	779,800	779,800	779,800	787,600	0.0	787,600	1.0	1,559,600	100.0	1,684,400	8.0	779,800	0.0	787,600	1.0
Minority Undergraduate Grant (B)	693,100	693,100	693,100	700,000	0.0	700,000	1.0	2,231,100	221.9	2,409,600	8.0	693,100	0.0	693,100	0.0
Minority Teacher Loan (A)	240,000	240,000	240,000	242,400	0.0	242,400	1.0	861,000	258.8	929,800	8.0	240,000	0.0	240,000	0.0
Dental Education Contract (A)	1,167,000	1,167,000	1,167,000	1,178,700	0.0	1,178,700	1.0	1,726,000	47.8	1,950,000	13.0	1,167,000	0.0	1,167,000	0.0
Academic Excellence Scholarship (S)****	2,917,000	2,917,000	2,917,000	2,917,000	0.0	2,917,000	1.0	9,543,500	299.2	9,543,500	0.0	2,917,000	0.0	2,917,000	0.0
Handicapped Grant (B)	123,800	123,800	123,800	125,000	0.0	125,000	1.0	133,700	8.0	144,400	8.0	123,800	0.0	123,800	0.0
Teacher Education Loan (A)*	250,000	250,000	250,000	252,500	0.0	252,500	1.0	250,000	0.0	250,000	0.0	250,000	0.0	250,000	0.0
Loan for Teachers of the Visually Impaired (B)**	100,000	100,000	100,000	101,000	0.0	101,000	1.0	100,000	0.0	100,000	0.0	100,000	0.0	100,000	0.0
MN-WI Reciprocity (S)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	64,315,300	64,315,300	64,315,300	64,929,100	0.0	64,929,100	1.0	85,248,604	32.5	91,363,800	7.2	64,315,300	0.0	64,327,100	0.0

Note: In order to fund needy students to the statutory program maximum, the programs listed below would need to increase by the following amounts in each 2001-02 and 2002-03 fiscal years. This is in addition to the amounts indicated in Version B.

PROGRAM	2001-02	2002-03
Wisconsin Higher Education Grant-WTC	14,786,128	14,786,128
Wisconsin Higher Education Grant-LW	11,151,177	11,151,177
Talent Incentive Grant	2,657,242	2,657,242

*MTEC annual tuition has not increased over the three years this program has been in existence.
 **Program was recently established in 2000-01
 ***Funded through gaming funds rather than GPR
 ****Also includes \$62,000 each fiscal year due to statutory change ss 39.41 (dm) (em)
 A = Annual Appropriation
 B = Biennial appropriation
 S = Sum Sufficient appropriation

**STATE OF WISCONSIN
HIGHER EDUCATIONAL AIDS BOARD
NARRATIVE**

General Purpose Revenue (GPR) Program Funding

Per the "budget target policy" an increase of zero and one percent over FY01 GPR Program Funding is being requested. However, if funds do become available, financial assistance programs administered by the Higher Educational Aids Board (HEAB) for postsecondary education should become a priority.

Substantial Unmet Financial Need

Based on data collected annually by HEAB, the total unmet need was \$217,400,411 for needy Wisconsin college students in 1998-99 after the family contribution, institutional assistance, federal assistance, and state assistance were applied to the cost of education. This reflects a 41% increase in financial need when compared to the level of financial need found in 1996-97. The financial assistance taken into consideration for this calculation included need based employment, loans, and grants. Please see Attachment A, which provides more detail related to Wisconsin student financial need and funding sources.

Funding Required to Maintain Same Level of Funding as Ten or More Years Ago

The three State funded programs that serve the largest number of Wisconsin college students include the Wisconsin Higher Education Grant (WHEG) with 33,930 recipients in 1998-99; the Wisconsin Tuition Grant (WTG) with 9,406 recipients in 1998-99; and the Talent Incentive Program (TIP) Grant with 4,408 recipients in 1998-99. All three programs are awarded primarily based on the student's financial need. Funding priority should be particularly given to these three programs on an equal basis.

In 1988-89 nine percent of the financial need, calculated for Wisconsin students receiving State assistance, was met through the TIP, WHEG, and WTG Programs. In 1998-99 eight percent of students' financial need was met by the same three programs. An additional \$6,156,492 (12% more in funding) in 1998-99 would have brought these three programs back to meeting nine percent of financial need as had been the case ten years prior.

Annual tuition increases since 1990-91 have averaged 8% at colleges and universities in Wisconsin. In order to maintain the same level of financial support from year to year for needy Wisconsin students, an 8% increase annually is necessary.

2001-02 Request

	12% ↑	8% ↑	2000-01 Appropriation	2001-02 Total Request
Talent Incentive Program Grant	\$472,056	\$360,304	\$4,503,800	\$5,336,160
Tribal WI Higher Education Grant*	NA	\$32,000	\$400,000	\$432,000
UW WI Higher Education Grant	\$2,069,376	\$1,512,024	\$18,900,300	\$22,481,700
WTC WI Higher Education Grant	\$1,409,952	\$1,056,152	\$13,201,900	\$15,668,004
WI Tuition Grant	\$2,205,108	\$1,683,088	\$21,038,600	\$24,926,796
TOTAL	\$6,156,492	\$4,643,568	\$58,044,600	\$68,844,660

2002-03 Request

	2001-02 Total Request	8% ↑	2002-03 Total Request
Talent Incentive Program Grant	\$5,336,160	\$426,893	5,763,053
Tribal WI Higher Education Grant*	\$432,000	\$34,560	466,560
UW WI Higher Education Grant	\$22,481,700	\$1,798,536	\$24,280,236
WTC WI Higher Education Grant	\$15,668,004	\$1,253,440	16,921,444
WI Tuition Grant	\$24,926,796	\$1,994,144	\$26,920,940
TOTAL	\$68,844,660	\$5,507,573	\$74,352,233

2001-03 Request

	2001-02 Total Request	2002-03 Total Request	2001-03 Total Request
Talent Incentive Program Grant	\$5,336,160	\$5,763,053	11,099,213
Tribal WI Higher Education Grant*	\$432,000	\$466,560	\$898,560
UW WI Higher Education Grant	\$22,481,700	\$24,280,236	46,761,936
WTC WI Higher Education Grant	\$15,668,004	\$16,921,444	32,589,448
WI Tuition Grant	\$24,926,796	\$26,920,940	\$51,847,736
TOTAL	\$68,844,660	\$74,352,233	\$143,196,893

*This program was established in 1999-01 and is funded through gaming funds rather than GPR.

Funding Required in Order to Award Statutory Maximum

The maximum one can be awarded under the WHEG program per statutes is \$1,800 per academic year. The current level of funding allows a maximum of \$1,050 for WTC students (with an average award of \$750 in 99-00) and \$1,500 for UW students (with an average award of \$1,012 in 99-00). In order to fund students to the statutory maximum WHEG award of \$1,800, funding would need to increase 112% for WTC students and 59% for UW students in 2000-01. The maximum one can be awarded under TIP per statutes is \$1,800 per academic year. The current level of funding allows a maximum of \$1,250 for continuing students (with an average award of \$1,081 for all students in 99-00). In order to fund students to the statutory maximum TIP award of \$1,800, funding would need to increase 59% in 2000-01.

Additional 2001-03 Request (to be added to 2001-02 request and again to the 2002-03 request above)

	2000-01 Appropriation	% ↑
Talent Incentive Program Grant	\$4,503,800	\$2,657,242 (59%)
UW WI Higher Education Grant	\$18,900,300	\$11,151,177 (59%)
WTC WI Higher Education Grant	\$13,201,900	\$14,786,128 (112%)
TOTAL	\$36,606,000	\$28,594,547

Need to Eliminate Maximum Grant Statutory Language in Order to Assist the Neediest Students

The Statute indicates a maximum Wisconsin Tuition Grant of \$2,300 per academic year and \$1,150 per semester. The maximum was last increased in 1998-99 from \$2,172. Prior to 1998-99, the last maximum grant adjustment occurred in 1986 when it went from \$2,078 to \$2,172. During the 1998-99 academic year, 9,406 students received a Wisconsin Tuition Grant. The average grant was \$1,923. Currently over 80% of the grant recipients show eligibility for the maximum \$2,300.

It is because the majority of the program's recipients are receiving the maximum grant that it is becoming more difficult to distinguish the neediest students, who should receive larger grants, from those who show less need. In essence, the grant is losing its effectiveness of providing the greatest assistance to the neediest student. It is for this reason that the maximum grant amount indicated in the statutes needs to be eliminated. The maximum amount needs to be set annually by the board just as the formula which determines awards under this program is set annually by the board.

Funding Necessary for Programs Focused on Specific Needs

Other programs administered by HEAB that are based on students' financial need along with more specific criteria include the Handicapped Student Grant, Indian Student Grant, Minority Undergraduate Grant, Minority Teacher Loan, and the Teacher Education Loan Program. Although smaller in scope in terms of the number of Wisconsin residents targeted, these programs are still essential in providing access to a postsecondary education in Wisconsin. Please note that several of these programs have also been level funded over the past several years.

Expand and Increase Maximum Award for Indian Student Assistance Grant

The Indian Student Assistant Grant (ISAG) was established to assist Wisconsin residents who are at least twenty five percent Native American and are undergraduate or graduate students enrolled in degree or certificate programs at a University of Wisconsin, Wisconsin Technical College, an Independent College or University, Tribal College or a Proprietary Institution in Wisconsin. Awards are based on financial need with a limit of ten semesters of eligibility.

Currently the maximum award under this program is \$1,100. Prior to 1995-96, the maximum award was \$2,200. The award had been split in half in 1995-96 because funding availability dropped by 50%.

Since the decrease in the maximum, there has been an increasing number of Native American students who have been forced to drop out of school due to lack of funding. It appears that, although not all students would be eligible for a maximum of \$2,200 under this program, students who have financial need have very high financial need and require the highest maximum grant possible in order to afford to stay in school.

In order to fund an increase in the maximum, the program's appropriation would also need to double. The ISAG Program is funded through Gaming Funds unlike other programs HEAB administers which are funded through General Program Revenue.

2001-03 Request

	2000-01 Approp.	2001-02 Request	8% ↑	2002-03 Request	2001-03 Request
Indian Student Assistance Grant*	\$779,800	\$1,559,600	\$124,768	\$1,684,368	\$3,243,968

*This program is funded through gaming funds rather than GPR.

Expand Minority Undergraduate Grant

Awards under the Minority Undergraduate Grant Program are made to resident minority undergraduates, excluding first year students. The student must be enrolled at least half-time at an Independent or a Wisconsin Technical College institution. According to the statutes, a minority student is defined as a student who is an African American, American Indian, Hispanic, or Southeast Asian from Laos, Cambodia, or Vietnam admitted to the U. S. after December 31, 1975. Awards are based on financial need with a maximum grant of \$2,500 per year, which can be received for up to eight semesters. The University of Wisconsin System has a similar program for students attending those institutions called the Lawton Grant.

During the 1998-99 academic year, 354 Wisconsin Technical College students received on average \$994 grants under this program. That same year, 271 Independent College and University students received on an average \$1,263. A total of \$693,960 was awarded to all recipients in 1998-99. If funds were available, best projections indicate that an additional \$900,000 could have been spent beyond the \$693,100 allocated for 1999-00.

Based on projections, in approximately 2017 our minority population will become our majority population. In 2012 it is expected that 40% of our high school graduates will be minority students. The question has been raised, "Will our future majority residents be educationally prepared?" Currently minority students are underrepresented in Wisconsin colleges and universities.

To prepare for Wisconsin's future this program's overall funding needs to increase by \$900,000 in addition to expanding the program's eligibility to include first year students. This would allow not only the retention of today's minority students but would also provide a mechanism to recruit minority students into Wisconsin's colleges and universities.

2001-03 Request

	2000-01 Appropriation	Fund Existing Program	Expand Program	2001-02 Request
Minority Undergraduate Grant	\$693,100	\$900,000	\$638,000	\$2,231,100

	2001-02 Request	8% ↑	2002-03 Request	2001-03 Request
Minority Undergraduate Grant	\$2,231,100	\$178,488	\$2,409,588	\$4,640,688

Expand and Increase Maximum Award for Minority Teacher Loan

The Minority Teacher Loan (MTL) Program provides loans at five percent interest in amounts of up to \$2,500 per year (with a maximum of \$5,000 total) to Wisconsin resident, minority, undergraduate juniors or seniors. Recipients must be enrolled at least half-time in programs leading to teacher licensure at an Independent or University of Wisconsin Institution. According to the statutes, a minority student is defined as a student who is an African American, American Indian, Hispanic, or Southeast Asian from Laos, Cambodia, or Vietnam admitted to the U. S. after December 31, 1975. The student who participates in this program must agree to teach in a Wisconsin school district in which minority students constitute at least twenty nine percent of total enrollment or in a school district participating in the inter-district pupil transfer (Chapter 220) program. For each year the student teaches in an eligible school district, 25% of the loan is forgiven. If the student does not teach in an eligible district, the loan must be repaid at an interest rate of 5%.

During the 1998-99 academic year, 127 students received on an average \$1,833 in loan assistance under this program. A total of \$232,852 was awarded to all recipients in 1998-99. If funds were available, best projections indicate that an additional \$240,000 could have been spent beyond the \$240,000 allocated for 1999-00 as well as an additional \$381,000 to bring the maximum award up to \$4,000.

The MTL is also tied to the concern that we may not be sufficiently meeting the needs of the future (similar to the concerns indicated under the previous point related to the Minority Undergraduate Grant). MTL, however, is specific to training minority teachers. K-12 schools with greater than 29% enrolled minority students or schools who participate in the inter-district pupil transfer program have indicated that an enormous need to educate more minority teachers exists. Enrollment at Milwaukee Public Schools in 1998, for example, consisted of over 68% minority students. The same year, just over 21% of the teachers came from minority backgrounds. By increasing the maximum award and funding, the gap between minority students and minority teachers would decrease.

2001-03 Request

	2000-01 Appropriation	Fund Existing Program	Increase Maximum Award	2001-02 Request
Minority Teacher Loan	\$240,000	\$240,000	\$638,000	\$1,118,000

	2001-02 Request	8% ↑	2002-03 Request	2001-03 Request
Minority Teacher Loan	\$1,118,000	\$89,440	\$1,207,440	\$2,325,440

Expand Dental Capitation Program

The Dental Capitation Program provides tuition assistance for a limited number of Wisconsin residents who attend Marquette University's School of Dentistry. The program was originally established to educate and keep Wisconsin dentists. The number of participants in the program for 2000-01 is 100. Each award is \$11,670 annually. The amount of assistance per student has remained level since the 1994-95 academic year even though costs over the same time period have increased. In 1994 nonresident tuition was \$24,140. With the capitation assistance resident tuition in 1994-95 was \$12,470 or 51% of the nonresident tuition. In 2000-01 nonresident tuition is \$31,000. With capitation assistance resident tuition in 2000-01 is \$19,330 or 62% of the nonresident tuition. It is currently being predicted that there will be a severe shortage of dentists in Wisconsin in the near future supporting the need to increase the number of dentists in the State. There is also a concern that the average loan debt per dental student continues to rise. The class of 1999 Wisconsin dental students graduated with an average dental school debt of \$82,299 along with an average of \$12,297 of undergraduate debt. The highest level of dental school debt one student graduated with in 1999 was \$145,625. Data from the School of Dentistry indicates that the current capitation program has been successful in retaining Wisconsin dentists. Expanding the capitation program to allow an additional 15 students per class level (to occur over the next two biennial periods) and bringing the level of assistance per student closer to 50% of the nonresident tuition rate (\$15,000), as was the case in 1994-95, would address concerns related to the shortage of dentists in the State and the concern that the program is deteriorating.

2001-03 Request

	2000-01 Appropriation	Increase Maximum Award	Add 15 Students	2001-02 Request
Dental Capitation	\$1,167,000	\$333,000	\$225,000	\$1,725,000

	2001-02 Request	Add 15 Students	2002-03 Request	2001-03 Request
Dental Capitation	\$1,725,000	\$225,000	\$1,950,000	\$3,675,000

Brain Drain

Recently there has been a great deal of discussion centering on the issues of "brain drain." The question becomes how can Wisconsin avoid or reverse a brain drain and/or a labor force deficit? How can Wisconsin more highly educate its residents and retain or continue to retain them once they complete their degree?

Increase Maximum/Awards for the Academic Excellence Scholarship

Academic Excellence Scholarships are awarded to Wisconsin high school seniors who have the highest grade point average in each public and private high school throughout the State of Wisconsin. The number of scholarships each high school is eligible for is based on total student enrollment. In order to receive a scholarship a student must be enrolled on a full-time basis, by September 30th of the academic year following the academic year in which he or she was designated as a scholar, at a participating University of Wisconsin, Wisconsin Technical College, or Independent institution in the State. The maximum scholarship is currently \$2,250. The maximum scholarship for students awarded in 1995-96 and prior was full tuition and fees at a UW campus or Wisconsin Technical College, or an amount equal to the UW - Madison tuition and fees for the students attending independent institutions in Wisconsin. Half of the scholarship is funded by the state, while the other half is matched by the institution.

The intention of this program is to keep the best and the brightest in Wisconsin, as indicated earlier. Most recent data indicates that the program may no longer be fulfilling its purpose due to the \$2,250 annual maximum. Tuition at UW - Madison (which the program was tied to in 1995-96 and prior) is \$3,735 for 2000-01. Data is showing that more students who are designated the recipient of the scholarship are choosing not to stay in Wisconsin and therefore the alternate is accepting the scholarship instead. Some would argue that the alternate may be as academically strong as the designated recipient. Since data has also shown that the majority of AES participants stay in Wisconsin after graduating and that the scholarship did impact the decision by the student to attend a Wisconsin college rather than travel out of state, consideration should be given to expanding the number of scholarships awarded.

Doubling the program would double the opportunity for Wisconsin's best and brightest to stay in Wisconsin. Increasing the maximum award for each student to \$3,735 would restore the program back to its original model and encourage Wisconsin's best and brightest to stay in the state. Both steps would address the "brain drain" concern.

2001-03 Request

	2000-01 Appropriation	Expand Program	Increase Maximum Award	2001-02 Request
Academic Excellence Scholarship	\$2,855,000	\$2,855,000	\$3,771,468	\$9,481,468

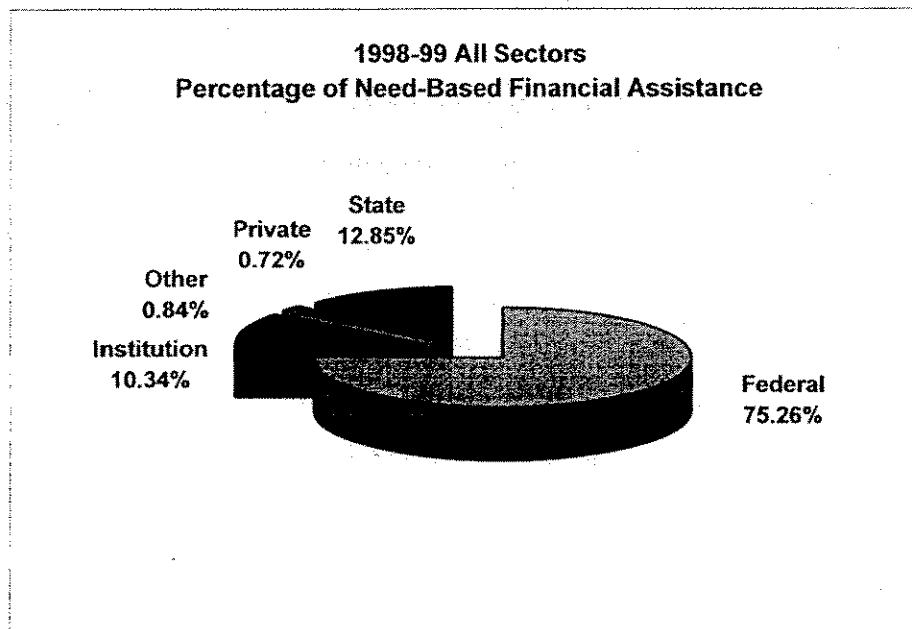
	2001-02 Request	2002-03 Request	2001-03 Request
Academic Excellence Scholarship	\$9,481,468	\$9,481,468	\$18,962,936

I have included **Attachment B** which reflects the zero and one percent request for the 2001-03 biennial period along with **Attachment C** that indicates the funding request "if additional funds become available." They also incorporates projected figures for the two programs that have sum sufficient appropriations.

1998-99
ALL SECTORS
 Independent Colleges & Universities, UW System, WTC System
Need-Based Financial Assistance

Number of Students Receiving Need-Based Financial Assistance	95,380
Total Cost of Education	\$973,677,826
- Expected Family Contribution (EFC)	- \$336,513,362
= Total Need	\$637,164,464
Total Need	\$637,164,464
- Total Need-Based Assistance	- \$419,764,053
= Total Unmet Need	\$217,400,411

	Number of Awards	Total Dollars	Average Award	% of Total Aid Spent
Total Federal Assistance	170,609	\$315,907,824	\$1,852	75.26%
Total Institutional Assistance	12,658	\$43,399,008	\$3,429	10.34%
Total Other Assistance	1,182	\$3,521,649	\$2,979	0.84%
Total Private Assistance	2,501	\$3,005,096	\$1,202	0.72%
Total State Assistance	49,434	\$53,930,476	\$1,091	12.85%
Total Need-Based Assistance	236,384	\$419,764,053	\$1,776	100.00%



**STATE OF WISCONSIN
HIGHER EDUCATIONAL AIDS BOARD
2001-2003 BIENNIAL BUDGET REQUEST A**

Per the "budget target policy" an increase of zero and one percent over FY01 GPR Program Funding is being requested below. However, if funds do become available, financial assistance programs administered by the Higher Educational Aids Board (HEAB) for postsecondary education should become a priority. Please see Request B on the page following this one.

PROGRAM	2001-02	2002-03
Tuition Grant (B)	21,038,600	21,248,986
Wisconsin Higher Education Grant-WTC (B)	13,201,900	13,333,919
Dental Education Contract (A)	1,167,000	1,178,670
Wisconsin Higher Education Grant-UW (B)	18,900,300	19,089,303
Minority Undergraduate Grant (B)	693,100	700,031
Minority Teacher Loan (A)	240,000	242,400
Handicapped Grant (B)	123,800	125,038
Talent Incentive Grant (B)	4,503,800	4,548,838
Teacher Education Loan (A)	250,000	252,500
Loan for Teachers of the Visually Impaired (B)	100,000	101,000
Indian Student Assistance (B)*	779,800	787,598
Wisconsin Higher Education Grant-Tribal (B)*	400,000	404,000
Academic Excellence Scholarship (S)	2,917,000	2,917,000
MN-WI Reciprocity (S)	0	0
TOTAL	64,315,300	64,929,283

*Funded through gaming funds rather than GPR.

Note: This chart reflects a 0% increase for 2001-02 a 1% increase for 2002-03 with the exception of the programs that have sum sufficient appropriations.

A= Annual appropriation

B= Biennial appropriation

S= Sum Sufficient appropriation

**STATE OF WISCONSIN
HIGHER EDUCATIONAL AIDS BOARD
2001-2003 BIENNIAL BUDGET REQUEST B**

If funds do become available, financial assistance programs administered by the Higher Educational Aids Board (HEAB) for postsecondary education should become a priority. Below indicates the funding priority for if funds do become available. Please see the Narrative for more details.

PROGRAM	2001-02	%↑	2002-03	%↑
Tuition Grant (B)	24,926,796	18.5	26,920,940	8.0
Wisconsin Higher Education Grant-WTC (B)	15,668,004	18.7	16,921,444	8.0
Dental Education Contract (A)	1,725,000	47.8	1,950,000	13.0
Wisconsin Higher Education Grant-UW (B)	22,481,700	18.9	24,280,236	8.0
Minority Undergraduate Grant (B)	2,231,100	221.9	2,409,588	8.0
Minority Teacher Loan (A)	861,000	258.8	929,880	8.0
Handicapped Grant (B)	133,704	8.0	144,400	8.0
Talent Incentive Grant (B)	5,336,160	18.5	5,763,053	8.0
Teacher Education Loan (A)*	250,000	0.0	250,000	0.0
Loan for Teachers of the Visually Impaired (B)**	100,000	0.0	100,000	0.0
Indian Student Assistance (B)***	1,559,600	100.0	1,684,368	8.0
Wisconsin Higher Education Grant-Tribal (B)***	432,000	8.0	466,560	8.0
Academic Excellence Scholarship (S)****	9,543,468	299.2	9,543,468	0.0
MN-WI Reciprocity (S)	0	0.0	0	0.0
TOTAL	85,248,532		91,363,937	

Note:

In order to fund needy students to the statutory program maximum, the programs listed below would need to increase by the following amounts in each 2001-02 and 2002-03 fiscal years. This is in addition to the amounts indicated above.

PROGRAM	2001-02	2002-03
Wisconsin Higher Education Grant-WTC	14,786,128	14,786,128
Wisconsin Higher Education Grant-UW	11,151,177	11,151,177
Talent Incentive Grant	2,657,242	2,657,242

*MTEC annual tuition has not increased over the three years this program has been in existence.

**Program was recently established in 2000-01.

***Funded through gaming funds rather than GPR.

****Also includes \$62,000 each fiscal year due to statutory change ss 39.41 (dm) (cm).

A= Annual appropriation

B= Biennial appropriation

S= Sum Sufficient appropriation



**MARQUETTE
UNIVERSITY**

**Marquette University School of Dentistry Testimony
Joint Committee on Finance
March 19, 2001**

**Presented By
William K. Lobb, D.D.S., M.S.
Dean, School of Dentistry**

The Marquette University School of Dentistry (MUSOD), founded in 1894, continues to be the primary provider of dentists for the State of Wisconsin. The School of Dentistry's formal relationship with the State of Wisconsin has been in effect since 1973; in recent years this relationship has evolved into a true partnership that benefits all of Wisconsin's citizens.

The State of Wisconsin, through its various departments, holds four separate grants or contracts with the School of Dentistry: 1) Department of Health and Family Services (DHFS) grant for dental services; 2) DHFS Bureau of Public Health grant for a pediatric dentistry program; 3) Building Commission grant for construction of a dental clinic and educational facility; 4) Higher Educational Aids Board (HEAB) contract for dental education.

At this time, MUSOD is not requesting any change in the current funding level recommended in the Governor's budget. Indeed, Marquette University is grateful for the support provided by the Joint Committee on Finance and by the State of Wisconsin.

Department of Health and Family Services Grant for Dental Services

Wis. Stats. §250.10 states that the Department of Health and Family Services shall provide \$2.8 million annually "to the Marquette University School of Dentistry for clinical education of Marquette University School of Dentistry students through the provision of dental services by the students and faculty of the School of Dentistry in underserved areas and to underserved populations in the state, as determined by the department in conjunction with the Marquette University School of Dentistry; to inmates of correctional centers in Milwaukee County; and in clinics in the City of Milwaukee." This \$2.8 million annual appropriation represents approximately 18% of the dental school's annual operating budget, and is absolutely critical. Each year, MUSOD strives to achieve a break-even budget, but continues to incur operational deficits of up to \$1 million. We are hopeful that with the new facility, new

curriculum, and new clinic management system, better efficiencies will result that will significantly reduce the operational deficit.

During fiscal year 1999 (July 1, 1998 - June 30, 1999), MUSOD treated 13,999 patients at five different clinics: MUSOD's clinic located on the Marquette campus, Johnston Community Health Center (Milwaukee), Isaac Coggs Community Health Center (Milwaukee), Family Health Medical and Dental Clinic (Wautoma), Scenic Bluffs Community Health Center (Cashton). Inmates of correctional centers in Milwaukee County are treated at the MUSOD clinic on campus. These clinics handled 53,872 patient visits.

During fiscal year 2000 (July 1, 1999 - June 30, 2000), MUSOD treated 13,097 patients at six different clinics: MUSOD's clinic located on the Marquette campus, Johnston Community Health Center (Milwaukee), Isaac Coggs Community Health Center (Milwaukee), Family Health Medical and Dental Clinic (Wautoma) - only 2 months, St. Luke's Medical Center (Milwaukee), Oneida Community Health Center (Oneida), and various nursing homes (Milwaukee). Inmates of correctional centers in Milwaukee County are treated at the MUSOD clinic on campus. MUSOD also has a contractual relationship to treat patients of record for the West Side Healthcare Association (formerly Rainbow Clinic). These clinics handled 40,317 patient visits.

This figure represents a sizeable drop in number of patient visits. We believe this figure is actually much higher, however we cannot provide adequate documentation to support a higher figure due to some complex data transfer issues that arose during the conversion to MUSOD's new clinic management system, AXIOM. AXIOM was implemented in March of 2000 and is now operating quite successfully.

All of the clinics affiliated with MUSOD treat patients in need of necessary oral health care regardless of their ability to pay. In FY 99, for all of the clinics combined, 64% of patients were uninsured and paid in cash based on a sliding fee scale; 15% were participants in Medicaid (Title XIX); 10% were participants in the Medicare Waiver Program; and 11% had private insurance. In FY 2000, 70% were uninsured and paid in cash based on a sliding fee scale; 11% were participants in Medicaid (Title XIX); 10% were participants in the Medicare Waiver Program; and 9% had private insurance.

Of all the patients served through MUSOD clinics in FY 99, 35.9% voluntarily reported their income levels as below 200% of the federal poverty level and 16.9% as above 200% of the federal poverty level; 48.6% chose not to volunteer this information. In FY 2000, 35.5% voluntarily reported their income levels as below 200% of the federal poverty level and 17.1% as above 200% of the federal poverty level; 47.4% chose not to volunteer this information.

MUSOD's clinical fees are approximately 50% of the usual and customary fees of a private dental practice. In addition, MUSOD provides approximately \$80,000 each year in free, unreimbursed dental services.

The Legislative Audit Bureau annually conducts a thorough audit of MUSOD's financial records to ensure that the State's funds are being used in accordance with State policy. Every audit to date has been favorable.

The aforementioned information provides a summary of MUSOD's clinical education activity during the past two fiscal years. We continue to explore new opportunities for MUSOD students and faculty to practice in other underserved areas in the State. Currently, in addition to the clinics referenced for FY 2000, MUSOD is involved with the Southwest Center for the Developmentally Disabled, the Hmong Association, ElderCare in Madison, and Madre Angela Clinic in Milwaukee. These programs are run through MUSOD's Special Patients Clinic, and have proven to be quite effective in reaching populations with special developmental and/or cultural needs.

MUSOD continues to work in partnership with DHFS, with the Wisconsin Dental Association, the Children's Health Alliance (Board Member), and the Wisconsin Primary Health Care Association (Affiliate Member) in addition to many other community and professional organizations to address the oral health care needs of Wisconsin's citizens in a cooperative and productive manner.

DHFS Bureau of Public Health Pediatric Dentistry Program

DHFS provides MUSOD a grant of \$60,500 annually for a pediatric dentistry program housed at the Johnston Community Health Center. Dental students and faculty provide oral health screenings and sealants for minority underserved children. This program continues to be quite successful. For this current fiscal year (July 1, 2000 - June 30, 2001), we are on target to provide screenings for approximately 1000 children (grades 2-3) and 300 children at the Guadalupe Head Start Center (ages 3-5), and to provide 3,200 sealants for 800 children.

Building Commission Grant for Construction of a Dental Clinic and Educational Facility

During the last biennial budget session, the State of Wisconsin Building Commission authorized up to \$15,000,000 of general fund supported borrowing in the form of a construction grant to aid in the construction of a dental clinic and education facility at Marquette University. This figure represents approximately 50% of the total construction cost for the new facility. Marquette University is obligated to guarantee the match prior to any release of state funds. The reasons for this significant level of funding were articulated in Wis.Stats. §13.48 (32)(a):

"The legislature finds and determines that it is in the public interest to promote the health and well-being of residents of Wisconsin by ensuring the availability of a sufficient number of dentists to meet the needs of residents of this state; it is in the public interest, advantage and welfare to ensure the continued availability of dental education in this state; and Marquette University operates the only dental school in this state. It is, therefore, the public policy of

this state to assist private institutions in the state, including Marquette University, in the construction of facilities that will be used to provide dental education."

In October of 2000, MUSOD received formal approval from the Building Commission to begin construction. On October 31, 2000, we held a ceremonial ground-breaking celebration. And, as of today, March 19, 2001, the actual digging is well underway. The new dental school will be located on Wisconsin Avenue between North 18th and 19th Streets. It will officially open for business on August 1, 2002.

The goals or "project drivers" of the new School of Dentistry are that it MUST: 1) be patient-centered and student-friendly; 2) have a clinical outreach program throughout the state; 3) support a state-of-the-art curriculum that provides future dentists with a "real world" educational experience; 4) be functionally efficient and organized; 5) have flexible educational spaces; and 6) open on schedule and be built on budget. These project drivers are used to measure all program and design issues helping determine the effectiveness and appropriateness of those issues.

Marquette University is grateful to the State of Wisconsin for its support of this project. We are not merely constructing a new building, but we have the once-in-a-lifetime opportunity to rethink and reshape how dental education should be delivered. MUSOD has taken advantage of this opportunity to reform its whole dental curriculum, a feat never before undertaken by any other dental school. MUSOD is paving the way for others to follow, and there is great national excitement and attention to what we are doing here in Wisconsin. Included with this testimony is background information regarding the new curriculum.

As a point of clarification, MUSOD questions the Legislative Fiscal Bureau analysis of including the debt service costs related to state bonding authorized in 1999 in the base level funding for the Marquette Dental School in 2001-03. To clarify, there is a 0% increase in base level funding for appropriations under DHFS and HEAB.

Higher Educational Aids Board Contract for Dental Education

Since 1973, the State of Wisconsin has provided varying levels of financial aid to Wisconsin residents enrolled at MUSOD. Since 1994, HEAB funding has remained level.

HEAB provides \$1.167 million annually to support Wisconsin resident tuition for no more than 100 Wisconsin residents (an average of 25 per class). Funds are provided directly to the dental school, but all the funds are passed through to benefit the Wisconsin residents. This is, in essence, student financial aid. These funds allow MUSOD to establish a Wisconsin resident tuition rate which is \$11,670 less than the "non-Wisconsin resident" tuition rate.

For the academic year 2000-01, Wisconsin resident tuition was \$19,330 and non-Wisconsin resident tuition was \$31,000. For the upcoming academic year (2001-02), Wisconsin resident

tuition is \$20,570 and non-Wisconsin resident tuition is \$32,240 (an increase of 4.5%).

As dictated by statute, HEAB can only provide funds for up to 100 Wisconsin residents. However, MUSOD has historically admitted more than the cap. In fact, over the past twelve years, MUSOD has subsidized the cost of Wisconsin resident tuition (beyond the cap) at a cost to the dental school of nearly \$1,000,000. There are currently 104 Wisconsin residents and 186 out-of-state residents enrolled at MUSOD; total enrollment is 290 students. The new dental facility will be able to accommodate a slight increase in class size from the current maximum of 75 to a maximum of 80 per class.

This program has a long track record of success in ensuring a major supply of dentists for Wisconsin's citizens. Since the inception of this program (often referred to as the "capitation program"), more than 70% of all the practicing dentists in Wisconsin have been and continue to be graduates of the Marquette University School of Dentistry, with an overwhelming majority having entered MUSOD as Wisconsin residents.

Before I conclude my testimony, I would like to take this opportunity to comment on one of the MUSOD-specific provisions provided in the legislation proposed by the Legislative Council Special Committee on Dental Care Access since this item has a fiscal implication. MUSOD clearly supports this recommendation and encourages the Joint Committee on Finance to give it serious consideration.

The first recommendation listed under WLC:0089/2 "increases the maximum number of students that qualify for tuition assistance at Marquette University School of Dentistry from 100 to 160 Wisconsin residents and increases the amount of annual assistance per student from \$11,670 to \$15,000." It should be noted that while this recommendation has a fiscal implication to the state budget, it would not result in an increase of funds to the operational budget of the School of Dentistry. These funds would directly benefit Wisconsin residents in the form of student financial aid. For more details regarding this recommendation, I have included as an attachment the relevant sections of the Legislative Council's Proposed Report to the Legislature.

This concludes my testimony. On behalf of Marquette University, I thank you all for your support over the years and for your continued leadership as we embark upon a strengthened partnership for the 21st Century.

Attachments

PART III

RECOMMENDATIONS

This part of the report provides background information on, and a description of, the drafts recommended by the Special Committee on Dental Care Access for introduction in the 2001-02 Session of the Legislature.

A. WLC: 0089/2

1. Tuition Assistance: Marquette University School of Dentistry

a. Background

Under current law, \$1,167,000 is appropriated in each fiscal year to provide tuition assistance of \$11,670 per year for up to 100 Wisconsin residents attending Marquette University School of Dentistry.

Each year, Marquette University School of Dentistry enrolls more than 100 Wisconsin residents and provides a subsidy for the tuition of those Wisconsin residents out of its own funds. The State of Wisconsin retains approximately 77% of the dentists that graduate from the Marquette University School of Dentistry each year. Because students, particularly Wisconsin resident students, graduating from Marquette tend to stay in Wisconsin, the committee determined that it was important to increase the number of Wisconsin residents enrolled at Marquette University School of Dentistry. The intent of this is to increase the number of dentists graduating from Marquette who subsequently practice in the State of Wisconsin.

Further, total tuition to Marquette University School of Dentistry is \$31,000 per year. The \$11,670 tuition subsidy provided to Wisconsin residents at the school has not been adjusted since 1994-1995; however, tuition has increased over that time. The Special Committee felt it was necessary to provide an adjustment to the tuition subsidy for Wisconsin residents attending Marquette University School of Dentistry. This will increase the incentive for Wisconsin residents to attend school here, as opposed to attending school in Minnesota or other neighboring states.

b. Description of the Draft

The draft increases the per student tuition assistance to \$15,000 per year and increases the maximum number of Wisconsin residents who qualify to 160. The amount appropriated for this purpose is increased from the current \$1,167,000 to \$1,725,000 (115 x \$15,000) in fiscal year 2001-02 to reflect an additional 15 Wisconsin residents in the fall 2001 incoming class and to \$1,950,000 (130 x \$15,000) in fiscal year 2002-03 to reflect those 15 students and an additional 15 Wisconsin residents in the fall 2002 incoming class. When fully

implemented in the fall of 2004, the amount of the appropriation would be \$2,400,000 (160 x \$15,000).

2. Licensed Dental Health Professionals

a. Background

The committee, in discussing the recommendation to provide a licensed dental health professional in each of the five DHFS administrative regions for the Division of Public Health, discussed the need for dental health professionals with a background in public health to focus on increasing efforts to prevent dental disease. The committee, in discussing this proposal, anticipated that these individuals would spend half of their time on outreach activities to increase awareness of where to locate dental care, and on the need for dental prevention services; and would spend the other half of their time providing direct dental services to patients, such as applying sealants. The committee determined that these positions should be funded through the MA program in order to capture federal funds for at least half of the cost of the positions.

b. Description of the Draft

This draft increases the appropriation for the DHFS under s. 20.435 (4) (bm), Stats., for MA administration by \$132,000 in each year of the 2001-03 biennium to increase the authorized general purpose revenue (GPR) positions for the DHFS by five GPR positions beginning on July 1, 2001. This funding, from the MA appropriation, would provide one licensed dental health professional in each of the five DHFS administrative regions for the division of public health, as prescribed by the DHFS. These five licensed dental health professionals would be responsible for performing dental health outreach services and for providing dental care, primarily to persons eligible for MA.

3. Grants for Community Dental Services

a. Background

The State of Wisconsin provided \$2.5 million in fiscal year (FY) 1999-2000 and \$3 million in FY 2000-2001 for grants for community health centers which are federally qualified health centers. However, the state does not currently provide financial support for other types of entities, including nonfederally qualified community health care centers, which may provide no dental care or limited dental care to the individuals they serve.

The Special Committee determined that it was necessary to provide funds to supplement the limited dental services currently being provided by these clinics to ensure their continuation; and to also provide funding to entities that wish to start up dental services as part of the services that they provide.

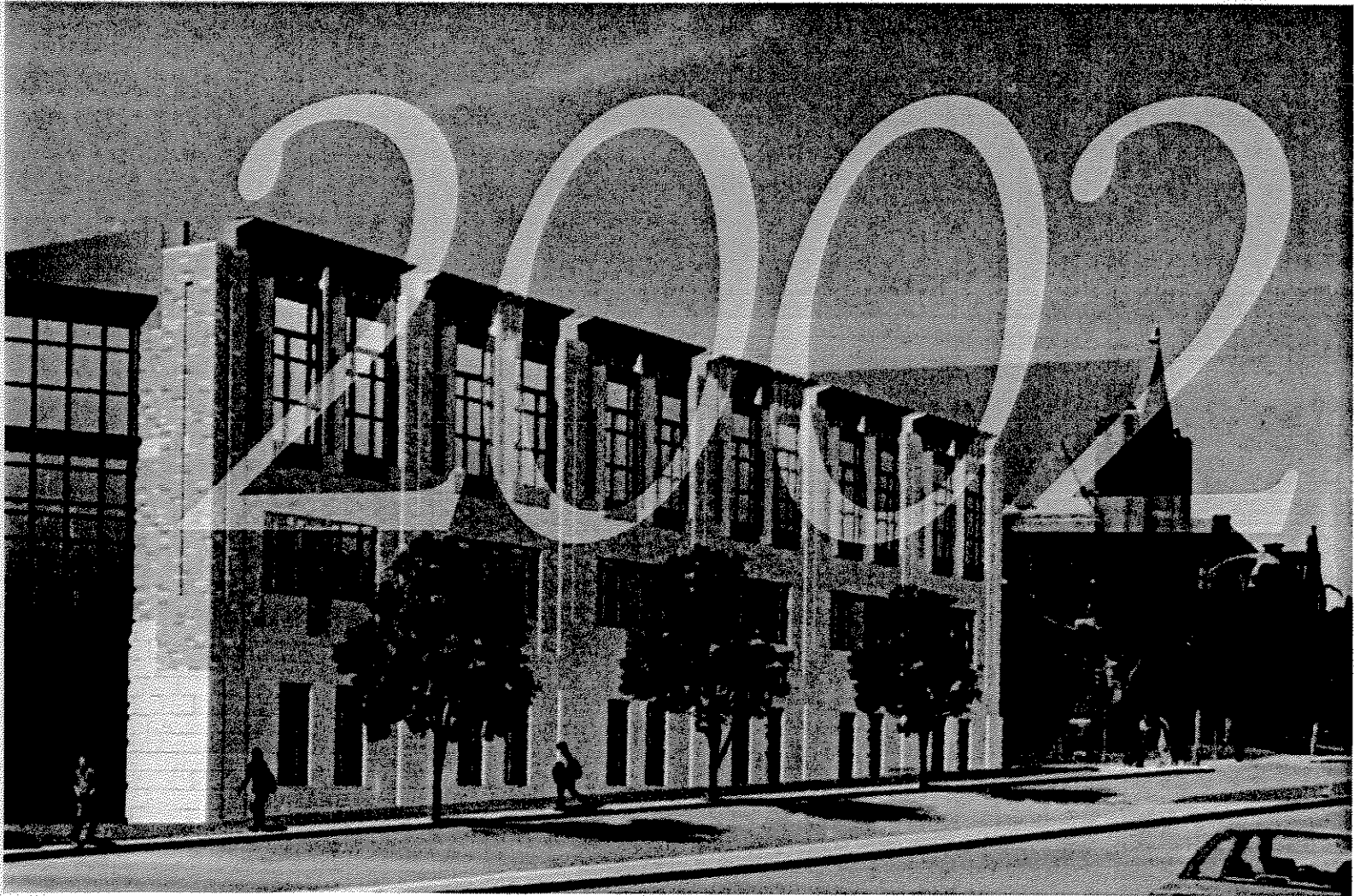
b. Description of the Draft

The draft increases the DHFS appropriation for community health services under s. 20.435 (5) (fh), Stats., by \$1,600,000 in each year of the 2001-03 biennium. The department

THE CAMPAIGN FOR MARQUETTE UNIVERSITY



THE NEW MARQUETTE UNIVERSITY SCHOOL OF DENTISTRY



The Ignatian challenge to do more - to strive for excellence in all things.



MARQUETTE
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THE NEW MARQUETTE UNIVERSITY SCHOOL OF DENTISTRY

The New Marquette University School Of Dentistry

Marquette University is undertaking a major overhaul of the dental program. Highlighted by a new, innovative curriculum and a \$30 million, state-of-the-art, user-friendly facility, the School of Dentistry will:

- Transform Marquette's approach to dental education;
- Expand its commitment to underserved populations by creating a patient-centered clinical environment;
- Establish Marquette as the provider-of-choice for continuing dental education; and,
- Set a new standard for dental education across the nation.

Curriculum

In response to the changing world of dentistry and patient needs, the Marquette University School of Dentistry is reconstructing its curriculum to better prepare future students for dental practice. The new Foundational Curriculum features approximately nine tracks and five "mini tracks," each of which will:

- Emphasize interdisciplinary teaching;
- Reduce passive lecture time by approximately 30 percent in favor of a more interactive approach;
- Provide basic foundational knowledge that supports the school's competency statements;
- Integrate, wherever appropriate, biomedical and clinical sciences;
- Reflect a student-friendly and patient-centered approach;
- Offer flexibility for individual students; and,
- Provide case-based teaching that promotes evidence-based decision making.

Track 1: General Dentistry Rounds	Mini Track A: Introduction to the Clinic
Track 2: Drugs, Molecules and Cells	Mini Track B: Dental Informatics
Track 3: The Biomedical Systems	Mini Track C: Seminars in Advanced Topics in Oral Health and Biology
Track 4: Oral Biology and Medicine	Mini Track D: Boards Part I Review
Track 5: Oral Rehabilitation	Mini Track E: Boards Part II Review and
Track 6: Comprehensive Patient Care	Regional Dental Board Preparation
Track 7: Growth and Development	
Track 8: Dentistry, Dental Practice and the Community	
Track 9: Preclinical Sciences	

Program Features

- Eight, 12-chair Practice Operatory Departments designed to resemble and function like a small group practice
- One 99-seat lecture hall and one multi-purpose room with the latest presentation technology and adjacent break-out spaces
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- Efficiently designed speciality care clinics:
 - Pediatric Clinic
 - Advanced Care Clinic
 - Surgical Services
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- Clinical Research/Faculty Practice Area
- Technology Testing Center for practitioners to test the latest dental equipment and supplies

For more information on how you can support the new Marquette University School of Dentistry contact:

Michael Trudgeon, Dental School Campaign Director

Phone: (414) 288-7429

Fax: (414) 288-1715

School of Dentistry, 302

Toll Free: (800) 428-7940 ext. 87429

Email: michael.trudgeon@marquette.edu

Milwaukee, WI 53201-1881

Visit our website at www.dental.mu.edu/future



John F. Kundert
Joint Committee on Finance
Monday, March 19, 2001

I am pleased to present our 2001-2003 Biennial Budget Request. It is the result of a collective effort by a highly motivated and exceptional staff. This document keeps faith with, and fulfills the promises Governor McCallum has made to the people of the State of Wisconsin.

There are two main themes to this budget proposal - One, it is crafted to maintain and promote a competitive and sound financial environment for consumers and businesses, and two, it will deliver better services, more quickly to more people and businesses at a lower cost.

A SOUND FINANCIAL ENVIRONMENT

Financial Modernization 2001 will ensure a sound and safe financial environment for consumers and a competitive state charter for our 350 credit unions and 310 banks and savings institutions with more than 80-billion-dollars in assets. These state-chartered institutions are the foundation for our citizens secure economic future.

Some may ask "why the state-charter is important, as long as we have banks in the state?" The state-chartered banking system is important to the economic well being of our state. This state must continue to enhance the charters of our commercial banks, our savings institutions, AND our credit unions to ensure our financial decision makers are here in Wisconsin, our neighbors.

Over 70% of America's commercial banks are state-chartered, over 82 percent in Wisconsin. But those numbers are eroding. In the past year alone, the Department of Financial Institutions saw nearly 6-billion-dollars in assets move from state to federal control. For the sake of Wisconsin's consumers and the health of our economy we cannot allow that erosion to continue.

This is the third time we've asked this legislature to consider creating a universal bank and the second time we've asked to modernize our credit union statutes. In both cases, the provisions of the Financial Modernization package enhance the state charters, provide customers and members with more options in seeking financial services and provides local control over the decision making process, without sacrificing the safety and integrity of our financial community. It includes significant privacy requirements to enhance the relationship between customer or member and the financial institution. This is a relationship that has always been based on trust and confidentiality.

BETTER SERVICES

In order to deliver better services, more quickly to more people and businesses at a lower cost, we intend, at the Governor's direction, to pursue several technology initiatives. Our Corporate Registration Information system will be updated to provide a complete on-line Filing and Name Registration solution. In addition, we will also provide a complete online annual reporting solution for Domestic and Foreign corporations. This budget will reduce the cost, time and effort required to start a new business, or to keep one running. This will make Wisconsin an even more attractive location for business startups.

In addition, we will pursue new web-based solutions for our Division of Securities and the nearly 100,000 professionals who are licensed with us and renew on an annual basis. We will enable online licensing and renewals, and permit greater access by consumers to information vital to their everyday lives at a reduced cost.

John F. Kundert
Joint Committee on Finance
Monday, March 19, 2001

Page 2

Based upon the internet management concept of "Integrate and Extend", these proposals will empower the consumer and will enable citizens to obtain the information they need, when they need it.

Built upon the foundation of our Strategic Business Plan, this budget will protect and promote Wisconsin's financial strength.

REMARKS OF ATTORNEY GENERAL JIM DOYLE
BEFORE THE JOINT COMMITTEE ON FINANCE
MARCH 19, 2001

GOOD MORNING. THANK YOU FOR THE OPPORTUNITY TO TALK WITH YOU ABOUT THE ADMINISTRATION'S PROPOSED BIENNIAL BUDGET, PARTICULARLY WITH RESPECT TO CERTAIN ITEMS AFFECTING THE DEPARTMENT OF JUSTICE.

DURING MY TENURE AS ATTORNEY GENERAL, THE DEPARTMENT OF JUSTICE HAS HAD A RECORD OF DEVELOPING PRACTICAL, EFFECTIVE SOLUTIONS THAT MEET THE NEEDS OF OUR IMPORTANT PROGRAMS WHILE EXERCISING RESPONSIBLE FISCAL CONSTRAINT.

I AM NOT A "JOHNNIE COME LATELY" TO THE CALL FOR RESTRAINT IN STATE SPENDING. FOR THE LAST SEVERAL YEARS, AT MY INITIATION, OUR DEPARTMENT HAS MADE A CONCERTED EFFORT TO LOCATE AND MAXIMIZE NON-GENERAL PURPOSE REVENUE SOURCES TO FUND NEEDED ENHANCEMENTS IN OUR LAW ENFORCEMENT EFFORTS. WE HAVE AGGRESSIVELY PURSUED FEDERAL GRANTS AND REASONABLE SOURCES OF FEE REVENUE TO FUND IMPROVEMENT AND, WHERE APPROPRIATE, EXPANSION OF SERVICES.

THESE EFFORTS HAVE PAID OFF. THE DEPARTMENT OF JUSTICE'S BUDGET REQUEST FOR GENERAL PURPOSE REVENUE SPENDING THIS YEAR IS EVEN LOWER THAN IT WAS IN 1992. (*FY92 GPR REQUEST WAS \$37.885 MILLION VS. FY01 GPR REQUEST OF \$37.215 MILLION*). FURTHERMORE, WE NOT ONLY MET, BUT EXCEEDED THE

TARGET SET BY THIS ADMINISTRATION LAST FALL FOR STATE AGENCY BUDGET REQUESTS. UNLIKE MANY CABINET AGENCIES, THE DEPARTMENT OF JUSTICE PROPOSED A NO-GPR INCREASE BUDGET OVER OUR ADJUSTED BASE.

THIS DOESN'T MEAN WE HAVE BALANCED OUR AGENCY'S BUDGET ON THE BACKS OF THE PEOPLE WE SERVE. ON THE CONTRARY, WE SUCCEEDED BY PROPOSING NON-STATE TAX REVENUE SOURCES OF FUNDING FOR NUMEROUS IMPORTANT PROGRAM INITIATIVES FOR WISCONSIN'S CRIMINAL JUSTICE SYSTEM. WE HAVE ALSO MET THE CHALLENGE BY INCREASING EFFICIENCY IN NUMEROUS PROGRAM AREAS AND MAXIMIZING OUR USE OF TECHNOLOGY TO IMPROVE CUSTOMER SERVICE. OUR BUDGET PROPOSAL CONTAINED A NUMBER OF IMPORTANT NEW INITIATIVES TO IMPROVE THE EFFECTIVENESS OF OUR LAW ENFORCEMENT EFFORTS.

I AM PLEASED THAT THE GOVERNOR RECOMMENDED APPROVAL OF SEVERAL OF THE DEPARTMENT OF JUSTICE'S REQUESTS BY INCLUDING THEM IN HIS BUDGET. LET ME BEGIN BY HIGHLIGHTING SOME OF THE ITEMS IN THE ADMINISTRATION'S BUDGET PROPOSAL THAT OUR DEPARTMENT SUPPORTS:

1. THE GOVERNOR ENDORSED MY INITIATIVE TO INCREASE FUNDING FOR COMPREHENSIVE LAW ENFORCEMENT TRAINING. THIS IS CRITICAL TO THE LONG-TERM EFFECTIVENESS OF WISCONSIN'S LOCAL LAW ENFORCEMENT COMMUNITY.
2. THE PROPOSED BUDGET WILL GIVE DOJ TWO ADDITIONAL FORENSIC SCIENTISTS (ONE EACH AT THE MILWAUKEE AND MADISON CRIME LABS) TO ENHANCE THE ABILITY OF THE LABS TO

RESPOND TO LAW ENFORCEMENT NEEDS. THE BUDGET WILL ALSO PROVIDE MUCH-NEEDED FUNDING TO REPLACE OBSOLETE EQUIPMENT IN THE LABS.

3. THE BIENNIAL BUDGET WILL PROVIDE FUNDING TO UPGRADE OUR AUTOMATED FINGERPRINT IDENTIFICATION SYSTEM, AN INITIATIVE IN CRIMINAL IDENTIFICATION AND INVESTIGATION DEVELOPED DURING MY TENURE AS ATTORNEY GENERAL. THE UPGRADE WILL EXPEDITE IDENTIFICATION WHILE ALSO IMPROVING ACCESS BY LAW ENFORCEMENT.

NONE OF THE ABOVE INITIATIVES UTILIZE GENERAL PURPOSE REVENUE.

THERE ARE ALSO SOME VERY SERIOUS PROBLEMS WITH THIS BUDGET THAT I NEED TO ADDRESS.

- THE PLAN TO SELL OFF THE STATE'S TOBACCO SETTLEMENT-

I BROUGHT THE TOBACCO LAWSUIT TO IMPROVE THE HEALTH OF THE PEOPLE IN WISCONSIN FOR GENERATIONS TO COME, NOT TO HELP THIS ADMINISTRATION PLUG ITS BUDGET HOLE. ITS PROPOSAL TO SELL OFF FUTURE PAYMENTS AT FIRE-SALE PRICES, AND THEN TO SPEND A GOOD SHARE OF IT TO COVER ITS PAST DEBTS, IS SHORT-SIGHTED, SELFISH, AND HARMFUL TO THE FISCAL AND PHYSICAL HEALTH OF THE PEOPLE OF THE STATE.

THIS PROPOSAL IS NONSENSICAL ON ITS FACE. UNDER THE TERMS OF THE SETTLEMENT, THE TOBACCO COMPANIES WILL MAKE ANNUAL PAYMENTS TO THE STATE OF ABOUT \$160 MILLION, AND

GROWING BY 3% EACH YEAR FOREVER. THE TOBACCO COMPANIES WILL PAY THE STATE \$875 MILLION OVER THE NEXT FIVE YEARS; \$1.85 BILLION OVER THE NEXT TEN YEARS; APPROXIMATELY \$6 BILLION OVER THE NEXT 25 YEARS; AND THE PAYMENTS GO ON FOREVER.

THIS MONEY PROPERLY INVESTED, WITH A CONSERVATIVE RETURN RATE OF 7%, WOULD PRODUCE A FUND OF OVER \$1 BILLION IN JUST FIVE YEARS AND OVER \$2.5 BILLION IN TEN YEARS.

THIS ADMINISTRATION WOULD SELL ALL OF THAT FOR A MERE \$1.3 BILLION. IT WOULD USE A GOOD SHARE OF THAT TO PAY ITS PAST DEBTS. THE GOVERNOR KEEPS SAYING THAT THE STATE MUST BUDGET LIKE A FAMILY. I AGREE. NO PARENTS WOULD CHOOSE TO DELIBERATELY SELL OFF THEIR CHILDREN'S COLLEGE FUND, OR THEIR RETIREMENT ANNUITY, TO PAY A VISA BILL. THAT IS PRECISELY WHAT THE ADMINISTRATION WANTS YOU TO APPROVE.

UNDER THE ADMINISTRATION'S PLAN, ONLY A FRACTION OF THE SALE PROCEEDS, \$600 MILLION, WOULD GO INTO AN INVESTMENT FUND. THAT AMOUNT IS LESS THAN WE WOULD HAVE AFTER INVESTING THE NEXT THREE YEARS OF THE TOBACCO PROCEEDS.

DON'T BE FOOLED BY THE PUBLIC RELATIONS ARGUMENTS ADVANCED BY THE BONDING AGENCIES WHO ARE TRYING TO SELL THIS DEAL AROUND THE COUNTRY. THERE IS NO RUSH BY OTHER STATES TO FALL FOR IT. NUMEROUS STATES (OHIO, VIRGINIA AND COLORADO--ALL WITH REPUBLICAN LEGISLATURES, TO NAME A FEW) HAVE REJECTED IT. THE ADMINISTRATION'S ATTEMPT TO GO THROUGH WITH THIS DEAL WITHOUT A THOROUGH INDEPENDENT STUDY IS UNCONSCIONABLE.

THIS SETTLEMENT PROVIDES US WITH A ONCE IN A LIFETIME CHANCE TO DO SOMETHING GREAT FOR WISCONSIN. IT REQUIRES SOME VISION AND SOME DISCIPLINE. IF WE DON'T SPEND THIS MONEY RECKLESSLY RIGHT AWAY, IN TEN YEARS WE CAN HAVE A PUBLIC HEALTH TRUST FUND OF MORE THAN \$2 BILLION, AND STILL GROWING. THE PROCEEDS OF THAT FUND, \$200 MILLION A YEAR, COULD BE USED TO TAKE NUMEROUS WORTHY PUBLIC HEALTH PROGRAMS OFF THE BACK OF STATE TAXPAYERS. JUST THINK OF WHAT WE COULD DO WITH SUCH A SOURCE OF NON-TAX REVENUE: FIX THE PRESCRIPTION DRUG PROBLEMS FOR THE ELDERLY, REDUCE BADGERCARE'S DEPENDENCE ON STATE GPI, COMPREHENSIVELY INSURE WISCONSIN'S CHILDREN, FUND RESEARCH OR ADDRESS SUCH PRESSING PUBLIC HEALTH PROBLEMS AS AIDS.

THE ISSUE IS PRETTY SIMPLE. WILL WE BE RECKLESS AND SELFISHLY -- SPEND THIS MONEY TO BAIL THIS ADMINISTRATION OUT OF ITS SHORT TERM PROBLEMS? OR WILL WE BE VISIONARY AND DISCIPLINED -- ACT AS PRUDENT STEWARDS OF THIS MONEY FOR FUTURE GENERATIONS?

- THE EFFORT TO REMOVE THE ATTORNEY GENERAL'S ROLE IN CONSUMER PROTECTION ENFORCEMENT EFFORTS-

THE ADMINISTRATION HAS PROPOSED TO REMOVE ALL REMAINING CONSUMER PROTECTION OPERATIONS FROM THE DEPARTMENT OF JUSTICE. THIS PROPOSAL TO GIVE THE PROSECUTION AUTHORITY TO ANOTHER STATE AGENCY IS UNCONSTITUTIONAL. IT IS ALSO A DIRECT ATTACK ON THE CONSUMERS OF THE STATE.

THE INTERESTS OF WISCONSIN CONSUMERS SHOULD NOT BE SOLD SHORT TO ADVANCE A PARTISAN POLITICAL GAME. THIS IS NOT ABOUT ME -- IT IS ABOUT THE EFFECTIVE ENFORCEMENT OF THE CONSUMER PROTECTIONS LAWS.

THE DECISIONS YOU MAKE ABOUT THIS BUDGET WILL NOT HELP OR HURT ME -- IT WILL FALL TO THE NEXT ATTORNEY GENERAL, REPUBLICAN OR DEMOCRAT, TO DEAL WITH THE OUTCOME OF THIS PROPOSED POWER GRAB. THE PROPOSAL REMOVES FROM THE CHIEF LAW ENFORCEMENT OFFICER OF THE STATE THE POWER TO PROSECUTE CIVIL AND CRIMINAL VIOLATIONS THAT AFFECT CONSUMERS.

ASK THE PEOPLE ON THE STREET WHO THEY WANT TO ENFORCE THE CONSUMER PROTECTION LAWS, THE ATTORNEY GENERAL OR THE AGRICULTURE DEPARTMENT. THEY WILL ALL ANSWER "THE ATTORNEY GENERAL." THIS IS A LAW ENFORCEMENT FUNCTION THAT SHOULD BE IN A LAW ENFORCEMENT AGENCY. DO YOU REALLY THINK A FRAUDULENT TELEMARKETER LOCATED IN NEVADA PREYING ON OLDER CITIZENS IN WISCONSIN HAS ANY FEAR OF THE DEPARTMENT OF AGRICULTURE?

IF YOU ELIMINATE THE ROLE OF THE ATTORNEY GENERAL COMPLETELY FROM THE ENFORCEMENT OF CONSUMER PROTECTION IN THIS STATE, YOU WILL LOSE ONE OF THE MOST EFFECTIVE AND FORCEFUL TOOLS WE HAVE TO ENFORCE OUR CONSUMER PROTECTION LAWS - THE ROLE OF ATTORNEYS GENERAL IN MULTI-STATE LITIGATION.

MANY OF THE CASES IN WHICH THE ATTORNEY GENERAL HAS SECURED VERY LARGE SETTLEMENTS FOR WISCONSIN CONSUMERS

HAVE COME AS A RESULT OF OUR AGENCY'S ABILITY TO WORK COOPERATIVELY WITH OTHER STATES ATTORNEYS' GENERAL OFFICES.

THE SIMPLE FACT OF THE MATTER IS THAT THE ATTORNEY GENERAL OF EACH STATE IS THE "PLAYER" IN THESE LARGE MULTI-STATE CASES. IT IS THE AUTHORITY AND CLOUT OF GROUPS OF ATTORNEYS GENERAL FROM AROUND THE COUNTRY, WORKING WITH THE U.S. DEPARTMENT OF JUSTICE, WHICH GETS THESE CASES DONE AND BRINGS THE DEFENDANTS TO THE BARGAINING TABLE.

PLACING DOJ'S LEGAL OPERATIONS IN THE DEPARTMENT OF AGRICULTURE EFFECTIVELY ELIMINATES THE STATE'S LINK TO RESOURCES THAT WOULD ALLOW US TO RECOVER MONIES FOR INJURED CONSUMERS IN CASES OF THIS NATURE. IN THE LAST COUPLE OF YEARS ALONE, THE DEPARTMENT OF JUSTICE HAS RECOVERED \$12 MILLION TO WISCONSIN CONSUMERS THROUGH THESE MULTI-STATE CONSUMER AND ANTI-TRUST CASES.

IF ANYTHING, IF YOU REALLY WANT TO SAVE MONEY AND IMPROVE SERVICES TO WISCONSIN CONSUMERS, THEN FOLLOW THE LEAD OF 45 OTHER STATES AND CONSOLIDATE THE CONSUMER PROTECTION FUNCTIONS IN THE DEPARTMENT OF JUSTICE FOR MY SUCCESSOR. IF YOU DECIDE TO GO THAT ROUTE, WE WILL CREATE AN EFFICIENT, EFFECTIVE UNIT OF LAWYERS, INVESTIGATORS AND SUPPORT STAFF, WHICH CAN ACHIEVE SAVINGS OF AT LEAST THIRTY PERCENT OF THE CURRENT MONEY BEING SPENT ON CONSUMER PROTECTION BY BOTH AGENCIES. WE WILL CREATE A UNIT THAT CAN PAY FOR ITSELF MANY TIMES OVER.

FINALLY, YOU COULD IMPROVE THE FOCUS AND OPERATIONAL EFFICIENCY OF BOTH AGENCIES BY CONSOLIDATING CONSUMER PROTECTION AT THE DEPARTMENT OF JUSTICE. AT A TIME WHEN THE DAIRY FARMERS IN THIS STATE HAVE LOST A HALF BILLION DOLLARS IN MILK SUPPORT INCOME, IT MAKES SENSE FOR THE DEPARTMENT OF AGRICULTURE TO FOCUS ON AGRICULTURE.

- FLEXIBILITY AND SHARING THE BUDGET BURDEN-

THE ADMINISTRATION'S PROPOSED BUDGET CUTS \$1.7 MILLION FROM DOJ'S BUDGET IN EACH OF THE NEXT TWO YEARS. THE ADMINISTRATION ACCOMPLISHES THIS BY ARBITRARILY REMOVING THE BUDGET CUT FROM OUR AGENCY'S LARGEST GPR FUND.

THIS SAME MECHANISM IS USED THROUGHOUT STATE GOVERNMENT. IF A DEPARTMENT WANTS TO MAKE CHANGES TO THIS ARRANGEMENT, IT MUST SUBMIT A PROPOSAL TO DOA, WHICH MAY OR MAY NOT AGREE WITH THE PLAN. THIS SUBJECTS EVERY STATE AGENCY BUDGET CUTTING PLAN TO AN UNFETTERED DOA VETO.

MY DEPARTMENT IS COMMITTED TO MAKING OUR ANNUAL \$1.7 MILLION GPR CUT HAPPEN. BUT, I URGE YOU TO ELIMINATE THE "DOA VETO," WHICH THE DEPARTMENT OF ADMINISTRATION HAS GIVEN ITSELF IN THIS BUDGET. INSTEAD, WE SHOULD RETURN TO THE SYSTEM I UNDERSTAND WAS USED IN PREVIOUS BUDGET CUTTING ENVIRONMENTS, WHICH WOULD ALLOW ME TO SUBMIT MY PLAN FOR ABSORBING THESE CUTS DIRECTLY TO THE JOINT FINANCE COMMITTEE FOR LEGISLATIVE OVERSIGHT AND APPROVAL.

- THE NEED TO FOCUS ON THE FUTURE-

I WOULD LIKE TO END BY URGING THE LEGISLATURE TO FOCUS ON THE FUTURE. IT IS EASY DURING TOUGH ECONOMIC TIMES TO FOCUS SO MUCH ON THE PRESENT BUDGET CRUNCH AND JUST GETTING BY THAT WE LOSE SIGHT OF THE BIG PICTURE.

AS ATTORNEY GENERAL OF THE STATE OF WISCONSIN AND A FORMER DISTRICT ATTORNEY, I HAVE SPENT MUCH OF MY PROFESSIONAL LIFE PUTTING PEOPLE BEHIND BARS. THERE IS NO QUESTION THAT THIS IS ABSOLUTELY NECESSARY TO SAFEGUARD THE PUBLIC. HOWEVER, IN THE LAST TEN YEARS, WE HAVE TRIPLED OUR PRISON POPULATION, AND STATE CORRECTIONS COSTS WILL GROW EVEN LARGER IN FUTURE BUDGETS IF THE STATE DOESN'T COMMIT MORE RESOURCES TO CRIME PREVENTION EFFORTS AT THE LOCAL LEVEL.

I AM NOT TALKING ABOUT PROPOSALS THAT ALLOW CRIMINALS OUT THE BACK DOOR OF PRISONS. I AM ASKING THE LEGISLATURE TO TAKE BOLD STEPS TO FUND PREVENTION PROGRAMS THAT STOP THE FLOW OF OUR YOUNG MEN AND WOMEN INTO PRISONS AND JAILS. THE STATE BUDGET DECISIONS FOR SIX TO EIGHT YEARS FROM NOW WILL BE DETERMINED IN LARGE PART BY WHAT HAPPENS TO 12 AND 13 YEAR-OLDS TODAY.

IF WE CAN STOP YOUNG PEOPLE FROM BECOMING ADULT OFFENDERS, WE WILL TAKE A GIANT STEP FORWARD IN REDUCING CRIME AND THE COST OF OUR STATE CORRECTIONS SYSTEM. THE COST OF JUVENILE DELINQUENCY SERVICES HAS SKYROCKETED IN WISCONSIN DURING RECENT YEARS. LOCAL GOVERNMENT HAS SHOULDERED MUCH OF THE INCREASED EXPENSE. I HEAR THE SAME

MESSAGE ALL OVER THE STATE FROM LAW ENFORCEMENT OFFICIALS, SOCIAL SERVICE PROFESSIONALS AND JUDGES, "WE DON'T HAVE THE RESOURCES WE NEED TO KEEP TROUBLED KIDS FROM BECOMING HARDCORE OFFENDERS."

THAT IS WHY, DURING MY YEARS AS ATTORNEY GENERAL, I HAVE ADVOCATED FOR A FOCUSED EFFORT TO PREVENT JUVENILE CRIME. ENSURING THAT OUR CHILDREN GROW UP IN A SAFE ENVIRONMENT, ARE WELL FED AND GET A GOOD EDUCATION IS THE BEST CRIME PREVENTION PROGRAM OUR STATE COULD POSSIBLY EMPLOY. WE ARE BEING INCREDIBLY SHORT SIGHTED IF WE DON'T TAKE STEPS TODAY TO FOSTER A STRONGER COMMITMENT BY THE STATE TO FUND THESE TYPES OF PREVENTIVE EFFORTS.

WE ALSO CANNOT CONTINUE, AS THIS BUDGET DOES, TO REQUIRE THE COUNTIES TO PAY MORE FOR JUVENILE CORRECTIONS BUT GIVE THEM NO ADDITIONAL RESOURCES TO WORK WITH TROUBLED YOUTH. COMMUNITY RUN DIVERSION AND PREVENTION PROGRAMS NEED OUR SUPPORT. LOCAL OFFICIALS NEED MORE STATE SUPPORT TO IMPLEMENT CRIME PREVENTION INITIATIVES THROUGH PROGRAMS LIKE THE YOUTH AIDS PROGRAM. IT IS MUCH CHEAPER TO INVEST IN CRIME PREVENTION TODAY THAN TO PAY FOR MORE PRISONS IN THE FUTURE.

CONCLUSION

LET ME CONCLUDE BY THANKING YOU FOR THE OPPORTUNITY TO PRESENT MY THOUGHTS TO YOU TODAY ON THESE IMPORTANT BUDGET MATTERS. MY STAFF AND I WOULD BE PLEASED TO ANSWER YOUR QUESTIONS AND TO WORK WITH ALL OF YOU AND THE OTHER

**MEMBERS OF THE LEGISLATURE THROUGHOUT THE BUDGET
PROCESS.**

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