

## The University of Wisconsin System

Jay L. Smith, President  
UW System Board of Regents

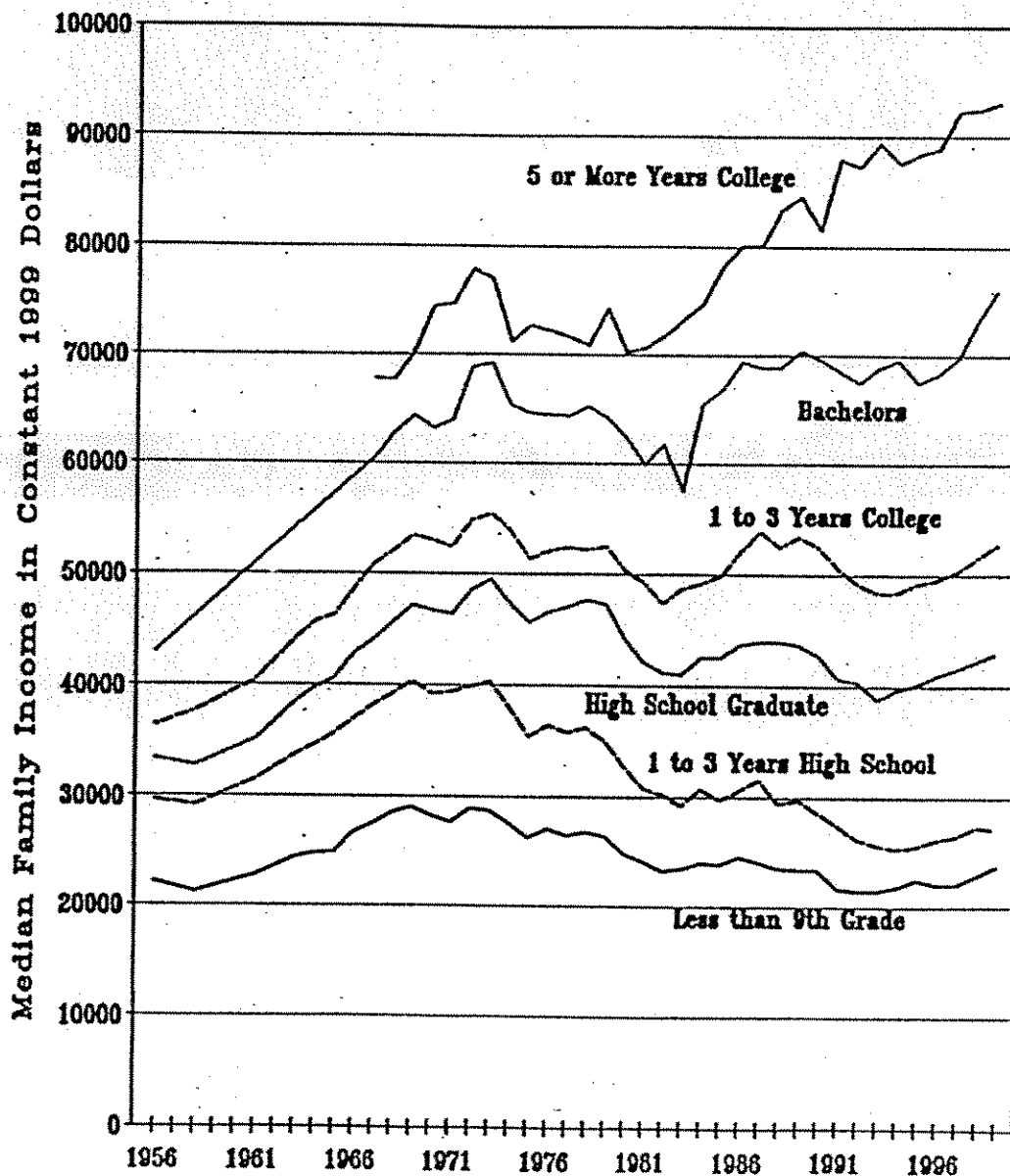
Katharine C. Lyall, President  
University of Wisconsin System

Documents for distribution to the  
Joint Committee on Finance  
State Budget Bill - Public Hearing  
March 19, 2001

1. Median Family Income by Educational Attainment of Householder, 1956-1999
2. Ten-Year Comparison of UW System Revenues, Adjusted for Inflation: 1999-2000
3. Wisconsin Appropriations of State Tax Funds for Higher Education: FY1975 – FY2000
4. Midwest State Higher Education Appropriations, Five-Year Percentage Change
5. All States Higher Education Appropriations: One-Year, Two-Year and Five-Year Change
6. 2001-03 UW System Operating Budget – Governor's Request (New Initiatives Only)
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9. UW System Statutory Language Concerns
10. Cost of Attendance as a Percentage of Median Family Income



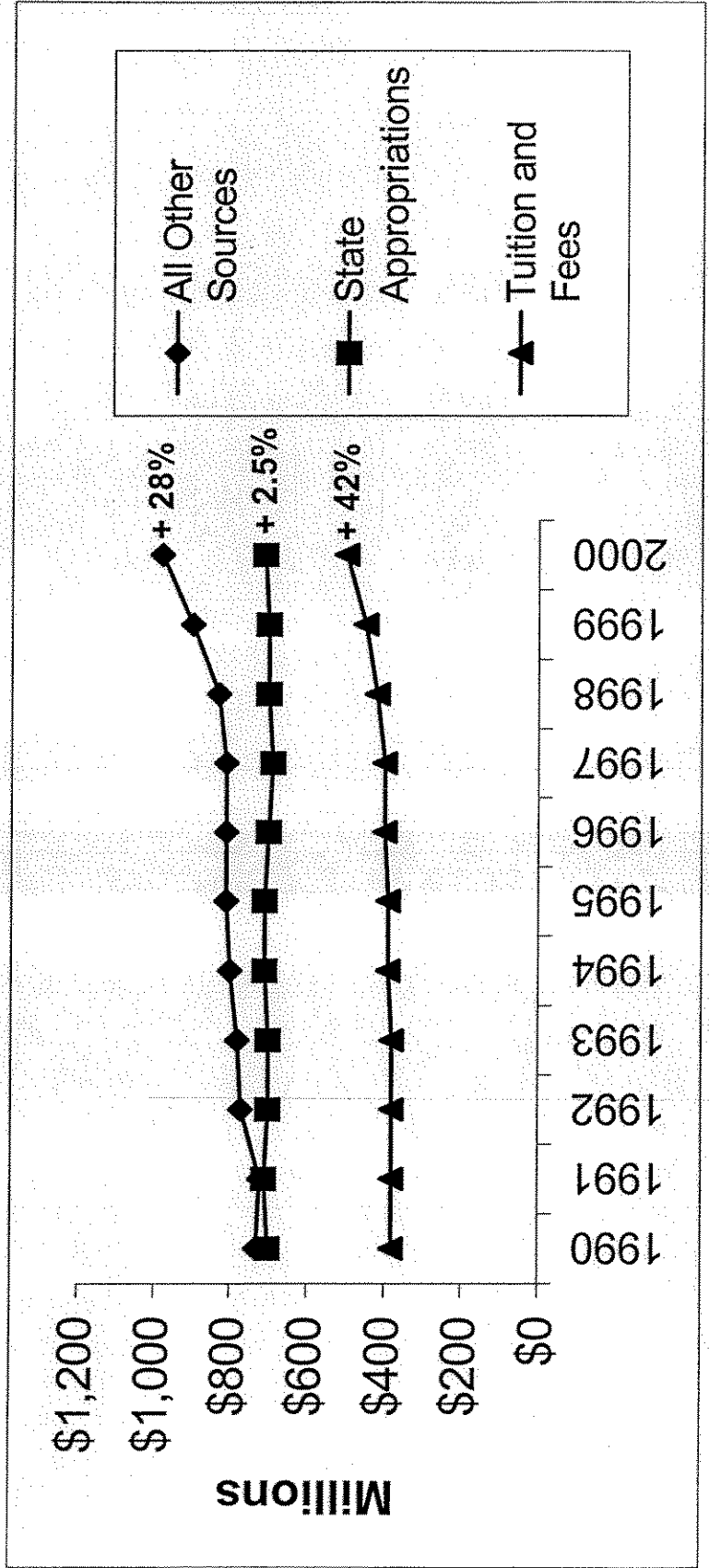
## Median Family Income by Educational Attainment of Householder, 1956 to 1999 (Constant Dollars)



Source: *Postsecondary Education Opportunity*, December 2000

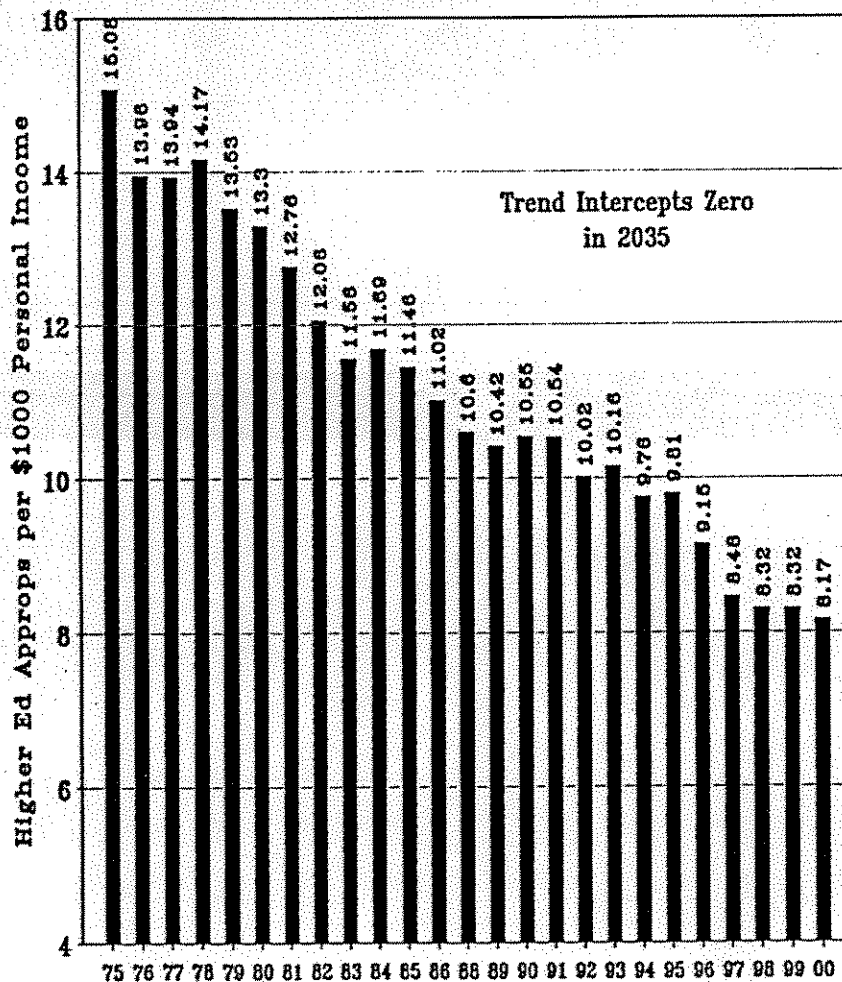


**Ten-Year Comparison of Revenues, Adjusted for Inflation: 1990-2000**





## Wisconsin Appropriations of State Tax Funds For Higher Education, per \$1,000 of Personal Income FY1975 to FY 2000

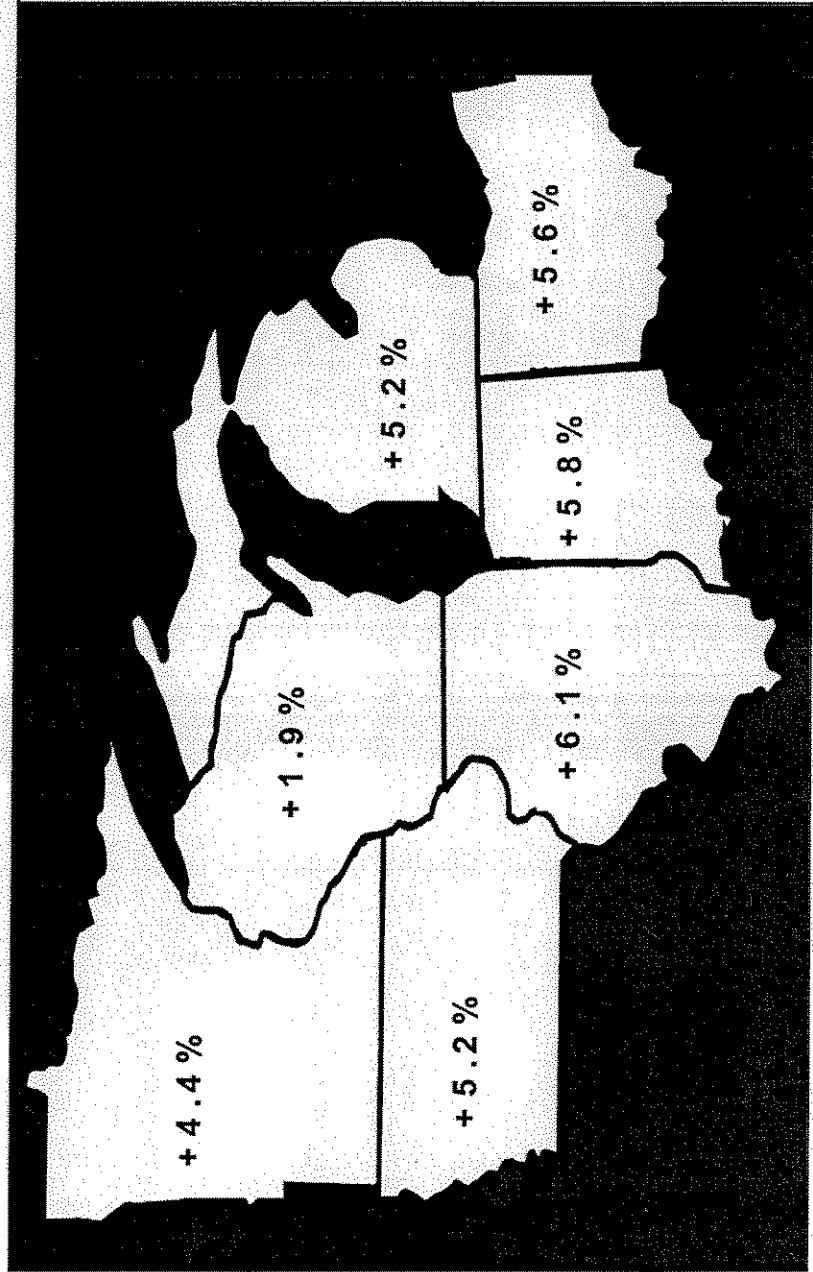


In FY1975, the state of Wisconsin spent \$15.08 per \$1,000 of personal income on higher education. In FY2000, the state of Wisconsin spent \$8.17 per \$1,000 of personal income.

*Source: Postsecondary Education Opportunity*



***State Higher Education Appropriations, 1994-95 through 1999-00  
Annual Average, Five-Year Percentage Change***



Source: Grapevine (Illinois State University), AASCU Memo, August 2000



## State Higher Education Appropriations: One-Year, Two-Year and Five-Year Change (in thousands of dollars)

	1994-95	1997-98	1998-99	1999-2000	One-Year Change	Two-Year Change	Five-Year Change	Annual Avg Five-Year Change
Alabama	\$1,026,220	\$976,904	\$1,037,680	\$1,094,839	5.5%	12.1%	6.7%	1.3%
Alaska	\$171,560	\$168,614	\$170,403	\$176,494	3.6%	4.7%	2.9%	0.6%
Arizona	\$664,091	\$787,905	\$836,389	\$865,828	3.5%	9.9%	30.4%	5.4%
Arkansas	\$428,862	\$516,675	\$556,659	\$605,439	8.8%	17.2%	41.2%	7.1%
California	\$4,838,319	\$6,325,119	\$7,189,916	\$7,683,934	6.9%	21.5%	58.8%	9.7%
Colorado	\$544,034	\$652,263	\$682,210	\$719,221	5.4%	10.3%	32.2%	5.7%
Connecticut	\$499,499	\$581,906	\$626,469	\$699,290	11.6%	20.2%	40.0%	7.0%
Delaware	\$137,432	\$155,128	\$164,115	\$175,621	7.0%	13.2%	27.8%	5.0%
Florida	\$1,701,405	\$2,285,868	\$2,501,857	\$2,785,631	11.3%	21.9%	63.7%	10.4%
Georgia	\$1,124,629	\$1,383,858	\$1,530,545	\$1,560,155	1.9%	12.7%	38.7%	6.8%
Hawaii	\$382,648	\$351,630	\$322,258	\$342,247	6.2%	-2.7%	-10.6%	-2.2%
Idaho	\$227,635	\$248,249	\$266,572	\$279,290	4.8%	12.5%	22.7%	4.2%
Illinois	\$1,902,006	\$2,248,187	\$2,414,727	\$2,554,402	5.8%	13.2%	34.3%	6.1%
Indiana	\$923,508	\$1,091,732	\$1,147,816	\$1,226,675	6.9%	12.4%	32.8%	5.8%
Iowa	\$642,632	\$748,502	\$784,987	\$826,589	5.3%	10.4%	28.6%	5.2%
Kansas	\$509,135	\$566,353	\$604,704	\$622,198	2.9%	9.9%	22.2%	4.1%
Kentucky	\$657,609	\$768,008	\$888,700	\$925,506	4.1%	20.5%	40.7%	7.1%
Louisiana	\$589,578	\$769,680	\$861,843	\$885,055	2.7%	15.0%	50.1%	8.5%
Maine	\$174,523	\$186,112	\$204,149	\$213,454	4.6%	14.7%	22.3%	4.1%
Maryland	\$789,032	\$877,412	\$942,743	\$1,042,683	10.6%	18.8%	32.1%	5.7%
Massachusetts	\$744,803	\$924,446	\$977,584	\$1,046,850	7.1%	13.2%	40.6%	7.0%
Michigan	\$1,607,578	\$1,827,908	\$1,882,500	\$2,073,579	10.2%	13.4%	29.0%	5.2%
Minnesota	\$1,030,819	\$1,180,519	\$1,239,394	\$1,280,627	3.3%	8.5%	24.2%	4.4%
Mississippi	\$617,024	\$728,174	\$789,553	\$917,087	16.2%	25.9%	48.6%	8.2%
Missouri	\$676,043	\$840,938	\$919,548	\$977,626	6.3%	16.3%	44.6%	7.7%
Montana	\$123,297	\$127,135	\$129,929	\$138,477	6.6%	8.9%	12.3%	2.3%
Nebraska	\$369,565	\$415,099	\$440,095	\$473,939	7.7%	14.2%	28.2%	5.1%
Nevada	\$194,939	\$291,721	\$290,363	\$305,983	5.4%	4.9%	57.0%	9.4%
New Hampshire	\$85,324	\$88,813	\$91,837	\$96,428	5.0%	8.6%	13.0%	2.5%
New Jersey	\$1,271,588	\$1,387,728	\$1,454,112	\$1,519,546	4.5%	9.5%	19.5%	3.6%
New Mexico	\$437,502	\$486,159	\$517,261	\$544,090	5.2%	11.9%	24.4%	4.5%
New York	\$3,124,122	\$2,851,604	\$3,052,849	\$3,126,582	2.4%	9.6%	0.1%	0.0%
North Carolina	\$1,723,312	\$2,007,092	\$2,171,339	\$2,293,097	5.6%	14.2%	33.1%	5.9%
North Dakota	\$144,909	\$173,107	\$173,107	\$187,459	8.3%	8.3%	29.4%	5.3%
Ohio	\$1,567,853	\$1,863,091	\$1,937,077	\$2,060,555	6.4%	10.6%	31.4%	5.6%
Oklahoma	\$540,983	\$666,024	\$725,450	\$739,450	1.9%	11.0%	36.7%	6.4%
Oregon	\$434,654	\$555,334	\$556,335	\$650,142	16.9%	17.1%	49.6%	8.4%
Pennsylvania	\$1,578,923	\$1,714,868	\$1,773,094	\$1,879,605	6.0%	9.6%	19.0%	3.5%
Rhode Island	\$122,783	\$132,545	\$142,011	\$150,790	6.2%	13.8%	22.8%	4.2%
South Carolina	\$651,526	\$744,495	\$777,801	\$812,709	4.5%	9.2%	24.7%	4.5%
South Dakota	\$112,907	\$120,649	\$125,882	\$130,345	3.5%	8.0%	15.4%	2.9%
Tennessee	\$896,747	\$909,845	\$957,970	\$984,860	2.8%	8.2%	9.8%	1.9%
Texas	\$3,086,919	\$3,558,936	\$3,527,867	\$4,093,434	16.0%	15.0%	32.6%	5.8%
Utah	\$400,372	\$469,938	\$485,325	\$546,774	12.7%	16.4%	36.6%	6.4%
Vermont	\$53,222	\$56,992	\$59,173	\$63,378	7.1%	11.2%	19.1%	3.6%
Virginia	\$968,149	\$1,152,783	\$1,299,919	\$1,480,258	13.9%	28.4%	52.9%	8.9%
Washington	\$942,767	\$1,108,246	\$1,146,399	\$1,238,035	8.0%	11.7%	31.3%	5.6%
West Virginia	\$303,874	\$352,763	\$362,261	\$372,505	2.8%	5.6%	22.6%	4.2%
Wisconsin	\$979,269	\$1,001,525	\$1,040,341	\$1,075,238	3.4%	7.4%	9.8%	1.9%
Wyoming	\$129,271	\$135,034	\$139,711	\$139,711	0.0%	3.5%	8.1%	1.6%
U.S.	\$42,855,401	\$49,563,616	\$52,920,779	\$56,683,710	7.1%	14.4%	32.3%	5.8%



Wisconsin ranked 45<sup>th</sup> in "Annual Average Five-Year Change" for 1994-95 to 1999-2000

Source: AASCU Memo to the President, August 2000

**New Wisconsin Economy**  
**2001-03 UW System Operating Budget - Governor's Request (New Initiatives Only)**

	2001-02		2002-03		Total	GPR	Biennial Fee	Total
	GPR	Fee	GPR	Fee				
I. Business and Workforce Development								
<input type="checkbox"/> High Tech Demand. Eligible Funding Components Include: Chippewa Valley Initiative (UW-Eau Claire & UW-Stout), UW-Oshkosh's MIS IS, UW-Parkside's MIS CS Bus, UW-Platteville, UW-Stevens Point, UW-Superior's Transportation, UW-Whitewater, UW-College's Adult Service, UW-Madison's Biotechnology and the Fee Share of UW-La Crosse's Allied Health Consortium (1)	0	3,407,500	1,500,000	4,336,500	5,836,500	1,500,000	7,744,000	9,244,000
<input type="checkbox"/> AOP/Lawton	0	0	0	0	0	0	0	0
<input type="checkbox"/> UW-Oshkosh and Systemwide: Extend Service to Adult Populations	0	0	0	0	0	0	0	0
<input type="checkbox"/> System-Aquaculture Demonstration Facility* <b>Not included in totals, see</b>	0	0	300,000	0	300,000	300,000	0	300,000
<input type="checkbox"/> UW-Extension - SBDC (E-Commerce & High Tech)	0	0	0	0	0	0	0	0
<input type="checkbox"/> Build a Technologically Literate Workforce (IT)	0	0	0	0	0	0	0	0
<b>Sub Total</b>	0	3,407,500	1,500,000	4,336,500	5,836,500	1,500,000	7,744,000	9,244,000
II. Investing in Teacher Preparation and the Education Pipeline	0	0	0	0	0	0	0	0
III. Maintaining Quality Higher Education: Advising Only	0	0	0	750,000	750,000	0	750,000	750,000
IV. UW-Madison Initiative (Phase II)	1,000,000	2,800,000	1,000,000	7,000,000	8,800,000	2,000,000	9,800,000	11,800,000
V. UW-Milwaukee Idea (Phase I)	1,000,000	2,800,000	2,400,000	5,600,000	8,800,000	3,400,000	8,400,000	11,800,000
VI. UW-Green Bay Learning Experience	0	0	0	0	0	0	0	0
<b>New Initiatives Total</b>	2,000,000	9,007,500	4,900,000	17,686,500	22,586,500	6,900,000	26,694,000	33,594,000
<b>Governor's Initiatives</b>								
** <input type="checkbox"/> Learning Innovations	3,250,000	3,250,000	0	0	0	3,250,000	0	3,250,000
** <input type="checkbox"/> ADL Co Lab	1,000,000	1,000,000	0	0	0	1,000,000	0	1,000,000
** <input type="checkbox"/> Digital Mammography	500,000	500,000	0	0	0	500,000	0	500,000
** <input type="checkbox"/> Wireless	500,000	500,000	0	0	0	500,000	0	500,000
** <input type="checkbox"/> Internet 2	2,000,000	2,000,000	1,812,400	1,812,400	1,812,400	2,000,000	0	2,000,000
<input type="checkbox"/> Agriculture Initiative (UW-Platteville and UW Extension)	(6,345,000)	(6,345,000)	(6,345,000)	(6,345,000)	(6,345,000)	(12,690,000)	0	(12,690,000)
<input type="checkbox"/> Administrative Base Reduction	(6,345,000)	0	(4,532,600)	0	(4,532,600)	(10,877,600)	0	(10,877,600)
<b>Governor's Initiatives Subtotal</b>	(4,345,000)	9,007,500	4,662,500	17,686,500	18,053,900	(3,977,600)	26,694,000	22,716,400
<b>Total New Initiatives</b>	33,608,100	5,173,200	26,002,000	5,173,200	31,175,200	59,610,100	10,346,400	69,956,500
<b>Cost to Continue (Incl. Debt Service &amp; Utilities)</b>	29,263,100	14,180,700	43,443,800	22,859,700	49,229,100	55,632,500	37,040,400	92,672,900
<b>TOTAL BUDGET</b>								

\*From Tribal Gaming funds. Not included in the totals since it is PR-S. Dollar amount based on current construction timeline. Need to request full funding in 2003-05.  
 \*\*From WATF funds. One-time money, non base building, not included in the totals since it is PR-S. Totals \$7,250,000 in 2001-02 and biennially.

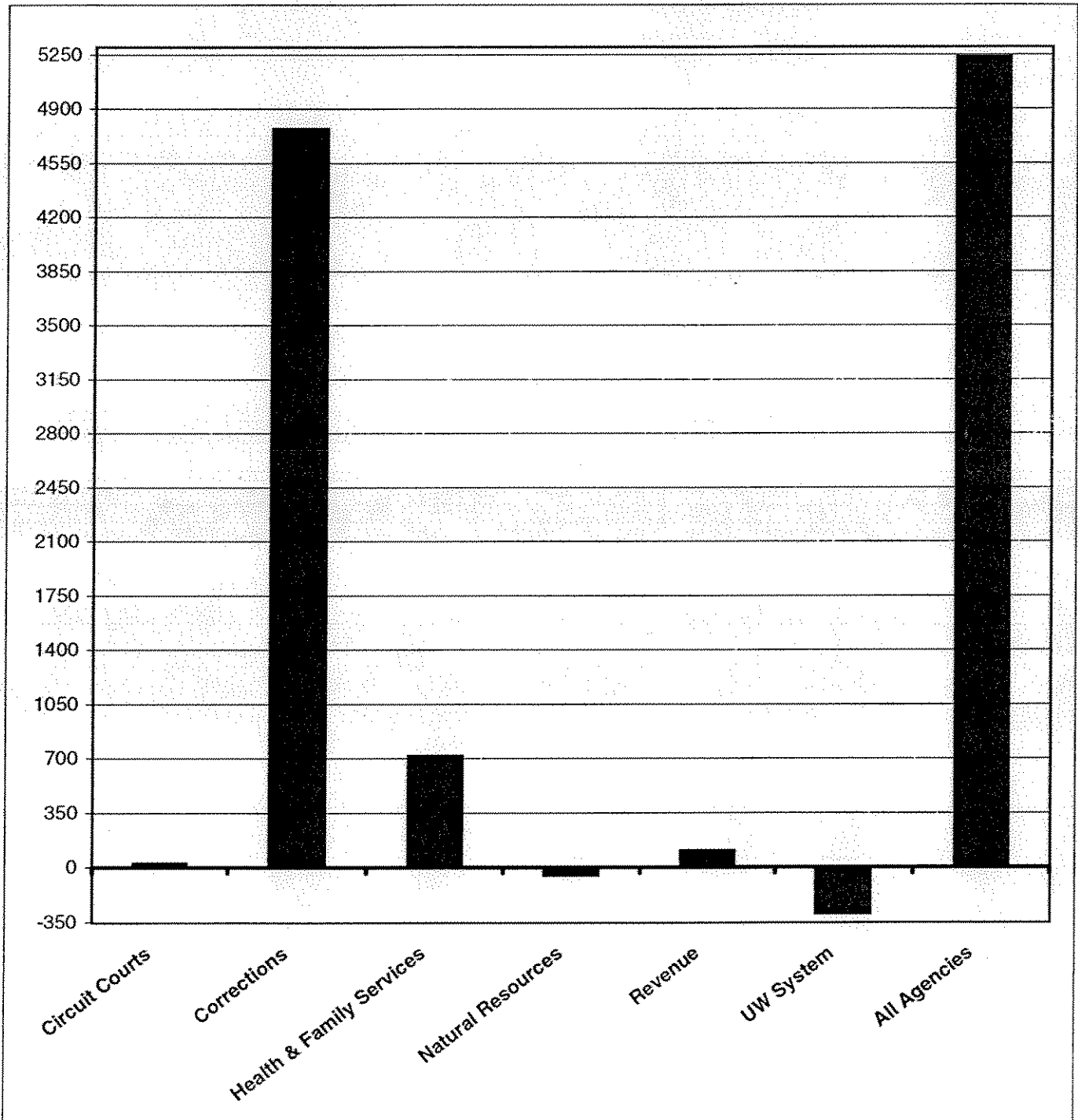
**UW SYSTEM - ECONOMIC STIMULUS PROPOSAL**  
2001-03 Operating Budget

	2001-02		2002-03		Total	Biennial Fee	GPR	Total
	GPR	Fee	GPR	Fee				
I. Business and Workforce Development								
Expand the Supply of Professionals in High Demand Labor Markets Funding to include the following initiatives:								
Chippewa Valley Initiative (UW-Eau Claire & UW-Stout) Computer Science/Software Engineering and MIS, UW-Green Bay High Paying Graduates, UW-La Crosse Allied Health Consortium, UW-La Crosse Computer Science and Information Systems, UW-Oshkosh MIS IS, UW-Parkside MIS CS Bus and Bioinformatics, UW-Prattville Fox Valley Engineering, UW-Stevens Point Computer UW-River Falls UW-Stevens Point Computer Science and Biotechnology,	5,430,700	315,000	10,319,500	630,000	10,949,500	945,000	15,750,200	16,695,200
Info Systems, Technology and New media arts, Medical Technology, Computer Mediated Communications, Computer Science, UW Superior Transportation, UW-Whitewater Library/ Media Technology Information, Undergrad Technology Programs & Internet MBA, UW-Colleges Extend Service to Adult Populations, UW-Extension - SBDC (E-Commerce & High Tech), STEPS: Motivate Enrollment in Advanced Math and Science in High School and Student Transfer: Enhance WTCS and UW System Program Bridges	4,200,000	0	12,000,000	0	12,000,000	0	16,200,000	16,200,000
UW-Madison Initiative (Phase II)	5,920,000	0	11,350,000	0	11,350,000	0	17,270,000	17,270,000
UW-Milwaukee Idea (Phase I) Fees @ same increase as Madison	472,400	0	977,000	0	977,000	0	1,449,400	1,449,400
Plan 2008: AOP/Lawton	16,023,100	315,000	34,646,500	630,000	35,276,500	945,000	50,669,600	51,614,600
Sub Total	2,338,400	0	6,019,100	0	6,019,100	0	8,357,500	8,357,500
II. Maintaining Quality Higher Education Libraries, Advising, Study Abroad and Collaborative Languages	18,361,500	315,000 *	40,665,600	630,000	41,295,600	945,000	59,027,100	59,972,100
Additional Funding for New Initiatives								





**New GPR-Funded FTE Positions  
Granted To State Agencies (Those Over 500 GPR FTE Base)  
1992-1993 Base - 2001-2003 Governor's Recommendations**



## UW System Statutory Language Concerns

**Restructuring of Public Broadcasting.** The language would remove public radio and TV licenses from the university, except for licenses for student-operated stations. This provision would jeopardize the editorial independence and financial future of the licenses.

**Department of Electronic Government.** This provision would grant the new Department broad powers to manage the state's information technology and telecommunications systems. It would also permit the state Chief Information Officer to transfer information technology or telecommunications positions from any agency to the Department of Electronic Government or another executive branch agency, or to transfer the funding source for any such positions. The provision would eliminate existing language exempting the UW System from purchasing computer services from DOA. The new language would require all agencies to purchase all materials, supplies, equipment, and contractual services relating to information technology or telecommunications from the Department of Electronic Government. The Department could require the agency to purchase materials or services pursuant to a master contract, or could grant written authorization to the agency to purchase materials or services itself.

The UW System should be exempt from provisions relating to the Department of Electronic Government. Our major concerns relate to the requirement that all IT purchasing be run through the Department and to the authorization for the Chief Information Officer to transfer IT-related positions and funding out of agencies. We will submit our specific requests for changes in the statutory language at a later date.

**Weekend/Evening Class Requirement.** This provision would require the UW System to offer at least 15% of all course sections that are offered for credit and do not exclude undergraduates during evenings, weekends or by electronic means beginning in 2002-03. The 15% statutory goal is arbitrary and is not needed. The UW System has, for at least the past four years, been increasing the number of such sections (particularly distance education) offered.

**Bureau of Procurement.** This provision would change the funding source for the Bureau of Procurement from GPR to PR-S, and would permit DOA to assess any state agency or local government to which it provides procurement services for the cost of the services provided. The provision would also permit DOA to identify savings realized by any state agency to which it provides procurement services and to assess the agency for not more than the amount of the savings so identified. Modification of the funding source for the Bureau of Procurement could cost the UW System an estimated \$1 million for services we don't need. A list of proposed statutory changes to address our specific concerns will be submitted at a later date.

**International Liaison for the Department of Commerce.** This provision would provide the Department of Commerce with an international liaison position to be supported by fees assessed to state agencies for the use of the liaison's services. Although DOA has indicated that this provision is not intended to affect the UW System, the language does not exempt the UW. If we are subject to this chargeback, our efforts to expand student and faculty exchanges and globalize our curriculum would be penalized.

**GPR Position "Flexibility".** This provision would permit the UW System to submit a request for additional GPR positions annually, by December 1, for DOA review and approval. No funding would be provided for pay plan and fringe benefit cost increases for these positions. While this provision provides the ability to create GPR positions with DOA permission once a

year, it: (1) would not provide state coverage of future compensation costs for positions created under this "flexibility"; (2) would impose another annual approval layer; and (3) would make the UW System the only state agency not receiving position authority to accompany funds provided in the biennial budget.

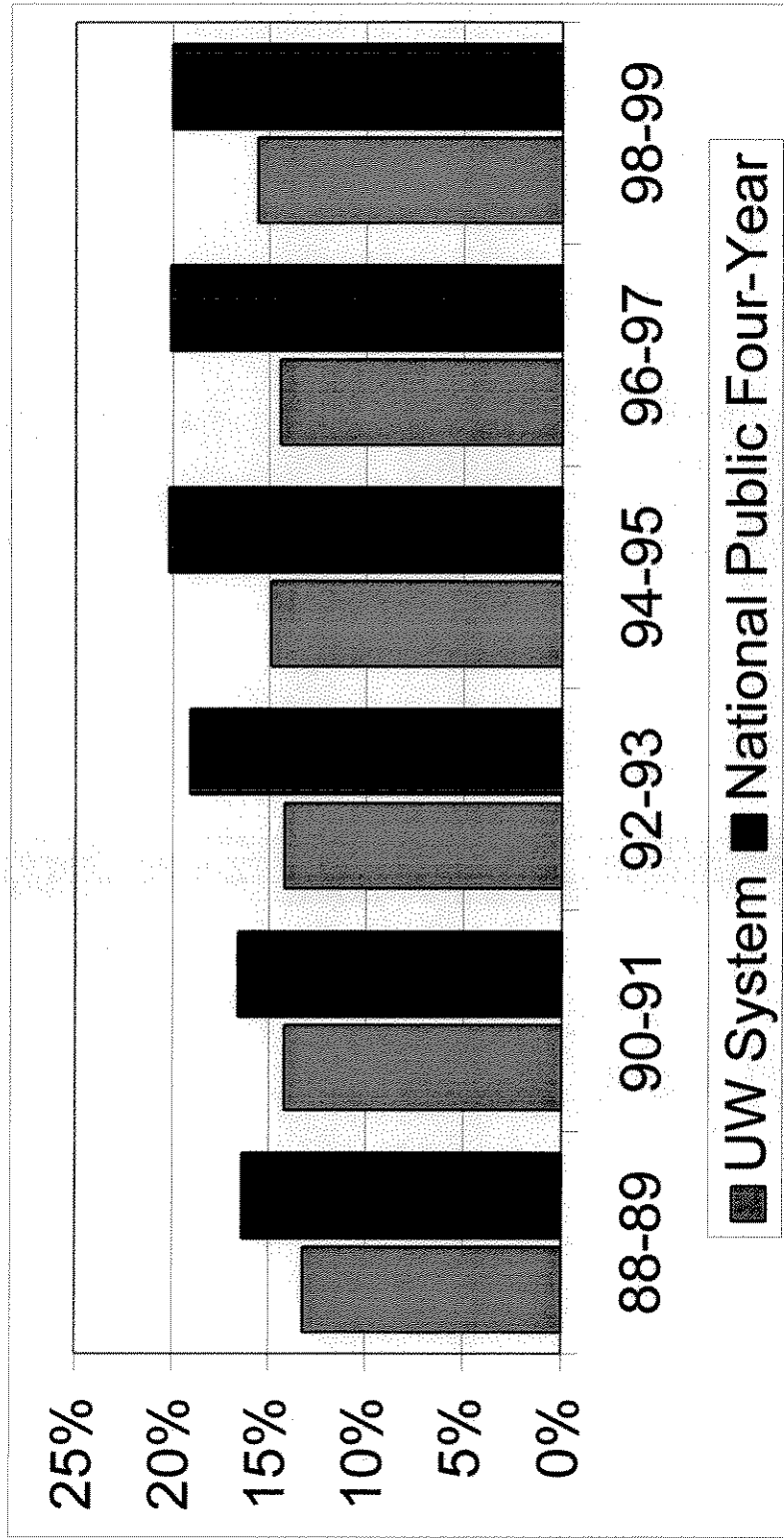
**Additional Student Fees Appropriation.** The budget bill would create a separate program revenue appropriation for courses for which nonresident and resident students pay the same fees or tuition and which are taught on a cost-recovery basis. The bill would provide position creation authority for this appropriation. The new appropriation is unnecessary and cumbersome. It should be eliminated. We request that the position creation authority be extended to the entire student fees appropriation.

**Stray Voltage Research.** The budget bill would eliminate funding for stray voltage research, but would leave statutory language relating to the program in place. The language should be removed.

**Recycling.** The budget bill would eliminate funding and positions for recycling education programs and solid waste research, but would leave statutory language relating to these programs in place. The language should be removed.



***Cost of Attendance as a Percentage of Median Family Income***



Testimony: Joint Finance Committee  
University of Wisconsin System Operating Budget

Jay L. Smith, President,  
University of Wisconsin System Board of Regents

Room 411 South, State Capitol  
March 19, 2001

Thank you, Senator Burke, Representative Gard, and members of the Joint Finance Committee. I appreciate this opportunity to talk to you today concerning the Governor's 2001-03 budget recommendations, as they affect the University of Wisconsin System.

We are at a major milestone in the relationship between the state of Wisconsin and Wisconsin's "state" universities. It's a partnership that goes back more than 150 years, a partnership that has been of tremendous benefit to us all.

It is also, frankly, a partnership that needs to be nourished if we expect those benefits to continue into the future. My remarks today will focus on two principal concerns I have about the Governor's budget proposal. One is the relative absence of new state funding for the UW System's new initiatives. The other is the missed opportunity that absence represents for Wisconsin and its people.

As the Board of Regents considered the budget proposal for the UW System last year, we were motivated by three undeniable facts related to Wisconsin's workforce.

Even though the state's economy has been strong:

- Wisconsin's per capital income is roughly \$1,400 below the national average.
- Our state is too reliant on traditional manufacturing and agriculture. We have too few of the high-growth, high-income "New Economy" jobs that will be increasingly important in the future.
- Finally, we are having difficulty attracting college-educated people from other states. Our UW System ranks above the national average in the number of college graduates we retain when they graduate. But Wisconsin is almost last in the nation when it comes to the number of college graduates that move here to take jobs.

The Regent's proposal of last August -- called "Building the New Wisconsin Economy," -- attempted to address these issues directly. It committed the UW System to a larger role in the state's economic development.

We would do this by growing our enrollments and increasing the supply of new graduates in such fields as biotechnology and information technology.

Our proposal also sought to bolster our two doctoral universities -- Madison and Milwaukee -- in ways that would help them produce the research and graduates that will drive "New Economy" growth.

And it put more resources into our colleges and comprehensive institutions. These are becoming focal points for economic development throughout the state.

Given the widespread economic benefits of our proposal -- and given that our neighboring states have been making similar investments in their universities over the past few years -- we felt very good about that budget proposal.

In that proposal, we requested an average annual 3.7 percent increase for the UW System.

- In return for that investment, the University committed to: greater enrollments
- new majors in high demand fields
- new services for returning adult students
- and a host of very specific initiatives aimed at putting our campuses to work for Wisconsin.

Former Governor Thompson and Governor McCallum have both been supportive of the university's role as an economic engine for the state. In fact, they both expressed that support at the Wisconsin Economic Summit we hosted in Milwaukee last fall.

Unfortunately since our budget was passed late last summer, the economic forecast for the state has turned quite gloomy. We know that Governor McCallum made some painful choices as he put this budget together, and he did what he could for the university. We respect that. And we appreciate that. We also appreciate the strong support Governor McCallum is giving to our capital budget.

But we believe that Wisconsin's economic weakness makes the investment package we proposed for the state even more critical than it was before.

In fact, our Regents feel so strongly about this issue that on March 8, we voted unanimously to urge your consideration of an addendum to the Governor's budget.

This economic stimulus package, as we have called it, would put back on the table those campus initiatives that are designed to help the state with workforce development and regional economic development.

President Lyall will share the details of the Governor's budget and this economic stimulus package with you in a moment.

I just want to make a few points here today.

First, why should the state support higher education when it has so many pressing priorities?

We all know that there are many successful people in this state who never went to college. There are others for whom a technical college education was most appropriate.

But as a state, we have to have a healthy mix of workers. This state ranks below the national average in the number of college-educated adults. And that is a problem for Wisconsin.

You have received a handout in your packet this morning that shows the difference in earning power depending on a person's level of education.

Wisconsin needs to grow its college-educated population. If it does, it will benefit directly by collecting additional dollars in taxes that can be used to meet a variety of state needs.

At the same time, we need to grow the jobs and the businesses that will attract these college graduates. That, too, will bring more revenue to the state.

The UW System is the state's greatest asset for accomplishing those things. You only need to go to Madison's west side and visit the Research Park to see how powerful that investment can be. For those reasons, I urge you to make the university a very high priority in your deliberations.

My second point has to do with the management of the UW System.

As a businessman, I have to tell you that I am impressed with the leadership of the UW System. I am impressed with the dedication of our president, our chancellors, our system officers and our faculty and staff. They do a lot with a little.

You may not realize it, but the UW System is the most efficient university system in the nation.

Only about five percent of the UW System budget goes toward administrative costs, compared to a national average of about 10 percent.

I mention this because it is tempting to say; if these budget items we need are such a high priority, why don't we just reallocate to fund them?

This university system has been reallocating for a decade and, frankly, we are running out of options. This is especially difficult now because the Governor's budget also carries a \$12.7 million cut for our university system.

So we need new state dollars. We also need management flexibility. We are the only university in the Midwest that depends on the state to allocate positions in order to carry out programs that are already funded.

I'm sure there is some good historical reason why that is the case. But in this day and age, it makes no sense. We expect the university to be responsive to state needs, to be cutting edge in its programs, and yet we don't provide the management tools to accomplish that.

I'll tell you, we could never run a business this way. We urge you to give the university more flexibility in this regard. That does not mean you shouldn't hold it accountable. In fact, I believe President Lyall shared with you our most recent accountability report. It shows you in great detail how we are doing on a host of issues.

But please give the President and the Board of Regents the positions and tools we need to best manage the university in the interests of the state.

I hope this provides you with some context for our original proposal, for the economic stimulus package, and for the concerns we have with the Governor's recommendation.

We look forward to working with you and the Governor in order to achieve a final budget that meets the economic needs of the state.

These are needs that the UW System -- more than any other part of state government -- is uniquely positioned to address and to meet.

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Testimony: Joint Finance Committee  
University of Wisconsin System Operating Budget

Katharine C. Lyall, President,  
University of Wisconsin System

Room 411 South, State Capitol  
March 19, 2001

It is a pleasure to be with you this afternoon to talk about the UW System's proposed 2001-03 biennial budget. I want to thank President Smith for providing the context for these remarks.

In the interests of making the best use of your time here today, I sent you several background documents last week. I also brought several handouts that I will reference as I go along this afternoon.

While it is tempting for some to think about this as my budget or Regent Smith's budget, I am mindful of our obligation to speak to you today on behalf of more than 155,000 students, 26,000 faculty and staff, 750,000 UW alumni and several million families in Wisconsin that have a connection to our university system.

As you know, I appear before this committee every two years to talk with you about the needs of the UW System and our 15 institutions. In looking back over the testimony of the past decade, I find that I have said many of the same things to you each time - that we need state dollars and positions in order to maintain our quality, remain affordable, keep up with our competition (which now includes both web-based and brick-and-mortar universities), remain accessible to Wisconsin citizens, and provide the educational services that residents of this state deserve and have come to expect.

These points are no less relevant this afternoon than they have been in the past. But I want to depart from the "usual" text today. I want to share the ways in which this budget request differs from those in past biennia. And I want to impart a sense of urgency about this budget - one shared, I think, by Regents, Chancellors and many community leaders around the state.

What we are discussing today is not so much a budget as it is an investment plan for Wisconsin -- a plan to invest in Wisconsin's future; a plan to grow our economy and to grow its skilled workforce.

This investment plan represents a revitalization of the Wisconsin Idea, putting the university to work addressing critical state needs. It also reflects an unprecedented level of collaboration among UW institutions and between our campuses and the state's technical colleges - something that many of you have been urging.

I'd like to briefly review the Governor's budget proposal and our economic stimulus package, and a few of the items in the budget that concern us. I also want to address our urgent need for positions, and for flexibility to manage our resources. Finally, I want to make a plea for financial aid funding.

Some of you may remember that we had a good budget in the last biennium, and we are grateful for the work that members of this committee did to help make that happen. But that 2.7% average annual GPR increase in 1999-01 capped a decade in which the state contributions to our university system did not keep pace with contributions from our students and from other sources.

The state funded portion of the university's budget, adjusted for inflation, has been flat for a decade. In recent years, student enrollment has risen. So have some key costs, including funding to keep pace with new technologies. In 1990:

- Our buildings and facilities were ten years newer;
- The Internet hadn't been invented. People didn't have computers on their desks and distance learning didn't exist.
- We hadn't yet mapped the human genome (research didn't require the sophisticated tools we need today); and
- Our libraries were better able to keep pace with the explosion in knowledge.

It is also fair to say that state priorities have shifted away from higher education.

To put this in perspective, at the time of merger in 1972, the state devoted 14.4% of its overall budget to the university. A decade ago, 11.4% of the state budget went to the university. Today, the state devotes just 8.7% of the budget to UW, and that percentage would decline further with the Governor's budget that is before you.

Over the last five-years, Wisconsin's average annual investment in higher education of 1.9 percent has trailed Minnesota (4.4%), Michigan and Iowa (5.2%), and Illinois (6.1%). This is illustrated in the chart and table in your handout.

Part of the reason for this goes back to the state of Wisconsin's economy, which has not enjoyed the growth of some of these neighboring states. That is why we think the New Economy budget proposal you are examining today is so urgent. It will set the course for Wisconsin's economic performance throughout this decade.

Our original request was based on the enrollment plans for each campus and former Governor Thompson's three key UW priorities: teacher education, economic development, and technology transfer. It focused on helping Wisconsin make the transition to the "new economy" by:

- graduating more students in high-demand fields;
- converting our cutting-edge advantage in biotechnology into spin-off firms with new high-wage jobs;
- increasing the transfer opportunities for students between the UW System and WTCS;
- preparing more teachers; and
- serving adult students better.

We sought an average annual increase of 3.7% in our base budget to accomplish this menu of outcomes for the state, including preparing 8,300 more students by 2007 in high-demand skills areas and leveraging \$20 million in matching private funds for the second phase of the Madison Initiative.

As you know, toward the end of his budget planning, Governor Thompson left for Washington, D.C. and Governor McCallum had only a few weeks to put his own stamp on the budget. He set himself some very tough parameters and has made addressing the structural deficit, fiscal responsibility, and developing a cushion for possible declines in tax revenues key themes of his budget.

Governor McCallum and DOA worked closely with us in the final days of budget development to provide as much funding as they could for some of our key initiatives within these very tough parameters.

The Governor's budget proposal that you are considering today increases GPR spending for the whole of state government by 3.9% and 2.9% in each of the next two fiscal years. By comparison, the UW System's proposed GPR increase is 2.9% in the first year and minus point 3% (-.3%) in the second year — for an average annual 1.6% increase in GPR/fees. This is less than the 1.9% increase that higher education averaged from 1994-95 to 1999-2000.

The Governor's budget provides \$59.6 million GPR earmarked for costs-to-continue, debt service, and utilities, which is critical just to keep current operations going.

There is also \$8.7 million in new GPR funding for a few new initiatives. But at the same time, the budget also calls for a \$12.7 million base cut. We are grateful that percentage-wise, this is the second smallest cut among state agencies, but we are concerned that dollar-wise, it is the second largest cut, equal to state support for 1273

students. When we factor in that \$12.7 million base cut, we are left with a *negative* four million dollars (-\$4 million) to carry out new initiatives.

The handout that you have received summarizes the funding that is in the Governor's budget. As you will note, the new initiatives are largely funded by tuition dollars. Given that, this budget would carry a tuition increase of 2 percent, which compares to the 3.2 percent tuition increase requested by the Board of Regents in August.

Without those tuition dollars, we could not begin to tackle these new programs, but we need more GPR dollars to restore the proper balance of GPR and fees (2/3, 1/3) for new initiatives.

I very much appreciate the Governor's effort to provide critical IT funding (\$7.25 million) from Wisconsin Advanced Telecommunications Foundation funds for distance education through Learning Innovations, to connect all our campuses to Internet 2, and for wireless connections.

This is the only IT funding for us in the budget, and, while it is one-time funding, we urgently need this support for our distance learning efforts during 2001-03.

Please note also that the operating budget does not contain recommendations either for our compensation increases for faculty and staff or our capital budget. In the past few days, the Governor has announced some very important capital budget projects for our campuses, and we are very grateful for that support. Most of those projects entail renovating aging facilities, a high priority for our campuses.

Based on our standard peer comparisons, the Board of Regents has recommended a 4.2% increase for faculty and staff to reach market parity by 2005.

It is important that we maintain the traditional GPR/tuition split on pay plan increases to keep tuition increases in check.

As Regent Smith noted, there is much more the university could do with modest additional investment to brighten Wisconsin's economic future. Our proposed new initiatives have gained widespread community support over the past six months. In fact, a number of state lawmakers have contacted our Chancellors with concerns that their local campus projects be included in the final state budget.

Knowing this, the Board of Regents on March 8 re-examined priorities and identified the most critical funding opportunities.

The Regents unanimously approved an economic stimulus package that would invest \$20 million annually in:

- educating more high technology graduates for the workforce through the Chippewa Valley Initiative, the Fox Valley Engineering collaborative, Bioinformatics at Parkside, and MIS and Info Sciences programs throughout the other campuses (e.g., UW-Eau Claire, UW-Whitewater, UW-Stevens Point).
- completing the Madison Initiative and launching the Milwaukee Idea, ensuring that we procure the \$20 million in private matching funds for UW-Madison, and provide room for enrollment growth and community engagement at UW-Milwaukee;
- establishing the "2+2" programs that will facilitate transfer of students between the UW and the Wisconsin Technical College System;
- financial aid in the AOP and Lawton programs to parallel tuition increases;
- completing the library restoration initiative begun last biennium; and
- extending study abroad and foreign language opportunities for UW students.

I mentioned earlier that this budget is different because it represents unprecedented collaboration among our institutions and between our institutions and their communities. Let me mention four examples:

- UW-Platteville is proposing to establish an engineering degree program in the Fox Valley, partnering with UW-Fox Valley and local industries.
- UW-Parkside would offer academic programs in partnership with Abbott Labs.
- UW-Milwaukee would partner with our two-year colleges to offer collaborative four-year degree programs.
- And a number of our campuses -- among them, UW-Stout, UW-Eau Claire, UW-Whitewater and UW-Rock County -- would partner with local technical colleges in offering new high tech degree pathways.

These are exciting developments for us, and they represent a maturation of the university system.

In crafting our economic stimulus package, it is important to note that many other worthy projects from the Regents' original budget were left on the cutting room floor, including our stewardship initiative -- which would have helped us maintain our

deteriorating, aging buildings -- and our Plan 2008 funding, to help minority and disadvantaged freshmen. These items must be deferred to the next biennium.

Let me turn for a moment to the non-budgetary items in the Governor's proposal.

One is language that would give us flexibility to create GPR positions once a year with DOA approval, but in a way that would mortgage our future.

Under this provision, we would be required to absorb all future compensation costs for new GPR positions from our base, thus creating two classes of state-funded employees: those with full state funding and those without. No other state agency has been asked to do this.

We currently have this arrangement for program revenue positions, because there is a separate source of funding for these positions. However, to create subgroups of GPR positions strikes me as unwise public policy.

Either the state should provide the GPR positions necessary to deliver services to the 825 additional FTE enrollments, and other initiatives anticipated in the Governor's budget, or exempt the UW System from the position counts -- so that we can operate and be fiscally accountable on the same basis as all other Big Ten universities.

Over the past five years, we have lost 550 faculty and staff positions. We cannot deliver additional services or enroll more students without positions!

As you will see from our handout, the ranks of other state agencies have grown dramatically while ours -- particularly our faculty ranks -- are shrinking. This seems ironic, considering that many of our faculty members actually generate new dollars for the state by bringing in outside funds for research. In a sense, each of our faculty represents an investment for Wisconsin.

Specifically, we need 181 positions just to fulfill the programs funded in the Governor's budget proposal. Two GPR positions were allocated to us. We would need another 390 positions to carry out the economic stimulus package I've described.

This is not a question of the state not being able to create new positions. It is a question of the state's priorities concerning which positions to create, as the table we've provided shows.

Finally, there are several statutory language items in the Governor's proposal that would be very difficult for us to work with as they stand:

- The budget would create a state department of e-government. The language would give the head of this unit the authority to transfer IT positions and funding from us at any time. We cannot do business and meet our operating obligations in that environment. It would be very difficult to plan and effectively run university distance education, train faculty to use IT in their classrooms, and maintain that equipment for them with our IT staff and funding always in doubt. UW System and DoIT work regularly with DOA technology staff to collaborate on administrative systems as appropriate; we need to continue this collaboration through professional association, not the threat of a mandated merger.
- The budget also contains language that would remove the broadcast licenses for WHA and other university-run television and radio stations. It would place these licenses in a separate "corporation," but without funding for digital conversion or other needs. We continue to feel strongly that the Regents should hold our broadcasting licenses, both to ensure the long historical connection to the university's knowledge resources that enrich programming and to ensure editorial independence. As you know, WHA regularly produces nationally acclaimed, Emmy Award-winning programming. The state should not jeopardize this.
- The budget institutes several "charge backs" for services that we currently provide for ourselves, including a proposed charge back for purchasing. Our university purchasing is currently done partly through DOA's blanket contracts and partly by our staff for research and instructional materials specific to higher education. Currently, we are eligible for some deep educational discounts on computing and other purchases – we would not want to sacrifice these benefits by a requirement to purchase through another state agency.

I hope that we can modify or exempt the UW System from these and other proposals that would impede our ability to serve our students well. We have listed these and other concerns in the handout we've given you this afternoon.

One important question is what impact these proposals will have on tuition. We are very sensitive to the need to maintain affordability. Taken together, funding the initiatives in the Governor's budget and our economic stimulus package would require a two percent increase in resident undergraduate tuition, excluding any pay plan effects. At a comprehensive campus, this would amount to a \$53 average academic year increase. As you can see from the handout our tuition would remain extremely affordable compared to our neighboring states.

An important part of this "affordability" is financial aid. The Governor's budget contains no increase in financial aid. We urge you to give that a very high priority.

In order to maintain affordability and access, the state should provide increases in WHEG, Lawton, and AOP grants that parallel anticipated tuition increases. We are making gains on our goal of providing more access to the UW System. Without this assistance, low-income students and many students of color will find their college aspirations unattainable.

In closing, let me acknowledge that we know state funding promises to be very tight, and that you will be making painful decisions over the coming months. But even the most recent projections suggest the state will have well over \$1.5 billion in additional revenue in the coming biennium. Each decision you make is a choice to seize or forgo opportunities that will determine Wisconsin's future.

The economic stimulus package outlines investments of one half of one percent (.5%) of the anticipated state budget. In return, the state would provide access for many more new students, more graduates in high-demand fields, and a package of very specific "brain gain" initiatives to spark growth in our regional and local economies.

We advocate a thoughtful and careful investment in people - young people who will shape Wisconsin's evolution and support its growth. As you make these difficult choices, please consider both what making, and what not making, each investment can mean for Wisconsin's future.

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# Wisconsin Technical College System Board

**Joint Committee on Finance**

**March 19, 2001**

**Testimony Presented by Edward Chin, State Director  
Wisconsin Technical College System**

Co-Chairs and Members of the Committee:

Thank you for the opportunity to testify on behalf of the Technical College System. My remarks will expand upon and delineate important issues identified by State Board President Anne Reid.

The Board's original budget proposal sought to be responsive to a very direct message that we had received over the past two years. For now and the foreseeable future, there will be a major demand for skilled workers in Wisconsin. Normal birth rates and net in-migration data do not produce the numbers necessary to meet the projected skilled worker needs of employers. Extra commitment is necessary for maximum productivity with the workforce that will be available. Future growth of the Wisconsin economy will be dependent upon the state's ability to address the skilled worker shortage dilemma. This consistent message came from employer organizations, governmental analyses, special study commissions established by the Governor and/or Legislature, independent reports of public policy research organizations, and industry associations (such as the Health and Hospital Association, Tool and Die companies, and Information Technology dependent companies).

Thus, the Board's budget request proposed to expand and upgrade the skilled workforce through general support for the state's premiere technical training system and categorical support for focused activities such as assistive technology to help disabled individuals join the workforce, pre-college technical education experiences for middle school students to broaden their horizon on postsecondary education, career laddering to upgrade the skill levels of incumbent workers, and intensified use of telecommunications technology to reach new learners.

Unfortunately only limited support is available in SB 55/AB 144 – support for our virtual campus project and for the TOP Grants for recent high school graduates to attend WTCS institutions. Moreover, that limited support is offset by a reduction in funding for the System. The budget summary prepared by the Legislative Fiscal Bureau, while technically accurate for our agency, creates a misimpression that the System will realize a \$7.0 million GPR increase in this budget, or 2.4% above the adjusted base amount. This is shown on page 712 of the Fiscal Bureau document. The majority of that increase (\$5 million of \$7 million) involves the transfer of an existing grant program from DOA to the Technical College Board. This program, called the capacity building program, was created last budget and assists technical college districts in starting new

programs in high demand occupational areas. We are very supportive of the transfer of this program to our agency. However, the Committee should understand that the budget bill will actually provide \$5 million less in funding for this program than the current base appropriation. On page 713, item #4, the Fiscal Bureau explains that the overall funding level will be reduced by \$2 million in 2001-02 and \$3 million in 2002-03. So while there is an appearance of a \$5 million increase in funding for the System, the true amount of funds coming into the System for the biennium is actually \$5 million less than the current base. We also need to point out that in the program's first year, the technical college districts submitted over \$11 million in eligible funding requests, of which only \$5 million could be funded. We believe the Committee needs to at least restore base year funding to this critically important program.

Of greater concern is the fact that the system received no General Aid increase for the biennium in SB 55/AB 144. If this figure remains unchanged, then over the most recent eight years, our General Aid percentage increases will have been 0%, 0%, 1.5%, 1.5%, 2.1%, 2.1%, 0% and 0%, for an average of less than 1% annually. Under this scenario, we estimate that by 2003, General Aid support for the WTCS will drop below 20% of aidable cost. We would hope that the state would want a stronger partnership with the finest Technical College System in the country. One consequence of limited general aid increases has been to cause districts to be more reliant on the property tax, and as a result, three districts are now at the operating levy limit of 1.5 mills.

Our original General Aid request was for 4.1% increases for each year of the biennium. When we made the estimates of our need, we sought to at least maintain the state's percentage share. Since our work last fall, we have come to understand that there will be 15-20% cost increases in both energy and health insurance, and significant reductions in support for DVR for services for disabled students. In addition, since technical college districts have mill levy limits, those districts at or near the 1.5 mill levy limit were especially adversely affected by the full implementation of farmland use value assessment. Given these additional financial pressures on districts, we would hope the Committee can respond favorably to our General Aid request of 4.1% for each year of the biennium, which assists districts constricted by their mill levy limit and helps other districts keep their levy rates as low as possible.

As we listened to many recommendations in recent years on how to attract more students to the Technical College System, one recommendation consistently appeared – greatly expand statewide marketing. Parents and students need to be much better informed about the good paying careers available to a technical college graduate.

Regrettably, support for state level marketing currently comes only from district voluntary contributions to a marketing consortium whose focus is on state level activities. Periodic reductions in state agency staff and state operational costs (such as the 5% operational reduction proposed in SB 55/AB 144) have left the State Board with scant marketing capability. SB 55/AB 144 recognizes the importance of marketing, but provides no new funds. Instead the bill proposes that marketing funds be made available from the WTCS Incentive Grant monies. In effect, SB 55/AB 144 proposes

that funds may be taken away from literacy programs or funds to support new and expanded occupational training in order to provide marketing resources. Over the last several budgets, the Incentive Grant appropriation has not increased, but additional expenditure responsibilities have been added to this program. Technology transfer activities, juvenile corrections education, and now marketing have been added. We request that the Committee consider expanding the Incentive Grant appropriation so that the system can effectively market its training to youth and various other target populations. In addition, because the categorical aid requests we submitted, which I noted earlier, are critical to expanding and upgrading the workforce, we request that the Committee thoughtfully consider funding them.

We need to call attention to a potential grant management difficulty. Due to the popularity of the TOP Grant Program, we have concerns that in future years the demand will exceed the appropriation. Rather than getting involved in highly irritating and administratively cumbersome proration activities, we suggest that the Committee consider making the TOP Grant Program a sum sufficient appropriation.

We have been talking mainly about a higher priority and additional funds for the technical colleges, but we want to reassure the Committee that we in the Technical College System take our responsibilities very seriously to efficiently and effectively use the public's resources. Over the last three years, as our enrollments have increased, our cost per FTE increases have been 3.3%, 1.9%, and 3.7%, a clear demonstration of sound fiscal management. Moreover, we simply do not just keep adding programs and services. Over the last six years, the system has added about 150 new programs, but discontinued just about the same number. We respond to the labor market fluctuations.

Finally, we want to emphasize that spending state resources on the Technical College System is an exceptionally good investment.

- 97% of graduates are satisfied with their training;
- 96% of graduates are employed within 6 months after graduation;
- Nearly 90% are employed in Wisconsin;
- Over 70% are employed in their district of training;
- Five years later, these percentages still hold and median salary increases average over 10% a year in the five years since graduation;
- We guarantee the quality of our graduates.

We all recognize that Wisconsin's greatest resource is its human resources. All economic development studies we have seen argue for an investment in the educational infrastructure of the state. As Board President Anne Reid expressed, we certainly appreciate the help the Governor provided with increases in the Virtual Campus and TOP Grant programs. We now request the Committee to consider additional investments. The Technical College System stands ready to provide the accountability for investment. We look forward to working with you on this most important enterprise.



## 2001-2003 Biennial Budget

Presentation to the Joint Committee on Finance  
by Patricia Lipton, Executive Director

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### Assets Under Management

As of December 31, 2000, the Investment Board managed nearly \$67 billion in assets, an amount that places SWIB among the world's largest money management organizations.

### Our work directly benefits the State in major ways:

- Nearly one in five Wisconsin residents is a Wisconsin Retirement System participant or family member. Our performance directly affects their financial security.
- Strong investment returns increased retiree benefits by more than double the rate of inflation over the last 15 years. As a result, nearly 90% of the \$2.1 billion of benefits paid in 2000, or \$1.9 billion, entered the economies of communities across Wisconsin.
- For the sixth consecutive year, investment returns helped cut the amount of state and local governments' or taxpayers' contribution rates to the WRS in 2001. Over 85% of the cost of pension benefits that today's retirees receive is funded from SWIB's investment earnings.
- For the third consecutive year, SWIB made over \$1.0 billion of new investments in Wisconsin companies in 2000. We make special efforts to pursue investment opportunities in the State that provide market rate returns for the funds we manage. For example, we committed up to \$65 million to invest in biotechnology and other high technology Wisconsin and Midwestern companies—a plan that has the potential to earn attractive returns and spur development of a leading edge industry in Wisconsin.

### The Governor's 2001-2003 budget

1. The 1999-2001 biennial budget indexed SWIB's budget authority to the amount of assets we manage. For each \$100 we invest, we can spend up to 2.75 cents for staff and internal support services.
2. SWIB did not request an increase in its budget for the next biennium. Our budget is totally funded from investment earnings and contains no GPR.
3. We have not requested any additional positions for the upcoming biennium.

4. Because of the downturns and market volatility, the assets under management on April 30, 2001, may be less than last year. We are taking steps to prepare for a decrease in our budget for the next fiscal year.
5. Our total costs, including fees paid to outside suppliers, are 15 cents per \$100 managed. Our costs are below the typical costs for pension funds that manage a similar mix of assets (19 cents per \$100 managed) and only a fraction of what mutual funds typically charge.

#### **Recruit and Retain Experienced Investment Staff**

The funding authority we received in the last budget enabled us to implement a more competitive compensation package. As noted two years ago, we had lost many investment staff to the private sector who received compensation packages 2-3 times what we are able to offer.

Budget constraints had severely limited our ability to retain or attract staff with the experience necessary to manage extremely large portfolios in global markets. With the assistance of a leading consultant to the investment industry, the Board developed a new compensation structure that includes improvements in base salary and performance bonuses. The salary increases and bonuses together raised the average compensation for investment staff to 70% of the 1999 median total cash compensation of their peers at banks, insurance companies and corporate pension funds. This is a conservative peer group that excludes the more highly compensated mutual funds, specialty investment firms and investment managers in the east and west coast financial centers. (We previously provided the Committee with copies of the salary and bonus plans.)

After implementing the new compensation program, we have not lost any investment staff because of salary issues and have been able to fill existing vacancies. The Board of Trustees, staff and I are appreciative of your support in helping us to secure the compensation flexibility.

As a result of the compensation package and our ability to fill positions, we have been able to bring more assets inside for management. For example, we moved \$1.0 billion of equities from outside passive management to establish an inside index portfolio. We plan to increase that portfolio to \$3 billion during 2001. We are also moving over \$500 million from an external international bond portfolio to the internal international portfolio. This gives us the opportunity to add value to the portfolios while also saving management costs.

During 2000, we provided a report to the Joint Committee on Finance regarding the specifics of the salary program and the new performance bonus program. In addition, we also provided the committee with a report on staff retention and recruitment.

**Depository Selection Board** (Legislative Fiscal Bureau Summary, Investment Board, page 430, #2)

We support the Governor's proposal to remove SWIB from and to add the DOR to the Deposit Selection Board (DSB). The DSB is responsible for the administrative and contractual oversight of the state's general banking services, principally provided by the state working bank. Since 1997, we have not relied on the services of the state working bank and currently use our custodial banks for any necessary banking services. Therefore, there is no longer a need for SWIB to be a member of the DSB.

**Tobacco Securitization** (Legislative Fiscal Bureau Summary, Tobacco Settlement Securitization – Overview of Transaction, page 637)

We have not been a party to the negotiations to securitize future payments to the state from tobacco product manufacturers and do not take a position on the issue. However, the Investment Board is prepared to accept the responsibility for investing the proceeds from Wisconsin's tobacco settlement if the Governor and the Legislature decide to securitize the tobacco funds. We will work to implement a successful investment program and provide the needed investment services.

March 21, 2001

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**SECRETARY MULCAHY  
OPENING REMARKS  
TO THE JOINT COMMITTEE ON FINANCE  
2001-2003 TRANSPORTATION BUDGET**

**OVERVIEW**

- Governor McCallum's 2001-2003 budget proposal is good for transportation.
- It emphasizes the trust the public has that all available state and federal transportation user fees are dedicated to building and maintaining a safe, efficient transportation system.
- The budget makes full use of the additional federal funds available for highways, transit and aeronautics.
- At the same time, it respects the current economic climate and calls for us to live within our means by using existing state transportation revenues in the most effective way.
- This transportation budget meets four key goals:

**Goal 1: Preserve the state's multi-modal transportation system**

- Wisconsin's transportation infrastructure has come a long way in a single generation.
- It has developed from a system of two-lane roads and highways, grass landing strips, wooden piers and locomotives to a network of multi-lane divided highways, airports, modern water ports, efficient transit systems and rail lines linking the state with markets throughout the world.
- 12,000 miles of state and Interstate highways
- 98,000 miles of county, town and municipal streets
- 68 public bus and shared-ride taxi systems
- 131 public access airports

- 4,5000 miles of track and 12 railroads
- 15 major ports
- Bicycle and pedestrian routes that provide transportation options to travelers throughout the state



## **Goal 2: Increase mobility and support economic development**

- Transportation directly supports Wisconsin's economy in many ways.
- Fuels the nearly \$10 billion tourism industry
- Enables over 2.9 million people need to get to work
- Supports over 600,000 manufacturing jobs
- Allows Wisconsin businesses to compete in worldwide markets with \$10.5 billion in exports
- Transportation provides the link to local, regional, national and international markets
- Quality transportation is a vital element for the health and future growth of the statewide economy.

## **Goal 3: Enhance safety**

- Safety is a priority in everything we do
- Continue our emphasis on engineering, enforcement, education and emergency response.

## **Goal 4: Continue our excellent tradition of customer service**

- Serve the state's more than 3.7 million licensed drivers
  - 4.7 million registered vehicles
  - Each business day, our motor vehicle staff across the state are in contact with about 50,000 customers.
  - The state's 400 sworn troopers and 112 motor carrier inspectors play a vital role serving Wisconsin citizens by enforcing laws and assisting stranded motorists.
- Let me provide a little more perspective on each of these broad goals as they relate to the 2001-03 transportation budget.

## **PRESERVING THE INFRASTRUCTURE**

- The budget provides significant investments to protect and preserve Wisconsin's high-quality transportation system.
  - Funding increases for state highway rehabilitation.
    - In 2001, we will rehabilitate 843 miles of existing highways and bridges.
    - These activities include resurfacing, reconstructing existing roadways and traffic and safety improvements.
  - Increases for local aid programs, like General Transportation Aids (GTA) and the Local Road Improvement Program (LRIP).
    - These increases, while modest, will protect the level of service and investments at the local level.
    - The increases continues our commitment to distributing funds among state and local programs in order to provide a seamless system of high-quality roadways.
    - A little more than 36% of the total expenditures in this budget go towards local highway programs.
  - The budget provides a continued commitment to transit operating assistance.
    - State aid covers 43% of all transit operation expenses.
    - The investments to transit serve the needs of Wisconsin citizens with almost 77 million transit passengers in 2000.
  - More money for highway maintenance and operations.
    - Additional money in this area allows us to keep pace with system growth and expansion.
    - If we're going to have a world-class system, we need to put an adequate amount of dollars into maintenance and operations.
    - This includes day-to-day activities like snow plowing, the upkeep of our rest areas and traffic signals.
  - Increases for Major Projects and three new enumerations.

- These investments help us address some of the state's most serious deficiencies.
- Major's projects continue to support economic development in key corridors throughout the state.

## **MOBILITY AND ECONOMIC DEVELOPMENT**

- The Governor's budget sets the stage for the future by making critical investments in southeastern Wisconsin.
  - Marquette Interchange
  - Canal Street
  - Park East Freeway
- The budget takes care of funding improvements to Canal Street and the Park East.
- The Governor's proposal for the Marquette is a good start. It shows the state's commitment to funding these improvements by putting real dollars on the table.
- We are working with the community to determine the best way to rebuild the Marquette. Preliminary estimates indicate it will cost between \$550 and \$950 million.
- We cannot delay this work any longer. Construction is slated to begin in 2004.
- This budget sets the stage for longer-term discussions about how we will pay for improvements to the Marquette, as well as the entire southeastern Wisconsin freeway system.
- These highways are the cornerstone of the state's transportation system.
- Investments in the southeast are needed to protect the entire state's economic health.
- This budget also recognizes the importance of air service to the state's transportation system and economy.
  - Like highways, our commitment to aviation requires a long-term focus.
  - The Governor has proposed a plan to study how we finance airport improvements.
  - This includes creating a committee to study financing issues and make recommendations to the Governor and the Legislature.

- The budget also provides money for several loan and grant programs that allow businesses to remain competitive and keep jobs in Wisconsin.
  - Expansion of the Transportation Economic Assistance (TEA) grant program.
  - Since 1987, Wisconsin has provided \$47 million in TEA's to benefit 209 businesses.
  - Increased spending for the Freight Rail Infrastructure Improvement Program (FRIP).
  - This program offers low or no interest loans for railroads, shippers and local governments for a variety of capital improvements.
  - A program level of nearly \$5.6 million has been maintained in FRIP for the past six years.

## **ENHANCING SAFETY**

- Budget supports the department's priority emphasis on safety. It includes:
  - New drunk driving laws to ensure that Wisconsin obtains as much federal funding as possible.
  - Funds for State Patrol's communication network.
  - Motor Carrier Safety Assistance Program match funds to help reduce crashes involving trucks and buses.
  - More money for railroad crossing devices.

## **CUSTOMER SERVICE**

- This budget provides funding to make department programs efficient and effective for the customers we serve.
  - Funds to train new customer service staff.
  - Money to start to replace old information technology systems.
  - Funds to evaluate current and future IT needs across the state.
- Investments like these will help us continue to provide a high level service to a growing customer base.

## **CLOSING STATEMENT**

- This budget puts the emphasis where it needs to be:
  - preserving the existing system
  - supporting mobility and economic growth
  - keeping travelers safe
  - continuing our high level of customer service
- Governor McCallum's 2001-2003 budget proposal is good for transportation – it's good for Wisconsin! Thank you.

W:\budget\joint finance testimony 01-03



STATE OF WISCONSIN  
BOARD ON AGING AND LONG TERM CARE  
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EXECUTIVE DIRECTOR  
George F. Potaracke

Testimony before the Joint Committee on Finance  
Budget Hearings 2002 -2003  
March 21, 20001

Mr. Chairman. Members of the Committee. Thank you for the opportunity to come before you today. I am George F. Potaracke, executive director of the Board on Aging and Long Term Care. My comments today relating to the budget proposal of the Board on Aging and Long Term Care will be focused on three issues: **the Long Term Care Ombudsman Program, the volunteer component of the Ombudsman Program, and external advocacy for Family Care.**

In my nineteen + years with the Board never has the Ombudsman Program been in greater demand. Behind the headlines of "Nursing Home Bankruptcies and Closures" are hundreds and hundreds of frail old people needing to find a new home. Those homes with vacancies (often facilities with poor reputations) come shopping for their business. The ombudsman steps in to slow down the move, to make sure the resident and her family know their rights and the choices available to them, including moving back into the community.

We have had a record number of nursing facilities this past year found to be delivering substandard care. To fend off a media feeding frenzy the ombudsman will move quickly to hold a town meeting in the affected facilities. Residents and family members are called together to discuss the severity of the situation and to help them identify ways for them to get involved to secure improvements at the facility. As consumers they can be the most powerful tool to force change.

Both relocation and town meetings are very labor intensive. Couple that with a record number of complaints the program handled this past year. Complaints are up by 21%; short staffing up 72%; quality of care complaints up 31%; dietary complaints up 60%; complaints of abuse up 17%.

I share these data to demonstrate the dilemma the Board faces when attempting to take the 5% cut mandated in the governor's budget. As a small agency, 28 employees in total, we rarely have vacancies that can be held open to absorb the cut. While workloads are way up we will need to layoff at least one, if not two ombudsmen, to manage the revenue reduction.

Secondly, the Board requested funds and position authority to expand its volunteer ombudsman program. In its 6<sup>th</sup> year, the program places well trained and supervised volunteers in nursing facilities to create at least a weekly presence to identify problems that should be corrected. Both

the industry and the consumer have found this approach to be highly successful in catching problems while they are small and bringing them to the attention of management before larger issues develop and enforcement is needed.

We proposed expanding the program into the full southeastern quadrant of the state and up the Fox Valley. Both areas have high concentrations of nursing facilities that present some of our greatest challenges. The quality of this program is dependent on prescribed selection criteria, effective training, and ongoing supervision. The program is a winner but can't expand without additional resources. None is available in the proposed budget.

Finally I want to say a few words about the elimination of External Advocacy for Family Care. During what seemed like an endless series of meetings leading to the design of Family Care, everyone at the table agreed that this new managed care system for long-term care had to include independent advocacy. All parties asked that the Board on Aging develop a system that provided a local advocate for folks who signed up for services through the county resource center and the care management organization. Under a contract with a non-profit organization advocates are now in place in each of the five pilot counties.

While it is very early in the project, data is already indicating that consumers benefit from this service. Without this watchdog, consumers' rights will be abridged. Long-term care services will be inappropriately denied. We believe it is very shortsighted to establish a much needed service and then summarily eliminate it after a year and one-half. On behalf of the Board on Aging, and I dare say, all the other consumer groups with interest in long-term care services, I ask you to seriously consider restoring Family Care External Advocacy to this budget.

I will be pleased to provide you further detail regarding any and all of these issues. Thank you most kindly for your attention.

# STATE OF WISCONSIN

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## JOINT COMMITTEE ON FINANCE

### Notice of Budget Briefings – March 21

The Joint Committee on Finance will meet in Room 411 South, State Capitol, at 10:00 a.m., to hold briefings by state agencies on the Governor's 2001-03 Biennial Budget Bill – Senate Bill 55/Assembly Bill 144 – according to the following schedule:

Wednesday, March 21

10:00 a.m.

State Investment Board  
Wisconsin Health and Educational Facilities Authority  
Department of Workforce Development  
Department of Health and Family Services  
Adolescent Pregnancy Prevention and Pregnancy Services Board  
Child Abuse and Neglect Prevention Board  
Board on Aging and Long-Term Care  
Tobacco Control Board  
Historical Society  
Lower Wisconsin State Riverway Board  
Department of Agriculture, Trade and Consumer Protection  
Department of Administration (including Gaming, Tobacco Securitization, Program Supplements, General Provisions, Miscellaneous Appropriations, Electronic Government, Fox River Navigational System Authority, Office of Justice Assistance and Budget and Compensation Reserves)  
Office of the Governor  
Office of the Lieutenant Governor  
Office of the Commissioner of Railroads  
Department of Transportation

Public testimony will not be taken during these budget briefings.

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of John Gard in black ink.

JOHN GARD  
Assembly Chair



JOINT FINANCE COMMITTEE TESTIMONY  
SECRETARY PHYLLIS DUBÉ  
DEPARTMENT OF HEALTH AND FAMILY SERVICES  
March 21, 2001

Introduction

Good morning Co-Chairs Burke and Gard and members of the Committee. Thank you for the opportunity to appear before you today. I will begin with some general comments and then highlight key features of the Governor's biennial budget for the Department of Health and Family Services.

Wisconsin has a long-standing commitment to addressing the health and social needs of the people of the state. As a result, the health and social well being of Wisconsin's population is strong in many areas, as illustrated by the following outcome measures.

- In 1999 only 4 percent of the population in Wisconsin was without health insurance for the entire year. The percent uninsured in Wisconsin is one of the lowest of any state.
- The rate of births to teen mothers in Wisconsin is declining and has been consistently below the national average. The rate of births to teens aged 15-19 in Wisconsin has steadily declined from 44 per 1000 teen females in 1991 to 35 in 1998. Wisconsin's rate is significantly below the national average of 51.
- The rate of substantiated child abuse and neglect reports in Wisconsin is declining and is lower than the national average. In 1998, the rate of substantiated child abuse and neglect cases in Wisconsin declined to 10.8 per 1000 children under age 18, falling from 14.5 in 1992. In contrast, the national average is higher at 12.9 per 1000 children under age 18.

In recent years the Administration and the Legislature built on this commitment by expanding access to health care services and long-term care and enhancing their quality through new initiatives, including BadgerCare, Family Care, and the Mental Health/Substance Abuse managed care demonstration project. We also improved the quality and delivery of services and accessibility to our "core" state health program, the Medical Assistance (MA) program. We built on the state's commitment to support and strengthen children and families. In recent years, we launched two ambitious initiatives to improve the lives of children involved in the child welfare or adoption systems: the state's assumption of administrative responsibility for the Milwaukee County child welfare system and the Special Needs Adoption Partnership. Despite the tight fiscal conditions at the state level, the Governor's biennial budget preserves the progress the state has made in strengthening the availability and quality of health and social services for the people of Wisconsin. I urge the Legislature to use this principle—"preserve the progress"—as a guide as it reviews and makes decisions on the 2001-03 DHFS biennial budget.

## Medical Assistance (MA)

Medical Assistance (MA), or Medicaid, is the largest program in DHFS and one of largest programs administered by state government. Medicaid provides health services to low-income families, individuals with disabilities, and elderly individuals who meet certain financial and non-financial criteria. Currently approximately 495,000 individuals participate in the MA program in Wisconsin. MA provides health services to a large number and broad range of individuals who otherwise would have their health needs unmet.

The Governor's budget fully funds the "MA Base Re-estimate," which is the ongoing cost of the Medicaid program in the next biennium, taking into account projected changes in caseloads, utilization of services, and the federal funding matching rate. While often perceived as a technical and mundane budget item, the MA Base Re-estimate is a very important component of the DHFS budget. It ensures there will be sufficient funding to continue to serve the projected number of participants in the Medicaid program and meet their expected medical needs.

In the Medicaid area, it is important to note what the Governor's budget does not do. Despite very tight state fiscal conditions, the Governor's budget does not make MA service coverage or eligibility more restrictive. Instead, the Governor's budget preserves the broad array of services in the Medicaid program for our state's neediest citizens.

The other feature of the Governor's Medicaid-related budget items I would like to highlight are the Medicaid Provider Rates. The Governor's budget includes proposed rate increases for almost all Medicaid providers. Provider participation is of course critical to ensuring availability of Medicaid services for clients.

## BadgerCare

I would like to turn now to BadgerCare, Wisconsin's health insurance program for uninsured low-income families. As you know, BadgerCare was launched in July 1999. It is a highly successful program, currently serving approximately 75,000 children and their parents. Almost 30,000 children have been found eligible for Medicaid as their families applied for BadgerCare. An additional 3,400 low-income teens, known as the "OBRA teens" are covered through accelerated eligibility into the MA program. In the absence of BadgerCare, these families would not have access to health insurance. BadgerCare is clearly filling a need that exists.

The Department appreciates the Legislature's strong support for BadgerCare, including its recent approval of additional funding to meet the projected costs of BadgerCare in the current fiscal year. The Governor's 2001-03 biennial budget fully funds BadgerCare at the Department's projected enrollment levels in FY02 and FY03. Legislative approval of this item will ensure that BadgerCare can operate smoothly in the coming biennium, without any expected curtailment or restriction of enrollment, and continue to provide health benefits to tens of thousands of Wisconsin children and their family members.

## Family Care

The other major health initiative the Department launched in this biennium is Family Care. Family Care is the Department's new long-term care initiative that creates a flexible new long-term care benefit covering a wide variety of services and supports, tailored to each individual's needs, circumstances, and preferences. Family Care Care Management Organization Pilots began in calendar year 2000 and 2001 in five counties: Fond du Lac, LaCrosse, Milwaukee (serving the elderly population only), Portage, and Richland . Currently approximately 2,700 individuals are enrolled in Family Care. Even within the relatively short period of time since becoming operational, Family Care is producing very positive and powerful results. Family Care is succeeding in providing individuals more choice, creating easier access to long-term care services, responding more quickly to individuals in need of long-term care, and tailoring living and care arrangements to each individual's interests and needs. Waiting lists for community-based programs have diminished or been eliminated in Family Care counties. The Family Care counties are successfully managing a risk-based capitated payment program. The Governor's biennial budget funds the projected costs in the current Family Care pilot counties.

## Milwaukee Child Welfare System

I would now like to highlight recent Department initiatives that strengthen children and families. Effective January 1, 1998, the Department assumed responsibility for the administration of child welfare services in Milwaukee County. The Department's primary responsibilities are to ensure the safety of the children of Milwaukee and to help ensure that children are in family settings that are permanent and nurturing.

Under state administration, significant progress has been made in improving the child protective services system in Milwaukee. In situations that are problematic, but do not warrant a child's removal from his or her home, services are provided to ensure that the child can remain safely in his home. This approach seeks to stabilize the family, preventing further deterioration. When the situation requires a child to be removed from his home, the average length of time the child spends in temporary out-of-home care has decreased compared to the pre-1998 system. Case workers develop an appropriate permanency plan for the child and arrange for the services needed to achieve it as quickly as possible. By redesigning the child welfare system into five community-based service sites and utilizing contracts with private agency partners, the service delivery system has become more manageable and accountable. While further improvements are needed and will be undertaken, the Milwaukee Child Welfare System has made significant strides forward since the state assumed responsibility in 1998.

The Governor's budget provides funding for the Milwaukee child protective services system based on a re-estimate of its needs. The state needs to continue to demonstrate good child welfare practice principles while concurrently addressing the impact of concerns raised in the lawsuit filed in 1993 by the American Civil Liberties Union which prompted the Department to assume responsibility for the Milwaukee County child welfare system. Failure to meet key programmatic operating standards, either because of insufficient resources or other reasons, could result in federal court supervision of the system and increased programmatic and administrative mandates.

### Special Needs Adoption Partnership

Another important and exciting initiative the Department recently launched to improve the lives of children in the child welfare and adoption systems is the Special Needs Adoption Partnership. This initiative, which began in FY01, enhances the state's capacity to address the projected increased special needs adoption caseload through service contracts with private adoption agencies and a redefined role for state staff for quality assurance activities.

This initiative is a model of public/private partnership. The state is contracting with the private sector for those activities for which the private sector has existing and proven expertise—providing high-quality, responsive services to children and families. The expertise of the state staff and resources are being utilized to increase work with county child welfare agencies to promote the timeliness of special needs adoptions and to assure the quality of special needs adoption services delivered by both the private agency partners and the state staff. The Special Needs Adoption initiative is also a "model" for improving outcomes for children. The initiative expedites adoptions of children with special needs so that children are placed as quickly as possible in permanent, safe, and caring home settings. The Governor's Special Needs Adoption Partnership budget item provides funding at a level sufficient to serve the projected increase in the number of children in need of a permanent home through adoption over the next biennium.

### Intergovernmental Transfer Program (IGT)

The final topic I would like to cover in my testimony is the Intergovernmental Transfer Program (IGT) proposal in the Governor's budget. The initiative to claim additional federal funding under the IGT program has been a cooperative undertaking of the Administration, the county and nursing home associations, and individual counties. I want to acknowledge the considerable amount of time and effort all parties have devoted to this initiative.

The IGT proposal in the Governor's budget enables the state to significantly increase its claim of federal funds over the next three state fiscal years. The Governor's budget proposes to use a portion of the projected IGT revenue to fund Medicaid rate increases for nursing homes and other providers. The remainder of the IGT revenue is placed in a newly created Trust Fund, to be used in future biennia to meet Medicaid costs, including the ongoing costs of the Medicaid rate increases adopted in this biennium. Because of the large amount of potential revenue involved and the important role this revenue plays in the Governor's budget, I am providing you a status report on the initiative.

All steps needed to be undertaken at the state level have been completed. Specifically, in early February, the Department submitted for federal approval a revision to its SFY01 Medicaid state plan submittal describing the new IGT approach. The financial transaction between the counties, state, and the county nursing homes, which is the basis for the submitting the claim for federal IGT funds, was completed on March 12.

The next step is the federal response to our state plan revision. The federal government must either approve or deny our state plan proposal by May 9. We are cautiously optimistic that the federal government will grant approval.

As a final comment on the IGT issue, I want to stress the importance of creating the Medicaid Trust Fund, as proposed in Governor's budget. Even under the most optimistic scenario, the amount of federal IGT funding that Wisconsin will be able to claim drops sharply in SFY04 due to federal regulatory changes that become effective. In the 2003-05 biennium and beyond, the amount of federal IGT funds that the state will be able to claim is less than the amount needed to meet the "cost-to-continue" in those biennia of the Medicaid items that are IGT-funded in the 2001-03 biennial budget. It is important to create the Trust Fund as the repository of the IGT funds and preserve a significant portion of the IGT claimed in the 2001-03 biennium in the Trust Fund to be used to meet Medicaid costs in the future.

### Conclusion

In conclusion, the Governor's biennial budget for DHFS "preserves the progress" made in recent years to enhance the quality of health and social services in the state. I urge you to give favorable consideration to the Governor's budget proposals for DHFS. Thank you. I would be happy to address any questions.

# Children's Trust Fund

Wisconsin's Resource For Preventing Child Abuse

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Child Abuse and Neglect Prevention Board  
A Wisconsin State Agency  
110 East Main Street, Suite 614, Madison, WI 53703  
(608) 266-6871 FAX (608) 266-3792

Testimony on Senate Bill 55  
To:  
Joint Committee on Finance

March 21, 2001

Good Morning/Afternoon, Mr. Co-Chairs, Senators, Representatives. My name is Nadine Schwab. I am the Executive Director of the Child Abuse and Neglect Prevention Board. It is the only state agency whose sole focus is the primary prevention of child abuse and neglect.

The Child Abuse and Neglect Prevention Board is comprised of sixteen members: eight are government officials and eight are public members appointed by the Governor for their expertise and interest in child abuse and neglect prevention issues.

This current fiscal year the Child Abuse and Neglect Prevention Board is administering approximately \$2.3 million in grants to organizations and agencies throughout the state that develop programs to strengthen families and emphasize primary prevention of child abuse and neglect. These grants support a broad spectrum of family support programs and support services.

We currently are funding seventeen comprehensive family resource centers, twenty-two community-based family resource and support programs and the Child Abuse and Neglect Prevention Board is the agency designated to administer thirty-five Wisconsin Fatherhood Initiative grants as well.

Joint Committee on Finance

Our revenue source is derived from sales of duplicate birth certificates, TANF dollars, federal matching funds from the Child Abuse Prevention and Treatment Act, Title II and we do accept private contributions and gifts as well.

Another key component of our work is the continued distribution of public information materials including brochures, videos, booklets and posters focusing on positive parenting techniques and child development.

I will conclude my remarks at this time and will be happy to answer any questions you may have.

Thank you.



**State of Wisconsin  
Department of Workforce Development**

**2001-03 Biennial Budget  
Presentation to the Joint Committee on Finance  
March 21, 2001**

**Secretary Jennifer Reinert**



## **DWD is...**

The Wisconsin Department of Workforce Development (DWD) is a state agency charged with building and strengthening Wisconsin's workforce in the 21st century and beyond.

The Department's primary responsibilities include providing job services, training and employment assistance to people looking for work, at the same time as it works with employers on finding the necessary workers to fill current job openings.

Under the DWD umbrella, a wide variety of employment programs can be found, including:

- Securing jobs for people with disabilities;
- Helping low income people gain self-sufficiency through work;
- Promoting job centers;
- Linking youth with jobs in high demand;
- Protecting and enforcing worker's rights;
- Processing unemployment claims; and
- Ensuring workers compensation claims are paid in accordance with the law.

## **MAJOR BUDGET INITIATIVES**

### **1) VOCATIONAL REHABILITATION**

To receive federal aid for vocational rehabilitation the state must provide 21.3% matching funding. The Governor's budget provides additional resources to fund increased case aids for client services in the Division of Vocational Rehabilitation, which in turn reduces the reliance on 3<sup>rd</sup> party agreements for matching federal funds.

The budget proposes:

- An additional \$500,000 GPR in the base budget approved by the Joint Committee on Finance at its December s. 13.10 meeting.
- An additional \$1 million GPR in funding each year to provide sufficient case aids to address the projected caseload for those clients with the most significant disabilities. (p. 725, #2)
- The increased funding will reduce the reliance on 3<sup>rd</sup> party contracts from over 20% of the state's match for federal funds to approximately 5%. (p. 725, #2)

## 2) WISCONSIN WORKS (W-2)

Wisconsin Works (W-2) and related programs are funded with federal Temporary Assistance for Needy Families (TANF) funding. The budget proposals focus on cost-to-continue funding for the department's core programs such as W-2 Agency Contracts, Child Care Subsidies and Workforce Attachment and Advancement.

The budget proposes:

- Creation of the Division of Workforce Solutions (p. 720, #9)
  - Combines the former Division of Economic Support and the Division of Workforce Excellence.
  - Intended to integrate workforce issues with economic issues and take W-2 to its next logical stage as a work program.
- Continues funding for the Workforce Attachment and Advancement Program at \$10,000,000 annually.
- Eases eligibility requirements for the Employment Skills Advancement Program and increases the maximum lifetime grant amount from \$500 to \$1,000. (p. 741, #18)

### 3) CHILD CARE

The child care subsidy program, Wisconsin Shares, serves all low-income working families who qualify, regardless of whether they have ever participated in W-2.

The budget proposes:

- An additional \$61,425,000 annually for child care subsidies. Total funding of \$242,475,000 annually. (p. 737, #10)
- Increasing funding by \$993,400 for programs designed to improve child care quality and availability. (p. 739, #12)
- An additional \$5,934,300 in pass-through funding for local child care programs. Requires DWD to award grants to local government and tribal governing bodies to fund programs to improve the quality of child care. (p. 739, #13)
- Continues funding for Early Childhood Excellence Centers at \$7,500,000 annually. There are currently 18 Centers funded throughout Wisconsin. (p. 734)

#### 4) CHILD SUPPORT

The 2001-03 biennial budget makes a number of recommendations to provide funding for continued base child support program operations. As child support collections for children increase with the use of new enforcement tools, program costs also increase. The first three proposals are critical to ensure adequate resources to maintain the current program, including:

- Increasing the CR&D (Centralized Receipt and Disbursement Fee) charged to non-custodial parents from \$25/year to \$35/year. (p. 754, #2)
- Allowing the department to use revenue from child support payments from "stale-dated checks" that cannot be distributed (checks for which no address is available.) (p. 757, #4)
- Restoring \$2 million GPR to the department's base budget to reflect funding previously transferred from the Joint Committee on Finance's supplemental appropriation. (p. 754, #1)
- Requiring DWD to study the one-time and ongoing costs and positions that would be required for the state to directly operate the CR&D system (Wisconsin Support Collections Trust Fund) rather than contracting with a private vendor. (p. 756, #3)

## 5) WORKER'S COMPENSATION

The Worker's Compensation Division continues to experience an increasing workload and demand for service. Addressing backlogs in the schedule of Worker's Compensation hearings is a high priority for both the department and the Worker's Compensation Advisory Council. The Governor's budget has provided additional resources in three areas:

- Providing \$212,400 PR in each year for information technology costs. The department is using IT services to archive previously litigated cases, improve access to records and responsiveness to insurance companies and employers. (p. 726, #5)
- An additional \$58,900 PR is provided each year to reduce the funding removed from the division's budget as part of the standard budget adjustment for turnover reduction. Administrative law judges have a very low turnover rate. Keeping these positions filled and funded is critical to addressing the workload associated with hearings. (p. 727, #7)
- Additional funding of \$85,400 PR in FY02 and \$113,800 PR in FY03 is also included to allow the department to convert two existing program assistant positions to two administrative law judge positions. (p. 727, #6)

The Worker's Compensation Advisory Council fully supported the department's original request, which exceeded the resources proposed under the Governor's recommendations.

## 6) EQUAL RIGHTS

There is currently no centralized record of child labor permits issued in Wisconsin. The Governor's budget includes funding through an increase in the child work permit fee to establish such an automated system. The fee (which is paid by the employer) would increase from the current \$5.00 to \$7.50, with the revenue to be distributed as follows (p. 726, #4):

- \$2.50 retained by the local permit office (current law);
- \$2.50 deposited into the state's general fund (current law)
- \$2.50 deposited into a new department PR appropriation to develop and maintain the automated permit system.

## 7) UNEMPLOYMENT INSURANCE

1997 Wisconsin Act 39 authorized a redesign of the Unemployment Insurance Tax and Wage Reporting system. To accomplish the redesign the budget proposes:

- 13.0 FTE two-year project positions, funded by federal revenues reallocated by the department, to assist in completing the project. (p. 728, #9)

In addition, the Governor has recommended:

- 2.0 FTE program revenue positions for the Public Assistance Collection Unit. These positions will more efficiently and effectively meet permanent workload increases previously handled by limited term employees. These positions will also implement the department's new levy and lien program. (p.748, #43)