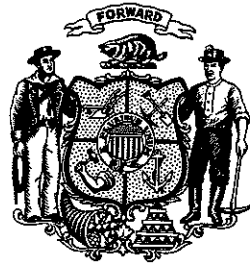


2005-07 WISCONSIN STATE BUDGET

Comparative Summary of Budget Provisions

Enacted as 2005 Act 25

Volume I



**Legislative Fiscal Bureau
October, 2005**

2005-07 WISCONSIN STATE BUDGET

Comparative Summary of Budget Provisions

Enacted as 2005 Act 25

Volume I

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INTRODUCTION

This two-volume document, prepared by Wisconsin's Legislative Fiscal Bureau, is the final edition of the cumulative summary of executive and legislative action on the 2005-07 Wisconsin state biennial budget. The budget was enacted into law as 2005 Wisconsin Act 25 on July 25, 2005. This document describes each of the provisions of Act 25 (hereafter referred to as "the budget"), including all fiscal and policy modifications recommended by the Governor, Joint Committee on Finance and Legislature.

The document is organized into five basic sections, the first of which contains a Table of Contents, History of the 2005-07 Budget, Brief Chronology of the 2005-07 Budget, Key to Abbreviations, User's Guide, and a listing of the 2005-07 Biennial Budget Issue Papers prepared by the Legislative Fiscal Bureau.

This is followed by an "overview" section which provides a series of summary tables and charts which display 2005-07 revenues, appropriations, and authorized position levels. Information is presented for all fund sources, the general fund, transportation fund, and the state's lottery program.

The next section contains budget and policy summaries for each state agency and program. The agencies appear in alphabetical order. For each agency, comparative tables are presented which depict funding and authorized position levels. This is followed by a narrative description and fiscal effect, if any, of each budget change item. In this section, the author of each change is identified. Volume I contains the sections identified above and the summaries of the Department of Administration (beginning on page 61) through the Department of Health and Family Services. Volume II begins with the Higher Educational Aids Board on page 511.

The fourth section of the document lists the various reports and studies which are required in 2005 Act 25. This begins on page 939 of Volume II.

The final section provides a description of the non-fiscal, policy items contained within the Governor's original budget recommendations. These items were not considered as a part of budget deliberations by the Legislature. A description of each of these items is shown in this section which begins on page 943, Volume II.

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HISTORY OF THE 2005-07 BIENNIAL BUDGET

This section provides a narrative history of the 2005-07 biennial budget. Although the formal legislative history of the biennial state budget commenced with the introduction of a bill comprising the Governor's budget recommendations, the actual process of assembling the budget began several months prior to its introduction. This history starts at that point.

On May 27, 2004, the Department of Administration released the Governor's major budget policies and technical budget instructions for each state agency to follow in preparing their 2005-07 biennial budget requests. Included in these policy directives were instructions that state agencies prepare their 2005-07 biennial budget assuming zero growth in overall state general purpose revenue (GPR) appropriations, except for K-12 equalization aids, required cost-to-continue needs for the state's institutions (in the Department of Corrections and the Department of Health and Family Services), entitlement and related assistance programs in the Department of Health and Family Services and in the Department of Workforce Development's Division of Vocational Rehabilitation, standard budget adjustments, fuel and utilities, and debt service. This directive also applied to segregated (SEG) funded administrative operations appropriations of the Department of Transportation, Department of Natural Resources, and the lottery. For other types of appropriations and funding sources, the directive instructed that funding requests should be limited to revenue availability and prioritized programmatic needs.

Beginning in the 2003-05 biennium, one-third of all state agencies are required by statute to complete a base budget review. On August 18, 2004, the Department of Administration released the list of agencies that were selected to complete a base budget review as part of the 2005-07 biennial budget process. These agencies were:

- Arts Board;
- Building Commission;
- Child Abuse and Neglect Prevention Board;
- Circuit Courts;
- Court of Appeals;
- Ethics Board;
- Department of Health and Family Services;
- Higher Educational Aids Board;
- Office of the Commissioner of Insurance;
- Judicial Commission;
- Medical College of Wisconsin;
- Office of the Secretary of State;
- Supreme Court;

- Department of Transportation;
- University of Wisconsin Hospitals and Clinics Board;
- University of Wisconsin System;

Agencies were instructed to submit their formal budget to the Division of Executive Budget and Finance and the Legislative Fiscal Bureau by September 15, 2004. The Division of Executive Budget and Finance began reviewing agency funding requests as they were submitted. On November 20, 2004, as required by statute, the Division distributed to Governor James E. Doyle, Jr., and the Legislature, a compilation of state agencies' 2005-07 biennial budget requests. This summary indicated that agencies were seeking total 2005-07 funding of \$52.77 billion (all funds), of which \$25.91 billion was requested from general purpose revenue. Also included in the summary was the statutorily required estimate of tax revenues for fiscal year 2004-05 and the 2005-07 biennium, as developed by the Department of Revenue. Total general fund tax collections for the 2005-07 biennium were projected at \$24.2 billion.

Every January, the Legislative Fiscal Bureau prepares general fund expenditure and revenue projections for the Legislature as it begins to consider the state's budget and other legislation. Based on updated tax collection data and other information, on January 25, 2005, the Bureau estimated that the state's general fund would realize a total of \$3.9 million less in the period from 2004-05 through 2006-07 than was reflected in the report from the Departments of Administration and Revenue. On May 16, 2005, the Fiscal Bureau revised its general fund tax estimates and identified other items that would potentially affect the general fund.

The Governor, with the assistance of the Department of Administration, continued to review agency funding and policy change requests during this time to develop specific gubernatorial budget recommendations for each agency for submittal to the 2005 Legislature. Also during this period, the Governor made decisions on individual funding and policy initiatives to be included in the biennial budget bill.

By statute, the Governor is required to submit the budget message and the executive budget bill (or bills) to the Legislature on or before the last Tuesday in January of each odd-numbered year. However, under 2005 Senate Joint Resolution 1, adopted by the Senate on January 03, 2005, and concurred in by the Assembly on the same day, this deadline for the submission of the Governor's budget message and the executive budget bill (or bills) was extended, at the request of the Governor, to February 8, 2005. Governor Doyle officially delivered his 2005-07 biennial budget message and recommendations to a joint convention of the Legislature on February 8, 2005.

On February 9, 2005, the Joint Committee on Finance, at the request of the Governor, introduced the biennial budget bill in the Assembly. The bill, formally introduced as Assembly Bill 100 (AB 100) was read for the first time and referred to the Joint Committee

on Finance for further consideration. The recommendations of the State Building Commission constituting the capital budget and the state building programs were submitted to the Joint Committee on Finance on April 4. These recommendations were taken up by the Joint Committee on Finance as modifications to the budget bill.

On February 9, 2005, AB 100 was read for the first time and referred to the Joint Survey Committee on Tax Exemptions. On June 17, the Joint Survey Committee submitted to the Legislature a report addressing five provisions in AB 100 that affect existing statutes or create new statutes relating to the exemption of property or persons from state or local taxes. The five provisions included: (a) updates to the internal revenue code; (b) an increase of the individual income tax deduction for college tuition; (c) a sale tax on retailers regardless of whether the sale is mercantile in nature, and an increase of the occasional sale thresholds; (d) a sales and use tax on electronic versions of certain personal property; and (e) changes to various state sales and use tax statutes to conform with the terms of the multi-state streamlined sales and use tax agreement. The Joint Survey Committee found that, while there were no questions of legality involved in the five provisions, public policy was questionable concerning tax exemptions under both the Governor's recommendations and the substitute amendment recommended by the Joint Committee on Finance.

The Joint Committee on Finance held five public hearings on the biennial budget bill to solicit public testimony on the proposals. Public hearings were held in Watertown on March 9, Cleveland on March 11, Menomonie on March 14, Merrill on March 15, and Madison on March 17. Senator Lena Taylor (D-Milwaukee) and Representative Pedro Colón (D-Milwaukee), members of the Joint Committee on Finance, held a public hearing on the budget bill in Milwaukee on March 21. Additionally, Representative Dean Kaufert (R-Neenah), the Assembly Chair of the Committee, held a listening session on the budget bill in Menasha on April 11.

The Joint Committee on Finance also held agency informational briefings on the biennial budget bill on March 17, 29, 30, and April 6. During these briefings, agency representatives testified before the Committee on the executive budget recommendations affecting their respective agencies. The agencies selected to appear before the Committee included: Office of the State Treasurer, Higher Educational Aids Board, Office of the Commissioner of Railroads, Supreme Court, University of Wisconsin System, Department of Public Instruction, Department of Workforce Development, Department of Revenue, Department of Agriculture, Trade and Consumer Protection, Wisconsin Housing and Economic Development Authority, Department of Health and Family Services, Department of Commerce, Department of Natural Resources, Department of Transportation, Department of Administration, Department of Justice, Department of Corrections, and the Office of the Commissioner of Insurance. While the Joint Committee on Finance was conducting its informational briefings and public hearings, many of the committees in each house of the Legislature also held hearings on those aspects of the executive budget bill that fell under their subject matter jurisdiction.

On April 12, 2005, Senator Scott Fitzgerald (R-Juneau), the Senate Chair of the Joint Committee on Finance, and Representative Dean Kaufert (R-Neenah), the Assembly Chair of the Joint Committee on Finance, issued a memorandum identifying a total of 21 non-fiscal policy items in AB 100 that would not be addressed as part of the Joint Committee on Finance's budget deliberations. These provisions were deleted from the biennial budget bill.

The Joint Committee on Finance held a total of 17 executive sessions on the biennial budget bill. The first executive session was held on April 19, and the last was held on June 9. At the Committee's final executive session (June 9), the Committee adopted a substitute amendment (ASA 1 to AB 100) incorporating all of its previous actions modifying the biennial budget and recommended passage of the substitute amendment on a vote of 11 to 5. The Committee's version of the budget bill, ASA 1 to AB 100, was formally reported to the Assembly on June 17.

On June 15, the Legislative Fiscal Bureau conducted briefings before the Assembly Republican Caucus and before the Assembly Democratic Caucus on the major provisions of the substitute amendment. The Fiscal Bureau subsequently conducted briefings before the Senate Republican Caucus on June 16 and before the Senate Democratic Caucus on June 22.

The Assembly began consideration of the 2005-07 state budget on June 21, 2005. During the Assembly's deliberations, 54 amendments to ASA 1 were offered. Two Assembly amendments to ASA 1 were adopted – AA 32 and AA 40. The Assembly substitute amendment (ASA 1), as amended, was adopted, and the bill, as amended, was passed on a vote of 56-40. The bill was ordered immediately messaged to the Senate.

The Senate began consideration of the 2005-07 state budget on June 30, 2005. A total of 51 amendments to AB 100, as amended by the Assembly, were offered. Senate amendments 19, 29, and 50 to AB 100 were adopted. The Senate then voted concurrence 17-16. The bill was then sent to the Assembly for concurrence. The Assembly received the bill, as amended by the Senate, on July 5. On July 5, the Assembly concurred in the Senate amendment.

Enrolled AB 100 was presented to the Governor on July 20, 2005. He approved the bill, in part, on July 25 and had it deposited to the Office of the Secretary of State as 2005 Wisconsin Act 25. The Governor indicated in his message to the Senate that he had exercised his authority to make 139 partial vetoes to the bill, as passed by the Legislature. Act 25 was published on July 26, and except as otherwise specifically provided, became effective the following day.

On September 20, the Assembly convened to vote on overriding the Governor's partial veto related to the nursing home rate increase. The override passed notwithstanding

objections of the Governor on a vote of 64 to 32, and was messaged to the Senate for concurrence. On September 27, the override failed in the Senate on a vote of 20 to 13. On September 27, the Assembly convened to vote on overriding six of the Governor's partial vetoes that related to the adoption expenses credit, health saving accounts, pharmacy reimbursement rates for brand name prescription drugs, pharmacy reimbursement rates for dispensing fees, outpatient hospital reimbursement rates, and bariatric surgery prohibition. Those override attempts failed, and the Legislature did not act on any other of the Governor's partial vetoes. Therefore, none of the Governor's partial vetoes were overturned by the Legislature.

BRIEF CHRONOLOGY OF THE 2005-07 BUDGET

GOVERNOR/ADMINISTRATION

- May 27, 2004 Department of Administration issued major budget policies and technical budget instructions
- August 18 Department of Administration released list of agencies subject to base budget review
- September 15 Agency deadline for submission of budget requests
- November 20 Executive Budget Office submitted a compilation of agency budget requests and a Department of Revenue estimate of tax revenues
- February 8, 2005 Governor Doyle delivered budget message and recommendations to the Legislature
- April 4 Recommendations of the State Building Commission for the capital budget and state building program submitted to the Joint Committee on Finance

JOINT COMMITTEE ON FINANCE

- January 25 Legislative Fiscal Bureau releases general fund expenditure and revenue projections
- February 9 Introduced the executive budget bill as 2005 Assembly Bill 100
- March 9-April 11 Public hearings and listening session
- March 29-April 6 Budget bill briefings by agency officials
- April 4 Received recommendations of the State Building Commission for the capital budget and authorized state building program
- April 12 Nonfiscal items removed from budget bill
- April 19-June 9 Executive sessions
- June 9 Adopted Assembly Substitute Amendment 1 (ASA 1) to AB 100 and recommended the bill for passage on a 11-5 vote
- June 21 ASA 1 to AB 100, as recommended by the Joint Committee on Finance, reported to the Assembly

LEGISLATURE

- June 15 Briefing for the Assembly Republican Caucus and the Assembly Democratic Caucus on ASA 1 to AB 100
- June 16 Briefing for the Senate Republican Caucus
- June 21 Assembly adopted Assembly Substitute Amendment 1 and the bill as amended on a vote of 56-40
- June 22 Briefing for the Senate Democratic Caucus

- June 19 AB 100, as amended, received by Senate; Senate adopted Senate Amendments 19, 29, and 50 and concurred in AB 100, as amended, on a vote of 17-16
- July 5 Assembly received concurred bill from Senate and voted concurrence

ENACTMENT

- July 20 Enrolled AB 100 presented to Governor
- July 25 Governor approved bill, with partial vetoes, as 2005 Wisconsin Act 25
- July 26 Act 25 published
- July 27 Act 25 became generally effective

KEY TO ABBREVIATIONS

REVENUES

BR	Bond revenues which are available from the contracting of public debt (general obligation bonding) or from the contracting of debt which is to be repaid from project revenues and does not constitute debt of the state (revenue bonding).
GPR-Earned	Departmental revenues which are collected by individual state agencies and deposited in the general fund.
REV	Revenue

APPROPRIATIONS

GPR	Appropriations financed from general purpose revenues available in the state's general fund.
FED	Appropriations financed from federal revenues.
PR	Appropriations financed from program revenues, such as user fees or product sales.
PR-S	Program Revenue-Service. Appropriations financed from funds transferred between or within state agencies for the purpose of reimbursement for services or materials.
SEG	Appropriations financed from segregated revenues.
SEG-Local	Appropriations financed from local revenues which are administered through a state segregated fund.
SEG-S	Segregated Revenue-Service. Segregated appropriations financed from funds transferred between or within state agencies for the purpose of reimbursement for services or materials.

OTHER

2003 Wisconsin Act 33	The 2003-05 biennial budget act.
AB 100	2005 Assembly Bill 100, the Governor's 2005-07 budget recommendations.
ASA 1 to AB 100	Assembly Substitute Amendment 1 to Assembly Bill 100, the 2005-07 budget recommendations of the Joint Committee on Finance.
CY	Calendar year.
FY	Fiscal year.
FTE	Full-time equivalent position.
LTE	Limited-term employment position for which employment is limited to 1,044 hours per appointment in a 12-month period.
2004-05 Base	The 2004-05 authorized funding level for an agency or program. It is this base that serves as the beginning point for calculating budget changes for 2005-07.
2004-05 Base Year Doubled	The 2004-05 base multiplied by two. This produces the biennial base level against which 2005-07 budget levels may be compared.
Lapse	Budgeted amounts that are unspent at the end of a fiscal period which revert back to the fund from which they were appropriated.

USER'S GUIDE

The following explanation of entries is keyed to the accompany sample entry (page 11).

- ① The funding source for the amounts shown in columns 2 through 4. Only the funding sources which are included in the agency's budget are shown.
- ② The 2004-05 base represents authorized appropriation and position levels for 2004-05. The base is doubled in the budget column to provide a two-year to two-year comparison.
- ③ Appropriation and position levels recommended by the Governor, Joint Committee on Finance, Legislature, and as authorized by 2005 Wisconsin Act 25 (includes the impact of any gubernatorial vetoes).
- ④ These columns indicate the change of the budget level contained in 2005 Wisconsin Act 25 to the 2004-05 base year doubled. For positions, the increase or decrease is based on the 2006-07 authorized level compared to the 2004-05 level.
- ⑤ This uniform entry, "Standard Budget Adjustments," includes such things as full funding of continuing positions, turnover reductions, and removal of one-time items. The box highlights the funding and position change to the agency's base as a result of the item. For every item which has a fiscal and/or position change, a box with that information will be presented.
- ⑥ Title of the budget change item. Immediately following the title, if applicable, "[]" shows the number of the Legislative Fiscal Bureau issue paper prepared on this item. In this example, paper [104] pertains to membership dues. A complete listing of all Fiscal Bureau issue papers begins on page 12 of this document.
- ⑦ Funding and position change to the agency's base budget. If the entry is entitled, "GOVERNOR/LEGISLATURE," the recommendations proposed by the Governor were adopted by the Joint Committee on Finance and the Legislature. For those budget items where the recommendations of the Governor, Joint Finance Committee or Legislature differ, the fiscal and position effect shown at each step is the change to the previous recommendation.
- ⑧ Narrative description of the various budget change items, for each entry, as recommended by the Governor, Joint Committee on Finance and Legislature.
- ⑨ Narrative description of partial vetoes by the Governor. At the beginning of the veto entry in the "[]" is the number (in this example A-17) of the veto from the Governor's veto message (July 25, 2005).
- ⑩ Bill sections relating to the budget change item. "Act 25 Sections" lists the sections which remain in the act. "Act 25 Vetoes Sections" lists those sections which were partially or entirely vetoed.

UNIVERSITY OF WISCONSIN SYSTEM

Budget Summary							
①	②	③	③	③	③	④	
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled Amount	Percent
GPR	\$1,953,162,000	\$2,002,818,300	\$1,966,296,800	\$1,930,890,800	\$1,930,780,800	-\$22,381,200	- 1.1%
FED	1,788,664,000	1,794,222,800	1,792,800,800	1,792,800,800	1,792,800,800	4,136,800	0.2
PR	3,854,265,400	4,156,862,700	4,156,732,800	4,156,732,800	4,156,732,800	302,467,400	7.8
SEG	<u>47,915,400</u>	<u>47,915,400</u>	<u>48,071,400</u>	<u>48,071,400</u>	<u>48,071,400</u>	<u>156,000</u>	0.3
TOTAL	\$7,644,006,800	\$8,001,819,200	\$7,963,901,800	\$7,928,495,800	\$7,928,385,800	\$284,379,000	3.7%

FTE Position Summary						
①	②	③	③	③	③	④
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	18,327.63	18,253.58	17,987.16	17,987.16	17,987.16	- 340.47
FED	4,863.55	4,888.10	4,878.10	4,878.10	4,878.10	14.55
PR	7,392.52	7,385.52	7,388.52	7,388.52	7,388.52	- 4.00
SEG	<u>101.60</u>	<u>101.60</u>	<u>102.60</u>	<u>102.60</u>	<u>102.60</u>	<u>1.00</u>
TOTAL	30,685.30	30,628.80	30,356.38	30,356.38	30,356.38	- 328.92

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

⑤ **Governor/Legislature:** Adjust the base budget for: (a) removal of noncontinuing items including auxiliary enterprise funding for the Lawton minority undergraduate...

2. MIDWEST HIGHER EDUCATION COMPACT (MHEC) DUES [LFB Paper 104] ⑥

⑦	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR	\$80,000	-\$80,000	\$0

⑧ **Joint Finance/Legislature:** Provide \$40,000 annually to the UW System's largest general program operation appropriation for membership dues payment to MHEC and require the UW System Board to make full annual payments of membership dues to MHEC. The total annual cost for membership dues is estimated at \$82,500 annually.

⑨ **Veto by Governor [A-17]:** Reduce funding by \$40,000 GPR annually and request in the veto message that the UW System Board of Regents pay these dues from the UW System administration appropriation.

⑩ [Act 25 Section: 695v]

[Act 25 Vetoed Section: 140 (as it relates to s. 20.285(1)(a))]

LEGISLATIVE FISCAL BUREAU

2005-07 Budget Papers

Paper

Administration -- General Agency Provisions

- 100 Transfer from the Public Benefits Fund
- 101 District Attorney Information Technology
- 102 Land Information Board and Wisconsin Land Council Sunsets
- 103 Waste Facility Siting Board Modifications
- 104 Authority to Reduce or Eliminate Certain Memberships, Dues, and Related Expenditures
- 105 Elimination of the Low-Income Home Energy Assistance Program Crisis Assistance Allocation Maximum
- 106 Health Care Quality and Patient Safety Board
- 107 Division of Enterprise Technology Expenditure Reestimates

Administration -- Transfers to the Department

- 110 Consolidation of Attorneys and Legal Staff Under DOA
- 111 Consolidation of Information Technology Server and Network Support
- 112 Consolidation of State Procurement, Human Resources, and Payroll Services
- 113 Lapse or Transfer of State Operations Appropriation Balances to the General Fund
- 114 Minor Policy and Technical Changes -- Consolidation of Information Technology Help Desk Services for the Department of Health and Family Services

Administration -- Office of Justice Assistance

- 120 Transfer of Grant Programs to the Office of Justice Assistance
- 121 Civil Legal Services for the Indigent
- 122 Federal Byrne and Penalty Surcharge Funding

Administration -- Division of Gaming

- 125 Overview of Tribal Gaming Revenue Allocations

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Agriculture, Trade and Consumer Protection

- 140 Transfer Consumer Protection Functions
- 141 Grain Inspection Program
- 142 Fruit and Vegetable Inspection Program
- 143 Bio-Industry Grant Program
- 144 Rural Business Enterprise Loans
- 145 Sector Specialist Positions
- 146 Agrichemical Management Fund
- 147 Program Revenue Lapse
- 148 Livestock Premises Identification
- 149 Dane County Exposition Center Grant
- 150 Animal Disease Indemnification Costs
- 151 Do Not Call List Revenues
- 152 Nonpoint Account Appropriations

Arts Board

- 155 American Indian Arts Development and Tribal Gaming Revenue

Board of Commissioners of Public Lands

- 165 Authorization to Purchase Land
- 166 Delegation of BCPL Investment Authority to SWIB

Board on Aging and Long-Term Care

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ALL FUNDS BUDGET AND POSITION SUMMARIES

TABLE 1**Summary of 2005-07 Appropriations and Authorizations**

<u>Fund Source</u>	<u>2005-06</u>	<u>2006-07</u>	<u>Total</u>	<u>% of Total</u>
General Purpose Revenue (GPR)	\$12,771,230,100	\$13,354,535,300	\$26,125,765,400	48.2%
Appropriations	12,681,176,000	13,176,232,500	25,857,408,500	
Compensation Reserves	90,054,100	178,302,800	268,356,900	
Federal Revenue (FED)	6,696,969,800	6,825,900,000	13,522,869,800	24.9
Appropriations	6,666,435,700	6,765,443,900	13,431,879,600	
Compensation Reserves	30,534,100	60,456,100	90,990,200	
Program Revenue (PR)	3,743,400,500	3,907,301,900	7,650,702,400	14.1
Appropriations	3,652,367,300	3,727,060,500	7,379,427,800	
Compensation Reserves	91,033,200	180,241,400	271,274,600	
Segregated Revenue (SEG)	2,741,508,800	2,692,707,400	5,434,216,200	10.0
Appropriations	2,725,433,400	2,660,878,900	5,386,312,300	
Compensation Reserves	<u>16,075,400</u>	<u>31,828,500</u>	<u>47,903,900</u>	
Subtotal	\$25,953,109,200	\$26,780,444,600	\$52,733,553,800	97.2%
Appropriations	25,725,412,400	26,329,615,800	52,055,028,200	
Compensation Reserves	227,696,800	450,828,800	678,525,600	
Bond Revenue			\$1,535,263,300	2.8
General Obligation Bonding			1,306,469,300	
Revenue Bonding			<u>228,794,000</u>	
TOTAL			\$54,268,817,100	100.0%

TABLE 2

2005-07 Comparative Summary of Appropriations and Authorizations

<u>Fund Source</u>	<u>Governor</u>	<u>Jt. Finance</u>	<u>Assembly</u>	<u>Senate/Legislature</u>	<u>Act 25</u>
General Purpose Revenue	\$25,989,647,600	\$26,077,970,200	\$26,078,474,200	\$25,820,011,900	\$26,125,765,400
Federal Revenue	13,467,201,700	13,566,197,700	13,567,172,900	13,567,172,900	13,522,869,800
Program Revenue	7,709,343,400	7,719,928,000	7,719,928,000	7,719,928,000	7,650,702,400
Segregated Revenue	<u>6,106,952,700</u>	<u>5,552,636,500</u>	<u>5,552,636,500</u>	<u>5,820,694,600</u>	<u>5,434,216,200</u>
Subtotal	\$53,273,145,400	\$52,916,732,400	\$52,918,211,600	\$52,927,807,400	\$52,733,553,800
Bonding					
General Obligation	\$1,522,817,600	\$1,290,769,300	\$1,290,769,300	\$1,290,769,300	\$1,306,469,300
Revenue	<u>550,534,000</u>	<u>179,718,000</u>	<u>179,718,000</u>	<u>179,718,000</u>	<u>228,794,000</u>
Subtotal	\$2,073,351,600*	\$1,470,487,300	\$1,470,487,300	\$1,470,487,300	\$1,535,263,300
TOTAL	\$55,346,497,000	\$54,387,219,700	\$54,388,698,900	\$54,398,294,700	\$54,268,817,100

*Includes Building Commission's recommendations.

TABLE 3

Summary of Total All Funds Appropriations by Agency

Agency	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Assembly	2005-07 Senate/Leg.	2005-07 Act 25	2005-07 Act 25	
							Change Over Base Amount	Percent
Administration	\$1,085,727,400	\$1,567,103,900	\$1,495,099,900	\$1,495,099,900	\$1,494,632,300	\$1,493,343,500	\$407,616,100	37.5%
Agriculture, Trade and Consumer Protection	155,337,200	148,367,600	153,642,800	153,642,800	152,804,500	152,804,500	-2,532,700	-1.6
Arts Board	6,973,400	7,124,400	7,124,400	7,124,400	7,109,500	7,109,500	136,100	2.0
Board of Commissioners of Public Lands	2,970,200	2,876,800	2,876,800	2,876,800	2,876,800	2,876,800	-93,400	-3.1
Board on Aging and Long-Term Care	3,549,800	3,885,200	3,885,200	3,885,200	3,845,100	3,845,100	295,300	8.3
Building Commission	27,146,600	64,355,800	51,320,700	51,320,700	51,320,700	51,320,700	24,174,100	89.1
Child Abuse and Neglect Prevention Board	5,479,200	6,816,500	5,989,800	5,989,800	5,989,800	5,100,700	-378,500	-6.9
Circuit Courts	158,676,600	163,078,900	162,389,200	162,389,200	159,753,700	159,753,700	1,077,100	0.7
Commerce	454,637,800	460,262,700	405,791,300	405,791,300	405,495,000	405,495,000	-49,142,800	-10.8
Compensation Reserves		678,525,600	678,525,600	678,525,600	678,525,600	678,525,600	678,525,600	N.A.
Corrections	2,077,661,600	2,131,558,100	2,094,759,000	2,094,759,000	2,062,672,600	2,062,672,600	-14,989,000	-0.7
Court of Appeals	16,760,400	17,048,600	17,048,600	17,048,600	16,653,800	16,653,800	-106,600	-0.6
District Attorneys	81,926,200	82,140,900	82,238,900	82,238,900	80,416,200	80,416,200	-1,510,000	-1.8
Educational Communications Board	34,588,800	34,971,600	34,986,700	34,986,700	34,781,800	34,781,800	193,000	0.6
Elections Board	3,384,400	3,782,700	3,217,900	3,217,900	3,174,900	3,174,900	-209,500	-6.2
Employee Trust Funds	45,426,200	44,305,000	44,627,800	44,627,800	44,627,800	44,627,800	-798,400	-1.8
Employment Relations Commission	5,463,800	6,258,600	5,783,000	5,783,000	5,673,800	5,673,800	210,000	3.8
Environmental Improvement Fund	88,072,400	100,080,000	97,575,800	97,575,800	97,575,800	97,575,800	9,503,400	10.8
Ethics Board	1,258,400	1,386,000	1,351,600	1,351,600	1,338,700	1,338,700	80,300	6.4
Financial Institutions	31,617,800	31,958,500	32,124,100	32,124,100	32,124,100	32,124,100	506,300	1.6
Fox River Navigational System Authority	61,400	61,400	61,400	61,400	61,400	61,400	0	0.0
Governor	7,767,600	7,560,600	7,560,600	7,560,600	7,386,700	7,386,700	-380,900	-4.9
Health and Family Services	12,729,420,800	13,436,181,400	13,251,431,900	13,251,431,900	13,241,588,100	13,163,750,600	434,329,800	3.4
Higher Educational Aids Board	179,090,000	205,109,400	198,873,100	198,873,100	198,832,500	206,832,500	27,742,500	15.5
Historical Society	37,913,000	37,810,900	37,933,300	37,933,300	37,486,500	37,486,500	-426,500	-1.1
Insurance	208,610,600	210,985,200	275,756,900	275,756,900	275,756,900	211,292,300	2,681,700	1.3
Investment Board	38,780,600	38,780,600	39,743,100	39,743,100	39,743,100	39,743,100	962,500	2.5
Judicial Commission	441,600	476,200	476,200	476,200	465,100	465,100	23,500	5.3
Justice	154,301,400	158,989,100	161,476,800	161,476,800	160,047,800	159,147,800	4,846,400	3.1
Legislature	128,093,200	130,279,500	130,279,500	130,279,500	127,344,900	127,344,900	-748,300	-0.6

TABLE 3 (continued)

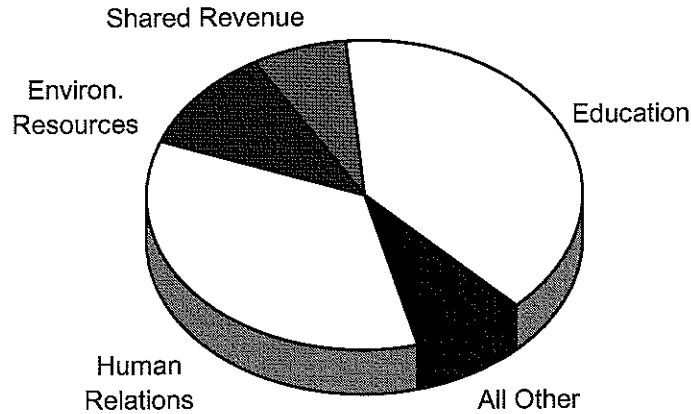
Summary of Total All Funds Appropriations by Agency

Agency	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Assembly	2005-07 Senate/Leg.	2005-07 Act 25	2005-07 Act 25	
							Change Over Base Amount	Percent
Lieutenant Governor	\$709,200	\$781,800	\$781,800	\$781,800	\$763,700	\$763,700	\$54,500	7.7%
Lower-WI State Riverway Board	311,400	332,800	332,800	332,800	332,800	332,800	21,400	6.9
Medical College of Wisconsin	12,670,800	14,601,000	13,884,500	13,884,500	13,884,500	13,884,500	1,213,700	9.6
Military Affairs	117,314,400	146,041,900	143,538,500	143,538,500	143,234,600	143,234,600	25,920,200	22.1
Miscellaneous Appropriations	265,177,800	242,299,500	532,244,500	532,244,500	532,244,500	264,186,400	-991,400	-0.4
Natural Resources	984,740,400	1,028,153,200	1,021,368,300	1,021,368,300	1,019,912,100	1,017,101,100	32,360,700	3.3
Office of State Employment Relations	12,382,800	11,828,400	11,588,400	11,588,400	11,370,400	11,370,400	-1,012,400	-8.2
Program Supplements	17,654,000	13,940,200	40,602,100	40,602,100	136,602,100	132,399,500	114,745,500	650.0
Public Defender	152,965,800	149,966,000	149,966,000	149,966,000	146,554,100	146,554,100	-6,411,700	-4.2
Public Instruction	11,182,753,800	12,110,690,300	11,723,255,100	11,723,408,100	11,722,255,200	12,061,055,000	878,301,200	7.9
Public Service Commission	52,977,000	51,283,700	51,283,700	51,283,700	51,283,700	51,283,700	-1,693,300	-3.2
Regulation and Licensing	23,451,600	22,276,700	22,095,700	22,095,700	22,095,700	22,095,700	-1,355,900	-5.8
Revenue	333,512,600	324,076,100	323,787,100	323,787,100	320,024,900	320,024,900	-13,487,700	-4.0
Secretary of State	1,359,200	1,552,400	1,550,600	1,550,600	1,550,600	1,550,600	191,400	14.1
Shared Revenue and Tax Relief	3,671,174,800	3,634,869,900	3,660,932,400	3,660,932,400	3,675,532,400	3,669,532,400	-1,642,400	0.0
State Fair Park Board	37,544,800	48,413,800	43,105,500	43,105,500	43,105,500	43,105,500	5,560,700	14.8
State Treasurer	4,262,600	18,322,900	9,326,800	9,326,800	9,326,800	9,326,800	5,064,200	118.8
Supreme Court	50,392,600	51,701,600	51,701,600	51,701,600	51,131,400	51,131,400	738,800	1.5
Tourism	27,824,600	30,925,200	31,055,200	31,055,200	30,898,600	30,898,600	3,074,000	11.0
Transportation	4,269,889,200	4,640,389,300	4,713,761,400	4,713,761,400	4,713,761,400	4,599,469,700	329,580,500	7.7
University of Wisconsin System	7,644,006,800	8,001,819,200	7,963,901,800	7,963,901,800	7,928,495,800	7,928,385,800	284,379,000	3.7
UW Hospitals and Clinics Board	207,334,800	226,990,100	226,990,100	226,990,100	226,990,100	226,990,100	19,655,300	9.5
Veterans Affairs	349,288,200	244,383,700	248,608,700	248,959,700	248,944,600	248,744,600	-100,543,600	-28.8
Wisconsin Technical College System	356,159,200	362,674,600	362,959,200	362,959,200	362,807,100	362,807,100	6,647,900	1.9
Workforce Development	2,182,629,400	2,112,709,400	2,084,158,700	2,085,133,900	2,084,599,300	2,084,599,300	-98,030,100	-4.5
TOTAL	\$49,729,626,200	\$53,273,145,400	\$52,916,732,400	\$52,918,211,600	\$52,927,807,400	\$52,733,553,800	\$3,003,927,600	6.0%
Bond Revenue		2,073,351,600*	1,470,487,300	1,470,487,300	1,470,487,300	1,535,263,300		
	\$55,346,497,000	\$54,387,219,700	\$54,388,698,900	\$54,398,294,700	\$54,268,817,100			

*Includes Building commission's recommendations.

FIGURE 1

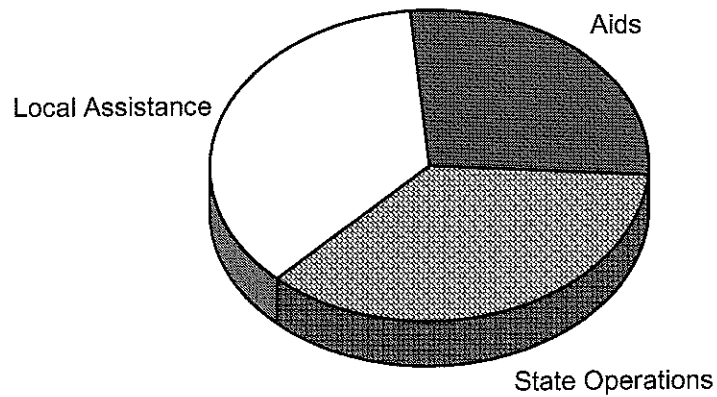
**2005-07 All Funds Appropriations
By Functional Area**



<u>Functional Area</u>	<u>Amount</u>	<u>Percent of Total</u>
Education	\$20,652,342,700	39.2%
Human Relations and Resources	18,184,175,400	34.5
Environmental Resources	5,745,439,400	10.9
Shared Revenue and Tax Relief	3,669,532,400	7.0
All Other		
General Executive	2,082,082,000	4.0
Commerce	918,200,800	1.7
Compensation Reserves	678,525,600	1.3
General Appropriations	447,906,600	0.8
Judicial	228,004,000	0.4
Legislative	<u>127,344,900</u>	<u>0.2</u>
TOTAL	\$52,733,553,800	100.0%

FIGURE 2

**2005-07 All Funds Appropriations
By Purpose**



<u>Purpose</u>	<u>Amount</u>	<u>Percent of Total</u>
Local Assistance	\$19,183,330,200	36.4%
State Operations	(19,107,405,800)	36.2
UW System	7,327,144,400	13.9
Other Programs	11,101,735,800	21.0
Compensation Reserves	678,525,600	1.3
Aids to Individuals and Organizations	<u>14,442,817,800</u>	<u>27.4</u>
TOTAL	\$52,733,553,800	100.0%

TABLE 4**Summary of All Funds Full-Time Equivalent Positions by Agency**

	2004-05 <u>Base</u>	2006-07 <u>Governor</u>	2006-07 <u>Jt. Finance</u>	2006-07 <u>Legislature</u>	2006-07 <u>Act 25</u>	Act 25 Change to Base
Administration	1,007.38	1,124.08	980.93	980.93	980.93	- 26.45
Agriculture, Trade and Consumer Protection	603.94	493.92	549.37	549.37	549.37	- 54.57
Arts Board	11.00	10.00	10.00	10.00	10.00	- 1.00
Board of Commissioners of Public Lands	7.50	7.50	7.50	7.50	7.50	0.00
Board on Aging and Long-Term Care	25.00	27.00	28.00	28.00	28.00	3.00
Child Abuse and Neglect Prevention Board	4.00	4.00	4.00	4.00	4.00	0.00
Circuit Courts	511.00	511.00	511.00	511.00	511.00	0.00
Commerce	445.50	385.65	397.65	397.65	397.65	- 47.85
Corrections	10,419.33	10,076.19	10,063.44	10,063.44	10,063.44	- 355.89
Court of Appeals	75.50	75.50	75.50	75.50	75.50	0.00
District Attorneys	415.50	388.90	408.65	408.65	408.65	- 6.85
Educational Communications Board	71.00	62.18	62.18	62.18	62.18	- 8.82
Elections Board	11.00	15.00	16.00	16.00	16.00	5.00
Employee Trust Funds	198.35	195.60	196.60	196.60	196.60	- 1.75
Employment Relations Commission	23.50	25.50	23.50	23.50	23.50	0.00
Ethics Board	5.75	5.75	5.75	5.75	5.75	0.00
Financial Institutions	154.00	132.04	139.04	139.04	139.04	- 14.96
Governor	39.75	37.25	37.25	37.25	37.25	- 2.50
Health and Family Services	6,210.85	5,695.03	5,735.45	5,735.45	5,735.45	- 475.40
Higher Educational Aids Board	11.00	10.50	11.86	11.86	11.86	0.86
Historical Society	142.79	139.04	139.04	139.04	139.04	- 3.75
Insurance	131.00	124.30	132.00	132.00	132.00	1.00
Investment Board	104.50	104.50	104.50	104.50	104.50	0.00
Judicial Commission	2.00	2.00	2.00	2.00	2.00	0.00
Justice	550.18	557.93	535.23	535.23	535.23	- 14.95
Legislature	788.97	788.97	788.97	788.97	788.97	0.00
Lieutenant Governor	4.00	4.00	4.00	4.00	4.00	0.00
Lower-WI State Riverway Board	2.00	2.00	2.00	2.00	2.00	0.00
Military Affairs	385.16	377.91	377.91	377.91	377.91	- 7.25
Natural Resources	2,823.75	2,654.93	2,703.68	2,703.68	2,703.68	- 120.07
Office of State Employment Relations	58.50	53.50	54.50	54.50	54.50	- 4.00
Public Defender	527.55	520.95	522.45	522.45	522.45	- 5.10
Public Instruction	637.14	622.26	613.26	614.26	614.26	- 22.88
Public Service Commission	180.50	158.00	158.00	158.00	158.00	- 22.50
Regulation and Licensing	126.00	83.32	112.32	112.32	112.32	- 13.68
Revenue	1,195.85	1,042.08	1,111.83	1,111.83	1,111.83	- 84.02
Secretary of State	8.50	8.50	8.50	8.50	8.50	0.00
State Fair Park Board	30.20	28.40	28.40	28.40	28.40	- 1.80
State Treasurer	11.00	10.70	10.70	10.70	10.70	- 0.30
Supreme Court	213.75	213.75	213.75	213.75	213.75	0.00

TABLE 4 (continued)**Summary of All Funds Full-Time Equivalent Positions by Agency**

	2004-05 <u>Base</u>	2006-07 <u>Governor</u>	2006-07 <u>Jt. Finance</u>	2006-07 <u>Legislature</u>	2006-07 <u>Act 25</u>	Act 25 Change to Base
Tourism	53.45	42.40	42.40	42.40	42.40	- 11.05
Transportation	3,645.83	3,421.93	3,440.93	3,440.93	3,421.93	- 223.90
University of Wisconsin System	30,685.30	30,628.80	30,356.38	30,356.38	30,356.38	- 328.92
UW Hospitals and Clinics Board	2,371.46	2,371.46	2,371.46	2,371.46	2,371.46	0.00
Veterans Affairs	980.60	1,091.51	1,090.11	1,090.11	1,090.11	109.51
Wisconsin Technical College System	74.50	73.50	81.30	81.30	81.30	6.80
Workforce Development	<u>2,215.68</u>	<u>1,980.65</u>	<u>1,879.45</u>	<u>1,880.65</u>	<u>1,880.65</u>	<u>- 335.03</u>
TOTAL	68,201.01	66,389.88	66,148.74	66,150.94	66,131.94	- 2,069.07

Full-Time Equivalent Positions Summary by Funding Source

	2004-05 <u>Base</u>	2006-07 <u>Governor</u>	2006-07 <u>Jt. Finance</u>	2006-07 <u>Legislature</u>	2006-07 <u>Act 25</u>	Act 25 Change to Base
GPR	35,197.54	34,622.74	34,411.19	34,412.19	34,412.19	- 785.35
FED	9,575.77	9,343.29	9,296.24	9,297.44	9,297.44	- 278.33
PR	18,155.29	17,490.04	17,393.67	17,393.67	17,393.67	- 761.62
SEG	<u>5,272.41</u>	<u>4,933.81</u>	<u>5,047.64</u>	<u>5,047.64</u>	<u>5,028.64</u>	<u>- 243.77</u>
TOTAL	68,201.01	66,389.88	66,148.74	66,150.94	66,131.94	- 2,069.07

TABLE 5

Comparative Summary of Full-Time Equivalent Positions

All Funds Comparison

	2004-05 <u>Base</u>	2006-07 <u>Governor</u>	2006-07 <u>Jt. Finance</u>	2006-07 <u>Legislature</u>	2006-07 <u>Act 25</u>
Authorized Positions	68,201.01	66,389.88	66,148.74	66,150.94	66,131.94
Change to Base		-1,811.13	-2,052.27	-2,050.07	-2,069.07
Change to Governor			-241.14	-238.94	-257.94
Change to Jt. Finance				2.20	-16.80
Change to Legislature					-19.00

General Fund Comparison

	2004-05 <u>Base</u>	2006-07 <u>Governor</u>	2006-07 <u>Jt. Finance</u>	2006-07 <u>Legislature</u>	2006-07 <u>Act 25</u>
Authorized Positions	35,197.54	34,622.74	34,411.19	34,412.19	34,412.19
Change to Base		-574.80	-786.35	-785.35	-785.35
Change to Governor			-211.55	-210.55	-210.55
Change to Jt. Finance				1.00	1.00
Change to Legislature					0.00

OVERVIEW

GENERAL FUND BUDGET AND POSITION SUMMARIES

TABLE 6**2005-07 General Fund Condition Statement**

	<u>2005-06</u>	<u>2006-07</u>
Revenues		
Opening Balance, July 1	\$5,832,700	\$65,242,500
Taxes	11,957,105,000	12,506,768,000
Departmental Revenues		
Tribal Gaming Revenues	118,628,600	86,349,100
Other	<u>674,768,700</u>	<u>513,641,700</u>
Total Available	\$12,756,335,000	\$13,172,001,300
Appropriations and Reserves		
Gross Appropriations	\$12,681,176,000	\$13,176,232,500
Compensation Reserves	90,054,100	178,302,800
Transfer to Medical Assistance Trust Fund	235,449,000	0
Less Lapses	<u>-315,586,600</u>	<u>-252,906,900</u>
Total Appropriations	\$12,691,092,500	\$13,101,628,400
Balances		
Gross Balance	\$65,242,500	\$70,372,900
Less Required Statutory Balance	<u>-65,000,000</u>	<u>-65,000,000</u>
Net Balance, June 30	\$242,500	\$5,372,900

TABLE 7**Estimated 2005-07 General Fund Taxes**

<u>Tax Source</u>	<u>2005-06</u>	<u>2006-07</u>	<u>Total</u>	<u>% of Total</u>
Individual Income	\$6,144,500,000	\$6,502,757,200	\$12,647,257,200	51.7%
Sales and Use	4,181,600,000	4,358,100,000	8,539,700,000	34.9
Corporate Income and Franchise	683,320,000	670,252,800	1,353,572,800	5.5
Public Utility	267,465,000	281,065,000	548,530,000	2.3
Excise				
Cigarette	287,820,000	286,790,000	574,610,000	2.4
Liquor and Wine	40,800,000	41,600,000	82,400,000	0.3
Tobacco Products	16,500,000	17,400,000	33,900,000	0.1
Beer	9,600,000	9,600,000	19,200,000	0.1
Insurance Company	131,000,000	137,703,000	268,703,000	1.1
Estate	105,000,000	110,000,000	215,000,000	0.9
Miscellaneous	<u>89,500,000</u>	<u>91,500,000</u>	<u>181,000,000</u>	<u>0.7</u>
TOTAL	\$11,957,105,000	\$12,506,768,000	\$24,463,873,000	100.0%

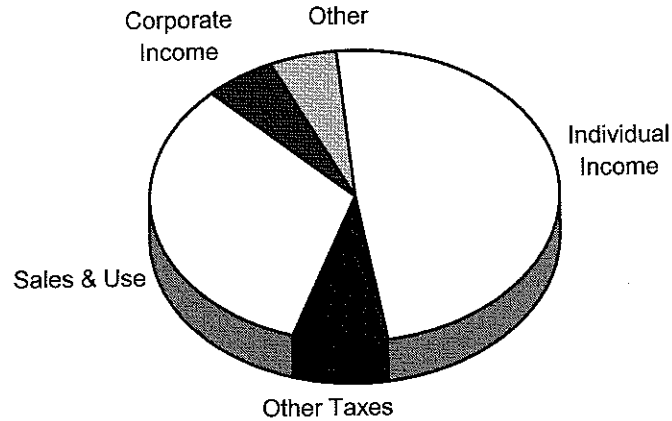
TABLE 8

Estimated 2005-07 Departmental Revenues

	<u>2005-06</u>	<u>2006-07</u>	<u>2005-07</u>
Administration	\$117,221,000	\$162,916,300	\$280,137,300
Agriculture, Trade and Consumer Protection	476,400	151,400	627,800
Board of Commissioners of Public Lands	60,800	60,800	121,600
Child Abuse and Neglect Prevention Board	35,700	35,700	71,400
Circuit Courts	49,408,000	49,408,000	98,816,000
Commerce	14,026,700	23,966,600	37,993,300
Corrections	6,317,000	6,267,000	12,584,000
Court of Appeals	246,000	246,000	492,000
Educational Communications Board	10,000	10,000	20,000
Financial Institutions	3,295,100	53,131,800	56,426,900
Health and Family Services	38,730,400	38,856,900	77,587,300
Higher Educational Aids Board	954,000	48,000	1,002,000
Insurance	3,467,000	4,472,400	7,939,400
Interest Earnings	19,000,000	19,800,000	38,800,000
Justice	1,586,700	1,684,600	3,271,300
Miscellaneous Appropriations	4,500,000	4,500,000	9,000,000
Natural Resources	29,488,600	16,888,600	46,377,200
Office of State Employment Relations	15,000	0	15,000
Public Instruction	2,840,800	2,961,300	5,802,100
Public Service Commission	1,753,900	1,744,600	3,498,500
Regulation and Licensing	5,448,600	4,198,800	9,647,400
Revenue	13,454,600	13,120,600	26,575,200
Secretary of State	110,100	294,500	404,600
Shared Revenue and Tax Relief	10,290,200	10,290,200	20,580,400
Supreme Court	69,800	69,800	139,600
Transportation	338,449,000	88,551,000	427,000,000
Tribal Gaming	118,628,600	86,349,100	204,977,700
UW System	8,821,500	8,821,500	17,643,000
Veterans Affairs	520,500	520,500	1,041,000
WI Housing and Economic Development Auth.	0	0	0
Wisconsin Technical College System	672,700	174,100	846,800
Workforce Development	<u>3,479,400</u>	<u>478,500</u>	<u>3,957,900</u>
TOTAL	\$793,397,300	\$599,990,800	\$1,393,388,100

FIGURE 3

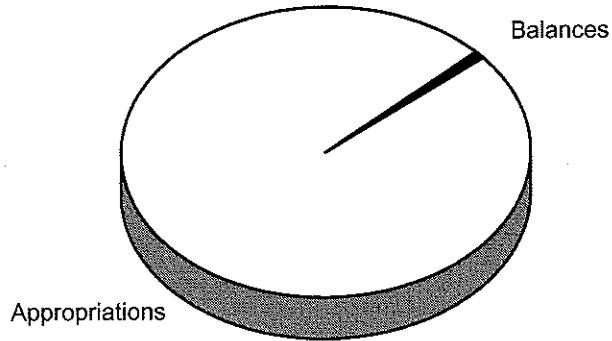
Estimated 2005-07 General Fund Revenues



<u>Tax Source</u>	<u>Amount</u>	<u>Percent of Total</u>
Individual Income	\$12,647,257,200	48.9%
Sales and Use	8,539,700,000	33.0
Corporate Income and Franchise	1,353,572,800	5.3
Public Utility	548,530,000	2.1
Excise		
Cigarette	574,610,000	2.2
Liquor and Wine	82,400,000	0.3
Tobacco Products	33,900,000	0.1
Beer	19,200,000	0.1
Estate	268,703,000	1.1
Insurance	215,000,000	0.8
Miscellaneous	181,000,000	0.7
Total--Taxes	<u>\$24,463,873,000</u>	<u>94.6%</u>
<u>Other</u>		
Opening Balance, July 1, 2005	\$5,832,700	< 0.1
Departmental Revenues	<u>1,393,388,100</u>	<u>5.4</u>
Total--Other	<u>\$1,399,220,800</u>	<u>5.4%</u>
GRAND TOTAL	\$25,863,093,800	100.0%

FIGURE 4

Use of 2005-07 General Fund Revenues



<u>Use</u>	<u>Amount</u>	<u>Percent of Total</u>
Appropriations	(\$26,361,214,400)	(99.7%)
Gross Appropriations	25,857,408,500	97.8
Compensation Reserves	268,356,900	1.0
Transfer to Medical Assistance Trust Fund	235,449,000	0.9
Balances	(70,372,900)	(0.3%)
Statutory Balance	65,000,000	0.2
Net Balance	<u>5,372,900</u>	<u>< 0.1</u>
GROSS TOTAL	\$26,431,587,300	100.0%
Less Lapses	<u>-568,493,500</u>	
NET TOTAL	\$25,863,093,800	

TABLE 9

Summary of General Fund Appropriations by Agency

Agency	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Assembly	2005-07 Senate/Leg.	2005-07 Act 25	2005-07 Act 25	
							Change Over Base Amount	Percent
Administration	\$33,925,200	\$428,043,900	\$417,562,300	\$417,562,300	\$417,094,700	\$417,094,700	\$383,169,500	1129.5%
Agriculture, Trade and Consumer Protection	57,910,800	53,309,400	53,114,700	53,114,700	52,276,400	52,276,400	-5,634,400	-9.7
Arts Board	4,772,600	4,840,200	4,840,200	4,840,200	4,825,300	4,825,300	52,700	1.1
Board on Aging and Long-Term Care	1,650,800	1,734,200	1,734,200	1,734,200	1,694,100	1,694,100	43,300	2.6
Building Commission	24,715,800	62,307,400	49,272,300	49,272,300	49,272,300	49,272,300	24,556,500	99.4
Child Abuse and Neglect Prevention Board	0	680,000	680,000	680,000	680,000	680,000	680,000	N.A.
Circuit Courts	158,676,600	163,078,900	162,389,200	162,389,200	159,753,700	159,753,700	1,077,100	0.7
Commerce	48,737,000	58,156,200	43,676,200	43,676,200	43,379,900	43,379,900	-5,357,100	-11.0
Compensation Reserves		268,356,900	268,356,900	268,356,900	268,356,900	268,356,900	268,356,900	N.A.
Corrections	1,781,276,600	1,864,831,900	1,834,221,200	1,834,221,200	1,802,134,800	1,802,134,800	20,858,200	1.2
Court of Appeals	16,760,400	17,048,600	17,048,600	17,048,600	16,653,800	16,653,800	-106,600	-0.6
District Attorneys	77,809,400	78,609,000	78,707,000	78,707,000	76,884,300	76,884,300	-925,100	-1.2
Educational Communications Board	14,257,600	15,042,600	15,057,700	15,057,700	14,852,800	14,852,800	595,200	4.2
Elections Board	1,866,000	2,558,700	1,858,700	1,858,700	1,815,700	1,815,700	-50,300	-2.7
Employee Trust Funds	4,720,800	3,458,200	3,481,000	3,481,000	3,481,000	3,481,000	-1,239,800	-26.3
Employment Relations Commission	4,459,600	5,191,000	4,715,400	4,715,400	4,606,200	4,606,200	146,600	3.3
Environmental Improvement Fund	76,072,400	88,080,000	85,575,800	85,575,800	85,575,800	85,575,800	9,503,400	12.5
Ethics Board	487,200	590,600	556,200	556,200	543,300	543,300	56,100	11.5
Governor	7,767,600	7,560,600	7,560,600	7,560,600	7,386,700	7,386,700	-380,900	-4.9
Health and Family Services	4,769,349,600	4,921,312,200	5,313,291,400	5,313,291,400	5,036,389,500	5,001,988,200	232,638,600	4.9
Higher Educational Aids Board	143,690,800	199,155,200	193,072,100	193,072,100	193,031,500	201,031,500	57,340,700	39.9
Historical Society	22,882,800	23,119,600	23,242,000	23,242,000	22,795,200	22,795,200	-87,600	-0.4
Judicial Commission	441,600	476,200	476,200	476,200	465,100	465,100	23,500	5.3
Justice	67,924,000	69,473,000	67,068,700	67,068,700	65,639,700	65,639,700	-2,284,300	-3.4
Legislature	124,664,000	126,724,500	126,724,500	126,724,500	123,789,900	123,789,900	-874,100	-0.7
Lieutenant Governor	709,200	781,800	781,800	781,800	763,700	763,700	54,500	7.7
Medical College of Wisconsin	11,170,800	14,101,000	13,384,500	13,384,500	13,384,500	13,384,500	2,213,700	19.8
Military Affairs	40,696,000	38,911,400	40,236,100	40,236,100	39,932,200	39,932,200	-763,800	-1.9
Miscellaneous Appropriations	211,833,600	187,298,100	209,727,400	209,727,400	209,727,400	209,727,400	-2,106,200	-1.0
Natural Resources	288,419,200	276,944,900	287,081,600	287,081,600	285,625,400	285,740,400	-2,678,800	-0.9

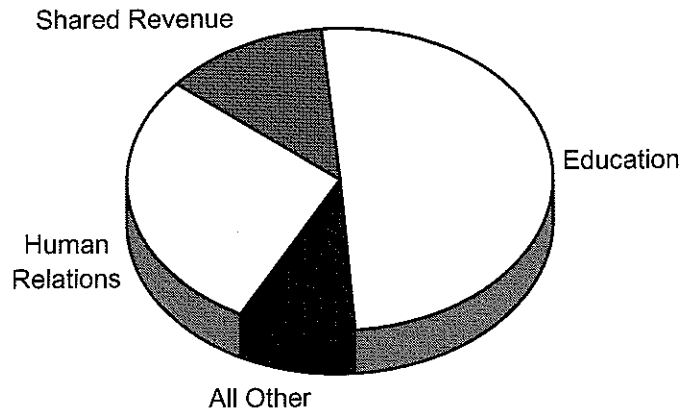
TABLE 9 (continued)

Summary of General Fund Appropriations by Agency

Agency	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Assembly	2005-07 Senate/Leg.	2005-07 Act 25	2005-07 Act 25	
							Change Over Base Amount	Percent
Office of State Employment Relations	\$9,773,600	\$9,414,000	\$9,414,000	\$9,414,000	\$9,196,000	\$9,196,000	-\$577,600	-5.9%
Program Supplements	17,654,000	13,940,200	38,584,200	38,584,200	134,584,200	131,584,200	113,930,200	645.4
Public Defender	150,352,600	147,331,000	147,331,000	147,331,000	143,919,100	143,919,100	-6,433,500	-4.3
Public Instruction	9,799,088,600	10,580,107,700	10,364,321,900	10,364,474,900	10,363,322,000	10,703,471,800	904,383,200	9.2
Revenue	173,028,800	162,847,700	162,469,100	162,469,100	158,706,900	158,706,900	-14,321,900	-8.3
Shared Revenue and Tax Relief	2,938,717,600	3,248,354,000	3,272,041,200	3,272,041,200	3,286,641,200	3,280,641,200	341,923,600	11.6
State Fair Park Board	4,518,800	4,765,800	4,835,500	4,835,500	4,835,500	4,835,500	316,700	7.0
Supreme Court	24,038,200	24,622,500	24,622,500	24,622,500	24,052,300	24,052,300	14,100	0.1
Tourism	17,971,200	6,763,300	6,763,300	6,763,300	6,606,700	6,606,700	-11,364,500	-63.2
Transportation	308,400	142,981,300	110,524,100	110,524,100	110,524,100	110,524,100	110,215,700	N.A.
University of Wisconsin System	1,953,162,000	2,002,818,300	1,966,296,800	1,966,296,800	1,930,890,800	1,930,780,800	-22,381,200	-1.1
Veterans Affairs	3,119,400	3,832,400	3,949,900	4,300,900	4,285,800	4,285,800	1,166,400	37.4
Wisconsin Technical College System	280,784,400	282,133,200	281,597,400	281,597,400	281,445,300	281,445,300	660,900	0.2
Workforce Development	364,636,600	377,960,000	359,724,800	359,724,800	359,190,200	359,190,200	-5,446,400	-1.5
TOTAL	\$23,734,802,200	\$25,989,647,600	\$26,077,970,200	\$26,078,474,200	\$25,820,011,900	\$26,125,765,400	\$2,390,963,200	10.1%

FIGURE 5

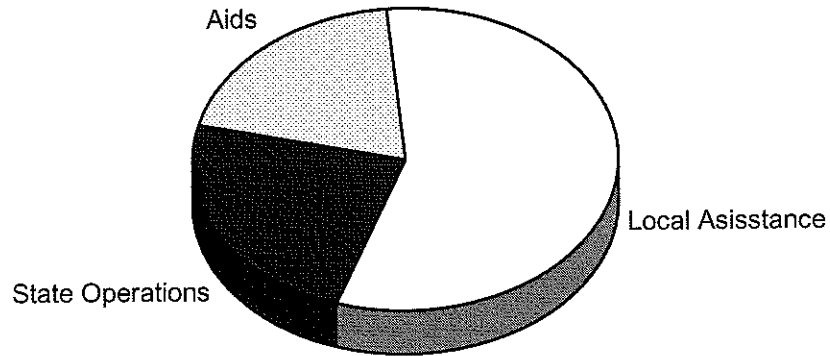
**2005-07 General Fund Appropriations
By Functional Area**



<u>Functional Area</u>	<u>Amount</u>	<u>Percent of Total</u>
Education	\$13,172,587,200	50.4%
Human Relations and Resources	7,357,035,500	28.2
Shared Revenue and Tax Relief	3,280,641,200	12.5
All Other		
General Executive	742,907,100	2.8
Environmental Resources	488,447,000	1.9
General Appropriations	390,583,900	1.5
Compensation Reserves	268,356,900	1.0
Judicial	200,924,900	0.8
Legislative	123,789,900	0.5
Commerce	100,491,800	0.4
TOTAL	\$26,125,765,400	100.0%

FIGURE 6

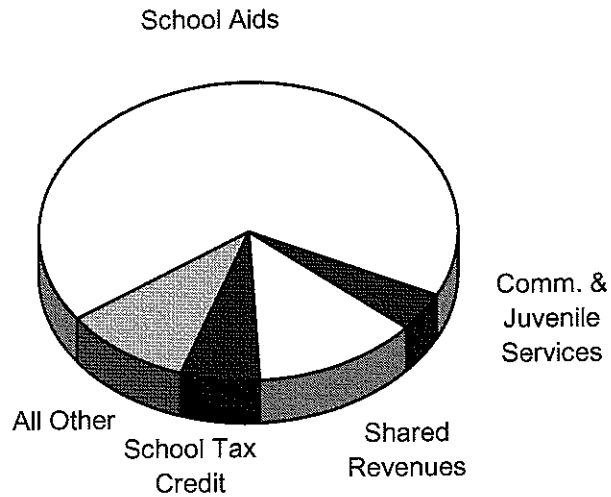
**2005-07 General Fund Appropriations
By Purpose**



<u>Purpose</u>	<u>Amount</u>	<u>Percent of Total</u>
Local Assistance	\$14,815,033,100	56.7%
State Operations	(6,160,433,700)	23.6
UW System	1,898,960,000	7.3
Other Programs	3,993,116,800	15.3
Compensation Reserves	268,356,900	1.0
Aids to Individuals and Organizations	<u>5,150,298,600</u>	<u>19.7</u>
TOTAL	\$26,125,765,400	100.0%

FIGURE 7

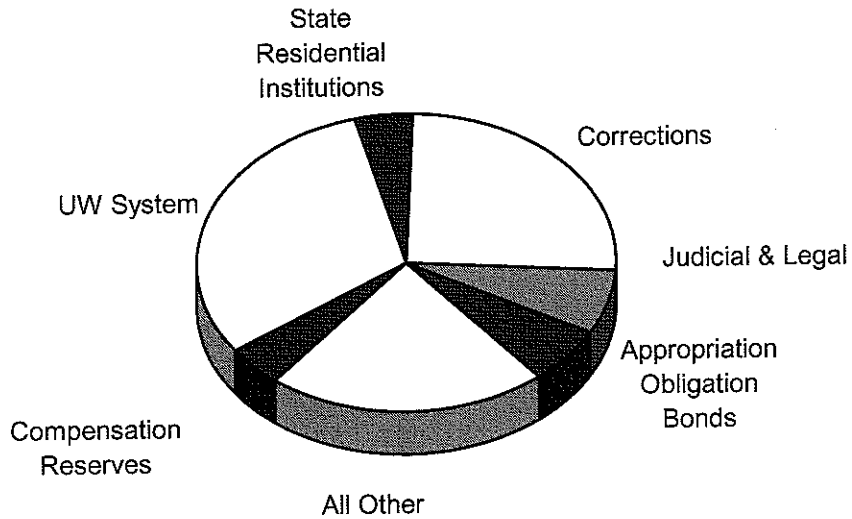
**2005-07 General Fund Appropriations
Local Assistance**



<u>Program</u>	<u>Amount</u>	<u>Percent of Total</u>
Elementary & Secondary School Aids	\$10,368,029,800	70.0%
Shared Revenues	1,900,597,600	12.8
School Levy Tax Credit	938,610,000	6.3
Community & Juvenile Correctional Services	589,816,800	4.0
Technical College System Aids	272,458,400	1.8
Environmental Aid	254,097,500	1.7
Community Options Program	187,624,400	1.3
Other	<u>303,798,600</u>	<u>2.1</u>
TOTAL	\$14,815,033,100	100.0%

FIGURE 8

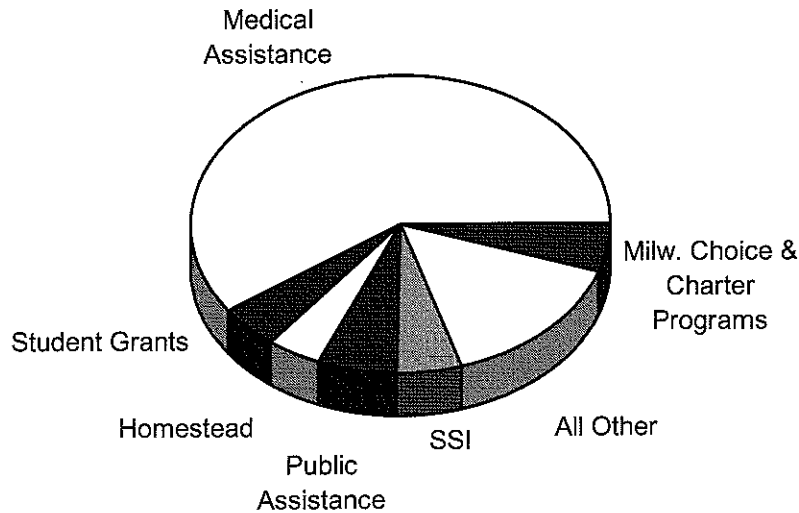
**2005-07 General Fund Appropriations
State Operations**



<u>Program</u>	<u>Amount</u>	<u>Percent of Total</u>
UW System	\$1,898,960,000	30.8%
Correctional Services	1,559,927,000	25.3
Judicial and Legal Services	433,424,200	7.0
Appropriation Obligation Bonds	381,666,200	6.2
State Residential Institutions	282,555,000	4.6
Compensation Reserves	268,356,900	4.4
H&FS/Workforce Development	216,055,500	3.5
Tax Administration	158,706,900	2.6
Natural Resources	127,582,500	2.1
Legislature	123,789,900	2.0
Transportation Debt Service	110,524,100	1.8
Other	<u>598,885,500</u>	<u>9.7</u>
TOTAL	\$6,160,433,700	100.0%

FIGURE 9

**2005-07 General Fund Appropriations
Aids to Individuals and Organizations**



<u>Program</u>	<u>Amount</u>	<u>Percent of Total</u>
Medical Assistance	\$3,076,880,800*	59.8%
Public Assistance	304,355,600	5.9
Milw. Parental Choice & Charter School Programs	264,634,200	5.1
Supplemental Security Income (SSI)	256,563,200	5.0
Student Grants and Aids	241,080,100	4.7
Homestead Tax Credit	222,500,000	4.3
BadgerCare	140,570,100	2.7
Prescription Drugs Assistance for Elderly	109,651,600	2.1
Foster Care and Adoptions Services	92,261,000	1.8
Other Individual Tax Credits	81,736,000	1.6
Milwaukee Child Welfare	68,251,100	1.3
Other	<u>291,814,900</u>	<u>5.7</u>
TOTAL	\$5,150,298,600*	100.0%

*Excludes \$235,449,000 transferred from the general fund to the medical assistance trust fund in 2005-06.

TABLE 10

Distribution of 2005-07 General Fund Appropriations

	2005-06			2006-07			Total		
	Amount	% of Category	% of Total	Amount	% of Category	% of Total	Amount	% of Category	% of Total
LOCAL ASSISTANCE									
Elementary & Secondary School Aids	\$5,116,384,500	69.4%	40.1%	\$5,251,645,300	70.5%	39.3%	\$10,368,029,800	70.0%	39.7%
Shared Revenues	947,948,800	12.9	7.4	952,648,800	12.8	7.1	1,900,597,600	12.8	7.3
School Levy Tax Credit	469,305,000	6.4	3.7	469,305,000	6.3	3.5	938,610,000	6.3	3.6
Community & Juvenile Correctional Services	297,372,600	4.0	2.3	292,444,200	3.9	2.2	589,816,800	4.0	2.2
Technical College System Aids	136,229,200	1.8	1.1	136,229,200	1.8	1.0	272,458,400	1.8	1.0
Environmental Aids	123,332,700	1.7	1.0	130,764,800	1.8	1.0	254,097,500	1.7	1.0
Community Options Program	93,812,200	1.3	0.7	93,812,200	1.3	0.7	187,624,400	1.3	0.7
Other	184,233,200	2.5	1.4	119,565,400	1.6	0.9	303,798,600	2.1	1.2
TOTAL--LOCAL ASSISTANCE	\$7,368,618,200	100.0%	57.7%	\$7,446,414,900	100.0%	55.7%	\$14,815,033,100	100.0%	56.7%
STATE OPERATIONS									
UW System	\$948,442,400	31.4%	7.4%	\$950,517,600	30.2%	7.1%	\$1,898,960,000	30.8%	7.3%
Correctional Operations	791,650,800	26.2	6.2	768,276,200	24.4	5.8	1,559,927,000	25.3	6.0
Judicial and Legal Services	216,961,100	7.2	1.7	216,463,100	6.9	1.6	433,424,200	7.0	1.6
Appropriation Obligation Bonds	190,833,100	6.3	1.5	190,833,100	6.1	1.4	381,666,200	6.2	1.5
State Residential Institutions	140,937,100	4.7	1.1	141,617,900	4.5	1.1	282,555,000	4.6	1.1
Compensation Reserves	90,054,100	3.0	0.7	178,302,800	5.7	1.3	268,356,900	4.4	1.0
H&F/Workforce Development	109,441,400	3.6	0.9	106,614,100	3.4	0.8	216,055,500	3.5	0.8
Tax Administration	80,079,200	2.7	0.6	78,627,700	2.5	0.6	158,706,900	2.6	0.6
Natural Resources	60,376,400	2.0	0.5	67,206,100	2.1	0.5	127,582,500	2.1	0.5
Legislature	61,905,600	2.1	0.5	61,884,300	2.0	0.5	123,789,900	2.0	0.5
Transportation Debt Service	41,864,200	1.4	0.3	68,659,900	2.2	0.5	110,524,100	1.8	0.4
Other	284,962,500	9.4	2.2	313,923,000	10.0	2.4	598,885,500	9.7	2.3
TOTAL--STATE OPERATIONS	\$3,017,507,900	100.0%	23.6%	\$3,142,925,800	100.0%	23.6%	\$6,160,433,700	100.0%	23.6%
AIDS TO INDIVIDUALS AND ORGANIZATIONS									
Medical Assistance	\$1,360,797,800*	57.1%	10.7%	\$1,716,083,000	62.1%	12.8%	\$3,076,880,800*	59.8%	11.8%
Public Assistance	154,297,000	6.5	1.2	150,058,600	5.5	1.1	304,355,600	5.9	1.2
Supplemental Security Income (SSI)	128,281,600	5.4	1.0	128,281,600	4.6	1.0	256,563,200	5.0	1.0
Milw. Parental Choice & Charter School Programs	129,314,900	5.4	1.0	135,319,300	4.9	1.0	264,634,200	5.1	1.0
Student Grants and Aids	121,808,500	5.1	1.0	119,271,600	4.3	0.9	241,080,100	4.7	0.9
Homesite Tax Credit	114,300,000	4.8	0.9	108,200,000	3.9	0.8	222,500,000	4.3	0.8
BadgerCare	62,439,100	2.6	0.5	78,131,000	2.8	0.6	140,570,100	2.7	0.5
Prescription Drugs Assistance for Elderly	52,090,900	2.2	0.4	57,560,700	2.1	0.4	109,651,600	2.1	0.4
Foster Care and Adoption Assistance	43,993,400	1.8	0.3	48,267,600	1.7	0.4	92,261,000	1.8	0.4
Other Individual Tax Credits	40,168,000	1.7	0.3	41,568,000	1.5	0.3	81,736,000	1.6	0.3
Milwaukee Child Welfare	33,398,600	1.4	0.3	34,852,500	1.3	0.3	68,251,100	1.3	0.3
Other	144,214,200	6.0	1.1	147,600,700	5.3	1.1	291,814,900	5.7	1.1
TOTAL--AIDS	\$2,385,104,000*	100.0%	18.7%	\$2,765,194,600	100.0%	20.7%	\$5,150,298,600*	100.0%	19.7%
GRAND TOTAL	\$12,771,230,100*		100.0%	\$13,354,535,300		100.0%	\$26,125,765,400*		100.0%

*Excludes \$235,449,000 transferred from the general fund to the medical assistance trust fund in 2005-06.

TABLE 11

Ten Largest General Fund Programs for 2005-07

	2005-06		2006-07		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Elementary & Secondary School Aids	\$5,116,384,500	40.1%	\$5,251,645,300	39.3%	\$10,368,029,800	39.7%
Medical Assistance	1,360,797,800*	10.7	1,716,083,000	12.9	3,076,880,800*	11.8
Shared Revenues	947,948,800	7.4	952,648,800	7.2	1,900,597,600	7.3
UW System	948,442,400	7.4	950,517,600	7.1	1,898,960,000	7.3
Correctional Operations	791,650,800	6.2	768,276,200	5.8	1,559,927,000	6.0
School Levy Tax Credit	469,305,000	3.7	469,305,000	3.5	938,610,000	3.6
Community & Juvenile Correctional Services	297,372,600	2.3	292,444,200	2.2	589,816,800	2.2
Judicial and Legal Services	216,961,100	1.7	216,463,100	1.6	433,424,200	1.6
Appropriation Obligation Bonds	190,833,100	1.5	190,833,100	1.4	381,666,200	1.4
Public Assistance	154,297,000	1.2	150,058,600	1.1	304,355,600	1.2
Subtotal	\$10,493,993,100*	82.2%	\$10,958,274,900	82.1%	\$21,452,268,000*	82.1%
All Other Programs	2,277,237,000	17.8	2,396,260,400	17.9	4,673,497,400	17.9
GRAND TOTAL	\$12,771,230,100*	100.0%	\$13,354,535,300	100.0%	\$26,125,765,400*	100.0%

* Excludes \$235,449,000 transferred from the general fund to the medical assistance trust fund in 2005-06.

TABLE 12

Summary of General Fund Full-Time Equivalent Positions by Agency

	2004-05 <u>Base</u>	2006-07 <u>Governor</u>	2006-07 <u>Jt. Finance</u>	2006-07 <u>Legislature</u>	2006-07 <u>Act 25</u>	Act 25 Change to Base
Administration	96.21	91.86	93.86	93.86	93.86	- 2.35
Agriculture, Trade and Consumer Protection	236.73	189.40	219.90	219.90	219.90	- 16.83
Arts Board	4.00	4.00	4.00	4.00	4.00	0.00
Board on Aging and Long-Term Care	12.53	12.53	12.53	12.53	12.53	0.00
Circuit Courts	511.00	511.00	511.00	511.00	511.00	0.00
Commerce	68.00	61.80	61.80	61.80	61.80	- 6.20
Corrections	9,311.67	9,150.92	9,184.37	9,184.37	9,184.37	- 127.30
Court of Appeals	75.50	75.50	75.50	75.50	75.50	0.00
District Attorneys	375.40	375.40	376.40	376.40	376.40	1.00
Educational Communications Board	45.60	37.44	37.44	37.44	37.44	- 8.16
Elections Board	11.00	11.00	11.00	11.00	11.00	0.00
Employee Trust Funds	3.50	3.50	3.50	3.50	3.50	0.00
Employment Relations Commission	18.50	20.50	18.50	18.50	18.50	0.00
Ethics Board	2.30	2.30	2.30	2.30	2.30	0.00
Governor	39.75	37.25	37.25	37.25	37.25	- 2.50
Health and Family Services	2,142.10	2,122.20	2,115.57	2,115.57	2,115.57	- 26.53
Higher Educational Aids Board	10.36	9.86	11.86	11.86	11.86	1.50
Historical Society	109.90	106.15	106.15	106.15	106.15	- 3.75
Judicial Commission	2.00	2.00	2.00	2.00	2.00	0.00
Justice	341.53	339.71	324.08	324.08	324.08	- 17.45
Legislature	769.17	769.17	769.17	769.17	769.17	0.00
Lieutenant Governor	4.00	4.00	4.00	4.00	4.00	0.00
Military Affairs	100.35	88.82	88.82	88.82	88.82	- 11.53
Natural Resources	373.12	293.10	296.85	296.85	296.85	- 76.27
Office of State Employment Relations	52.00	49.00	50.00	50.00	50.00	- 2.00
Public Defender	523.55	516.95	518.45	518.45	518.45	- 5.10
Public Instruction	271.72	260.37	250.47	251.47	251.47	- 20.25
Revenue	970.00	880.63	895.38	895.38	895.38	- 74.62
Supreme Court	111.50	112.50	112.50	112.50	112.50	1.00
Tourism	48.45	38.40	38.40	38.40	38.40	- 10.05
University of Wisconsin System	18,327.63	18,253.58	17,987.16	17,987.16	17,987.16	- 340.47
Wisconsin Technical College System	32.25	30.25	30.25	30.25	30.25	- 2.00
Workforce Development	<u>196.22</u>	<u>161.65</u>	<u>160.73</u>	<u>160.73</u>	<u>160.73</u>	<u>- 35.49</u>
TOTAL	35,197.54	34,622.74	34,411.19	34,412.19	34,412.19	- 785.35

OVERVIEW

TRANSPORTATION FUND BUDGET

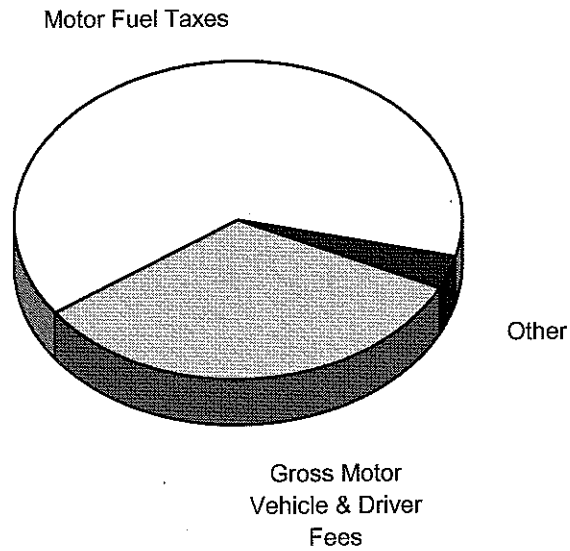
TABLE 13

2005-07 Transportation Fund Condition Statement

	<u>2005-06</u>	<u>2006-07</u>
Unappropriated Balance, July 1	\$0	\$719,100
Revenues		
Motor Fuel Tax	\$993,992,600	\$1,032,788,500
Vehicle Registration Fees	463,257,700	473,334,400
Less Revenue Bond Debt Service	-148,144,200	-162,204,000
Driver's License Fees	30,548,200	30,853,600
Miscellaneous Motor Vehicle Fees	23,445,300	24,162,600
Aeronautical Fees and Taxes	10,873,700	11,062,800
Railroad Property Taxes	15,600,500	16,182,300
Motor Carrier Fees	3,000,000	3,000,000
Investment Earnings	6,186,300	6,771,800
Miscellaneous Departmental Revenues	<u>21,491,600</u>	<u>21,816,000</u>
Total Annual Revenues	\$1,420,251,700	\$1,457,768,000
Total Available	\$1,420,251,700	\$1,458,487,100
Appropriations, Reserves, and Fund Transfers		
DOT Appropriations	\$1,053,270,100	\$1,335,627,400
Other Agency Appropriations	23,335,800	24,928,200
Less Estimated Lapses	-1,000,000	-1,000,000
Transfer to General Fund	338,449,000	88,551,000
Compensation and Other Reserves	<u>5,477,700</u>	<u>9,898,800</u>
Net Appropriations, Reserves, and Transfers	\$1,419,532,600	\$1,458,005,400
Unappropriated Balance, June 30	\$719,100	\$481,700

FIGURE 10

Estimated 2005-07 Transportation Fund Revenues

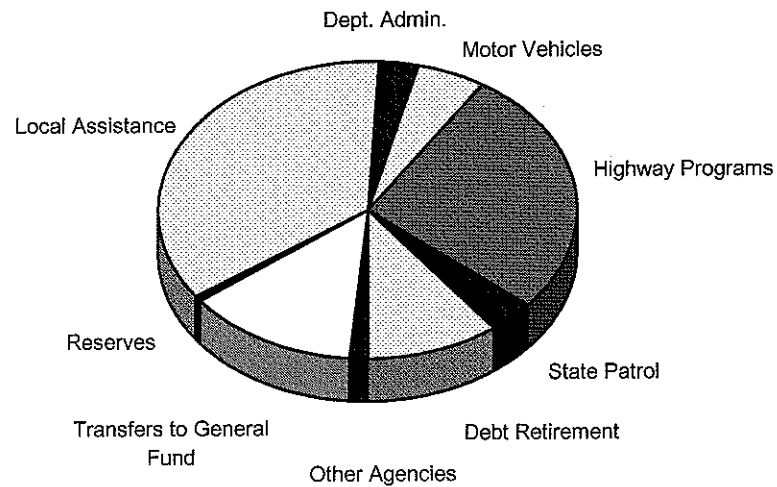


<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>
Motor Fuel Taxes	\$2,026,781,100	63.5%
Gross Motor Vehicle and Driver Fees*	1,051,601,800	33.0
Railroad Taxes	31,782,800	1.0
Aeronautics Taxes and Fees	21,936,500	0.7
Miscellaneous Revenues	<u>56,265,700</u>	<u>1.8</u>
TOTAL	\$3,188,367,900	100.0%

*Total motor vehicle fees before revenue bond debt service is subtracted and deposited to a separate debt service trust fund.

FIGURE 11

**2005-07 Transportation Fund Appropriations
By Category**



<u>Category</u>	<u>Amount</u>	<u>Percent of Total</u>
Local Assistance	\$1,131,337,600	35.5%
Highway Programs	866,582,900	27.2
Debt Retirement*	327,286,200	10.2
Division of Motor Vehicles	165,951,600	5.2
Division of State Patrol	108,347,600	3.4
Departmental Administration	99,739,800	3.1
Other Agencies	48,264,000	1.5
Reserves	15,376,500	0.5
Transfers to the General Fund	<u>427,000,000</u>	<u>13.4</u>
TOTAL	\$3,189,886,200	100.0%

*Includes debt service on revenue bonds, which is subtracted from vehicle registration revenues prior to deposit in the transportation fund.

NOTE: Lapses to the transportation fund from the appropriations above are estimated to be \$2,000,000 in 2005-07. Therefore, expenditures in the 2005-07 biennium are estimated to be \$3,187,886,200.

OVERVIEW

LOTTERY FUND BUDGET

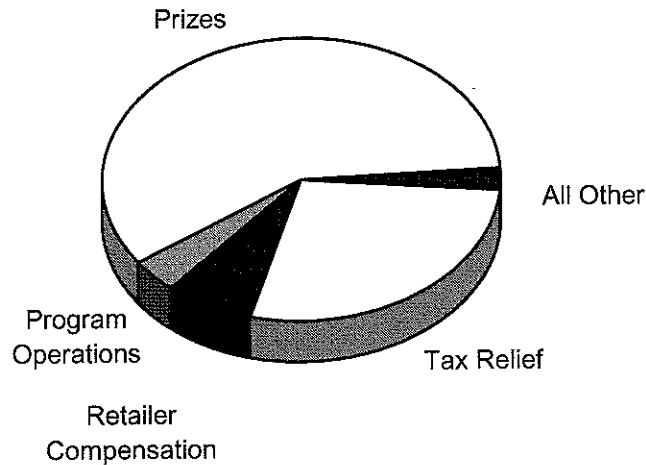
TABLE 14**2005-07 Lottery Fund Condition Statement**

	<u>2005-06</u>	<u>2006-07</u>
Fiscal Year Opening Balance	\$4,128,100	\$9,607,400
Operating Revenues		
Ticket Sales	\$480,282,800	\$490,355,500
Retailer Fees and Miscellaneous	<u>86,400</u>	<u>126,400</u>
Gross Revenues	\$480,369,200	\$490,481,900
Expenditures		
Prizes	\$280,519,800	\$286,941,100
Retailer Compensation	33,857,900	34,588,200
Vendor Payments	12,215,200	12,471,000
General Program Operations	18,797,500	18,622,300
Appropriation to Department of Justice	324,500	325,200
Appropriation to Department of Revenue	268,100	268,100
Program Reserves	<u>223,500</u>	<u>313,300</u>
Total Expenditures	\$346,206,500	\$353,529,200
Net Proceeds	\$134,162,700	\$136,952,700
Interest Earnings	\$1,265,900	\$1,438,800
Gaming-Related Revenue	\$844,300	\$844,300
Total Available for Tax Relief *	\$140,401,000	\$148,843,200
Appropriations for Tax Relief		
Lottery and Gaming Tax Credit	\$115,593,600	\$123,833,600
Farmland Tax Relief Credit	15,000,000	15,000,000
Lottery and Gaming Credit: Late Applications	<u>200,000</u>	<u>200,000</u>
Total Appropriations for Tax Relief	\$130,793,600	\$139,033,600
Gross Closing Balance	\$9,607,400	\$9,809,600
Reserve (2% of Gross Revenues)	\$9,607,400	\$9,809,600
Net Closing Balance	\$0	\$0

* Opening balance, net proceeds, interest earnings, and gaming-related revenue.

FIGURE 12

2005-07 Lottery Fund Expenditures



	<u>Amount</u>	<u>Percent of Total</u>
Operating Expenditures	(\$699,735,700)	(72.2%)
Prizes	567,460,900	58.5
Retailer Compensation	68,446,100	7.1
Vendor Payments	24,686,200	2.5
General Program Operations	37,419,800	3.9
Appropriations to Departments of Justice and Revenue	1,185,900	0.1
Program Reserves	536,800	0.1
Appropriations for Tax Relief	(\$269,827,200)	(27.8%)
Lottery Property Tax Credit	239,827,200	24.7
Farmland Tax Relief Credit	<u>30,000,000</u>	<u>3.1</u>
TOTAL	\$969,562,900	100.0%

STATE AGENCY BUDGET SUMMARIES

Administration Through Health and Family Services

ADMINISTRATION

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$33,925,200	\$428,043,900	\$417,562,300	\$417,094,700	\$417,094,700	\$383,169,500	1129.5%
FED	307,497,000	297,955,700	297,955,700	297,955,700	297,955,700	- 9,541,300	- 3.1
PR	608,364,800	694,535,800	643,513,400	643,513,400	642,224,600	33,859,800	5.6
SEG	<u>135,940,400</u>	<u>146,568,500</u>	<u>136,068,500</u>	<u>136,068,500</u>	<u>136,068,500</u>	<u>128,100</u>	0.1
TOTAL	\$1,085,727,400	\$1,567,103,900	\$1,495,099,900	\$1,494,632,300	\$1,493,343,500	\$407,616,100	37.5%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	96.21	91.86	93.86	93.86	93.86	- 2.35
FED	96.51	62.01	62.01	62.01	62.01	- 34.50
PR	798.56	953.91	809.96	809.96	809.96	11.40
SEG	<u>16.10</u>	<u>16.30</u>	<u>15.10</u>	<u>15.10</u>	<u>15.10</u>	<u>- 1.00</u>
TOTAL	1,007.38	1,124.08	980.93	980.93	980.93	- 26.45

Budget Change Items

General Agency Provisions

1. STANDARD BUDGET ADJUSTMENTS

Governor/Legislature: Provide standard budget adjustments to the base budget totaling \$553,400 GPR, -\$112,100 FED, \$2,947,800 PR, and \$116,800 SEG and -22.0 FED and -1.0 PR positions in 2005-06 and \$554,600 GPR, -\$784,000 FED, \$2,950,900 PR, and \$116,800 SEG and -27.0 FED and -1.0 PR positions in 2006-07. Adjustments

	Funding	Positions
GPR	\$1,108,000	0.00
FED	- 896,100	- 27.00
PR	5,898,700	- 1.00
SEG	<u>233,600</u>	<u>0.00</u>
Total	\$6,344,200	- 28.00

are for: (a) turnover reduction (-\$109,100 GPR, -\$63,300 FED, and -\$848,000 PR annually); (b) removal of non-continuing elements from the base (-\$930,300 FED and -22.0 FED and -1.0 PR positions in 2005-06 and -\$1,602,200 FED and -27.0 FED and -1.0 PR positions in 2006-07); (c) full funding of continuing salaries and fringe benefits (\$638,900 GPR, \$881,500 FED, \$3,202,900 PR, and \$116,800 SEG annually); (d) reclassifications (\$5,100 GPR and \$9,700 PR in 2005-06 and \$6,300 GPR and \$12,800 PR in 2006-07); (e) overtime (\$554,400 PR annually); (f) night and weekend differential (\$28,800 PR annually); (g) full funding of lease costs and directed moves (\$18,500 GPR annually); and (h) minor offsetting transfers within the same appropriation.

2. APPROPRIATION OBLIGATION BOND DEBT SERVICE

GPR-REV	\$150,692,900
GPR	\$381,666,200
GPR Lapse	\$305,039,800

Governor/Legislature: Provide \$190,833,100 GPR annually to fund the debt service on appropriation obligation bonds issued to pay the state's Wisconsin Retirement System unfunded prior service liability as well as its accumulated sick leave conversion credit program liability. Estimate lapses to the general fund of \$190,833,100 in 2005-06 and \$114,206,700 in 2006-07 associated with the following: (a) bond proceeds held as capitalized interest to be applied to the initial debt service payments on the bonds; and (b) lower than budgeted debt service payments on the bonds. Increase GPR-Earned estimates under DOA by \$74,923,400 in 2005-06 and \$75,769,500 in 2006-07 attributable to payments by state agencies to offset a portion of this debt service. [For more information on changes relating to these appropriation obligation bond lapses and transfers, see "Building Commission."]

3. DEBT SERVICE REESTIMATE [LFB Paper 184]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$3,696,000	-\$1,469,800	\$2,226,200
PR	<u>-4,779,600</u>	<u>0</u>	<u>-4,779,600</u>
Total	-\$1,083,600	-\$1,469,800	-\$2,553,400

Governor: Reestimate the agency's debt service costs by \$1,171,600 GPR and -\$2,309,500 PR in 2005-06 and \$2,524,400 GPR and -\$2,470,100 PR in 2006-07 for the following programs: (a) general fund supported principal and interest for educational technology infrastructure in schools (\$1,170,300 GPR in 2005-06 and \$2,523,100 GPR in 2006-07); (b) general fund supported principal and interest for educational technology infrastructure for public library boards (\$1,300 GPR annually); (c) principal repayment and interest for buildings used to house state agencies (\$1,594,300 PR in 2005-06 and \$1,287,000 PR in 2006-07); (d) principal repayment and interest for parking in Madison (-\$121,600 PR in 2005-06 and \$19,600 PR in 2006-07); (e) program revenue supported principal and interest for educational technology infrastructure in schools (-\$3,589,600 PR in 2005-06 and -\$3,584,100 PR in 2006-07); and (f) program revenue supported principal and interest for educational technology infrastructure for public library boards (-\$192,600 PR annually).

Joint Finance/Legislature: Reestimate the agency's debt service costs related to general fund supported principal interest for educational technology infrastructure in schools by -\$793,500 GPR in 2005-06 and -\$676,100 GPR in 2006-07 and for public libraries by -\$200 GPR in 2005-06.

4. TRANSFER FROM THE PUBLIC BENEFITS FUND [LFB Paper 100] GPR-REV \$35,134,700

Governor: Transfer \$18,185,300 in 2005-06 and \$16,949,400 in 2006-07 from the utility public benefits fund to the general fund. The transfer would likely be made from the energy conservation and efficiency and renewable resources portion of the public benefits fund. Revenues to this portion of the fund are approximately \$62.5 million annually.

This transfer would be in addition to an ongoing base level commitment of utility public benefits funds of \$9,232,000 annually under the Department of Workforce Development for the Wisconsin Works program. The Governor's budget recommendations would allocate or transfer a total of \$27,417,300 in 2005-06 and \$26,181,400 in 2006-07 from the utility public benefits fund to other purposes.

Joint Finance/Legislature: Expand the eligible purposes for the use of the utility public benefits fund by creating a new annual appropriation under the Department of Health and Family Services and appropriating \$954,500 annually from the fund to support income maintenance contracts. Repeal this new appropriation on June 30, 2007. [The fiscal effect of this Joint Finance provision is shown under "DHFS -- MA, Badgercare, and Seniorcare -- Administration."]

[Act 25 Sections: 321f, 321g, 1189, 1189m, 9201(1), and 9421(11f)]

5. BUDGET REDUCTIONS [LFB Paper 261]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance</u> <u>(Chg. to Gov)</u>		<u>Senate/Leg.</u> <u>(Chg. to JFC)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$351,500	-2.85	\$87,800	1.00	-\$467,600	0.00	-\$731,300	-1.85
FED	0	-7.50	0	0.00	0	0.00	0	-7.50
PR	-9,370,600	-55.65	0	0.00	0	0.00	-9,370,600	-55.65
SEG	<u>-15,900</u>	<u>-0.50</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>	<u>-15,900</u>	<u>-0.50</u>
Total	-\$9,738,000	-66.50	\$87,800	1.00	-\$467,600	0.00	-\$10,117,800	-65.50

Governor: Delete \$155,500 GPR and 2.35 GPR, 7.0 FED, 27.15 PR, and 0.5 SEG positions in 2005-06 and \$196,000 GPR, \$9,370,600 PR, and \$15,900 SEG and 2.85 GPR, 7.5 FED, 55.65 PR, and 0.5 SEG positions in 2006-07 from salaries and fringe benefits from the following appropriations:

Appropriation	2005-06		2006-07		Fund Source
	Amount	Positions	Amount	Positions	
(1)(a) Supervision and management operations	-\$155,500	-2.35	-\$196,000	-2.85	GPR
(1)(mb) Federal aid for state programs	\$0	-6.00	\$0	-6.00	FED
(4)(mp) Federal E-rate	0	0.00	0	-0.50	FED
(4)(o) Admin. of National and Community Service Bd.	0	-1.00	0	-1.00	FED
FED Total	\$0	-7.00	\$0	-7.50	
(1)(ie) Land Information Board operations	\$0	-1.00	-60,700	-1.00	PR
(1)(ir) Relay service	0	0.00	-300,000	0.00	PR
(1)(iu) Plat, incorporation, and annexation review	0	-0.50	-21,700	-0.50	PR
(1)(ja) Justice information systems	0	-1.00	-211,600	-2.40	PR
(1)(ka) Materials and services to agencies	0	-0.35	-76,400	-1.05	PR
(1)(kb) Transportation, records, and document services	0	-3.00	-487,900	-4.00	PR
(1)(kc) Capital planning and construction services	0	-0.50	-90,600	-1.50	PR
(1)(ke) Telecommunications services	0	0.00	-1,677,100	-4.50	PR
(1)(kf) Procurement services	0	-1.00	-31,800	-1.00	PR
(1)(kl) Printing, mail, communication, and IT services	0	0.00	-1,658,100	-17.40	PR
(4)(hc) Admin. of educational technology conference	0	0.00	-36,800	-0.50	PR
(4)(kp) Hearings and appeals fees	0	-1.30	-42,400	-1.30	PR
(5)(ka) Facility operations and maintenance	0	-16.00	-\$4,253,600	-18.00	PR
(5)(kb) Parking operations	0	0.00	-300,000	0.00	PR
(8)(g) Racing operations	0	-1.50	-65,200	-1.50	PR
(8)(h) Indian gaming operations	0	-1.00	-56,700	-1.00	PR
PR Total	\$0	-27.15	-\$9,370,600	-55.65	
(1)(v) Environmental improvement program ops.	0	-0.50	-15,900	-0.50	SEG
All Funds Total	-\$155,500	-37.00	-\$9,582,500	-66.50	

Joint Finance: Provide \$43,900 GPR and 1.0 GPR position annually to the Department's supervision and management general program operations appropriation to restore the Director position for the State Prosecutors Office. Reallocate an additional \$22,600 GPR annually under the appropriation from supplies and services to fully fund the salary and fringe benefits costs for the restored position. [For additional information, see "District Attorneys."]

Senate/Legislature: Reduce DOA's GPR appropriation for general program operations by \$232,500 in 2005-06 and by \$235,100 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's GPR supplemental appropriation to create alternative language

specifying that the Secretary of DOA, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for DOA is the amount of the reduction indicated above under the Senate provision).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

6. LAPSE FROM PROGRAM REVENUE BALANCES

GPR-REV \$16,850,700

Governor/Legislature: Require the Secretary of DOA to lapse \$16,850,700 in 2005-06 to the general fund from the from the following appropriation accounts.

The following appropriation accounts would be subject to the lapse or transfer requirements under DOA:

<u>Appropriation</u>	<u>2005-06</u>
(1)(iu) Plat, incorporation, and annexation review	\$21,700
(1)(ka) Materials and services charges	35,900
(1)(kc) Capital planning and building construction services	1,818,900
(1)(ke) Telecommunications services	427,100
(1)(kL) Printing, mail, communications, and IT services	7,500,000
(4)(hc) Wisconsin educational technology conference	36,800
(4)(k) Waste Facility Siting Board	150,000
(5)(ka) Facility operations and maintenance	5,453,600
(5)(kb) Parking	1,250,000
(8)(h) Indian gaming general program operations	56,700
(8)(j) Raffles and crane games general program operations	<u>100,000</u>
Total	\$16,850,700

Veto by Governor [E-1]: Delete the specific lapse amount for DOA as required under the bill as passed by the Legislature. Instead, by partial veto, create a general nonstatutory provision directing the Secretary of DOA to make lapses from unspecified appropriation accounts to the general fund that total \$71,234,800. The Governor's veto message indicates his intent that the Secretary is to achieve this overall lapse amount by including a lapse of monies from this agency to the general fund in an amount equal to the lapse amounts as specified for DOA in the budget bill as passed by the Legislature.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1) title and (1)(a)&(b)]

7. **DIVISION OF ENTERPRISE TECHNOLOGY EXPENDITURE REESTIMATES** [LFB Paper 107]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$25,666,600	-\$22,000,000	\$3,666,600

Governor: Provide \$12,833,300 annually of increased expenditure authority for DOA's Division of Enterprise Technology (DET). The increased funding would be allocated among the following DOA appropriations for the purposes indicated: (a) \$11,000,000 under the printing, mail processing, communications and information technology for state agencies appropriation (\$2,500,000 associated with master lease payments on information technology hardware, \$3,500,000 for new building costs of an off-site disaster recovery center, and \$5,000,000 associated with increased utilization of DET services by state agencies); and (b) \$1,833,300 under the communications and information technology for non-state agencies appropriation associated with increased utilization by local units of government and school districts.

Decrease expenditure authority by \$2,458,000 annually in the printing, mail processing, communications and information technology for state agencies appropriation and increase expenditure authority by a corresponding amount in the communications and information technology for non-state agencies appropriation to align revenues and expenditures as a result of a new data and video contract. Base funding for the printing, mail processing, communications and information technology for state agencies appropriation is \$84,329,600 and 164.3 positions; for the communications and information technology for non-state agencies appropriation, \$14,373,000.

Convert the communications and information technology for state agencies appropriation from annual to continuing, thereby allowing DOA to expend all moneys received for the purpose of providing printing, mail processing, electronic communications, and information technology development, management, and processing services to state agencies.

Joint Finance/Legislature: Delete \$6,000,000 annually associated with lease and hardware, software and equipment for a new data center and delete \$5,000,000 annually associated with a proposed state government-wide business system. In addition, delete the conversion of the IT services for state agencies appropriation from an annual to a continuing appropriation.

Create a nonstatutory provision directing DOA to report semiannually to the Joint Committee on Finance during the 2005-07 biennium relating to the lease of a new data center and the costs associated with additional hardware and software to increase the state's IT processing capacity in connection with the proposed state government-wide business system. Specify that the report include: (a) the major stages and substages of the projects, including an assessment of need, design, implementation and testing stages and their major substages; (b) the scheduled, estimated and actual completion dates for each major stage and substage of the projects; (c) the budgeted amounts and amounts actually expended on each major stage and

substage of the projects; and (d) an evaluation of the projects, including any problems encountered or risks associated with proceeding to the next stage of the project, if any.

Create a nonstatutory provision directing that any proposed acquisition of any information technology resource related to the data center or the management information system project that DOA considers major or that is likely to result in a substantive change in service would be subject to Committee review under a 14-day passive review process.

Veto by Governor [E-10]: Delete both nonstatutory provisions relating to reporting requirements.

[Act 25 Vetoed Sections: 9101(11k)&(12k)]

8. DISTRICT ATTORNEY INFORMATION TECHNOLOGY [LFB Papers 101 and 122]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR-REV	\$3,100,000	\$0	\$3,100,000
PR	-\$1,552,800	\$1,362,200	-\$190,600

Governor: Delete \$776,400 annually in federal Byrne and state penalty surcharge match funding in the interagency justice information systems appropriation currently used to support information technology services for District Attorney offices statewide. Increase the justice information system surcharge by \$3 to \$12. Provide that five-twelfths of the surcharge (\$5) would be allocated to DOA for justice information systems, one-half of the surcharge (\$6) would be allocated to fund the Circuit Court Automation Programs (CCAP), and the remaining one-twelfth (\$1) would be credited to the general fund. The Executive Budget Book indicates that "the increase is needed to avoid a deficit related to funding for district attorney information systems." The increased fee is estimated to generate additional program revenue of \$1.0 million in 2005-06 and \$2.1 million in 2006-07.

Under current law, the \$9 justice information system surcharge is assessed with a court fee for the commencement or filing of certain court proceedings, including civil, small claims, forfeiture, wage earner, or garnishment actions, an appeal from municipal court, third party complaint in a civil action, or for filing a counterclaim or cross complaint in a small claims action (excluded are actions for safety belt use violations, or first time violations for operating a motor vehicle, all-terrain vehicle, motorboat, or snowmobile if the operator had a blood alcohol concentration of 0.08 or more but less than 0.1). Of the \$9 surcharge, \$2 (two-ninths) is allocated to DOA for justice information systems, \$6 (six-ninths) is allocated for the CCAP, and \$1 is credited to the general fund. The \$2 fee currently allocated by DOA generates approximately \$1.4 million annually.

Joint Finance/Legislature: Modify the provision to: (a) provide increased expenditure authority of \$539,100 in 2005-06 and \$753,900 in 2006-07 under the justice information surcharge

appropriation; (b) reduce funding in the interagency justice information systems appropriation by \$244,100 annually; and (c) increase penalty surcharge funding by \$278,700 annually. The reductions in the interagency justice information systems appropriation and the increases in penalty surcharge funding are associated with the decline in federal Byrne grant funding and the redistribution of penalty assessment funding previously used as Byrne grant match monies.

[Act 25 Sections: 393, 440, and 2451]

9. INTERAGENCY POSITION TRANSFERS

Governor/Legislature: Provide \$44,800 PR and -\$44,800 SEG and 0.5 PR and -0.5 SEG position annually to reallocate 6.55 classified and 2.1 unclassified positions. The reallocation would realign current program responsibilities with the appropriate funding sources, as summarized below:

	Funding	Positions
PR	\$89,600	0.50
SEG	<u>-89,600</u>	<u>-0.50</u>
Total	\$0	0.00

Transfers from Various Appropriations

<u>Appropriation</u>	<u>Funding</u>	<u>FTE Positions</u>		<u>Fund Source</u>
		<u>Classified</u>	<u>Unclassified</u>	
(1)(kb) Transportation, records, and document services	-\$75,900	-1.05	0.00	PR
(1)(kc) Capital planning and construction	-64,300	0.00	-0.50	PR
(1)(ke) Telecommunications services	-132,000	0.00	-1.00	PR
(8)(g) Racing operations	-191,300	-1.50	-0.60	PR
(8)(h) Gaming operations	-15,600	-0.25	0.00	PR
(8)(j) Raffles and crane games operations	<u>-15,600</u>	<u>-0.25</u>	<u>0.00</u>	PR
PR Total	-\$494,700	-3.05	-2.10	PR
(3)(q) General program operation for utility public benefits	<u>-\$44,800</u>	<u>-0.50</u>	<u>0.00</u>	SEG
All Funds Total	-\$539,500	-3.55	-2.10	

Transfers to Various Appropriations

<u>Appropriation</u>	<u>Funding</u>	<u>FTE Positions</u>		<u>Fund Source</u>
		<u>Classified</u>	<u>Unclassified</u>	
(1)(ka) Materials and services to agencies	\$143,800	2.00	0.00	PR
(1)(kf) Procurement services	75,900	1.05	0.00	PR
(1)(kl) Printing mail, communication and IT services	176,800	0.50	1.00	PR
(5)(ka) Facility operations and maintenance	64,300	0.00	0.50	PR
(8)(h) Gaming operations	52,500	0.00	0.40	PR
(8)(j) Raffles and crane games operations	13,100	0.00	0.10	PR
(8)(jm) Bingo operations	<u>13,100</u>	<u>0.00</u>	<u>0.10</u>	PR
PR Total	\$539,500	3.55	2.10	PR

10. HEALTH CARE QUALITY AND PATIENT SAFETY BOARD ADMINISTRATIVE ATTACHMENT TO DOA [LFB Paper 106]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
SEG	\$10,500,000	2.20	-\$10,500,000	-2.20	\$0	0.00

Governor: Provide \$10,250,000 in 2005-06 and \$250,000 in 2006-07 and 2.2 positions annually to fund grants and operations of a new Health Care Quality and Patient Safety Board (HCQPSB), first effective October 1, 2005. Attach the Board administratively to DOA. The Board would replace the Health Care Information Board (HCIB), currently attached to the Department of Health and Family Services (DHFS).

Create the following appropriations for the Board under DOA: (a) a PR continuing gifts and grants appropriation for the receipt of gifts, grants, bequests, and devises made to the Board; (b) a SEG biennial general program operations appropriation for the Board funded from amounts deposited in the health care quality improvement fund created under the bill (and provide \$250,000 and 2.2 positions annually under this appropriation); and (c) a SEG continuing grants and loans appropriation for grants and loans made to clinics, health maintenance organizations, hospitals, and physicians (and provide \$10,000,000 in 2005-06 from the health care quality improvement fund under this appropriation).

Health Care Quality Grants and Loans. Authorize the Board to make grants and loans to clinics, health maintenance organizations, hospitals, and physicians for the following purposes: (a) installation of computer-assisted physician order entry, electronic medical records, or other information system infrastructure, including clinical decision support systems, to improve the quality, safety, and efficiency of patient care; (b) development of health information exchanges, integrated health care data repositories, and interoperable systems to facilitate the reporting of quality, safety, and efficiency information for purposes of health care system improvement or related purposes by informing consumers and health care purchasers; (c) demonstration, through pilot projects, of rapid cycle improvements in quality, safety, and efficiency of care; and (d) facilitation of group purchases of medical technology systems by assisting health care providers in forming collaborative agreements for technology. Provide that loans repayments made under this provision would be deposited in the fund.

Coordinating Council. Require the Interagency Coordinating Council to report at least twice annually to the Board concerning the Council's activities on state health care data collection. Currently, the Council reports to the Health Care Information Board.

Members of the Health Care Quality and Patient Safety Board. Create the HCQPSB as a nine-member Board with the following membership: (a) the Secretary of DHFS, or designee; (b) the Secretary of the Department of Employee Trust Funds, or designee; (c) the Secretary of DOA, or designee; (d) a physician holding a license approved of by the Medical Examining Board; (e) a representative of hospitals; (f) an employer purchaser of health care; (g) a representative of the

insurance industry; (h) a representative of health maintenance organizations; and (i) one member representing the public interest. Specify that the members of the Board who do not serve because of their government positions would serve staggered four-year terms, provide for initial terms of such members, and specify that the initial appointment would be made on the first day of the fourth month beginning after the effective date of the provision. Specify that the chair of the Board would be designated biennially by the Governor.

Board Responsibilities and Authority Require the Board to: (a) report to the Governor by January 1, 2006, and at least annually thereafter, on its plans, activities, accomplishments, and recommendations; (b) assess on an annual basis the extent to which health care providers in the state use automated information and decision support systems; (c) assess on an annual basis options and develop a plan and specific strategies to achieve automation of all health care systems in Wisconsin by 2010 (or as soon as practicable); and (d) administer the new health care quality improvement fund. Authorize the Board to accept gifts, grants, bequests, and devisees to be used in the execution of its functions

Provide that DHFS, and the Independent Review Board under the agency, may promulgate only those rules under Chapter 153 of the statutes (Health Care Information) that are first approved by the Board. Provide that the Wisconsin Health and Educational Facilities Authority may not provide financial assistance to a hospital or health facility or institution, unless such an entity demonstrates to the Board that it is making progress to improve medical information systems technology.

Studies Undertaken by the Board. Require the Board to study and make recommendations to the Governor, by March 1, 2006, concerning the feasibility of creating a centralized physician information database, including the feasibility of a joint public-private effort.

By October 1, 2006, require the Board to do all of the following: (a) make a recommendation regarding DHFS rulemaking relating to claims data; (b) promote the collection and availability of information regarding the quality and price of health care required to enable consumers and health care purchasers to make wise health care choices; and (c) foster the creation and evolution of public-private health care partnerships, agreements on standard health care data sets and reporting protocols, and transparency of health information for purchasing purposes, including the development of an integrated health care data repository.

Development of Plans and Strategies. By January 1, 2007, require the Board to develop a plan and strategies to do the following: (a) provide the loans and grants authorized under the bill; (b) deploy health care information systems technology for health care quality, safety, and efficiency within a reasonable time using reasonable investments; and (c) consider the extent to which an integrated and interoperable system or underlying technology is the most cost-effective. This consideration would have to include an assessment of the benefits of the system in terms of its rapid deployment to medical care practitioners, promotion of accurate and appropriate shared information about patients among the providers, standardization of performance indicators, and the provision of public reporting of quality, safety, and efficiency data for consumer and health care purchaser decision making.

[Provisions relating to the elimination of the Health Care Information Board are summarized under "Health and Family Services -- HIRSP and Public Health." Provisions relating to the creation of the Health Care Quality Improvement Fund and funding for the MA program are summarized under "Health and Family Services -- Medical Assistance, BadgerCare, and SeniorCare -- Base Reestimates and Funding."]

Joint Finance/Legislature: Delete provision.

11. RISK MANAGEMENT PROGRAMS -- CLAIMS PAYMENTS ESTIMATE PR \$7,262,800

Governor/Legislature: Provide adjustments for risk management claims payment costs of \$2,883,900 in 2005-06 and \$4,378,900 in 2006-07. The adjustments reflect the following individual risk management program changes: (a) -\$55,400 in 2005-06 and \$135,600 in 2006-07 to modify total estimated property claims payments to \$3,860,000 in 2005-06 and \$4,051,000 in 2006-07; (b) \$2,475,000 in 2005-06 and \$2,895,000 in 2006-07 to increase total estimated liability claims payments to \$8,400,000 in 2005-06 and \$8,820,000 in 2006-07; and (c) \$464,300 in 2005-06 and \$1,348,300 in 2006-07 to increase total estimated worker's compensation claims payments to \$14,734,000 in 2005-06 and \$15,618,000 in 2006-07.

Currently, the Department also maintains an appropriation account with base level expenditure authority of \$275,000 annually to fund potential claim payments associated with hazardous waste cleanups where the state is a party to generating the waste. Under standard budget adjustments (minor transfers), the Governor provides the transfer of these base level amounts to the liability claims payments appropriation, thereby increasing the total available expenditure authority for estimated liability claims payments to \$8,675,000 in 2005-06 and \$9,095,000 in 2006-07. As a result of this funding consolidation, all future risk management payments for hazardous waste cleanup claims would be paid from amounts authorized under liability claims payment appropriation account.

The increased funding associated with all of these risk management program claims payment changes would be provided from charges assessed to state agencies for the operation of the state's self-funded risk management program.

12. LAND INFORMATION BOARD AND WISCONSIN LAND COUNCIL SUNSETS [LFB Paper 102]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR-REV	\$0	\$884,400	\$0	\$884,400
PR-REV	8,500,000	- 1,778,400	0	6,721,600
PR	-\$1,400,000	\$750,800	-\$1,288,800	-\$1,938,000

Governor: Recodify the duties of the Land Information Board and the Wisconsin Land Council under DOA to reflect the repeal of the Board on July 1, 2005, and the sunset of the Council on September 1, 2005. Delete \$700,000 annually appropriated for soil survey and mapping activities and repeal two related appropriations to reflect the conclusion of the soil survey and mapping project in the state.

Land Information Board Duties Transferred to DOA. Generally, provide that all of the current law duties and responsibilities of the Land Information Board would be recodified under DOA. These include: (a) providing technical assistance and advice to state agencies and local governmental units with land information responsibilities; (b) maintaining and distributing an inventory of land information available for this state; (c) preparing guidelines for coordinating the modernization of land records and land information systems; (d) reviewing and approving county aid project applications; (e) reviewing for approval a countywide plan for land records modernization; (f) seeking the cooperation of the University of Wisconsin, state agencies, local government units and other experts involved in collecting and managing land information; and (g) providing technical assistance to counties and conducting educational conferences relating to land information and collecting fees to recover the costs of these services.

DOA, rather than the Board, would assume the responsibility for integrating information submitted annually from 11 state agencies relating to modernizing the state's land information data needs.

Wisconsin Land Council Duties Transferred to DOA. Generally, provide that all of the current law duties and responsibilities of the Wisconsin Land Council would be recodified under DOA. These include: (a) identifying state land use goals and making recommendations to the Governor regarding their implementation; (b) studying areas of cooperation and coordination in the states land use statutes and recommending appropriate legislation; (c) studying ways to reduce conflicting language in the state's land use goals; (d) recommending to the Governor ways to reduce conflicts in state statutes and municipal ordinances; (e) establishing a state agency working group to analyze the gathering of state information for land use plans, distributing such information, and creating a system to provide technical assistance to municipal land use planning; (f) studying municipal land use to determine how these activities impact state land use goals; (g) identifying procedures for facilitating local land use planning; (h) gathering and analyzing tribal government and federal land use in the state; (i) studying other issues related to the state's land use goals, including alternative dispute resolution procedures; and (j) gathering information relating to land use issues to in order to advise DOA on such matters.

Continued Collection and Remittance of the State's Share of Land Record Fees. Continue the current fee schedule and allocation mechanism for county land record fees. Under current law, county registers of deed collect \$11 for the first page and \$2 for each additional page for recording a legal document. Of the amounts assessed for the first page, \$7 is forwarded to the Board, unless the county has a new land information office or has received approval for a countywide land records modernization plan. In such instances, the county may retain an additional \$5 of the \$7 that would otherwise be remitted to the state. The retained \$5 may then

be used for the following purposes: (a) \$4 for developing, and maintaining a countywide plan for land records and modernization; and (b) \$1 for maintaining a computerized indexing of the county's land information records relating to the housing. If a county meets these requirements, only \$2 of the \$11 first page land record fee is forwarded to the Board.

Under current law, on July 1, 2005, the fee for recording the first page of a land record will be reduced from \$11 to \$8, and no portion of the \$8 would be remitted to the state. Under the Governor's recommendation, the current fee allocation would be reenacted on July 1, 2005, and the \$2 that had been remitted to the Board would instead be remitted to DOA. Estimate land record fee revenues remitted to the state of \$4,250,000 PR annually. Modify the use of the \$1 retained by counties for maintaining a computerized indexing of the county's land information records relating to the housing by specifying that the funding would have to be used for providing such information on the Internet.

Authorize DOA, rather than the Board, to make grants in aid, funded from the land record fees received by the state, for county land records modernization. The land record fees received by the state would continue to support these county grants (base level funding of \$269,000 annually), comprehensive planning grants (base level funding of \$2,000,000 annually), and municipal incorporations and annexations expenses (base level funding of \$325,100 annually). Convert a technical assistance and education appropriation, funded from conference fees, from an annual to a continuing appropriation.

Miscellaneous Changes. Recodify current statutes by including reference to DOA, rather than the Land Information Board or the Wisconsin Land Council, with respect to: (a) consulting with the Department of Natural Resources relating to the natural heritage inventory program, wetland mapping and aerial photographic surveys; (b) providing advice to the UW Board of Regents on the selection of a state cartographer and requiring the state cartographer to coordinate certain of his or her duties with DOA; (c) cooperating with the Department of Agriculture, Trade and Consumer Protection regarding the methodology for collecting land information data on soil erosion; and (d) advising the Public Service Commission with respect to reimbursing local land information collection costs related to emergency wireless 911 services.

Repeal the responsibilities of the Board: (a) to enter into a memorandum of understanding with the Wisconsin Land Council to avoid the duplication of duties; and (b) to conduct soil surveys and mapping activities (in light of the completion of this project). Repeal various nonstatutory provisions modifying previous sunset dates for the Land Information Board and the Wisconsin Land Council. Specify that the recodification of duties of the Wisconsin Land Council under DOA would be effective on September 1, 2005.

Joint Finance/Legislature: Make the following changes in connection with the sunset of Land Information Board and Land Council activities.

County Aid Grants. Reestimate revenues remitted to the state from the land record fees collected by county registers of deeds by -\$889,200 annually (to \$3,360,800 annually) and direct

the lapse of an additional \$464,100 in 2005-06 and \$420,300 in 2006-07 related to estimated unobligated balances in the county aids appropriation. Convert the county aids appropriation from a continuing basis to an annual basis and provide additional annual expenditure authority of \$375,400 annually to increase the maximum annual aid allocation to certain counties from \$35,000 to \$45,000.

Provide that no county that received land record fee revenue of at least \$45,000 in the previous year from amounts retained for developing, implementing, and maintaining countywide plans may receive a state county aid supplement. However, if a county received less than \$45,000 of such revenue, specify that the total aid amount supplemented may be no more than the difference between actual amounts retained in the previous year and \$45,000. Authorize DOA to provide up to \$300 per year to each county for training and education of county employees for the design, development, and implementation of a land information system.

Duties of the State Cartographer. Specify that the University of Wisconsin System Board of Regents may appoint the State Cartographer without the advice of DOA. Further, specify that the State Cartographer may undertake his or her duties without coordinating or consulting with DOA.

Vetoes by Governor [B-13, B-14, and E-1]: Delete provisions that would: (a) establish a maximum county aid supplemental grant of \$45,000 annually; (b) require the county aid supplemental grant to be paid from the land information aids to counties appropriation; and (c) direct a lapse to the general fund of \$464,100 in 2005-06 and \$420,300 in 2006-07 from the unobligated balances in the land information aids to counties appropriation. In the veto message, the Governor indicates his intent to have the Secretary of DOA lapse the \$884,400 related to land information aids to counties as part of a larger lapse or transfer totaling \$71,234,500 during the biennium.

Delete some or all of the statutory language relating to the appropriation purposes for four separate land information-related appropriations that are either repealed and recreated or repealed outright. The Governor's partial veto is effected in such a manner as to result in the repeal and recreation of a single "Land" appropriation, with a variety of appropriation purposes, one of which is to support from county land record fees DOA's current law land information program functions under s. 16.967 of the statutes [including the payment of land information supplemental aids to counties].

In the appropriations schedule, delete: (a) all but the word "Land" in the s. 20.505(1)(ie) appropriation; (b) the annual basis of the appropriation [the expenditure authority of \$332,100 in 2005-06 and \$271,400 in 2006-07 under the appropriation is not affected]; (c) the s. 20.505(1)(ig) land information technical assistance and education appropriation and expenditure authority of \$0 annually; and (d) the s. 20.505(1)(ij) land information aids to counties appropriation and \$644,400 annually. As a result of this partial veto, all remaining expenditure authority for land information supplemental aid grants to counties would be deleted from the appropriations schedule.

However, because: (a) the new "Land" appropriation will operate as an all monies received continuing appropriation [with expenditure authority estimated at \$332,100 in 2005-06 and \$271,400 in 2006-07]; (b) an estimated \$2,644,400 annually of additional unobligated county land record fees will now be credited to this appropriation [as a result of this veto and a related veto of the repeal of "Smart Growth" and comprehensive planning grants]; and (c) payments for land information county aid grants [and comprehensive planning grants] are an authorized purpose of the new "Land" appropriation, all the additional unobligated county land record fees credited to the new appropriation could be expended for such purposes as county land record modernization or for comprehensive planning grants to local units of government.

[Act 25 Sections: 91 thru 93, 389, 390, 391, 392, 396, 496 thru 498, 695, 696, 1231 thru 1234, 1236 thru 1238, 1742, 2032, 2493 thru 2495, and 9455(2)]

[Act 25 Vetoed Sections: 92 (as it relates to payments of county aid grants from s. 20.505(1)(ij) and to limitations on the size of grants to counties), 389, 389m, 390, 391, 9201(1q), and 9255(title) and 9255(1)(a)]

13. REPEAL "SMART GROWTH" AND COMPREHENSIVE PLANNING GRANTS

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR-REV	\$4,000,000	-\$4,000,000	\$0
PR	-\$4,000,000	\$0	-\$4,000,000

Joint Finance/Legislature: Make the following changes related to the state "Smart Growth" statute and related grant program.

Repeal Comprehensive Planning Requirements ("Smart Growth"). Repeal the requirement under s. 66.1001 of the statutes that certain local units of government have comprehensive plans in place by January 1, 2010. Under current law counties, cities, villages and certain towns that exercise village powers must ensure that if they do any of the following, the action must be consistent with their comprehensive plan: (a) establish or amend official mapping; (b) develop local subdivision regulation; (c) develop county, city, village, or town (where allowed) zoning ordinances; and (d) develop zoning for shorelands or wetlands in shorelands.

Currently a comprehensive plan must include the following planning elements: (a) issues and opportunities; (b) housing; (c) transportation; (d) utilities and community facilities; (e) agricultural, natural and cultural resources; (f) economic development; (g) intergovernmental cooperation; (h) land use; and (i) implementation.

Repeal Comprehensive Planning Grants. Delete the current GPR-, PR-, and SEG-funded comprehensive planning grants appropriations, delete \$2,000,000 PR of base funding for such grants, and lapse \$2,000,000 to the general fund from county land record fees previously

earmarked for these grants. There is no base level funding under any of the other repealed comprehensive planning grant appropriations.

Under current law, DOA awards comprehensive planning grants for planning consulting services, public planning sessions, and other planning outreach activities, or the purchase of computerized planning data, planning software or the hardware required to utilize that data or software. Planning efforts must contain all nine of the planning elements listed above to be eligible for grants.

Veto by Governor [B-13]: Delete the repeal of the "Smart Growth" program and comprehensive planning grants and restore the GPR-, PR-, and SEG-funded comprehensive planning grants appropriations. Delete the separate requirement that \$2,000,000 annually be lapsed to the general fund from county land record fees that had been used for comprehensive planning grants.

Delete some or all of the statutory language relating to the appropriation purposes for four separate land information-related appropriations that are either repealed and recreated or repealed outright. The Governor's partial veto is effected in such a manner as to result in the repeal and recreation of a single "Land" appropriation, the purpose of which is to support from county land record fees DOA's current law land information program functions under s. 16.967 of the statutes, DOA's current law review of proposed municipal incorporations and annexations, "and for the purpose of providing aids under s. 16.965" [the payment of comprehensive planning grants to local governmental units].

This latter phrase relating to the payment of comprehensive planning grants is created by deleting the "." at the end of the s. 20.505(1)(ie) appropriation [which is being repealed and recreated], deleting the repeal of the comprehensive planning grant PR-funded appropriation [s. 20.505(1)(if)], deleting the repeal and recreation of the those portions of the s. 20.505(1)(ig) appropriation [relating to land information technical assistance and education payments] except for the word "and" and the phrase "for the purpose of providing" and then retaining only the word "aids" in the title of the repealed and recreated s. 20.505(1)(ij) appropriation [relating to land information aid to counties payments] and the phrase "under s. 16.965" followed by the final "." in the appropriation. The statutory reference to "s. 16.965" of the statutes [comprehensive planning grant payments to local governmental units] is created from a reference to "s. 16.967(5)" by deleting the digit "7" as well as the parentheses ["(" and ")"] on either side of the digit "5".

In the appropriations schedule, delete: (a) all but the word "Land" in the s. 20.505(1)(ie) appropriation; (b) the annual basis of the appropriation [the expenditure authority of \$332,100 in 2005-06 and \$271,400 in 2006-07 under the appropriation is not affected]; (c) the s. 20.505(1)(ig) land information technical assistance and education appropriation and expenditure authority of \$0 annually; and (d) the s. 20.505(1)(ij) land information aids to counties appropriation and \$644,400 annually.

However, because: (a) the new "Land" appropriation will operate as an all monies received continuing appropriation [with expenditure authority estimated at \$332,100 in 2005-06 and \$271,400 in 2006-07]; (b) an estimated \$2,644,400 annually of additional unobligated county land record fees will now be credited to this appropriation [as a result of this veto of the repeal of "Smart Growth" and comprehensive planning grants and a related veto of increased county aid supplemental grant maximums]; and (c) payments for comprehensive planning grants [and land information county aid grants] are an authorized purpose of the new "Land" appropriation, all the additional unobligated county land record fees credited to the new appropriation could be expended for such purposes as comprehensive planning grants to local units of government and for county land record modernization.

[Act 25 Sections: 1r, 40m, 92, 278, and 389]

[Act 25 Vetoed Sections: 1c, 90t, 90u, 92 (as it relates to grants under s. 20.505(1)(ij)), 140 (as it relates to ss. 20.505(1)(ie),(ig)&(ij)), 278 (as it relates to s. 20.505(1)(z)), 388h, 388n, 389, 389m, 390, 391, 400m, 695g, 1235z, 1238m, 1238n, 1242q, 1250e, 1250f, 1250g, 1250m, 1254m, and 2118r]

14. WASTE FACILITY SITING BOARD MODIFICATIONS [LFB Paper 103]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$200,000	\$60,500	\$260,500
PR	\$123,200	\$0	\$123,200

Governor: Provide \$61,600 annually for the following purposes related to the Waste Facilities Siting Board: (a) \$50,900 annually to the Board's general program operations appropriation for contracting for legal and clerical support services; and (b) \$10,700 annually to DOA's Division of Hearings and Appeals fees appropriation for additional administrative hearings services for the Board. Current base level expenditure authority for the Board is \$6,400 annually.

Board Staffing. Authorize the Board to appoint an Executive Director either under the unclassified or the classified service. Delete a reference to the Executive Director serving at the pleasure of the Board, in the event that the Executive Director would be appointed in the classified service. Modify the current enumeration of the Board's Executive Director in the listing of state employees who serve in unclassified positions to specify that the Executive Director would be unclassified unless the Board chooses to appoint the Executive Director under the classified service. Currently, the Board has no authorized positions.

Authorize the Board, rather than the Executive Director, to contract with any state agency to provide assistance to the Board.

Lapse of Unencumbered Year-end Waste Facility Siting Board Operations Balances. Provide that all unencumbered balances in the Board's general program operations appropriation account at the end of each fiscal year would lapse to the general fund. Estimate increased GPR-Earned receipts under DOA of \$100,000 annually to reflect this lapse requirement. In a separate recommendation, the Board's operation appropriation would also be subject to a lapse of \$150,000 in 2005-06 to the general fund.

The Board's general program operations appropriation is funded through an appropriations transfer from the Department of Natural Resources (DNR). A fee of 1.7 cents per ton of solid or hazardous waste is currently collected as a Waste Facility Siting Board fee and is credited to the DNR appropriation for transfer to the Board's general program operations appropriation under DOA. Revenues to this appropriation have averaged approximately \$145,000 annually in recent years.

The Waste Facility Siting Board facilitates negotiation and arbitration between local governments and individuals that propose to establish or expand waste disposal facilities.

Joint Finance/Legislature: Reestimate lapses from the Waste Facility Siting Board by an additional \$52,900 in 2005-06 and \$7,600 in 2006-07 and specify that the lapses would be one-time during the 2005-07 biennium only. Effective for waste disposed on or after January 1, 2006, reduce the Waste Facility Siting Board fee from 1.7 cents per ton to 0.7 cents per ton. This fee change would affect the amounts assessed by DNR during 2006-07 and remitted to DOA in 2007-08.

[Act 25 Sections: 47, 48, 2109, 2198t, 9201(1f), 9335(2f), and 9435(2f)]

15. AUTHORITY TO REDUCE OR ELIMINATE CERTAIN MEMBERSHIP, DUES, AND RELATED EXPENDITURES [LFB Paper 104]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$0	-\$339,600	-\$339,600
PR	<u>0</u>	<u>614,900</u>	<u>614,900</u>
Total	\$0	\$275,300	\$275,300

Governor: Authorize the Secretary of DOA to reduce or eliminate: (a) payments for memberships, annual dues, or travel and miscellaneous expenses for the state's participation in certain interstate bodies; and (b) allocations budgeted to special committees created by law or by executive order. Expenditures for these purposes are currently budgeted under a general program operations appropriation under DOA's attached divisions and other bodies function. Base level funding under the appropriation is of \$169,800 GPR. No additional funding would be provided under the bill.

The appropriation supports dues payments for the state's participation in the following enumerated entities: the Advisory Commission on Intergovernmental Relations, the Council of

State Governments, the Education Commission of the States, the Midwest Higher Education Compact, the Northeast Midwest Institute, the Council of Great Lakes Governors, the Great Lakes Commission, and such other national or regional interstate governmental bodies as the Governor determines. The appropriation also supports the costs of special and executive order committees. The Governor is currently authorized to allocate up to \$2,000 GPR per fiscal year to any such committee. If the Governor wishes to allocate more than \$2,000 annually to a special or executive order committee, the proposed budget for the committee must be submitted to the Joint Committee on Finance for approval. The Governor may then release to the special or executive order committee the amounts approved by the Committee.

Delete the Northeast Midwest Institute from the enumeration of interstate bodies for which dues may be paid from the appropriation. Provide that if the Secretary of DOA reduces or eliminates expenditures from the appropriation: (a) the Revisor of Statutes would no longer be required to attend legislative service conferences of the Council of State Governments if membership in that organization is discontinued; (b) the commissioners of the Wisconsin Great Lakes Compact Commission would no longer be required to represent the state if membership in the Commission is discontinued; (c) the costs of dues for the Midwest Higher Education Commission would no longer be required to be funded from the appropriation; (d) actual and necessary meeting expenses would no longer be required to be paid in connection with attendance at the Great Lakes Compact Commission, the Midwest Higher Education Commission, or the Education Commission of the States; and (e) the Secretary of DOA would be authorized to reduce or eliminate proposed expenditures by special and executive order committees in any fiscal year to accommodate an insufficiency in the appropriation.

Joint Finance/Legislature: Delete provision. In addition, repeal DOA's GPR-funded appropriation for the payment of memberships, dues and travel expenses for the state's participation in interstate bodies and for special and executive committee expenses and delete \$169,800 GPR annually. Amend the expenditure purposes of DOA's materials and services to state agencies appropriation account to permit its use to fund membership dues for the currently enumerated cost of interstate bodies and special committee expenses, other than the Northeast Midwest Institute and the Midwest Higher Education Compact, and provide increased expenditure authority of \$305,000 PR in 2005-06 and \$309,900 PR in 2006-07 under that appropriation to fund such costs. Further, require DOA to pay up to \$82,500 PR in 2005-06 from the available expenditure authority in that appropriation for any unpaid membership dues for the Midwest Higher Education Compact from 2004-05.

Specify that for membership dues repayments beginning in 2005-06 for the Midwest Higher Education Compact, the Board of Regents of the University of Wisconsin would be required to make full annual payments of such dues (currently \$82,500 annually). A total of \$40,000 GPR annually would be provided under the University of Wisconsin's general program operations appropriation to partially fund this requirement. This fiscal effect is shown under the University of Wisconsin System.

Veto by Governor [E-9]: Delete the requirement that DOA make payments of up to \$82,500 PR in 2005-06 to the Midwest Higher Education Compact for unpaid membership dues

from 2004-05. [See "University of Wisconsin System" for a related veto of partial funding of dues for the Midwest Higher Education Compact.]

[Act 25 Sections: 32m, 37, 38b, 62, 62m, 393k, 393L, 401a, 695v, 731, and 9401(1q)]

[Act 25 Vetoed Section: 9101(10k)]

16. ELIMINATION OF THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM CRISIS ASSISTANCE ALLOCATION MAXIMUM [LFB Paper 105]

Governor/Legislature: Repeal the current \$3,200,000 annual allocation maximum applicable to the payment of crisis assistance benefits to meet weather-related or fuel supply shortage emergencies under the Low-Income Home Energy Assistance Program (LIHEAP). Subject to current law annual allocations of: (a) 15% of the total available funding for weatherization assistance; (b) \$2,900,000 for local administrative expenses; and (c) \$1,100,000 for state administrative expenses, specify that the remaining LIHEAP balances would be available for heating assistance and for crisis assistance payments.

Delete a provision authorizing the Joint Committee on Finance, meeting under s. 13.10, to revise the current law \$3,200,000 annual maximum allocation of LIHEAP funds for crisis assistance at the request of DOA.

[Act 25 Sections: 60, 61, and 80]

17. EXPANDED TELECOMMUNICATIONS SERVICES TO EDUCATIONAL AGENCIES

Governor/Legislature: Authorize educational agencies that are eligible for discounted rates under the federally supported E-Rate Program (elementary schools, secondary schools, or libraries) to request additional data lines, video links, and bandwidth access from DOA. Require DOA to apply for federal E-Rate funding to cover the costs of the additional data lines, video links, and bandwidth access and credit any such federal receipts to an existing federal E-Rate aid appropriation. Stipulate that to the extent that the federal aid payments are insufficient to fund the full costs of providing the additional data lines, video links, and bandwidth access to an eligible educational agency, require the educational agency to pay a monthly fee to DOA sufficient to cover the additional costs. Direct DOA to credit such payments to a new PR continuing appropriation established for this purpose.

Repeal an obsolete duty of the DOA to administer certain telecommunications-related grants or infrastructure improvements at state agencies that had been awarded by the now defunct Wisconsin Advanced Telecommunications Foundation.

Under current law, DOA administers the Educational Telecommunications Access program (TEACH). Under the program, educational agencies may request access to either one data line or one video link per school or library in their district (an educational agency may

apply for both a data line and a video link if they can prove it is more cost effective than having just one of the services). Educational agencies are required to pay DOA certain specified amounts for the access to the data line or video link. Where the payments by the school district or library are insufficient to fully fund DOA's costs, the remaining costs are paid from DOA appropriations supported by the Universal Service Fund.

[Act 25 Sections: 94, 95 thru 103, 104, 408, and 409]

18. REAL ESTATE BROKERS TRUST ACCOUNTS PROGRAM RESPONSIBILITY TRANSFER

Governor/Legislature: Provide that DOA's shared oversight responsibility with the Department of Regulation and Licensing with respect to interest-bearing common trust accounts and its authority to receive interest and dividends from these accounts would be assigned instead to the Department of Commerce. Specify that all DOA administrative rules applicable to the administration of these accounts would remain in effect until their specified expiration or until modified or repealed by Commerce.

Under 2003 Wisconsin Act 33, DOA's Division of Housing and most of the Division's housing-related responsibilities were transferred to the Department of Commerce. However, those provisions relating to DOA's oversight of these interest-bearing trust accounts were inadvertently retained in DOA.

Under current law, real estate brokers and agents must deposit down payments, earnest money, and similar payments into a pooled interest-bearing trust account. Annually, each depository institution remits the prior year's total interest earnings on these accounts, in accordance with rules promulgated by DOA. Since the transfer of the Division of Housing to Commerce, DOA continues to receive the interest-bearing trust account funds, but transfers them to Commerce for providing homeless shelters or services to homeless individuals or families.

[Act 25 Sections: 2338v thru 2345, and 9108(1)]

19. SALE OF STATE-OWNED POWER PLANTS AND WASTEWATER TREATMENT FACILITIES

	Positions
PR	- 23.25

Joint Finance/Legislature: Require DOA to do one of the following with respect to each state-owned power plant and wastewater treatment facility by April 1, 2007: (1) sell the plant or facility; or (2) contract with a private entity for the operation of the plant or facility. Stipulate that if there is any outstanding debt on the plant or the facility, the Department shall deposit a sufficient amount of the net proceeds from the sale of the property in the bond security and redemption fund to repay the principal and pay the interest on the debt, and any premium due upon refunding of the debt. Provide further that if the plant or facility was acquired, constructed or improved with any federal funds that the Department

pay the federal government any of the net proceeds required by federal law. Any amounts remaining after these payments would be deposited in the budget stabilization fund. Stipulate that any sale of a plant or facility with a net value of at least \$20,000 would be subject to review by the Joint Committee on Finance under a 14-day passive review procedure.

Provide that any contract with a private vendor for the operation of a plant or facility may not be entered into unless it requires the contractor to offer employment to those employees who performed services at the state-owned power plants or wastewater facilities and whose positions were terminated.

Delete 270.92 positions (all funds) in state agencies associated with the operation of these plants or facilities on April 1, 2007 as follows: (a) DOA: -23.25 PR positions; (b) Department of Corrections: -20.25 GPR and -24.0 PR positions; (c) Department Health and Family Services: -41.0 PR positions; (d) Department of Public Instruction: -10.0 GPR positions; (e) Department of Veterans Affairs: -6.0 PR positions; and (f) University of Wisconsin System: -146.42 GPR positions. [See each affected agency for related position reductions.]

Direct DOA to transfer the remaining budgeted salary and fringe benefits amounts associated with these deleted positions to unallotted reserve to fund agency costs relating to the provision of utility services and notify the Joint Committee on Finance by May 1, 2007, of the amounts transferred.

Specify that the sale of any state-owned power plant or wastewater treatment facility to a regulated utility would not be subject to review or approval by the Public Service Commission.

Beginning April 1, 2007, delete references to the following statutory provisions related to state operations of power plants and wastewater treatment facilities: (a) provisions under current energy cost appropriations that authorize agencies to use funds in those appropriations to pay certain DOA administrative charges for the operation of a state-owned power plant; (b) the Building Commission's duties related to design considerations of power plants to use biomass fuels and refuse-derived fuels; (c) DOA's authority to approve the appointment of the chief operating engineer of each power plant facility; and (d) DOA's responsibilities for preparing fuel specifications for all state-owned power plants and for approving the sale of fuel or utility services provided by a state-owned power plant.

Veto by Governor [E-6]: Delete provisions other than the April 1, 2007, elimination of 270.92 state agency positions associated with the operation of these plants or facilities. These positions could not be restored through the exercise of the Governor's veto authority. The Governor's veto message indicates that the Secretary of DOA has been directed to pursue the restoration of these positions through procedures authorized under current law.

[Act 25 Vetoed Sections: 16m, 16n, 83m, 85g, 85r thru 87L, 163m, 167m, 172m, 193m, 286m, 288m, 364c, 384t, 413m, 795f, 9101(10v), and 9455(3w)]

20. LIMITATIONS ON RESALE OF TELECOMMUNICATIONS SERVICES BY STATE AGENCIES

Joint Finance/Legislature: Specify that state agencies may use telecommunications, including data and voice over internet services, provided by or through DOA only for the agencies' own purposes. Specify that an agency may not offer, resell, or provide telecommunications, including data and voice over internet services, available from a private telecommunications carrier to the general public or to any public or private entity except pursuant to a consortium agreement in effect as of June 1, 2005, to provide services to member organizations.

Further, specify that the Board of Regents of the UW System may use telecommunications, including data and voice over internet services, that it procures only for the University's own purposes to fulfill its mission. Specify that the Board of Regents may not offer, resell, or provide the telecommunications, including data and voice over internet services, available from a private telecommunications carrier to the general public or to any public or private entity except pursuant to a consortium agreement in effect as of June 1, 2005, to provide services to member organizations.

Veto by Governor [E-7]: Delete the exception for consortium agreements in effect as of June 1, 2005, to provide services to member organizations. As a result of the veto, state agencies and the University of Wisconsin Board of Regents may use telecommunications, including data and voice over internet services, provided by or through DOA only for the agencies' or the Board's own purposes. Further, an agency or the Board may not offer, resell, or provide telecommunications, including data and voice over internet services, available from a private telecommunications carrier to the general public or to any public or private entity.

[Act 25 Sections: 81m, 94m, 94n, and 695q]

[Act 25 Vetoed Sections: 94m and 695q]

Transfers to the Department

1. CONSOLIDATION OF ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR-REV	\$724,900		\$0		\$724,900	
GPR	\$0	- 1.00	\$0	1.00	\$0	0.00
PR	20,928,800	119.20	- 20,928,800	- 119.20	0	0.00
SEG	0	- 1.00	0	1.00	0	0.00
TOTAL	\$20,928,800	117.20	-\$20,928,800	- 117.20	\$0	0.00

Governor: Provide \$8,086,000 PR and -1.0 GPR, 145.2 PR, and -1.0 SEG positions in 2005-06 and \$12,842,800 PR and -1.0 GPR, 119.2 PR, and -1.0 SEG positions in 2006-07 for personnel costs associated with the transfer of certain executive branch state agency attorney and legal staff positions to DOA, effective January 1, 2006.

Create Division of Legal Services. Provide for the creation of the Division of Legal Services within DOA and authorize 1.0 PR unclassified division administrator position appointed by the Secretary of DOA. Increase by one the number of unclassified division administrators under DOA in the statutory enumeration of unclassified state positions.

Attorneys and Legal Staff Transferred. Provide for the transfer of all attorney and legal staff positions in state agencies to the new Division of Legal Services on January 1, 2006, unless otherwise specified. Define legal staff as those individuals that provide support services for attorneys, as determined by the Secretary of DOA.

Specify that the state agencies subject to this transfer requirement would be any office, commission, department, independent agency, or board in the executive branch, including the Building Commission, but exclude the Public Service Commission, the Public Defender Board, the UW System Board of Regents, the University of Wisconsin Hospitals and Clinics Board, the State of Wisconsin Investment Board, the Office of the Governor, the Elections Board, the Ethics Board, the Department of Justice, and the Employment Relations Commission from these transfer requirements. However, specify that two DOJ attorney positions with duties entailing tax litigation would be transferred to DOA's Division of Hearings and Appeals. The Secretary of DOA would be authorized to identify the positions to be transferred.

Specify that the following attorney and legal staff positions would not be transferred to DOA: (a) employees of district attorneys; (b) one lead attorney at the Office of State Employment Relations (whose duties include negotiation of collective bargaining agreements for labor relations); and (c) one "general counsel" or lead attorney at the Departments of Administration; Agriculture, Trade, and Consumer Protection; Commerce; Corrections; Employee Trust Funds; Financial Institutions; Health and Family Services; Military Affairs; Natural Resources; Public Instruction; Regulation and Licensing; Revenue; Transportation; Veterans Affairs; and Workforce Development; and at the Office of the Commissioner of Insurance.

Transfer of Hearing Examiners and Administrative Law Judges. Specify that all hearing officers, hearing examiners, and administrative law judges would be transferred to DOA's Division of Hearings and Appeals on January 1, 2006, except for such employees that work for the Department of Workforce Development.

DOA Authorized to Provide Legal Services. Authorize DOA to provide legal services to state agencies. Specify that any attorney employed by DOA would be authorized to prosecute or defend state actions regarding tax litigation.

Require DOA to annually assess each state agency for legal services provided to that agency and create a new PR-continuing legal services appropriation for the receipt of moneys paid by state agencies for legal services.

General Counsel Positions. Create 12.0 unclassified general counsel positions to serve as the only agency legal counsel for the following agencies: (a) Department of Administration; (b) Department of Agriculture, Trade, and Consumer Protection; (c) Department of Commerce; (d) Department of Corrections; (e) Department of Financial Institutions; (f) Department of Health and Family Services; (g) Department of Natural Resources; (h) Department of Regulation and Licensing; (i) Department of Revenue; (j) Department of Transportation; (k) Department of Workforce Development; and (l) Office of the Commissioner of Insurance. Include an unclassified general counsel position in these agencies under the statutory enumeration of unclassified positions in state service. These position changes are included under the budget summaries of each of these affected agencies.

Limitations on Agency Attorney Use. Specify that if any executive branch department or independent agency is authorized or required to retain an attorney, the agency must: (a) use a state employee, unless the agency contracts with DOA's Division of Legal Services or its Division of Hearings and Appeals; or (b) be furnished with legal services from the Department of Justice or DOA's Division of Hearings and Appeals. The Department of Health and Family Services would retain the right to hire non-state attorneys to recover certain medical assistance costs from estates.

Transitional Provisions. Specify that all transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Specify that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, would be transferred to DOA on January 1, 2006.

Required Lapses. Direct the Secretary of DOA to lapse or transfer \$724,900 (all funds) to the general fund during the 2005-07 biennium, as a result of the net reduction of 13.0 FTE attorney and legal services positions in 2006-07. Specify that these lapses or transfers would be made from unencumbered balances of amounts appropriated specifically for state agency legal services. Specify that these amounts could not be lapsed from sum sufficient or FED appropriations. Prohibit the Secretary from lapsing or transferring moneys to the general fund, if the lapse or transfer would violate a federal condition of expenditure, or would violate the state or federal constitution.

The following table summarizes the attorney and legal staff position transfers and other adjustments recommended by the Governor:

<u>Agency</u>	<u>Current Positions Subject to Transfer</u>	<u>Positions Transferred to DOA</u>	<u>Positions Retained in Agencies</u>		<u>Total Legal Staff Before Position Reductions</u>
			<u>Existing Classified Attorney Positions*</u>	<u>New Unclassified General Counsel Positions</u>	
Administration	3.00	3.00	0.00	1.00	4.00
Board on Aging and Long-Term Care	1.00	1.00	0.00	0.00	1.00
Agriculture, Trade and Consumer Prot.	7.50	7.50	0.00	1.00	8.50
Commerce	3.00	3.00	0.00	1.00	4.00
Corrections	7.80	7.80	0.00	1.00	8.80
Employment Relations	2.00	1.00	1.00	0.00	2.00
Employee Trust Funds	2.00	1.00	1.00	0.00	2.00
Financial Institutions	7.00	7.00	0.00	1.00	8.00
Health and Family Services	22.95	22.95	0.00	1.00	23.95
Insurance	5.70	5.70	0.00	1.00	6.70
Justice**	2.00	2.00	0.00	0.00	2.00
Military Affairs	1.00	0.00	1.00	0.00	1.00
Natural Resources	17.50	17.50	0.00	1.00	18.50
Public Instruction	4.00	3.00	1.00	0.00	4.00
Regulation and Licensing	29.00	29.00	0.00	1.00	30.00
Revenue	16.75	16.75	0.00	1.00	17.75
Transportation	11.00	11.00	0.00	1.00	12.00
Veterans Affairs	3.00	2.00	1.00	0.00	3.00
Workforce Development	3.00	3.00	0.00	1.00	4.00
Total 2005-06 FTE (All Agencies)	149.20	144.20	5.00	12.00	161.20
New DOA Division of Legal Services Administrator Position		1.00	0.00	0.00	1.00
Total 2006-07 FTE Reduction (in DOA)		-26.00	0.00	0.00	-26.00
Total 2006-07 FTE (All Agencies)		119.20	5.00	12.00	136.20
All Agencies Net Reduction (Current Positions Compared to 2006-07 FTE)					-13.00

*An existing classified attorney would be retained in the indicated agency and designated as the lead attorney for the agency.

**Only those attorneys with duties entailing tax litigation would be transferred.

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempt from the attorney position deletion and lapse or transfer of funds requirements.

Vetoed by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

2. LAPSE OR TRANSFER OF STATE OPERATIONS APPROPRIATION BALANCES TO THE GENERAL FUND [LFB Paper 113]

GPR-REV \$35,500,000

Governor: Require that the Secretary of DOA lapse or transfer to the general fund from the unencumbered balances of executive branch agencies' state operations appropriations (other than from sum sufficient and FED appropriations) an amount equal to \$35,500,000 during the 2005-07 fiscal biennium (\$5,000,000 in 2005-06 and \$30,500,000 in 2006-07).

Specify that the Secretary lapse or transfer these moneys from allocations for human resources and payroll functions [see Item #5 below] and for server and network support [see Item #3 below] and from moneys saved as a result of restructuring of procurement contracts and changes to purchasing and procurement functions [see Item #4 below], and from efficiencies achieved as a result of space management improvements [no agency reallocations under the bill]. Estimated lapse amounts attributable to these efficiencies are as follows: (a) human resources and payroll functions, \$0.6 million in 2006-07; (b) server and network support, \$3.7 million in 2006-07; (c) purchasing and procurement functions, \$5.0 million in 2005-06 and \$22.1 million in 2006-07; and (d) space management improvements, \$4.2 million.

Further, direct that the Secretary of DOA lapse or transfer to the general fund from the unencumbered balances of state operations appropriations (other than sum sufficient and FED appropriations) an amount equal to \$55,000,000 during the 2007-08 fiscal year and an amount equal to \$55,000,000 during the 2008-09 fiscal year. Require the Secretary to lapse or transfer these moneys from allocations for human resources and payroll functions and server and network support, from moneys saved as a result of restructuring procurement contracts and changes to purchasing and procurement functions, and from efficiencies achieved as a result of space management improvements in the 2007-09 fiscal biennium.

Specify that the Secretary may not lapse or transfer moneys to the general fund from any appropriation if the lapse or transfer would violate a condition imposed by the federal

government on the expenditure of the moneys or if the lapse or transfer would violate the federal or state constitution.

Specify that no lapse or transfer moneys to the general fund may be made from any appropriation to the legislative and judicial branches.

Joint Finance/Legislature: Modify provision by directing DOA to report to the Joint Committee on Finance by September 1, 2006, on the results of lapses in 2005-06 by agency, fund and appropriation, and the projected lapses by agency, fund and appropriation in 2006-07. Further, direct DOA to submit a report to the Joint Committee on Finance by April 1, 2007, regarding: (a) the results of lapses in 2005-06 by agency, fund and appropriation; (b) the amount of any reimbursements to the federal government by agency and appropriation in 2005-06; and (c) the projected lapses by agency, fund and appropriation in 2006-07.

Vetoes by Governor [A-4 and E-1]: Delete provisions. In the veto message, the Governor indicates that the \$35,500,000 lapse requirement in 2005-07 will be implemented as a portion of a generally directed lapse requirement for the Secretary of the Department of Administration to lapse \$71,234,800 to the general fund over the 2005-07 biennium.

[Act 25 Section: 9255(1)]

[Act 25 Vetoes Section: 9155(3)]

3. CONSOLIDATION OF STATE INFORMATION TECHNOLOGY SERVER AND NETWORK SUPPORT [LFB Paper 111]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$0	-0.50	\$0	0.00	\$0	-0.50
PR	<u>37,781,300</u>	<u>47.50</u>	<u>-227,400</u>	<u>0.00</u>	<u>37,553,900</u>	<u>47.50</u>
Total	\$37,781,300	47.00	-\$227,400	0.00	\$37,553,900	47.00

Governor: Provide \$19,881,700 PR and 58.0 PR positions in 2005-06 and \$17,899,600 PR and 47.5 PR positions in 2006-07 to consolidate state information technology server and network support services from 24 state agencies in DOA. Reallocate \$71,900 PR in 2005-06 and \$340,700 PR in 2006-07 in the material and services to state agencies appropriation from salaries and fringe benefits to unallotted reserve. In addition, reallocate to unallotted reserve \$37,800 GPR and delete 0.5 GPR position in 2006-07 under DOA's general program operations appropriation. Funding and position changes within DOA are identified below:

DOA Appropriation	2005-06		2006-07		Fund Source
	Funding	Positions	Funding	Positions	
(1)(a) General Program Operations*	\$0	0.00	\$0	-0.50	GPR
(1)(is) IT and Communications Services; Non-State Agencies	0	0.00	-197,600	0.00	PR
(1)(jr) Justice Information Systems	-61,100	-0.85	-64,300	-0.85	PR
(1)(ka) Materials and Services to State Agencies**	0	-1.00	0	-4.50	PR
(1)(ke) Telecommunications Services; State Agencies	-143,800	-2.00	-189,200	-2.50	PR
(1)(kL) Communication and IT Services; State Agencies--Reduction to Current Staffing	-442,200	-6.15	-2,240,900	-12.65	PR
(1)(kL) Communication and IT Services; State Agencies--New Funding	<u>20,528,800</u>	<u>68.00</u>	<u>20,591,600</u>	<u>68.00</u>	PR
Total	\$19,881,700	58.00	\$17,899,600	47.00	
Total GPR	\$0	0.00	\$0	-0.50	
Total PR	\$19,881,700	58.00	\$17,899,600	47.50	

*Reallocate \$37,800 GPR in 2006-07 from salary and fringe benefits to unallotted reserve.

**Reallocate \$71,900 PR in 2005-06 and \$340,700 PR in 2006-07 from salaries to unallotted reserve.

Under the Governor's recommendation, the new funding provided to DOA's appropriation for communications and IT services for the consolidation of state IT functions would be utilized as follows:

Item	2005-06 Funding	2006-07 Funding
Staffing Costs	\$5,415,600	\$6,990,300
Hardware Maintenance	6,499,600	6,307,500
Software Maintenance	2,244,300	2,064,700
Network Upgrades	1,366,700	1,366,700
New Hardware	4,002,600	3,682,400
New Software	<u>1,000,000</u>	<u>180,000</u>
Total	\$20,528,800	\$20,591,600

Including DOA, 24 state agencies would be affected by the consolidation of state information technology server and network support, beginning in 2006-07. In each agency funding would be reallocated from salaries and fringe benefits (and in some cases supplies and services) to unallotted reserve, supplies and services or permanent property within the agency. Reallocated funding would be available for individual agencies to pay services fees to DOA for server and network support. While no funding decreases would be made under the bill associated with the IT server and network support consolidation except in DOA, each of the other 23 agencies would experience position reductions. Reallocated funding amounts and positions reductions in 2006-07 are identified below by agency and fund source and are included under the budget summaries for each of the affected agencies.

<u>Agency</u>	<u>Reallocated Funding</u>	<u>Position Reduction</u>	<u>Fund Source</u>
Administration	\$37,800	-0.50	GPR
Corrections	640,200	-8.80	GPR
Educational Communications Board	101,000	-1.16	GPR
Ethics Board	800	0.00	GPR
Historical Society*	60,300	-0.75	GPR
Justice	784,400	-9.25	GPR
Military Affairs	0	-0.53	GPR
Public Defender	100,000	-1.50	GPR
Revenue	536,800	-6.30	GPR
Tourism	<u>63,000</u>	<u>-0.90</u>	GPR
GPR Subtotal	\$2,324,300	-29.69	
Military Affairs	\$0	-0.11	FED
Natural Resources	341,200	-4.00	FED
Public Instruction	<u>0</u>	<u>-0.05</u>	FED
FED Subtotal	\$341,200	-4.16	
Administration	\$340,700	-4.50	PR
Agriculture, Trade and Consumer Protection	236,900	-2.75	PR
Commerce	204,200	-2.45	PR
Educational Communications Board	7,800	-0.36	PR
Ethics Board	18,800	0.00	PR
Financial Institutions	295,200	-3.46	PR
Health and Family Services	2,155,100	-21.55	PR
Insurance	101,800	-1.20	PR
Military Affairs	0	-0.21	PR
Natural Resources	372,500	-3.00	PR
Public Instruction	69,700	-0.83	PR
Public Service Commission	219,400	-2.50	PR
Regulation and Licensing	68,500	-0.83	PR
State Treasurer	29,500	-0.30	PR
Veterans Affairs*	99,600	-1.51	PR
Workforce Development	<u>1,575,700</u>	<u>-15.41</u>	PR
PR Subtotal	\$5,795,400	-60.86	
Employee Trust Funds	\$139,900	-1.65	SEG
Natural Resources	445,100	-5.00	SEG
Transportation	832,700	-6.95	SEG
Veterans Affairs*	<u>124,900</u>	<u>-1.78</u>	SEG
SEG Subtotal	\$1,542,600	-15.38	
Total	\$10,003,500	-110.09	

* Funding placed in supplies and services or permanent property.

Expenditures for communications and IT services in DOA are funded from charges to state agencies for services provided by DOA. Under the bill, DOA's expenditure authority under its appropriation for communications and IT services to state agencies would be increased by a net \$20,086,600 in 2005-06 and \$18,350,700 in 2006-07. A total of \$10,003,500 in 2006-07 would be reallocated within the 24 state agencies to pay service charges to DOA

associated with the consolidation of IT server and network support. The bill does not identify how the remainder of this increased expenditure authority in DOA would be funded by the affected state agencies.

Joint Finance/Legislature: Modify provision as follows: (a) reduce funding in DOA by \$97,500 PR in 2005-06 and \$129,900 PR in 2006-07 to reflect DOA's 2005-07 fringe benefit rate; (b) remove DOJ from the server and network support consolidation provisions, and restore 9.25 GPR positions in 2006-07 in DOJ and reallocate \$784,400 GPR to salaries and fringe benefits from supplies and services; (c) remove the Office of the State Public Defender from the server and network support consolidation provisions, and restore 1.5 GPR positions in 2006-07 in the SPD and reallocate \$100,000 GPR to salaries and fringe benefits from supplies and services; and (d) delete the transfer of funding to unallotted reserve under the Ethics Board. Reallocate \$9,099,500 (all funds) within the various state agencies, and delete a total of 99.34 positions (all funds) rather than 110.09 positions (all funds). [See the affected agencies for funding and position changes.]

4. CONSOLIDATION OF STATE PROCUREMENT AND PURCHASING SERVICES [LFB Paper 112]

	Funding	Positions
PR	\$1,955,100	15.50

Governor: Provide \$837,900 and in 2005-06 and \$1,117,200 in 2006-07 and 15.5 positions annually under DOA's procurement services appropriation to consolidate state procurement operations from various state agencies in DOA.

In addition to DOA, 12 other state agencies are affected by the consolidation of state procurement services, beginning in 2006-07. Under the consolidation initiative, it is anticipated that DOA would establish commodity and service teams with expertise in specific business areas and that DOA would undertake certain specialized procurement responsibilities for all but the largest state agencies.

In nine of these 12 state agencies a total of \$940,200 (\$359,100 GPR, \$99,100 FED, \$269,000 PR, and \$213,000 SEG) would be reallocated from 14.85 positions (5.05 GPR, 1.5 FED, 5.25 PR and 3.05 SEG) and placed in unallotted reserve. The associated position authority would be deleted. These reallocated funds would then be available to the affected agencies beginning in 2006-07 to pay DOA charges relating to procurement services. The reallocated funding amounts and position reductions in 2006-07 are identified below by agency and fund source and are included under the budget summaries for each of the affected agencies.

<u>Agency</u>	<u>Reallocated Funding</u>	<u>Deleted Positions</u>	<u>Fund Source</u>
Educational Communications Board	\$61,600	-0.90	GPR
Public Instruction	111,400	-2.00	GPR
Revenue	<u>141,100</u>	<u>-2.15</u>	GPR
GPR Subtotal	\$314,100	-5.05	
Commerce	\$28,900	-0.50	FED
Public Instruction	<u>70,200</u>	<u>-1.00</u>	FED
FED Subtotal	\$99,100	-1.50	
Agriculture, Trade and Consumer Protection	\$56,000	-1.00	PR
Commerce	103,800	-1.70	PR
Educational Communications Board	6,900	-0.10	PR
Financial Institutions	33,600	-0.50	PR
Insurance	47,900	-0.80	PR
Public Defender	29,500	-0.60	PR
Revenue	20,800	-0.30	PR
Tourism	<u>15,500</u>	<u>-0.25</u>	PR
PR Subtotal	\$314,000	-5.25	
Revenue	\$213,000	-3.05	SEG
Total Reallocation	\$940,200	-14.85	

In the following three state agencies \$1,317,900 (\$857,300 GPR, \$75,700 FED, \$54,300 PR, and \$130,600 SEG) and 23.1 positions (16.0 GPR, 1.5 FED, 3.65 PR, and 1.95 SEG) related to procurement would be deleted rather than reallocated to unallotted reserve. These changes are included under the budget summaries for each of the affected agencies.

<u>Agency</u>	<u>Deleted Funding</u>	<u>Deleted Positions</u>	<u>Fund Source</u>
Corrections	-\$869,000	-14.50	GPR
Military Affairs	<u>-88,300</u>	<u>-1.50</u>	GPR
GPR Subtotal	-\$957,300	-16.00	
Military Affairs	-\$75,700	-1.50	FED
Veterans Affairs	-\$154,300	-3.65	PR
Veterans Affairs	<u>-130,600</u>	<u>-1.95</u>	SEG
Total Amounts Deleted	-\$1,317,900	-23.10	

In a related recommendation, \$5,000,000 GPR annually would be deleted under the University of Wisconsin System related to projected supplies and services procurement savings associated with the Governor's procurement consolidation initiative. The fiscal effect for this item is shown under that agency.

Expenditures for procurement and purchasing services in DOA are funded from charges to state agencies for services provided by DOA. Under the bill, DOA's expenditure authority under its appropriation for procurement services would be increased by \$837,900 in 2005-06 and

\$1,117,200 in 2006-07. A total of \$940,200 in 2006-07 would be reallocated within nine state agencies to pay service charges to DOA associated with the consolidation of procurement and purchasing services. The bill does not identify how the remainder of this increased expenditure authority in DOA would be funded by the affected state agencies.

Joint Finance/Legislature: Modify provision by restoring the following amounts related to procurement and purchasing services: (a) \$88,300 GPR and \$75,700 FED in 2006-07 in the DMA for supplies and services related to charges from the DOA for procurement services; (b) \$47,500 PR and \$130,600 SEG in 2006-07 in the DVA in unallotted reserve to fund procurement-related services provided by DOA; and (c) \$106,800 PR and 2.6 PR positions in 2006-07 under DVA to retain procurement positions in DVA. [See the affected agencies for funding and position changes.]

5. CONSOLIDATION OF HUMAN RESOURCES AND PAYROLL BENEFITS SERVICES [LFB Paper 112]

	Funding	Positions
PR	\$1,187,000	8.00

Governor/Legislature: Provide \$508,700 in 2005-06 and \$678,300 in 2006-07 and 8.0 positions annually under DOA's materials and services to state agencies appropriation to consolidate human resources and payroll benefits operations from various state agencies in DOA.

In addition to DOA, 10 other state agencies are affected by the consolidation of state human resources and payroll benefits operations beginning in 2006-07. In seven of these 10 state agencies, a total of \$1,182,100 (\$139,900 GPR and \$1,042,200 PR) would be reallocated from 15.85 positions (1.85 GPR and 14.0 PR) and placed either in the agency's supplies and services line or in unallotted reserve. The associated position authority would be deleted. The reallocated funding would be available to agencies beginning in 2006-07 to pay DOA charges relating to human resources and payroll benefits operations. The reallocated funding amounts and position reductions in 2006-07 are identified below by agency and fund source and are included under the budget summaries for each of the affected agencies.

<u>Agency</u>	<u>Reallocated Funding</u>	<u>Deleted Positions</u>	
Educational Communications Board	\$30,800	-0.60	GPR
Tourism	<u>109,100</u>	<u>-1.25</u>	GPR
GPR Subtotal	\$139,900	-1.85	
Financial Institutions	\$234,000	-3.00	PR
Educational Communications Board	10,200	-0.20	PR
Insurance*	293,600	-4.00	PR
Public Service Commission	252,000	-3.00	PR
Regulation and Licensing*	152,600	-2.00	PR
State Fair Park	<u>99,800</u>	<u>-1.80</u>	PR
PR Subtotal	\$1,042,200	-14.00	
Total Reallocation	\$1,182,100	15.85	

*Amounts in these agencies are reserved in the supplies and services line rather than in unallotted reserve.

In the following three state agencies \$365,900 (\$229,500 GPR, \$7,700 FED, \$64,600 PR, and \$64,100 SEG) and 5.1 positions (2.83 GPR, 0.17 FED, 1.1 PR, and 1.0 SEG) related to human relations and payroll benefits operations would be deleted rather than reallocated to unallotted reserve or supplies and services. These changes are included under the budget summaries for each of the affected agencies.

<u>Agency</u>	<u>Funding</u>	<u>Positions</u>	
Agriculture, Trade and Consumer Protection	-\$37,900	-0.83	GPR
Revenue	<u>-191,600</u>	<u>-2.00</u>	GPR
GPR Subtotal	-\$229,500	-2.83	
Agriculture, Trade and Consumer Protection	-\$7,700	-0.17	FED
Agriculture, Trade and Consumer Protection	-\$23,000	-0.50	PR
Commerce	<u>-41,600</u>	<u>-0.60</u>	PR
PR Subtotal	-\$64,600	-1.10	
Revenue	-\$64,100	-1.00	SEG
Total Amounts Deleted	-\$365,900	-5.10	

Expenditures for human resources and payroll benefits services in DOA are funded from charges to state agencies for services provided by DOA. Under the bill, DOA's expenditure authority under its appropriation for materials and services to state agencies would be increased by \$508,700 in 2005-06 and \$678,300 in 2006-07. A total of \$1,182,100 in 2006-07 would be reallocated within seven state agencies to pay service charges to DOA associated with the consolidation of human resources and payroll services. The bill does not identify how the remainder of this increased expenditure authority in DOA would be funded by the affected state agencies.

6. CONSOLIDATION OF INFORMATION TECHNOLOGY HELP DESK SERVICES FOR THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES [LFB Paper 114]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
PR	\$1,764,300	20.30	\$1,396,100	0.00	\$3,160,400	20.30

Governor: Provide \$1,764,300 and 20.3 positions in 2006-07 to reflect the transfer of information technology help desk and support services for the Department of Health and Family Services (DHFS) to DOA. Specify that all incumbent employees holding positions in DHFS performing duties primarily related to information technology assistance services, as determined by the Secretary of DHFS, would be transferred on the effective date of the biennial budget act to DOA. Stipulate that employees transferred would have all employment rights and the same status that they enjoyed in DHFS and no transferred employee who has attained permanent status in class would be required to serve a probationary period. In a separate

recommendation, \$1,649,100 PR and 20.3 PR positions would be deleted in both 2005-06 and 2006-07 under DHFS. [For additional information, see "Health and Family Services -- Departmentwide."]

Joint Finance/Legislature: Modify funding as follows: (a) provide \$1,580,200 (\$1,143,500 for salaries and \$436,700 for fringe benefits) and 20.3 positions in 2005-06 to reflect DOA staffing of the DHFS help desk function during that fiscal year; and (b) delete \$184,100 (\$133,100 for salaries and \$51,000 for fringe benefits) in 2006-07 to reflect the proper salary and DOA fringe benefits level for the transferred positions. As a result of the modifications, \$1,580,200 and 20.3 positions annually would be budgeted under DOA for the transferred help desk function.

[Act 25 Section: 9121(12)]

Office of Justice Assistance

1. **TRANSFER OF THE COMMUNITY INTERVENTION PROGRAM FROM THE DEPARTMENT OF CORRECTIONS [LFB Paper 120]**

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$7,500,000	-\$7,500,000	\$0

Governor: Transfer the administration of the community intervention grant program, reallocate \$3,750,000 annually of base level funding, and renumber an associated GPR annual appropriation to reflect the transfer of the program from the Department of Corrections to the Office of Justice Assistance (OJA).

Transition Provisions. Provide that on the general effective date of the biennial budget act, the assets and liabilities of the Department of Corrections primarily related to the community intervention program, as determined by the Secretary of DOA, would become assets and liabilities of DOA. Stipulate that the tangible personal property, pending matters, contracts and contract responsibilities relating to the community intervention program would also be transferred to DOA. Specify that the existing rules and orders relating to the program would remain in effect until their specified expiration date or until modified or rescinded by DOA.

Current Law. Annual grants of \$3,750,000 are awarded to counties for early intervention services for first-time juvenile offenders and for intensive community-based intervention services for seriously chronic juvenile offenders. Funding is distributed to eligible counties based on a statutory formula that calculates each county's allocation on the basis of data for the previous two years, as follows:

- 33% of the funds must be allocated on the basis of juvenile arrests for Part I violent crimes (murder, forcible rape, robbery and aggravated assault);
- 34% of the funds must be allocated on the basis of juvenile arrests for all Part I crimes (violent crime plus serious property crimes); and
- 33% of the funds are allocated on the basis of juvenile correctional placements.

In order to be eligible to receive community intervention program funds, a county must submit a plan to Corrections that ensures that the county targets the funding to appropriate programs. The plan must include measurable objectives and an evaluation of the preceding year's activities.

Joint Finance/Legislature: Delete provision.

2. TRANSFER OF YOUTH DIVERSION PROGRAM TO THE DEPARTMENT OF CORRECTIONS [LFB Paper 120]

	Funding	Positions
GPR	-\$760,000	0.00
PR	<u>-2,036,800</u>	<u>-0.50</u>
Total	-\$2,796,800	-0.50

Joint Finance/Legislature: Transfer the administration and grant funding of the youth diversion program from OJA to the Department of Corrections by: (a) transferring a 0.5 PR grant specialist position and its associated funding of \$23,500 PR annually from OJA's law enforcement programs and youth diversion-administration appropriation to a new youth diversion administration appropriation under Corrections; (b) revising the title of this OJA appropriation that supported the administrative function of the program; (c) transferring \$300,000 PR annually in grant funding from OJA's interagency and intra-agency aids appropriation to the Juvenile Correctional Services' interagency and intra-agency aids appropriation; (d) deleting OJA's interagency and intra-agency aids appropriation; (e) transferring the GPR and PR youth diversion grant appropriations and funding of \$380,000 GPR and \$694,900 PR annually from OJA to Corrections; and (f) renumbering the statutory language governing the administration of the program to Corrections. Under 2001 Wisconsin Act 16, the youth diversion program was initially transferred from Corrections to OJA.

Transition Provisions. On the general effective date of the biennial budget act, transfer the assets and liabilities, tangible personal property, and contracts of OJA primarily related to its youth diversion program, as determined by the Secretary of DOA, to Corrections. Specify that all incumbent employees of OJA having duties primarily related to its youth diversion program, as determined by the Secretary of DOA, would be transferred to Corrections. Provide that all transferred employees would retain the same rights and employee status in Corrections that they enjoyed in OJA immediately prior to the transfer, and no transferred employee who had attained permanent status in his or her classified position would be required to serve a new probationary period. Specify that the pending matters, and rules and orders of OJA primarily related to its youth diversion program, as determined by the Secretary of DOA, would become the pending matters, rules and orders of Corrections.

Current Law. A total of \$1,396,400 (all funds) is provided to OJA in 2004-05 for youth diversion programming (\$380,000 GPR, \$716,400 PR from penalty surcharge revenue administered by OJA and \$300,000 PR from federal funds administered by the Department of Health and Family Services). Of this total, \$498,400 (combined GPR and PR from penalty surcharge funds) is distributed to an organization in Milwaukee County to provide services designed to divert juveniles from gang activities into productive activities. The \$300,000 provided from Health and Family Services federal funding is designated for the provision of substance abuse education and treatment services for juveniles participating in the organization's youth diversion program.

In addition, \$598,000 (combined GPR and PR from penalty surcharge funds) is budgeted for organizations in Brown, Kenosha, and Racine Counties and the City of Racine. These organizations provide gang diversion services, including substance abuse education and treatment services for program participants. OJA is required to distribute \$149,500 in 2004-05 to one organization in each site to provide or subcontract services for the youth diversion program.

Veto by Governor [D-13]: Delete the repeal of OJA's interagency and intra-agency aids appropriation.

[Act 25 Sections: 81r, 88k thru 88p, 295m, 358p, 414t, 415r, 415wg, 415wr, 2221g, and 9101(9k)]

[Act 25 Vetoed Section: 415x]

3. CIVIL LEGAL SERVICES FOR THE INDIGENT [LFB Paper 121]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$500,000	-\$500,000	\$0

Governor: Provide \$500,000 in 2006-07 under a new GPR annual indigent civil legal services appropriation for OJA. Beginning in 2006-07, specify that OJA must annually pay the amounts appropriated to the Wisconsin Trust Account Foundation, Inc. Provide that the Foundation would be required to distribute the moneys received as grants to programs that provide civil legal services to indigent persons.

Stipulate that the grants could be used only for the following civil legal services: (a) serving as guardian ad litem for cases with the Bureau of Milwaukee Child Welfare of the Department of Health and Family Services (DHFS); (b) coordinating insurance benefits for medical assistance recipients; (c) assisting Wisconsin Works participants in applying for supplemental security income program benefits; (d) obtaining and enforcing child support, including legal services related to domestic abuse; (e) developing discharge plans for mentally

ill inmates and assisting those inmates in their community integration planning; and (f) providing ancillary services to juvenile offenders.

Under the bill, both the Department of Corrections and DHFS budgets are reduced by \$250,000 GPR in 2006-07. The Executive Budget Book indicates that these reductions provide the initial funding for the OJA civil legal services grants program.

The Wisconsin Trust Account Foundation, Inc. was created in 1986 by the Wisconsin Supreme Court to receive funding from the interest on lawyers' trust accounts and to provide grants to agencies providing civil legal services to indigent persons.

Joint Finance/Legislature: Delete provision. [For additional information see "Corrections -- Adult Corrections" and "Health and Family Services--Medical Assistance, BadgerCare, and SeniorCare Administration".]

4. COUNTY, COUNTY-TRIBAL AND TRIBAL LAW ENFORCEMENT GRANT PROGRAMS [LFB Paper 120]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	\$2,275,200	1.00	-\$4,175,200	-1.00	-\$1,900,000	0.00

Governor: Make the following changes to the current county, county-tribal and tribal law enforcement grant programs, all of which are funded from tribal gaming revenue:

Program Transfer from the Department of Justice (DOJ). Provide \$1,037,600 and 1.0 position annually under OJA to reflect: (a) the transfer of the cooperative county-tribal law enforcement grant program and associated staff support from DOJ (\$787,600 and 1.0 position annually); and (b) increased funding of \$250,000 annually provided to the transferred program. Revise the grantee eligibility provisions of the transferred program to provide that, in addition to counties that have a reservation of a federally-recognized Indian tribe within or partially within its boundaries, counties that share a border with such a reservation would now also be eligible to participate under the grant program. This eligibility provision is currently a feature of the OJA county law enforcement services grant program, which would be eliminated under the Governor's recommendations.

OJA County Law Enforcement Services Grant Program Repeal. Repeal the county law enforcement services grant program and its appropriation under OJA and delete \$250,000 annually in base level grant funding.

OJA Tribal Law Enforcement Grant Program Funding Increase. Provide \$350,000 annually of increased grant funding for the tribal law enforcement grant program under OJA.

Current Law. A county is eligible to participate in DOJ's county-tribal law enforcement grant program if: (a) a county has one or more federally-recognized Indian reservations within or partially within its boundaries; (b) the county enters into an agreement with an Indian tribe located in the county to establish a cooperative county-tribal law enforcement program; (c) the county and tribe develop and annually submit a joint program plan to DOJ for approval by December 1 of the year prior to the year funding is sought; and (d) for second and subsequent year funding, the county and tribe submit with the joint program plan a report on the performance of law enforcement activities on the reservation in the previous fiscal year. Adjusted base funding for DOJ's grant program is \$785,100 annually, including \$708,400 annually for actual grant funding.

A county is eligible to participate in OJA's county law enforcement services grant program if: (a) the county borders one or more federally-recognized Indian reservations; (b) the county has not established a cooperative county-tribal law enforcement program under DOJ's grant program with each such tribe or band; (c) the county demonstrates a need for grant-eligible law enforcement services; and (d) the county applies for a grant and submits a proposed plan showing how the funds will be used to support law enforcement services. Adjusted base funding for this program is \$250,000 annually.

A tribe is eligible to participate in OJA's tribal law enforcement assistance grant program if it submits an application that includes a proposed plan for expenditure of the grant funds. OJA is required to develop criteria and procedures in administering this program. In evaluating the grant applications, OJA considers: (a) the demonstrated need for law enforcement operations and services by the tribe; (b) the feasibility of the proposed plan for addressing that need; (c) the extent to which resources are otherwise unavailable; and (d) the extent to which a tribe has provided, or has attempted to provide, full compensation to local government units for services provided to the tribe. Adjusted base funding for this program is \$700,000 annually.

Transition Provisions. On the general effective date of the biennial budget act, transfer the assets and liabilities, tangible personal property, and contracts of DOJ primarily related to its county-tribal law enforcement grant program, as determined by the Secretary of DOA, to OJA. Specify that all incumbent employees of DOJ having duties primarily related to its county-tribal law enforcement grant program, as determined by the Secretary of DOA, would be transferred to OJA. Provide that all transferred employees would retain the same rights and employee status in OJA that they enjoyed in DOJ immediately prior to the transfer, and no transferred employee who had attained permanent status in his or her classified position would be required to serve a new probationary period. Specify that the pending matters, and rules and orders of DOJ primarily related to its county-tribal law enforcement grant program, as determined by the Secretary of DOA, would become the pending matters, rules and orders of OJA.

Joint Finance/Legislature: Delete provision. Transfer the administration and funding of both the county law enforcement services grant program and the tribal law enforcement grant program from OJA to DOJ. Reallocate \$950,000 annually of base level funding for the two

programs and renumber the respective PR annual appropriations for the programs to reflect their transfer from OJA to DOJ.

Transition Provisions. Provide that on the general effective date of the biennial budget act, the assets and liabilities of DOA primarily related to these programs, as determined by the Secretary of DOA, would become assets and liabilities of DOJ. Stipulate that the tangible personal property, pending matters, contracts and contract responsibilities relating to these program would also be transferred to DOJ. Specify that the existing rules and orders relating to these programs would remain in effect until their specified expiration date or until modified or rescinded by DOJ.

[Act 25 Sections: 87t thru 88b, 416g, 416h, 423m, 424b, 2086s, 2088m, and 9101(10r)]

5. FEDERAL HOMELAND SECURITY FUNDING [LFB Paper 120]

Joint Finance/Legislature: Require OJA to apply for contracts and to receive and expend federal funds related to homeland security. Create a FED continuing appropriation under OJA for the receipt and expenditure of funding for homeland security programs.

Under current law, OJA administers federal homeland security funding as a result of a partial veto of provisions of 2003 Wisconsin Act 33 (the biennial budget act). However, there is no appropriation under OJA specifically to receive federal homeland security funding, and there is no statutory directive for the Office to administer these funds.

[Act 25 Sections: 87m and 416p]

6. GRANTS FOR COUNTY ALCOHOL AND OTHER DRUG ABUSE PROGRAMS

PR-REV	\$755,000
PR	\$755,000

Joint Finance/Legislature: Create a grant program for counties to enable them to establish and operate programs, including suspended and deferred prosecution programs and programs based on principles of restorative justice, that provide alternatives to prosecution and incarceration for criminal offenders who abuse alcohol or other drugs. Direct that the grant program be administered by OJA, in collaboration with Corrections and the Department of Health and Family Services (DHFS). For a county to be eligible for a grant, all the following would have to apply:

a. The county's program would have to be designed to meet the needs of a person who abuses alcohol or other drugs and who may be or has been charged with or who has been convicted of a crime in that county related to the person's use or abuse of alcohol or other drugs.

b. The program would have to be designed to promote public safety, reduce prison and jail populations, reduce prosecution and incarceration costs, reduce recidivism, and improve the welfare of participants' families by meeting the comprehensive needs of participants.

c. The program would have to establish eligibility criteria for a person's participation. The criteria would have to specify that a violent offender is not eligible to participate in the program. A "violent offender" is one of the following: (1) a person who has been charged with or convicted of an offense in a pending case and, during the course of the offense, the person carried, possessed, or used a dangerous weapon, the person used force against another person, or a person died or suffered serious bodily harm; or (2) a person with one or more prior convictions for a felony involving the use or attempted use of force against another person with the intent to cause death or serious bodily harm.

d. Services provided under the program would have to be consistent with evidence-based practices in substance abuse and mental health treatment, as determined by DHFS, and the program would have to provide intensive case management.

e. The program would have to utilize graduated sanctions and incentives to promote successful substance abuse treatment.

f. The program would have to provide holistic treatment to its participants and provide them services that may be needed, as determined under the program, to eliminate or reduce their use of alcohol or other drugs, improve their mental health, facilitate their gainful employment or enhanced education or training, provide them stable housing, facilitate family reunification, ensure payment of child support, and increase the payment of other court-ordered obligations.

g. The program would have to be designed to integrate all mental health services provided to program participants by state and local government agencies and other organizations. The program would have to require regular communication among a participant's substance abuse treatment providers, other service providers, the case manager, and any person designated under the program to monitor the person's compliance with his or her obligations under the program and any probation, extended supervision, and parole agent assigned to the participant.

h. The program would have to provide substance abuse and mental health treatment services through DHFS-certified providers.

i. The program would have to require participants to pay a reasonable amount for their treatment, based on their income and available assets, and pursue and use all possible resources available through insurance and federal, state, and local aid programs, including cash, vouchers, and direct services.

j. The program would have to be developed with input from, and implemented in collaboration with, one or more circuit court judges, the district attorney, the state public defender, local law enforcement officials, county agencies responsible for providing social services, including services relating to alcohol and other drug addiction, child welfare, mental health, and the Wisconsin works program, the departments of corrections and health and family services, private social services agencies, and substance abuse treatment providers.

k. The county would have to comply with other eligibility requirements established by OJA to promote the objectives listed under a. and b. above.

Direct that counties, if awarded a grant, create an oversight committee to advise the county in administering and evaluating the program. Each committee would be required to consist of a circuit court judge, the district attorney or his or her designee, the state public defender or his or her designee, a local law enforcement official, a representative of the county, a representative of each other county agency responsible for providing social services, including services relating to child welfare, mental health, and the Wisconsin Works program, representatives of Corrections and DHFS, a representative from private social services agencies, a representative of substance abuse treatment providers, and other members to be determined by the county.

The county would have to comply with state audits and annually submit a report to OJA and the oversight committee regarding the progress of the program in attaining its goals. Counties would be permitted to contract with or award grants to religious organizations, and could require electronic monitoring or day reporting program participation as a condition of participation.

Provide that two or more counties may jointly apply for and receive a grant. If counties submit a joint application, they would have to include with their application a written agreement specifying each county department's role in developing, administering, and evaluating the program. The oversight committee would have to consist of representatives from each county.

Provide that grants would be awarded on a calendar year basis beginning January 1, 2007. OJA would have to notify the county of the grant award and amount no later than September 1st of the year preceding the year for which the grant would be made. OJA would have to assist a county receiving a grant in obtaining funding from other sources for its program. Regardless of whether a county receives a grant, OJA would have to inform the county whether or not the county meets the grant program requirements.

Create a continuing PR appropriation under OJA for grant funding for substance abuse treatment programs for criminal offenders and provide \$755,000 for this purpose in 2006-07. Program revenue would be generated from:

a. Increasing the drug abuse program improvement surcharge (DAPIS) to 75% of the sum of the fine and penalty surcharge. It is estimated that this change would generate additional revenues of \$490,000 in 2006-07. Specify that all of the first \$1,038,600 collected under DAPIS in 2005-06 and \$1,044,300 in 2006-07 (plus two-thirds of all DAPIS revenues collected in excess of \$1,528,600 in 2005-06 and \$1,534,300 in 2006-07) would be allocated to DHFS. Specify further that all of the revenues collected in excess of \$1,038,600 (until the first \$1,528,600 has been collected in 2005-06) and in excess of \$1,044,300 (until the first \$1,534,300 has been collected in 2006-07) plus one-third of all moneys collected in excess of \$1,528,600 in 2005-06 and \$1,534,300 in 2006-07 would be allocated to OJA to support the grant program. Specify that beginning July 1, 2007, two-thirds of DAPIS revenues would be allocated to DHFS and one-third of the revenues would be allocated to OJA to support the grant program.

b. Creating a \$10 drug offender diversion surcharge to be assessed for property crime convictions under Chapter 943 of the statutes. It is estimated that this new surcharge would generate additional revenues of \$265,000 in 2006-07. Provide that money generated from this

surchARGE be credited to the grant program appropriation under OJA. Specify that Corrections adopt rules requiring that money be used for reasonable support of an inmate's family or dependents before it is allocated for the drug offender diversion surcharge.

Create an annual GPR appropriation under OJA for making grants and evaluating the program. No expenditure authority would be provided to the appropriation.

Provide that OJA must enter into one or more contracts with another person for the purpose of evaluating the grant program, and fund such contracts with 1% of the amount awarded as grants.

Direct DHFS to submit a report to the Legislature by December 31, 2006, regarding how evidence-based practices in substance abuse and mental health treatment were determined.

Direct OJA, in collaboration with DHFS and Corrections, to submit a report to the Legislature by December 31, 2011, regarding savings that have been generated through the implementation of the grant program. The report would have to include recommendations regarding how the grant program should be structured in the future.

Veto by Governor [C-23]: Delete the requirement that DHFS submit a report to the Legislature by December 31, 2006, regarding how evidence-based practices in substance abuse and mental health treatment were determined.

[Act 25 Sections: 90m, 327m, 414m, 416m, 841m, 2222, 2232 thru 2236m, 2241m, 2449m, 2450b, 2467c thru 2467x, 2472, 2475g thru 2475r, 9401(2r), and 9421(11q)]

[Act 25 Vetoed Section: 9121(13g)]

7. **REESTIMATE FEDERAL ANTI-DRUG ENFORCEMENT PROGRAM FUNDING** [LFB Paper 122]

FED	-\$8,508,800
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Governor/Legislature: Delete \$4,254,400 annually in federal Byrne anti-drug enforcement program funding to reflect a decrease in federal Byrne award amounts. This reduction is comprised of the following adjustments: (a) -\$150,000 annually in federal Byrne funding for state projects; and (b) -\$4,104,400 annually in federal Byrne funding for local projects.

The Byrne grant program was established under the federal Anti-Drug Abuse Act of 1988. Byrne grant funds may be used to address drug control, violent and serious crimes. After deducting for the expenses for OJA administration, at least 61.5% of the remaining Byrne allocation must be passed through to local units of government.

8. STATE AND LOCAL PENALTY SURCHARGE MATCH FUNDING FOR THE FEDERAL ANTI-DRUG ENFORCEMENT PROGRAM [LFB Paper 122]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	-\$1,570,000	-\$2,533,200	-\$4,103,200

Governor: Delete \$785,000 annually in penalty surcharge match money for the federal Byrne anti-drug enforcement program to reestimate Byrne match requirements. This reestimate reflects the following adjustments: (a) -\$107,300 annually in state penalty surcharge match money; and (b) -\$677,700 annually in local penalty surcharge match money.

The Byrne grant program was established under the federal Anti-Drug Abuse Act of 1988. Byrne grant funds may be used to address drug control, violent and serious crimes, subject to a 25% match requirement. Under current law, penalty surcharge revenues are used to match federal anti-drug law enforcement funds that are distributed to state agencies, to local units of government, and to OJA for administration. For state programs, OJA provides the full 25% match amount required under the federal Byrne program. OJA generally provides 15% of the required match for local programs, with the local unit of government required to provide the remaining 10% match. Wisconsin's federal fiscal year (FFY) 2005 Byrne grant award has been reduced by 52% compared to its FFY 2004 award level.

Joint Finance/Legislature: Establish the following funding priorities for available penalty surcharge dollars previously utilized to match federal funding under the Byrne Anti-Drug Grant Program: (a) delete an additional \$907,100 annually in penalty surcharge funding provided to OJA's anti-drug enforcement program-local appropriation and delete the appropriation; (b) delete an additional \$359,500 annually in penalty surcharge funding provided to OJA's anti-drug enforcement program-state appropriation and delete the appropriation; and (c) provide funding to the following three long-standing Byrne-funded programs.

<u>Program</u>	<u>Annual Funding</u>
Local Anti-Drug Task Forces *	\$848,600
County Victim-Witness Programs	139,300
District Attorney Information Technology	<u>278,700</u>
Total	\$1,266,600

*Includes funding for Dane, Milwaukee, and St. Croix County anti-drug prosecutors.

In addition, provide that DOJ, rather than OJA, would administer the local anti-drug task forces funding and create a PR annual local anti-drug task forces appropriation under DOJ to allocate funding for the program. Include nonstatutory provisions directing DOJ to allocate available local anti-drug task forces penalty surcharge funding of: (a) \$38,500 annually for 2.0

anti-drug prosecutors in Milwaukee County; (b) \$12,500 annually for 0.75 anti-drug prosecutor in Dane County; and (c) \$34,900 in 2005-06 and \$72,500 in 2006-07 for 1.0 anti-drug prosecutor in St. Croix County. The remaining funding for the Milwaukee and Dane County anti-drug prosecutors would come from Justice Assistance Grant funding under OJA.

Under the federal budget for federal fiscal year (FFY) 2005, the Byrne formula and Local Law Enforcement Block Grant Programs have been replaced with the new Edward Byrne Memorial Justice Assistance Grant Program. Unlike the previous Byrne program, the new Justice Assistance Grant Program does not require states to provide a 25% state match in order to receive the federal funding. Under the President's FFY 2006 federal budget proposal submitted to the Congress, the Justice Assistance Grant Program would be eliminated altogether. [For additional information, see "Administration--General Agency Provisions", "Corrections -- Adult Corrections", "District Attorneys" and "Justice".]

[Act 25 Sections: 87p, 359v, 394m, 415vm, 415y, 416k, and 9111(1c),(1d)&(1e)]

9. PENALTY SURCHARGE SHORTFALL [LFB Paper 465]

PR-REV	\$1,123,800
PR	-\$43,000

Governor: Include the following statutory and funding changes to address a projected shortfall in the penalty surcharge receipts appropriations under OJA and DOJ.

Increase the Amount of the Penalty Surcharge. Increase the penalty surcharge from 24% to 25% of the total fine or forfeiture imposed for most violations of state law or municipal or county ordinance. It is estimated that this increase would result in additional penalty surcharge revenues of \$370,900 PR-REV in 2005-06 and \$752,900 PR-REV in 2006-07.

Reallocate Penalty Surcharge Revenues. Provide that 49.5% of penalty surcharge revenues, rather than the current 48%, would be credited to DOJ's penalty surcharge, receipts appropriation and the remaining 50.5% of penalty surcharge revenues, rather than the current 52%, would be credited to OJA's penalty surcharge receipts appropriation.

Reduce Penalty Surcharge Funded Appropriations. Generally reduce penalty surcharge funded appropriations in five different state agencies by 3% annually (after standard budget adjustments). The fiscal effects of these reductions are described in the budget summaries of each affected agency [Administration -- OJA, Corrections, Justice, Public Defender, and Public Instruction].

Reduce Affected OJA Appropriation. Reduce expenditure authority by \$21,500 annually under OJA's youth diversion program appropriation to reflect this 3% annual reduction to the appropriation after standard budget adjustments. Base level funding in the appropriation is \$716,400 annually.

Under state statute, grant funding totaling \$1,400,000 annually (\$380,000 GPR, \$720,000 PR from OJA's penalty surcharge-funded youth diversion program appropriation, and \$300,000

PR from federal funds administered by DHFS) must be allocated to five organizations that provide gang diversion services. The statutes specify how much OJA must annually distribute to each of these organizations. Because OJA's penalty surcharge-funded youth diversion program appropriation would be reduced to \$694,900 annually under the Governor's recommendations, nonstatutory language will be needed to direct OJA to proportionately reduce the required grant award amounts to these organizations funded from penalty surcharge revenues during the 2005-07 biennium.

Joint Finance/Legislature: Include nonstatutory language directing Corrections to proportionately reduce the required youth diversion grant award amounts to organizations to reflect the funding reductions to the youth diversion program penalty surcharge appropriation. [Under separate Committee action, the youth diversion grant program would be transferred from OJA to Corrections.]

Delete the provision crediting 49.5% of penalty surcharge revenues, rather than the current 48%, to DOJ's penalty surcharge receipts appropriation and the remaining 50.5% of penalty surcharge revenues, rather than the current 52%, to OJA's penalty surcharge receipts appropriation. Instead, eliminate the penalty surcharge receipts appropriation under OJA and provide that all penalty surcharge receipts would be credited to and distributed from the existing DOJ penalty surcharge receipts appropriation. [For additional information, see "Corrections--Adult Corrections," "Justice," "Public Defender," and "Public Instruction".]

[Act 25 Sections: 174r, 187g, 291r, 293r, 358m thru 358p, 359r, 363r, 394r, 415L thru 415wr, 437d, 2438 thru 2440r, and 9109(1p)]

10. CHILDREN'S COMMUNITY PROGRAMS GRANT ALLOCATIONS [LFB Paper 122]

FED	- \$136,400
PR	- 45,600
Total	- \$182,000

Governor: Delete a statutory allocation requiring OJA to distribute \$185,000 annually of federal Byrne anti-drug enforcement program grant funds and matching penalty surcharge funds to DHFS to distribute as grants to the following children's community programs:

Milwaukee Career Youth Development Center. The Career Youth Development Center in the City of Milwaukee is currently required to receive \$80,000 annually for the operation of a minority youth substance abuse treatment program.

Court-Appointed Special Advocate Programs. Court-appointed special advocate programs that are recognized by a chief judge of a judicial administrative district are currently required to receive \$50,000 annually to perform advocacy services for children in need of protection and services (CHIPS) proceedings.

Children's Safe House Child Care Program. The Children's Safe House Child Care program in Kenosha County is currently required to receive \$50,000 annually for the operation of that program.

Milwaukee Police Athletic League. The Milwaukee Police Athletic League is currently required to receive \$5,000 annually to purchase sports and recreational equipment for two gymnasium facilities, and to contribute to the operating expenses of those gymnasium facilities.

Reduce funding under OJA for these children's community program grant allocations as follows: (a) -\$38,200 annually (-\$28,700 FED and -\$9,500 PR annually) for the Milwaukee Career Youth Development Center; (b) -\$23,900 annually (-\$17,900 FED and -\$6,000 PR annually) for the court-appointed special advocate programs; (c) -\$23,900 annually (-\$17,900 FED and -\$6,000 PR annually) for the Children's Safe House Child Care Program; and (d) -\$5,000 annually (-\$3,700 FED and -\$1,300 PR annually) for the Milwaukee Police Athletic League thereby eliminating its grant funding. These reductions are made, in part, to reflect a 52% reduction in Wisconsin's FFY 2005 Byrne grant award amounts compared to its FFY 2004 award level. [See "Health and Family Services -- Children and Families" for additional information.]

Joint Finance/Legislature: Delete the remaining penalty surcharge funding to the three children's community programs that would still receive funding under the bill: (a) -\$10,400 PR annually to the Milwaukee Youth Development Center; (b) -\$6,500 PR annually for the Court-Appointed Special Advocates Program; and (c) -\$6,500 PR annually to the Children's Safe House Child Care Program. This adjustment would not affect the federal Justice Assistance (Byrne) Grant funding received by these organizations. The fiscal effect of these three modifications is included under Item #8.

[Act 25 Section: 89]

Division of Gaming

1. TRIBAL GAMING APPROPRIATIONS AND GENERAL FUND REVENUE [LFB Papers 120, 125, 155, 184, 210, 230, 424, 556, 616, 710, 711, 784, 804, 845, and 846]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. To Leg)	Additional Late Payment (Chg. to Leg)	Net Change
GPR-REV	\$223,078,600	-\$62,625,900	\$900,000	\$43,625,000	\$204,977,700

Governor: Appropriate \$31,667,800 in 2005-06 and \$29,854,800 in 2006-07 in tribal gaming revenue paid to the state under the amended tribal gaming compacts. The appropriations include: (a) allocations totaling \$29,821,500 in 2005-06 and \$28,064,800 in 2006-07 to various state agencies for programs unrelated to tribal gaming regulation or law enforcement; and (b) appropriations for the regulation of tribal gaming in DOA [\$1,725,600 in 2005-06 and \$1,668,900 in 2006-07], and tribal gaming law enforcement in the Department of Justice (DOJ) [\$120,700 in 2005-06 and \$121,100 in 2006-07]. Where there is a net fiscal change

associated with any of these appropriations (other than standard budget adjustments), it is included under the budget summaries of the affected agency.

Tribal revenue paid to the state is based on provisions in the amended state-tribal gaming compacts, signed in 2003 by 10 of the 11 Wisconsin tribes. [The Lac du Flambeau did not conclude any 2003 amendments to their compact with the state.]. Under the amendments, six tribes were scheduled to make lump-sum payments to the state in 2003-04, and four tribes are scheduled to make lump-sum payments in 2004-05. These lump sum payments will end for all but one tribe in 2005-06 and for all the tribes in 2006-07. Tribes not making lump-sum payments are scheduled to make payments to the state based on a percentage of net revenue (gross revenue minus winnings). The percentages used to calculate state payments vary by tribe and, in some cases, vary by year for the same tribe.

Under current law, Indian gaming receipts are credited to: (a) the DOJ Indian gaming law enforcement appropriation; (b) the DOA general program operations appropriation relating to Indian gaming regulation under the compacts; and (c) a DOA appropriation for Indian gaming receipts in the amount necessary to make all the transfers specified under the appropriation to other state programs. Indian gaming receipts not otherwise credited to these appropriation accounts are deposited in the general fund.

Under the bill, tribal gaming revenues in the 2005-07 biennium are projected to total \$133,976,300 in 2005-06 and \$150,726,100 in 2006-07. These projections include \$60.0 million (\$30.0 million annually) in payments by the Ho-Chunk Nation that were due in the 2003-05 biennium. These payments have not yet been made to the state and the bill assumes the payments will be received as \$30.0 million annual payments in 2005-06 and in 2006-07.

The general fund summary included in AB 100 shows tribal gaming general fund revenue totaling \$102,269,200 in 2005-06 and \$120,809,400 in 2006-07, and the biennial total of these amounts (\$223,078,600) is shown above. However, based on the revenue projections made by the Governor and the actual appropriations of tribal gaming revenue under the bill, as corrected for minor errors, general fund revenue would total \$102,308,500 in 2005-06 and \$120,871,300 in 2006-07, as summarized in the following table:

**2005-07 Tribal Gaming General Fund Revenue
Governor**

	<u>2005-06</u>	<u>2006-07</u>
Estimated Tribal Payments Due in 2005-07	\$103,976,300	\$120,726,100
Late Receipt of Ho-Chunk 2003-05 Payments	<u>30,000,000</u>	<u>30,000,000</u>
Total Projected Tribal Payments	\$133,976,300	\$150,726,100
Appropriations of Tribal Revenue	\$31,667,800	\$29,854,800
General Fund Revenue under AB 100	\$102,308,500	\$120,871,300

Under the bill, the Governor recommends the appropriation of tribal gaming revenue to 15 state agencies, in 48 program areas, including the DOA regulation and DOJ enforcement appropriations. Each of these program areas is listed and briefly described in the following table.

Of these 48 programs areas, 39 appropriation accounts are authorized under current law and nine new program areas are created under the bill [items 7, 13, 21, 32 thru 35, 42, and 43]. Two tribal gaming allocations provided to DOJ for county-tribal law enforcement programs under current law would be transferred to the Office of Justice Assistance in DOA under the bill [items 3 and 4]. Further, grants for a work-based learning program administered by the Wisconsin Technical College System Board under current law would be transferred to the Department of Workforce Development under the bill [item 45]. Finally, three program areas identified in the table [items 36, 40, and 44] are not appropriated funding in the 2005-07 biennium, but are existing appropriation accounts under current law that can only be funded with tribal gaming revenue. The table includes footnotes to further clarify each appropriation.

**2005-07 Tribal Gaming Revenue Appropriations
Governor**

<u>Department</u>	<u>Funding</u>		<u>Purpose</u>
	<u>2005-06</u>	<u>2006-07</u>	
1 Administration ¹	\$500,000	\$500,000	County management assistance grant program.
2 Administration--Office of Justice Assistance ²	1,050,000	1,050,000	Tribal law enforcement assistance grant program.
3 Administration--Office of Justice Assistance ³	958,400	958,400	County-tribal law enforcement programs: local assistance.
4 Administration--Office of Justice Assistance ³	79,200	79,200	County-tribal law enforcement programs: state operations.
5 Administration ¹	250,000	250,000	UW-Green Bay and Oneida Tribe programs.
6 Agriculture, Trade and Consumer Protection ²	1,900,000	0	Grants to ethanol producers.
7 Art Board ⁴	25,200	25,200	State aid for American Indian arts.
8 Commerce ²	112,900	112,900	American Indian economic liaison and gaming grants specialist and program marketing.
9 Commerce ¹	94,000	94,000	American Indian economic development technical assistance grants.
10 Commerce ²	25,000	25,000	American Indian liaison, economic development liaison grants, and technical assistance.
11 Commerce ²	3,238,700	3,238,700	Gaming economic development and diversification grants and loans.

<u>Department</u>	<u>Funding</u>		<u>Purpose</u>
	<u>2005-06</u>	<u>2006-07</u>	
12 Commerce ¹	\$488,700	\$488,700	Physician, Dentist, Dental Hygienist and Health Care Provider Loan Assistance Programs.
13 Corrections ⁴	327,400	0	Jackson Correctional Institution wastewater treatment facility. (One-time funding.)
14 Health and Family Services ¹	500,000	500,000	Elderly nutrition; home-delivered and congregate meals.
15 Health and Family Services ¹	120,000	120,000	Cooperative American Indian health projects.
16 Health and Family Services ¹	271,600	271,600	Indian aids for social and mental hygiene services.
17 Health and Family Services ¹	500,000	500,000	Indian substance abuse prevention education.
18 Health and Family Services ¹	1,070,000	1,070,000	Medical assistance matching funds for tribal outreach positions and federally qualified health centers (FQHC).
19 Health and Family Services ¹	800,000	800,000	Health services: tribal medical relief block grants.
20 Health and Family Services ¹	150,000	150,000	Minority health program and public information campaign grants.
21 Health and Family Services ⁴	50,000	50,000	Compulsive gambling awareness grants.
22 Higher Education Aids Board ¹	787,600	787,600	Indian student assistance grant program for American Indian undergraduate or graduate students.
23 Higher Education Aids Board ¹	404,000	404,000	Wisconsin Higher Education Grant (WHEG) program for tribal college students.
24 Historical Society ¹	207,600	207,600	Northern Great Lakes Center operations funding.
25 Natural Resources ⁵	3,000,000	3,000,000	Transfer to the fish and wildlife account of the conservation fund.
26 Natural Resources ¹	98,000	98,000	Management of an elk reintroduction program.
27 Natural Resources ¹	146,000	146,000	Management of state fishery resources in off-reservation areas where tribes have treaty-based rights to fish.
28 Natural Resources ⁶	100,000	100,000	Payment to the Lac du Flambeau Band relating to certain fishing and sports licenses and to support fishery management activities.
29 Natural Resources ¹	1,082,700	1,082,700	State snowmobile enforcement program, safety training and fatality reporting.
30 Natural Resources ¹	56,000	56,000	Reintroduction of whooping cranes.
31 Natural Resources ⁷	250,000	250,000	Grant to the Town of Swiss (Danbury) in Burnett County and the St. Croix Band for wastewater and drinking water treatment facilities.
32 Public Instruction ⁴	260,000	260,000	Alternative school American Indian education aids.
33 Public Instruction ⁴	0	150,000	Grants for diversity education programs.

<u>Department</u>	<u>Funding</u>		<u>Purpose</u>
	<u>2005-06</u>	<u>2006-07</u>	
34 Public Instruction ⁴	\$80,600	\$263,800	American Indian language and cultural education program operations.
35 Public Instruction ⁴	50,000	50,000	Beloit College grant for educational programs about Native American cultures.
36 Shared Revenue ⁸	0	0	Farmland tax relief credit payments by tribes with casinos associated with certain pari-mutuel racetracks. (No allocations are made in the 2005-07 biennium.)
37 Tourism ¹	189,500	189,500	One project position and limited-term employees to operate or staff Wisconsin travel information centers.
38 Tourism ²	9,115,700	9,149,400	General tourism marketing, including grants to nonprofit tourism promotion organizations and specific earmarks.
39 Tourism ²	32,300	32,300	Law enforcement services at the Kickapoo Valley Reserve.
40 University of Wisconsin System ⁸	0	0	Ashland full-scale aquaculture demonstration facility debt service payments. (No allocations are made in the 2005-07 biennium.)
41 University of Wisconsin System ²	388,900	492,700	Ashland full-scale aquaculture demonstration facility operational costs.
42 Veterans Affairs ⁴	40,000	40,000	Grants to assist American Indians in obtaining federal and state veterans benefits.
43 Veterans Affairs ⁴	71,500	71,500	American Indian services veterans benefits coordinator position.
44 Veterans Affairs ⁸	0	0	Operation of Wisconsin Veterans Museum. (No allocations are made in the 2005-07 biennium.)
45 Workforce Development ⁹	600,000	600,000	Grants for work-based learning programs.
46 Workforce Development ¹	<u>350,000</u>	<u>350,000</u>	Vocational rehabilitation services for Native American individuals and American Indian tribes or bands.
Subtotal (Non-Regulatory Items)	\$29,821,500	\$28,064,800	
47 Administration ²	\$1,725,600	\$1,668,900	General program operations for Indian gaming regulation under the compacts.
48 Justice ¹	<u>120,700</u>	<u>121,100</u>	Investigative services for Indian gaming law enforcement.
Subtotal (Regulation/Enforcement)	\$1,846,300	\$1,790,000	
Total Appropriations	\$31,667,800	\$29,854,800	

¹Base funding is unchanged or modified by standard budget adjustments only. No additional description of the item is provided in the budget summaries for this agency.

²Base funding is modified under the bill and a more detailed description of the provision can be found in the budget summaries for this agency.

³The program is administered by DOJ under current law and would be transferred to OJA under the bill. A more detailed description of the provision can be found in the budget summaries for these agencies.

⁴No tribal gaming funding was provided for this purpose in the 2003-05 biennium. A more detailed description of the provision can be found in the budget summaries for this agency.

⁵The transfer to the conservation fund would be the same as the annual transfer of tribal gaming revenue made for this purpose in the 2003-05 biennium. No additional description of the item is provided in the budget summaries for this agency.

⁶Base funding for this program is unchanged, however, the statutory requirements for the allocation have been modified. A more detailed description of the provision can be found in the budget summaries for this agency.

⁷Base funding for this program is eliminated under standard budget adjustments and restored under the Governor's provisions. A more detailed description of the provision can be found in the budget summaries for this agency.

⁸Although authorized under current law, the appropriation account for this purpose has no base funding and no funding is provided under the bill in the 2005-07 biennium. The appropriation can only be funded with tribal gaming revenue.

⁹The program is administered by Wisconsin Technical College System Board under current law, and would be transferred to Workforce Development under the bill. Base funding for the program is also modified. A more detailed description of the provision can be found in the budget summaries for these agencies.

Joint Finance/Legislature: Reestimate general fund revenue from tribal gaming at \$74,553,600 in 2005-06 and \$85,899,100 in 2006-07. These amounts are lower than the estimates in the general fund summary under the bill by \$27,715,600 in 2005-06 and \$34,910,300 in 2006-07. The general fund revenue projections are based on revised estimates of tribal payments to the state in the 2005-07 biennium and various modifications to appropriations of tribal gaming revenue under various agency programs. The following table summarizes the reestimates and approved appropriations:

2005-07 Tribal Gaming General Fund Revenue		
Joint Finance/Legislature		
	<u>2005-06</u>	<u>2006-07</u>
Estimated Tribal Payments Due in 2005-07	\$72,799,900	\$82,264,900
Late Receipt of Ho-Chunk 2003-05 Payments	30,000,000	30,000,000
Other Revenue	<u>2,479,100</u>	<u>2,370,300</u>
Total Estimated Revenue	\$105,279,000	\$114,635,200
Appropriations of Tribal Revenue	\$30,651,400	\$28,658,700
Reserves	<u>74,000</u>	<u>77,400</u>
Total Estimated Expenditures	\$30,725,400	\$28,736,100
General Fund Revenue	\$74,553,600	\$85,899,100

The following modifications of the Governor's recommendations were made to the allocations of tribal gaming revenue to state agencies. These actions are described in greater detail under the respective agency summaries.

1. *Administration -- Office of Justice Assistance: County-Tribal Law Enforcement Grant Program.* Delete the allocations to the Office of Justice Assistance (OJA) as follows: (a) \$1,050,000 annually for tribal law enforcement assistance grants; (b) \$958,400 annually for county-tribal law enforcement programs, local assistance; and (c) \$79,200 annually for county-tribal law enforcement programs, state operations. [These programs would be funded instead under the Department of Justice (DOJ) -- see #6 below.]
2. *Commerce: American Indian Liaison, Economic Development Liaison Grants, and Technical Assistance.* Delete the allocation of \$25,000 annually for this purpose.
3. *Commerce: Gaming Economic Development and Diversification Grants and Loans.* Delete \$700,000 annually from the Governor's recommendation and provide funding of \$2,538,700 annually for this purpose.
4. *Corrections: Jackson Correctional Institution Wastewater Treatment Facility.* Delete \$201,300 in 2005-06 from the Governor's recommendation and provide one-time funding of \$126,100 in 2005-06 for this purpose.
5. *Health and Family Services: Compulsive Gambling Awareness Grants.* Delete the allocation of \$50,000 annually for this purpose. [Instead, provide \$50,000 annually from the general programs operations appropriation of the state lottery for this purpose.]
6. *Justice: County-Tribal Law Enforcement Grant Program.* Provide DOJ with: (a) \$708,400 annually for county-tribal law enforcement programs, local assistance; (b) \$79,200 annually for county-tribal law enforcement programs, state operations; (c) \$1,000,000 annually for a county law enforcement grant program; and (d) \$700,000 annually for a tribal law enforcement grant program. [This funding replaces funding for similar programs under OJA -- see #1 above.]
7. *Natural Resources: Grant to the Town of Swiss and the St. Croix Band for Wastewater and Drinking Water Treatment Facilities.* Delete the allocation of \$250,000 annually for this purpose.
8. *Public Instruction: Alternative School American Indian Educational Aids.* Delete the allocation of \$260,000 annually for this purpose.
9. *Public Instruction: Grants for Diversity Education Programs.* Delete the allocation of \$150,000 in 2006-07 for this purpose.
10. *Public Instruction: American Indian Language and Cultural Education Program Operations.* Delete the allocation of \$80,600 in 2005-06 and \$263,800 in 2006-07 for this purpose.
11. *Public Instruction: Beloit College Grant for Educational Programs about Native American Cultures.* Delete the allocation of \$50,000 annually for this purpose.
12. *University of Wisconsin System: Ashland Full-Scale Aquaculture Demonstration Facility Debt Service Payments.* Provide \$256,500 in 2005-06 and \$258,700 in 2006-07 for this purpose.

13. *University of Wisconsin System: Ashland Full-Scale Aquaculture Demonstration Facility Operational Costs.* Delete \$50,000 in 2005-06 and \$100,000 in 2006-07 from the Governor's recommendation and provide \$338,900 in 2005-06 and \$392,700 in 2006-07 for this purpose.

14. *Veterans Affairs: Grants to Assist American Indians in Obtaining Federal and State Veterans Benefits.* Delete \$6,000 annually from the Governor's recommendation and provide \$34,000 annually for this purpose.

15. *Workforce Development: Grants for Work-Based Learning Programs.* Delete the allocation of \$600,000 annually for this purpose. [This program is funded instead under the Wisconsin Technical College System Board -- see #16 below.]

16. *Wisconsin Technical College System Board: Grants for Work-Based Learning Programs.* Provide \$600,000 annually for this purpose. [This funding replaces funding under Workforce Development for this program -- see #15 above.]

With these changes, tribal gaming revenue appropriations total \$30,651,400 in 2005-06 and \$28,658,700 in 2006-07, including: (a) allocations totaling \$28,805,100 in 2005-06 and \$26,868,700 in 2006-07 to various state agencies for programs unrelated to tribal gaming regulation or law enforcement; and (b) appropriations for the regulation of tribal gaming in DOA [\$1,725,600 in 2005-06 and \$1,668,900 in 2006-07], and tribal gaming law enforcement in DOJ [\$120,700 in 2005-06 and \$121,100 in 2006-07].

Veto by Governor [D-11]: Delete \$450,000 annually from the appropriation to the Department of Justice for the county law enforcement grant program (thereby reducing the allocation of tribal gaming revenue for this program to \$550,000 annually). With this change, total allocations of tribal gaming revenue are reduced to \$30,201,400 in 2005-06 and \$28,208,700 in 2006-07. The partial veto also results in a corresponding increase of revenue to the general fund of \$450,000 annually in the 2005-07 biennium.

Additional Late Payment: Increase the amount of tribal gaming revenue credited to the general fund by \$43,625,000 in 2005-06 to reflect that a scheduled 2004-05 payment in this amount by the Forest County Potawatomi was not made by June 30, 2005, and is expected to be remitted to the state in 2005-06. As a result of this late payment adjustment and the Governor's partial veto, general fund revenue from tribal gaming under Act 25 is estimated at \$118,628,600 in 2005-06 and \$86,349,100 in 2006-07, as shown in the following table:

**2005-07 Tribal Gaming General Fund Revenue
Act 25**

	<u>2005-06</u>	<u>2006-07</u>
Estimated Tribal Payments Due in 2005-07	\$72,799,900	\$82,264,900
Late Receipt of Ho-Chunk 2003-05 Payments	30,000,000	30,000,000
Late Receipt of Potawatomi 2004-05 Payment	43,625,000	0
Other Revenue	<u>2,479,100</u>	<u>2,370,300</u>
Total Estimated Revenue	\$148,904,000	\$114,635,200
Appropriations of Tribal Revenue	\$30,201,400	\$28,208,700
Reserves	<u>74,000</u>	<u>77,400</u>
Total Estimated Expenditures	\$30,275,400	\$28,286,100
General Fund Revenue	\$118,628,600	\$86,349,100

Finally, the following table lists the tribal gaming revenue allocations under Act 25.

**2005-07 Tribal Gaming Revenue Appropriations
Act 25**

<u>Department</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2005-06</u>	<u>2006-07</u>	
1 Administration	\$500,000	\$500,000	County management assistance grant program.
2 Administration	250,000	250,000	UW-Green Bay and Oneida Tribe programs.
3 Agriculture, Trade and Consumer Protection	1,900,000	0	Grants to ethanol producers.
4 Arts Board	25,200	25,200	State aid for American Indian arts.
5 Commerce	112,900	112,900	American Indian economic liaison and gaming grants specialist and program marketing.
6 Commerce	94,000	94,000	American Indian economic development technical assistance grants.
7 Commerce	2,538,700	2,538,700	Gaming economic development and diversification grants and loans.
8 Commerce	488,700	488,700	Physician, Dentist, Dental Hygienist and Health Care Provider Loan Assistance Programs.
9 Corrections	126,100	0	Jackson Correctional Institution wastewater treatment facility (One-time funding).
10 Health and Family Services	500,000	500,000	Elderly nutrition; home-delivered and congregate meals.
11 Health and Family Services	120,000	120,000	Cooperative American Indian health projects.
12 Health and Family Services	271,600	271,600	Indian aids for social and mental hygiene services.
13 Health and Family Services	500,000	500,000	Indian substance abuse prevention education.

<u>Department</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2005-06</u>	<u>2006-07</u>	
14 Health and Family Services	\$1,070,000	\$1,070,000	Medical assistance matching funds for tribal outreach positions and federally qualified health centers (FQHC).
15 Health and Family Services	800,000	800,000	Health services: tribal medical relief block grants.
16 Health and Family Services	150,000	150,000	Minority health program and public information campaign grants.
17 Higher Education Aids Board	787,600	787,600	Indian student assistance grant program for American Indian undergraduate or graduate students.
18 Higher Education Aids Board	404,000	404,000	Wisconsin Higher Education Grant (WHEG) program for tribal college students.
19 Historical Society	207,600	207,600	Northern Great Lakes Center operations funding.
20 Justice	708,400	708,400	County-tribal law enforcement programs: local assistance.
21 Justice	79,200	79,200	County-tribal law enforcement programs: state operations.
22 Justice	550,000	550,000	County law enforcement grant program (as vetoed).
23 Justice	700,000	700,000	Tribal law enforcement grant program.
24 Natural Resources	3,000,000	3,000,000	Transfer to the fish and wildlife account of the conservation fund.
25 Natural Resources	98,000	98,000	Management of an elk reintroduction program.
26 Natural Resources	146,000	146,000	Management of state fishery resources in off-reservation areas where tribes have treaty-based rights to fish.
27 Natural Resources	100,000	100,000	Payment to the Lac du Flambeau Band relating to certain fishing and sports licenses.
28 Natural Resources	1,082,700	1,082,700	State snowmobile enforcement program, safety training and fatality reporting.
29 Natural Resources	56,000	56,000	Reintroduction of whooping cranes.
30 Shared Revenue	0	0	Farmland tax relief credit payments by tribes with casinos associated with certain pari-mutuel racetracks. (No allocations are made in the 2005-07 biennium.)
31 Tourism	189,500	189,500	One project position and limited-term employees to operate or staff Wisconsin travel information centers.
32 Tourism	9,115,700	9,149,400	General tourism marketing, including grants to nonprofit tourism promotion organizations and specific earmarks.
33 Tourism	32,300	32,300	Law enforcement services at the Kickapoo Valley Reserve.

<u>Department</u>	<u>Program Revenue</u>		<u>Purpose</u>
	<u>2005-06</u>	<u>2006-07</u>	
34 University of Wisconsin System	\$256,500	\$258,700	Ashland full-scale aquaculture demonstration facility debt service payments.
35 University of Wisconsin System	338,900	392,700	Ashland full-scale aquaculture demonstration facility operational costs.
36 Veterans Affairs	34,000	34,000	Grants to assist American Indians in obtaining federal and state veterans benefits.
37 Veterans Affairs	71,500	71,500	American Indian services veterans benefits coordinator position.
38 Veterans Affairs	0	0	Operation of Wisconsin Veterans Museum. (No allocations are made in the 2005-07 biennium.)
39 Wisconsin Technical College System Board	600,000	600,000	Grants for work-based learning programs.
40 Workforce Development	<u>350,000</u>	<u>350,000</u>	Vocational rehabilitation services for Native American individuals and American Indian tribes or bands.
Subtotal (Non-Regulatory Items)	\$28,355,100	\$26,418,700	
41 Administration	\$1,725,600	\$1,668,900	General program operations for Indian gaming regulation under the compacts.
42 Justice	<u>120,700</u>	<u>121,100</u>	Investigative services for Indian gaming law enforcement.
Subtotal (Regulation/Enforcement)	\$1,846,300	\$1,790,000	
Total Appropriations	\$30,201,400	\$28,208,700	

2. PARI-MUTUEL VIDEO GAMING DEVICES

Joint Finance/Legislature: Authorize a licensee for the sponsorship and management of races on which pari-mutuel wagering is conducted to operate, subject to rules promulgated by DOA, video gaming devices that graphically display a facsimile of a dog or horse race that has previously been conducted at another racetrack. Require that wagers associated with the video gaming devices conform to the requirements of a pari-mutuel wagering system as defined in law.

Require DOA to promulgate emergency rules relating to the operation of the video gaming devices no later than the first day of the third month following the general effective date of the bill. Provide that DOA may promulgate emergency rules without having to meet the requirements that the rules are necessary for the preservation of public peace, health, safety or welfare, or that an emergency exists.

Veto by Governor [E-8]: Delete provision.

[Act 25 Vetoed Sections: 2422c, 2422y, and 9101(9r)]

3. REPEAL OF SIMULCAST WAGERING PROVISION

Joint Finance/Legislature: Permanently repeal the simulcast racing and intertrack wagering provision that requires, effective January 1, 2007, that wagering on simulcast races must be conducted at a racetrack only as an adjunct to, and not in a manner that will supplant, wagering on live on-track racing at that racetrack, and that wagering on simulcast races must not be the primary source of wagering revenue at that racetrack.

Under current law, effective January 1, 2007, a prior law provision that wagering on simulcast races must be conducted at a racetrack only as an adjunct to, and not in a manner that will supplant, wagering on live on-track racing at that racetrack, and that wagering on simulcast races must not be the primary source of wagering revenue at that racetrack will be reinstated. Under 2003 Wisconsin Act 33, this provision was temporarily suspended between July 26, 2003, and January 1, 2007. This action would permanently repeal the provision.

Veto by Governor [E-8]: Delete provision.

[Act 25 Vetoed Sections: 2422tm, 2422u, 2422x, 2423o, and 9401(2q)]

4. PARI-MUTUEL RACETRACK LICENSING PROVISIONS

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
PR-REV	-\$561,200	\$561,200	\$0

Joint Finance/Legislature: Prohibit DOA from imposing a fee on a Wisconsin licensee for receiving simulcast races from out-of-state racetracks or simulcasting races to an out-of-state legal wagering entity (reducing state revenue by an estimated \$274,900 annually). Under current law and DOA rules, a \$20 fee is imposed for each simulcast race performance.

Create a single license category for: (a) the ownership and operation of a racetrack at which pari-mutuel wagering is conducted; and (b) the sponsorship and management of any race on which pari-mutuel wagering is conducted and which is not located at a fair. Under current law, separate licenses are required for these two functions. The provision would create an additional single license category for instances where the "ownership and operation" and the "sponsorship and management" of a racetrack involve the same party or entity.

Provide that a license for a person operating a concession at a racetrack be subject to a maximum \$75 annual renewal licensing fee (reducing state revenue by an estimated \$5,700 annually). Under current law and DOA rules, the annual fee for the operation of a food concession at a racetrack is calculated on the basis of \$10 per race performance.

Veto by Governor [E-8]: Delete provision.

[Act 25 Vetoed Sections: 1430m, 1430o, 2422b, 2422d thru 2422t, 2422um thru 2422wm, 2422xm, and 2423c thru 2423n]

AGRICULTURE, TRADE AND CONSUMER PROTECTION

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$57,910,800	\$53,309,400	\$53,114,700	\$52,276,400	\$52,276,400	-\$5,634,400	- 9.7%
FED	13,513,600	14,761,100	16,361,100	16,361,100	16,361,100	2,847,500	21.1
PR	44,792,400	35,201,800	37,984,900	37,984,900	37,984,900	- 6,807,500	- 15.2
SEG	<u>39,120,400</u>	<u>45,095,300</u>	<u>46,182,100</u>	<u>46,182,100</u>	<u>46,182,100</u>	<u>7,061,700</u>	18.1
TOTAL	\$155,337,200	\$148,367,600	\$153,642,800	\$152,804,500	\$152,804,500	-\$2,532,700	- 1.6%
BR		\$7,000,000	\$5,500,000	\$5,500,000	\$5,500,000		

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	236.73	189.40	219.90	219.90	219.90	- 16.83
FED	67.02	66.95	70.95	70.95	70.95	3.93
PR	211.07	143.45	162.40	162.40	162.40	- 48.67
SEG	<u>89.12</u>	<u>94.12</u>	<u>96.12</u>	<u>96.12</u>	<u>96.12</u>	<u>7.00</u>
TOTAL	603.94	493.92	549.37	549.37	549.37	- 54.57

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

Governor/Legislature: Provide \$1,601,400 and delete 2.0 positions in 2005-06 and delete \$480,000 and 2.0 positions in 2006-07 for adjustments to the base budget for: (a) turnover reduction (-\$144,500 GPR annually and -\$72,600 PR annually); (b) removal of noncontinuing items (-\$200,000 GPR in 2006-07 and -2.0 PR positions in 2005-06 and -\$1,900,000 PR and -2.0 PR positions in 2006-07, the 2.0 PR positions that are deleted in each year represent positions that were eliminated as part of the reduction of attorneys in the 2003-05 biennial budget, whose associated funding is eliminated under the full-funding provision); (c) full funding of salaries and fringe benefits (\$1,031,500 GPR, \$309,800 FED, \$1,300 PR and \$360,900 SEG annually); (d) position reclassifications (\$7,900 GPR and \$6,900 FED annually,

	Funding	Positions
GPR	\$1,648,200	0.00
FED	633,400	0.00
PR	- 1,955,500	- 2.00
SEG	<u>795,300</u>	<u>0.00</u>
Total	\$1,121,400	- 2.00

\$38,300 PR in 2005-06 and \$48,800 PR in 2006-07 and \$32,700 SEG in 2005-06 and \$40,800 SEG in 2006-07); (e) full funding of lease costs and directed moves (\$29,200 GPR annually); and (f) minor transfers within the same appropriation (funding for two positions is switched from agrichemical management plant industry services to soil and water resource management).

Drainage Board Grants. Under the removal of noncontinuing items provision, \$200,000 GPR is eliminated in 2006-07 to reflect the current law sunset of the drainage board grant program on June 30, 2006. These grants assist drainage boards with up to 60% of the costs of compliance with drainage district rules and regulations.

Ethanol Producer Grant Program. Under the removal of noncontinuing items provision, \$1,900,000 tribal gaming PR is eliminated in 2006-07 to reflect the current law sunset of the ethanol producer grant program on June 30, 2006. Under the program, qualifying producers are eligible for annual payments of up to 20¢ per gallon of ethanol produced (for up to 15 million gallons, or a maximum of \$3 million) in a 12-month period. Payments are prorated if eligible awards exceed available funds.

2. TRANSFER CONSUMER PROTECTION FUNCTIONS [LFB Paper 140]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$3,160,800	-28.00	\$3,160,800	28.00	\$0	0.00
PR	-1,167,100	-6.50	1,167,100	6.50	0	0.00
Total	-\$4,327,900	-34.50	\$4,327,900	34.50	\$0	0.00

Governor: Effective on October 1, 2005, or on the first day of the third month beginning after publication, whichever is later, transfer most consumer protection functions to the Department of Justice (DOJ) Division of Legal and Regulatory Services. Delete \$1,354,600 GPR and 28.0 GPR positions in 2005-06, and delete \$1,806,200 GPR and 28.0 GPR positions from the Department of Agriculture, Trade and Consumer Protection (DATCP) in 2006-07. Further, delete \$500,200 PR and 6.5 PR positions in 2005-06 and \$666,900 PR and 6.5 PR positions in 2006-07 from DATCP that are used for the administration and maintenance of the telephone solicitation (no-call) program.

The bill would provide DOJ the same amount as that deleted from DATCP for the administration and enforcement of most consumer protection functions and maintenance of the no-call telephone solicitation program. However, the bill does not identify any specific positions that are to be transferred from DATCP to DOJ, but rather specifies that the Departments determine which former DATCP positions would be transferred to DOJ, and which of the authorized positions would be new positions. DATCP officials have indicated that were 28.0 GPR positions eliminated, they could consist of 10.0 consumer specialists, 9.8 consumer protection investigators, 5.15 program assistants, 2.0 consumer protection supervisors, 0.75 consumer complaint supervisor, and 0.3 administrative manager.

If an agreement cannot be reached, the Secretary of Administration would resolve the disagreement. Further, provide that any incumbent DATCP employees who are transferred to DOJ would maintain all their civil service and other employee rights held prior to transfer. The bill would result in a net increase of \$175,000 PR annually (for DOJ consumer protection information and education expenditures from the expanded 25% consumer protection surcharge on certain fines and forfeitures) as shown in the following table.

	2005-06		2006-07		Positions	
	GPR	PR	GPR	PR	GPR	PR
DATCP	-\$1,354,600	-\$500,200	-\$1,806,200	-\$666,900	-28.00	-6.50
DOJ	<u>1,354,600</u>	<u>675,200</u>	<u>1,806,200</u>	<u>841,900</u>	<u>28.00</u>	<u>6.50</u>
Total	\$0	\$175,000	\$0	\$175,000	0.00	0.00

Transfer Department of Health and Family Services' authority and related administrative rules for fitness center staff requirements under s. 100.178 of the statutes and all of DATCP's statutory authority and related administrative rules for the following statutory sections to DOJ:

100.15	Regulation of trading stamps
100.16	Selling with pretense of prize; in-pack chance promotion exception
100.17	Guessing contests
100.171	Prize notices
100.173	Ticket refunds
100.174	Mail-order sales regulated
100.175	Dating service contracts
100.177	Fitness center and weight reduction center contracts
100.18	Fraudulent representations
100.182	Fraudulent drug advertising
100.20	Methods of competition and trade practices
100.205	Motor vehicle rustproofing warranties
100.207	Telecommunications services
100.208	Unfair trade practices in telecommunications
100.209	Cable television subscriber rights
100.2095	Labeling of bedding
100.28	Sale of cleaning agents and water conditioners containing phosphorus
100.31	Unfair trade practices in drug pricing
100.37	Hazardous substances act
100.38	Antifreeze
100.41	Flammable fabrics
100.42	Product safety
100.43	Packaging standards; poison prevention
100.44	Identification and notice of replacement part manufacturer
100.46	Energy consuming products
100.50	Products containing or made with ozone-depleting substances
100.52	Telephone solicitations
Chap 136	Future service plans
Chap 344	Vehicle financial responsibility
Chap 704	Landlord and tenant; self-service storage facilities
Chap 707	Timeshares
Chap 779	Prepaid maintenance liens

The authority to enforce these laws would be transferred to DOJ or jointly to DOJ and district attorneys. Also, remove DATCP's authority to be represented by its attorneys or to appoint special counsel to prosecute or assist in the prosecution of all cases arising under Chapter 100 of the statutes, except for s. 100.206 (music royalty collections; fair practices), s. 100.21 (substantiation of energy savings or safety claims), 100.30 (unfair sales act) and 100.51 (motor fuel dealerships). Further, transfer the authority to commence a court action for milk payment audits, discrimination in the payment of milk and unfair trade practices in the dairy industry from DATCP to DOJ (the bill does not affect DATCP's authority to administer these rules).

Extend the consumer protection surcharges (in an amount equal to 25% of the fine or forfeiture imposed) for violations of Chapter 133 of the statutes (such as creating a monopoly or an unfair or discriminatory business practice that hampers competition) beginning with violations that occur on the general effective date of the budget act. Require that DOJ, instead of DATCP, be awarded consumer protection surcharges on all fines and forfeitures for violations under Chapters 100 (marketing; trade practices) and 133 (trusts and monopolies) or corresponding rules or ordinances. Provide DOJ with a new, annual PR appropriation and require that any revenue received from consumer protection surcharges under Chapters 100 and 133 be deposited into it for information and education expenses. Revenue in excess of \$375,000 per fiscal year would be deposited into the general fund (estimated DOJ expenditures would be \$175,000 PR annually from this source). Under the bill, surcharge amounts imposed for violations of weights and measures regulation under Chapter 98 (or rules or ordinances promulgated under Chapter 98) would continue to be deposited in DATCP's consumer protection information and education PR appropriation, with assessments in excess of \$185,000 per fiscal year being deposited in the general fund (\$77,000 was collected in 2003-04).

On October 1, 2005, (or on the first day of the third month beginning after publication, whichever is later), transfer the assets, liabilities and obligations primarily associated with the transferred consumer protection functions from DATCP to DOJ. Further, transfer all tangible personal property, records, pending matters, contracts and contract responsibilities relating to transferred consumer protection provisions and specify that all rules and orders relating to the transferred consumer protection provisions remain in effect until their specified expiration date or until modified or rescinded by DOJ. Provide that if the Departments were unable to agree on an equitable division, the Secretary of Administration would settle the dispute.

Further, delete the requirement that two of the nine members on the DATCP Board be consumer representatives. Instead, specify that the board shall consist of nine members with an agricultural background. Allow that any member who is serving as a consumer representative on the DATCP board the day before the effective date be allowed to continue to serve as a board member until his or her successor is appointed and qualified.

Rename the Department of Agriculture, Trade and Consumer Protection the "Department of Agriculture, Trade and Rural Resources," and require the necessary changes in the statutes to reflect this name change.

DATCP would retain authority for regulation of various trade practices under Chapter 100 of the statutes, including the following:

100.01	Produce wholesalers, unfair conduct, liability for damages
100.02	Commission merchants, duties, must account
100.025	Classification of dairy heifer calves
100.04	Livestock productions contracts
100.05	Butter and cheese manufacturers; accounts accessible
100.057	Wisconsin cheese logotype
100.07	Milk payments; audits
100.12	Refusal of broker to furnish written statement of transaction, prima facie evidence of gambling
100.14	Uniform labels and trademarks
100.183	Fraud, advertising foods
100.184	Advertising foods for sale
100.186	Linseed oil, white lead zinc oxide, turpentine; standards; sale
100.19	Distribution methods and practices
100.201	Unfair trade practices in the dairy industry
100.202	Contracts in violation void
100.206	Music royalty collections; fair practices
100.21	Substantiation of energy savings or safety claims
100.22	Discrimination in purchase of milk prohibited
100.23	Contract to market agricultural products; interference prohibited
100.235	Unfair trade practices in procurement of vegetable crops
100.24	Revocation of corporate authority
100.265	List of gasohol and alternative fuel refueling facilities
100.27	Dry cell batteries containing mercury
100.285	Reduction of toxics in packaging
100.29	Sale of nonrecyclable materials
100.295	Labeling of recycled, recyclable or degradable products
100.297	Plastic container recycled content
100.30	Unfair sales act (minimum markup)
100.33	Plastic container labeling
100.35	Furs to be labeled
100.36	Frauds; substitute for butter; advertisement
100.45	Mobile air conditioners
100.47	Sales of farm equipment
100.48	Hour meter tampering
100.51	Motor fuel dealerships

The Governor recommended a similar transfer of consumer protection functions from DATCP to DOJ in his 2003-05 biennial budget (SB 44). While 2003 Act 33 retained DATCP's consumer protection authority, the act deleted approximately \$1 million GPR and 13.35 GPR consumer protection related positions from DATCP's base budget (approximately the same staffing reduction recommended by the Governor in 2003 SB 44 under the proposed transfer of authority to DOJ).

Joint Finance/Legislature: Delete provision.

3. GRAIN INSPECTION PROGRAM [LFB Paper 141]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	-\$4,400,600	-38.57	\$1,122,700	0.00	-\$3,277,900	-38.57

Governor: Delete \$2,200,300 and 38.57 positions annually that are used to administer the state's grain inspection program in the ports of Superior, Milwaukee, Prairie du Chien and La Crosse.

The state has been delegated its inspection and certification authority under this program by the federal government, which allows inspection and certification of grain by the state or a private contractor. Were the state program eliminated, the United States Department of Agriculture (USDA) or a private contractor (where allowable) could assume inspection responsibilities. Revenues to fund this appropriation come from federally-approved fees charged by the Department for grain inspection and certification. Under the bill, no staff or funding would remain in the continuing appropriation for grain inspection.

Further, require DATCP to transfer all the unencumbered balances from its food safety and consumer protection, animal health, marketing, agricultural resource management and central administrative services GPR general program operations appropriations to the Department's grain inspection and certification appropriation account on June 30 of each fiscal year, if the Department's grain certification and inspection program expenditures have exceeded grain certification and inspection revenues as of that date. At the completion of a fiscal year (June 30), all remaining spending authority in these GPR appropriations currently lapses to the state's general fund. In 2003-04, approximately \$210,000 lapsed to the general fund from these appropriations.

As of July 1, 2004, DATCP's grain inspection appropriation account carried a deficit of approximately \$1 million. In 2003-04, revenues deposited to the account were approximately \$2.1 million, while expenditures totaled \$2.5 million. Further, the account opened fiscal year 2003-04 with a \$580,000 deficit.

In addition, the bill would transfer \$82,300 and 1.75 positions from DATCP's grain inspection appropriation to other PR appropriations as follows: (a) \$54,400 and 1.15 positions (1.0 weights and measures inspector and 0.15 Trade and Consumer Protection Division unclassified administrator) to the weights and measures inspection program; (b) \$18,900 and 0.5 financial specialist position to dairy trade regulation; and (c) \$9,000 and 0.1 Trade Bureau director position to public warehouse regulation.

Joint Finance/Legislature: Modify the Governor's recommendation to restore funding of \$1,122,700 in 2005-06 to support up to 30.645 positions for seven months of grain inspection program operations, to correspond with an anticipated February, 2006, transfer of grain inspection authority to the federal government. However, require DATCP to provide the

Secretary of Administration with a plan for an alternative grain inspection delivery model that: (a) is financially viable and sustainable; (b) has a flexible workforce to reflect seasonal changes in business; and (c) maintains state oversight of quality of service and integrity of inspection certificates. By September 30, 2005, require the Secretary of Administration to submit the plan, or the plan as modified by DOA, to the Joint Committee on Finance under 14-day passive review procedures.

[Act 25 Sections: 81, 141, and 9103(4e)]

4. FRUIT AND VEGETABLE INSPECTION PROGRAM ELIMINATION [LFB Paper 142]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	-\$997,400	-12.45	\$997,400	12.45	\$0	0.00

Governor: Delete \$997,400 and 12.45 positions in 2006-07 that are used to administer the state's fruit and vegetable inspection program. In addition, transfer \$9,000 and 0.1 Trade Bureau director position to DATCP's public warehouse regulation appropriation.

The state has been delegated its inspection authority under this program by the United States Department of Agriculture (USDA), which authorizes inspection by the state or, under certain circumstances, a private contractor. Were this program to be eliminated, the USDA or a private contractor, where allowable, would be responsible for inspection and certification. Revenues to fund the Department's fruit and vegetable inspection program come from federally-approved fees. Under the bill, no staff or funding would be appropriated for fruit and vegetable inspection beginning July 1, 2006.

Joint Finance/Legislature: Delete provision.

5. NONPOINT ACCOUNT FUNDING TRANSFER

Governor/Legislature: Create an annual appropriation, to be funded by the segregated nonpoint account of the environmental fund, and convert \$847,700 annually from GPR to SEG for the payment of principal and interest costs incurred in providing bonding revenue for soil and water resource management projects DATCP makes as part of its annual grant allocation to counties, or for the payment of any premium or payment due under any agreement or ancillary arrangement relating to public debt. Soil and water resource management bonding repayments would first be paid from the annual nonpoint SEG appropriation with any remaining payments from the existing GPR sum sufficient appropriation.

	Funding	Positions
GPR	-\$3,467,200	- 10.00
SEG	<u>3,467,200</u>	<u>10.00</u>
Total	\$0	0.00

In addition, convert \$885,900 and 10.0 positions annually from GPR to nonpoint account

SEG for administration of DATCP's land and water resource management activities.

[Act 25 Sections: 148 and 460]

6. **SOIL AND WATER RESOURCE MANAGEMENT PROGRAM** [LFB Papers 152 and 553]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$2,040,000	\$0	\$2,040,000
BR	\$7,000,000	-\$1,500,000	\$5,500,000

Governor: Provide \$500,000 SEG annually from the nonpoint account of the environmental fund to provide grants to counties to fund land and water conservation staff and related supplies. Under the bill, DATCP funding available for county staffing grants would increase from approximately \$8.8 million in 2004-05 to \$9.3 million annually.

In addition, provide \$520,000 SEG annually from the nonpoint account of the environmental fund for implementation of a nutrient management program. Under administrative rule ATCP 50, farmers near outstanding and exceptional resource waters (and all farmers by 2008), must implement a nutrient management plan in order to meet DNR runoff pollution performance standards. The \$520,000 would be used by the Department for providing cost-share grants to landowners predominantly for nutrient management plans.

Further, provide an increase in general obligation bonding of \$7,000,000 for the soil and water resource management program. Bonding revenue would be used for county allocations to provide cost-share grants to landowners for land and water conservation projects and animal waste best management practices.

Joint Finance/Legislature: Adopt the Governor's recommendations, except provide an increase in general obligation bonding of \$5,500,000 (rather than \$7 million).

[Act 25 Section: 470]

7. **BIO-INDUSTRY GRANT PROGRAM** [LFB Paper 143]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$2,000,000	-\$2,000,000	\$0
SEG	0	1,000,000	1,000,000
Total	\$2,000,000	-\$1,000,000	\$1,000,000

Governor: Provide \$900,000 in 2005-06 and \$1,100,000 in 2006-07 and create a bio-industry grant program. Under the program, DATCP would make grants for: (a) research and

development of technologies that use agricultural products or waste, including digesters, as energy sources; (b) encouraging the use of agricultural products or waste as energy sources; (c) reducing the generation of agricultural wastes or increasing their beneficial uses; and (d) encouraging the development of bio-chemicals from agricultural products. A grant could not exceed \$300,000 to one recipient, of which up to \$150,000 could be for planning and \$150,000 for implementation.

Funding would be provided from DATCP's existing agricultural investment aids biennial appropriation. This appropriation currently provides \$380,000 annually for agricultural development and diversification (ADD) and sustainable agriculture grants. ADD grants are competitive grants made to projects that utilize new or alternative technologies that DATCP determines are likely to stimulate Wisconsin's agricultural economy.

Joint Finance/Legislature: Modify the Governor's recommendation by deleting \$900,000 GPR in 2005-06 and \$1,100,000 GPR in 2006-07 and instead create a biennial appropriation in DATCP, funded from the segregated agrichemical management fund, and provide \$1,000,000 SEG to this appropriation in 2005-06. Specify that this appropriation be used to make grants under the following programs: agricultural development and diversification, sustainable agriculture, and the bio-industry grant program. [Base funding of \$380,000 GPR annually would also remain for grants under these programs.]

Specify that DATCP may award not more than \$380,000 annually in agricultural development and diversification and sustainable agriculture grants.

In addition, specify that an agricultural development and diversification grant, or a sustainable agriculture grant, may not exceed 75% of project costs. Further, specify that a bio-industry grant may not exceed 50% of project costs.

Moreover, specify that under the bio-industry grant program: (a) agricultural waste includes forestry waste; and (b) DATCP may make grants for the research and development of bio-diesel technologies.

Furthermore, specify \$150,000 for a planning grant and \$150,000 for an implementation grant under the bio-industry grant program be provided to the Cashton Area Development Corporation for the Cashton Greens Renewable Energy Park.

Veto by Governor [B-2]: Delete the provision that specifies DATCP may not award more than \$380,000 annually in agricultural development and diversification and sustainable agriculture grants. Under the act, DATCP would be able to determine the amount of grants awarded under each program.

[Act 25 Sections: 145, 145j, 1751v, 1752, 1752d, and 9103(4d)]

[Act 25 Vetoed Section: 1751v]

8. SUPPORT AND INFORMATION POSITION REDUCTIONS

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$642,200	-6.00	\$0	0.00	-\$642,200	-6.00
FED	-90,200	-0.75	0	0.00	-90,200	-0.75
PR	-183,000	-2.00	-517,600	-1.00	-700,600	-3.00
SEG	<u>-384,400</u>	<u>-4.00</u>	<u>86,800</u>	<u>1.00</u>	<u>-297,600</u>	<u>-3.00</u>
Total	-\$1,299,800	-12.75	-\$430,800	0.00	-\$1,730,600	-12.75

Governor: Delete \$649,900 (\$321,100 GPR, \$45,100 FED, \$91,500 PR and \$192,200 SEG) and 12.75 positions (6.0 GPR, 0.75 FED, 2.0 PR and 4.0 SEG) annually to consolidate support and information services positions.

Annual GPR reductions would be required of the following appropriations: (a) \$116,000 and 2.25 positions from food safety; (b) \$65,500 and 1.0 position from animal health services; and (c) \$139,600 and 2.75 positions from central administrative services.

Required annual FED reductions would consist of \$15,100 and 0.25 position from food safety and \$30,000 and 0.5 position from central administrative services.

Annual PR reductions would be as follows: (a) \$41,000 and 1.0 position from food regulation; (b) \$20,500 and 0.5 position from public warehouse regulation; and (c) \$30,000 and 0.5 position from central administrative services.

Required annual SEG reductions would total \$62,100 and 1.0 position from DATCP's forestry account plant protection appropriation and \$130,100 with 3.0 positions from DATCP's agrichemical management fund general operations appropriation.

Joint Finance/Legislature: Modify the Governor's recommendation by restoring the following amounts annually: (a) \$41,000 PR and 1.0 PR position from food inspection; (b) \$62,100 PR and 1.0 PR position from plant protection; (c) \$20,500 PR and 0.5 PR position from public warehouse regulation; and (d) \$43,400 SEG and 1.0 SEG position from agrichemical management program operations. Instead, delete \$167,000 PR annually and 3.5 PR positions from DATCP's general laboratory related services appropriation to reflect the Department's plan to cease the provision of standardized milk samples by July 1, 2005 (which will instead be performed by private companies). These changes result in a net annual reduction of \$43,400 PR and 1.0 PR position and a net annual increase of \$43,400 SEG and 1.0 SEG position.

In addition, delete \$215,400 PR annually from DATCP's general laboratory related services appropriation to align expenditures with anticipated revenues.

9. ACROSS-THE- BOARD REDUCTIONS

GPR	-\$838,300
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Senate/Legislature: Reduce the agency's GPR appropriation for general administrative operations by \$416,400 in 2005-06 and by \$421,900 in 2006-07. This reduction amount is equal to

approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that DATCP may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that DATCP may submit a request to the Committee for restoration of the GPR funding reduction in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration the amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

10. DEBT SERVICE PAYMENTS [LFB Paper 184]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$1,263,000	-\$1,034,000	-\$2,297,000

Governor: Delete \$1,280,700 GPR in 2005-06 and provide \$17,700 GPR in 2006-07 for debt service estimates for general obligation bonds issued for the following purposes: (a) -\$1,100 in 2005-06 and -\$5,400 in 2006-07 for animal health facilities; (b) -\$1,551,000 in 2005-06 and -\$597,200 in 2006-07 for the conservation reserve enhancement program; and (c) \$271,400 in 2005-06 and \$620,300 in 2006-07 for the soil and water resource management program.

Joint Finance/Legislature: Delete \$636,800 GPR in 2005-06 and \$397,200 GPR in 2006-07 to reflect reestimated debt service costs.

11. PROGRAM REVENUE REESTIMATES

PR	-\$960,000
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Governor/Legislature: Delete \$480,000 annually from various program revenue appropriations to align expenditure authority with projected revenues. This includes deleting \$150,000 annually in one-time financing from the Department's state services appropriation, and the following changes in supplies and services spending authority.

<u>Appropriation</u>	<u>Annual Amount</u>
Food and trade regulation related services	\$10,000
Weights and measures inspection	100,000
Animal health related services	-45,000
Marketing services and materials	-150,000
Enforcement cost recovery	-20,000
Computer system equipment, staff and services	-200,000
Sale of material and supplies	<u>-25,000</u>
 Total	 -\$330,000

12. RURAL BUSINESS ENTERPRISE LOANS [LFB Paper 144]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
FED	\$500,000	-\$150,000	\$350,000
PR	<u>50,000</u>	<u>37,500</u>	<u>87,500</u>
Total	\$550,000	-\$112,500	\$437,500

Governor: Provide DATCP the authority to make loans, charge interest and origination fees and take security for those loans, as required to receive federal funding for the development of rural business enterprises or for rural economic development.

In addition, provide an estimated \$250,000 FED annually for loan awards to reflect anticipated federal grants for this purpose.

Further, create a loans for rural development continuing appropriation estimated at \$25,000 PR annually to make loans for the development of rural business enterprises or rural economic development. Revenue for these loans would come from fees, repayments of principal, and payments of interest of federal rural business enterprise and economic development loans.

The Department has already received rural business enterprise grants from the federal government, and expects additional federal funds will be available, to be used primarily for making loans to small and emerging rural businesses.

Joint Finance/Legislature: Adopt the Governor's recommendations, but reestimate expenditures from DATCP's loans for rural development appropriation to total \$62,500 PR beginning in 2006-07 and federal grants to be \$100,000 in 2006-07 (an increase of \$37,500 PR and a reduction of \$150,000 FED in 2006-07).

[Act 25 Sections: 144 and 1743]

13. SECTOR SPECIALIST POSITIONS [LFB Paper 145]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$274,100	2.00	-\$274,100	-2.00	\$0	0.00
FED	0	0.00	0	1.00	0	1.00
Total	\$274,100	2.00	-\$274,100	-1.00	\$0	1.00

Governor: Provide \$117,500 in 2005-06 and \$156,600 in 2006-07 with 2.0 positions for a livestock and a grazing/organics sector specialist. These staff would provide business and market planning assistance to entrepreneurs, work with industry and government leaders, and administer the Department's primarily federally-funded livestock and organics grant programs.

Joint Finance/Legislature: Modify the Governor's recommendation by deleting the 2.0 GPR positions and associated funding and instead provide DATCP with 1.0 FED sector specialist position to be funded from DATCP's federal indirect cost reimbursement appropriation. Through this appropriation, DATCP receives payments (based on negotiated rates) from the United States Department of Agriculture (USDA) that are intended to help cover the costs of implementing federal programs.

14. REVENUE AND POSITION ADJUSTMENTS

Governor/Legislature: Provide \$106,000 FED and 0.85 FED positions annually, and provide \$23,000 PR and delete 0.85 PR positions annually to align spending authority with projected revenues and to reflect changed position duties.

	Funding	Positions
FED	\$212,000	0.85
PR	46,000	-0.85
Total	\$258,000	0.00

Annual FED adjustments include providing \$174,300 and 2.23 positions to DATCP's federal indirect cost appropriation and deleting \$68,300 and 1.38 positions from the food safety appropriation.

Annual PR adjustments to DATCP appropriations are shown in the following table:

<u>Appropriation</u>	<u>Funding</u>	<u>Positions</u>
Administrative services	\$14,800	0.90
General laboratory services	-43,500	-1.00
Adm. services sale of supplies	-18,600	-0.50
Telephone solicitation	59,500	1.00
Adm. services computer systems	104,200	1.00
Animal health inspection, testing and enforcement	28,700	0.25
Food regulation	-85,000	-1.50
Grain inspection and certification	-37,100	-1.00
Total	\$23,000	-0.85

In addition, transfer \$79,500 GPR and 2.0 GPR positions as follows: (a) delete \$29,900 and 0.5 position from food safety; (b) delete \$49,600 and 1.0 position from marketing services, and (c) provide \$79,500 and 1.5 positions for DATCP's central administrative services.

15. AGRICULTURAL CHEMICAL FUNDS [LFB Paper 146]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$260,200	-\$260,200	\$0
SEG-REV	\$0	-\$310,500	-\$310,500

Governor: Transfer \$130,100 in each year of the 2005-07 biennium from the segregated agrichemical management (ACM) fund to the state's general fund.

The agrichemical management fund is expected to have a July 1, 2005, balance of \$2.2 million. Expenditures are estimated at \$5.4 million in 2004-05 while revenues are expected to total \$5.9 million. Fee revenues are derived from several feed, fertilizer and pesticide license and tonnage fees, and are expected to total \$5.5 million in 2004-05. In addition to revenue from agricultural chemical fees, through 2006-07 the ACM fund also receives revenue from repayment of a \$2 million start-up loan that the ACM made to the agricultural producer security (APS) fund in 2001-02. The APS program is a separate, segregated public trust fund created to secure payments to agricultural producers who are owed money when an agricultural commodity defaults.

Joint Finance/Legislature: Delete provision. Further, reduce the maximum fertilizer tonnage surcharge (which is deposited to the agricultural chemical cleanup fund) by 23¢, from 86¢ to 63¢, effective with fertilizer sold on July 1, 2005 (remitted to DATCP in August, 2006, for surcharges paid in 2005-06). Estimate ACCP reduced revenues of \$310,500 in 2006-07.

[Act 25 Section: 1752m]

16. PROGRAM REVENUE LAPSE TO THE GENERAL FUND [LFB Paper 147]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$250,000	\$75,000	\$325,000
PR	\$0	-\$24,000	-\$24,000

Governor: While the Governor's intent is to lapse \$250,000 in 2005-06 from DATCP's weights and measures inspection appropriation account, the bill would require a \$250,000 lapse in 2005-06 from DATCP's sale of supplies PR appropriation account. As a result, the bill would need to be corrected to reflect the Governor's intent.

The sale of supplies appropriation account is expected to have a July 1, 2005, balance of

approximately \$26,000. The weights and measures account is expected to have a July 1, 2005, balance of approximately \$670,000. Funds deposited to this account consist of a variety of weights and measures inspection related fees, including fertilizer, commercial feed, retail food establishment, vehicle scale and petroleum meter fees.

Joint Finance/Legislature: Modify the Governor's recommendation by instead lapsing \$325,000 in 2005-06 from DATCP's weights and measures inspection appropriation account to the state's general fund. As a result, the account would be expected to have a June 30, 2007, balance of approximately \$115,000.

In addition, delete \$12,000 annually to reestimate DATCP's sale of supplies appropriation expenditures at \$30,000 PR annually to more accurately reflect historical expenditure levels and available revenues.

Veto by Governor [E-1]: Delete the specific lapse amount for this agency as required under the bill as passed by the Legislature. Instead, by partial veto, create a general non-statutory provision directing the Secretary of Administration to make lapses from unspecified appropriation accounts to the general fund that total \$71,234,800. The Governor's veto message indicates his intent that the Secretary is to achieve this overall lapse amount by including a lapse of monies from this agency to the general fund in an amount equal to the lapse amounts as specified for this agency in the budget bill as passed by the Legislature.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1) title and (1)(a)&(b)]

17. PLANT PROTECTION LAPSE TO THE GENERAL FUND

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$50,000	-\$50,000	\$0

Governor: Lapse \$50,000 in 2005-06 from DATCP's plant protection PR appropriation account to the state's general fund.

The plant protection appropriation account is expected to have a July 1, 2005, balance of approximately \$164,000. Funds deposited to this account consist of all revenues received from nursery dealer, nursery grower and Christmas tree grower annual license fees. Funding from this appropriation is used for plant protection, including nursery regulation and the detection and control of plant pests.

Joint Finance/Legislature: Delete provision.

18. LIVESTOCK FACILITY SITING

SEG	\$56,800
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Governor/Legislature: Provide \$26,800 in 2005-06 and \$30,000 in 2006-07 from the nonpoint account of the environmental fund for limited-term employees and support costs of the Livestock Facility Siting Board. The Board was created in 2003 Act 235 to review livestock siting decisions made by local governments to ensure these decisions are consistent with state standards.

19. LIVESTOCK PREMISES IDENTIFICATION [LFB Paper 148]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
FED	\$0	0.00	\$1,750,000	3.00	\$1,750,000	3.00

Governor: Provide that if DATCP contracts with an agent to administer the state's livestock premises registration program the agent may collect fees that cover the costs of administering the program beginning on November 1, 2005.

Under 2003 Act 229, beginning on November 1, 2005, any person who keeps livestock in the state is required to register with DATCP each location the person keeps livestock. DATCP will then assign an identification code for each facility. Further, under current law, DATCP may contract with an agent to administer the registration and assignment of livestock premises codes.

Joint Finance/Legislature: Delete provision.

However, increase expenditure authority from DATCP's animal health federal funding appropriation by \$1,750,000 in 2005-06 to reflect the anticipated receipt of a federal grant related to livestock premises identification. In addition, provide DATCP with 3.0 FED two-year project positions from the Department's animal health federal funds appropriation to implement a compliance and education program, for DATCP's premises identification program.

20. EXPOSITION CENTER GRANTS [LFB Paper 149]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$47,400	-\$47,400	\$0

Governor: Provide \$23,700 annually for grants to the Dane County exposition center.

Beginning in fiscal year 1994-95, DATCP was provided \$240,000 annually to assist Dane County in paying for the expansion of and ongoing costs of operating an exposition center (the Alliant Energy Center) and for the costs of hosting the World Dairy Expo (the grant has been

provided primarily to offset a portion of the debt service costs on the 1995 facility expansion). In the 2003-05 biennial budget act, the annual grant to the Alliant Energy Center was reduced by \$23,700, from \$240,000 to \$216,300.

Joint Finance/Legislature: Delete provision (funding for grants to the Alliant Energy Center would remain at \$216,300 annually).

In addition, specify that no payments may be made from DATCP's exposition center grants appropriation after June 30, 2014 (which would allow the grants to be made for a total of twenty years, to correspond with the length of the bonds originally issued to fund the exposition center's expansion).

[Act 25 Sections: 145e and 1751h]

21. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-4.50	4.50	0.00
PR	-1.00	1.00	0.00
SEG	-1.00	1.00	0.00
Total	-6.50	6.50	0.00

Governor: Delete 6.5 positions (4.5 GPR, 1.0 PR and 1.0 SEG) annually to reflect the consolidation of the agency's attorneys and legal staff under DOA, effective January 1, 2006. Reallocate \$385,700 (\$290,400 GPR, \$28,700 PR and \$66,600 SEG) in 2005-06 and \$771,500 (\$580,800 GPR, \$57,500 PR and \$133,200 SEG) in 2006-07 from budgeted salaries and fringe benefits to the agency's supplies and services budget to pay for legal services supplied by DOA. Authorize the Secretary of DOA to identify one attorney position in DATCP as general counsel for the agency and convert 1.0 GPR position from classified to unclassified for this purpose.

Specify that any attorneys and legal staff transferred to DOA would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006. [See "Administration -- Transfers to the Department."]

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University

of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempt from the attorney position deletion and lapse or transfer of funds requirement.

Vetoes by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoes Sections: 9155(1w)&(2)]

22. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions
PR	- 2.75

Governor/Legislature: Reallocate \$236,900 from salaries and fringe benefits to unallotted reserve and delete 2.75 positions in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

23. PROCUREMENT AND PURCHASING SERVICES CONSOLIDATION [LFB Paper 112]

	Positions
PR	- 1.00

Governor/Legislature: Reallocate \$56,000 from salaries and fringe benefits to unallotted reserve and delete 1.0 position in 2006-07 associated with the consolidation of procurement and purchasing services functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

24. HUMAN RESOURCES AND PAYROLL BENEFITS SERVICES CONSOLIDATION [LFB Paper 112]

	Funding	Positions
GPR	-\$37,900	- 0.83
FED	- 7,700	- 0.17
PR	<u>- 23,000</u>	<u>- 0.50</u>
Total	-\$68,600	- 1.50

Governor/Legislature: Delete \$68,600 and 1.5 positions in 2006-07 associated with the consolidation of human resources and payroll benefits functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

25. ANIMAL DISEASE INDEMNIFICATION COSTS [LFB Paper 150]

Governor/Legislature: Specify that if DATCP orders an animal to be destroyed because it is suspected to have a transmissible spongiform encephalopathy (such as mad cow disease, chronic wasting disease or scrapie), the Department is to increase the indemnity payment for that animal by the costs of destruction and disposal (including transportation and storage) of the animal, which may exceed the current statutory maximum indemnity payment of \$1,500 per animal.

In addition, specify that DATCP may make indemnity payments from its animal disease indemnities GPR sum sufficient appropriation to owners of animals that DATCP orders destroyed for chronic wasting disease surveillance testing if federal funding or funds that the Department receives from other state agencies are not sufficient to make these indemnity payments. Currently only federal funds or funds transferred from other agencies (DNR) may be used for chronic wasting disease surveillance indemnities.

[Act 25 Sections: 1753, 1754, and 1755]

26. FISH HATCHERIES

Joint Finance/Legislature: Delete DNR's authority to remove a fish from a self-contained fish rearing facility or from a pre-existing fish rearing facility that is an artificial body of water if DNR determines that the nonnative fish poses a risk of being detrimental to the waters of the state. Further, repeal DNR's authority to regulate and permit the importation of non-native fish species into the state. (A DATCP fish health permit would still be required.)

Specify DNR's fish hatcheries would be required to obtain a DATCP fish health permit to operate, but exempt DNR from paying permit fees.

Further, require DATCP to provide DNR with a copy of each permit application submitted to DATCP, and each permit issued by DATCP, for the import of fish or fish eggs that are not native to Wisconsin.

Moreover, delete the statutory language that requires DATCP to consult with DNR on rule promulgation related to fish stocking.

Furthermore, delete obsolete statutory language that required DATCP, in consultation with DNR, to undertake a study regarding regulatory options to enable commercial rearing of lake sturgeon while protecting the wild lake sturgeon population, as this report has been completed and submitted to the Legislature.

In addition, create an annual PR appropriation in DATCP funded by revenues received from DNR for DATCP's wild fish hatchery oversight responsibilities.

Under the bill, DNR would only be allowed to remove fish from a self-contained fish rearing facility or from a pre-existing fish rearing facility that is an artificial body of water if DATCP were to request DNR to address a fish health problem.

In addition, the appropriation created in DATCP under the bill would receive segregated fish and wildlife revenue transferred from DNR to fund DATCP's fish hatcheries oversight responsibilities. However, no funds are provided for this appropriation (DATCP would need to seek funding through future legislation or under a 14-day passive review process).

Veto by Governor [B-1]: Delete all provisions except the provision that eliminates obsolete statutory language relating to the study of commercial rearing of lake surgeon.

[Act 25 Sections: 1756i and 1756j]

[Act 25 Vetoed Sections: 140 (as it relates to s. 20.115(2)(k)), 143i, 245n, 557t, 557v, 587e, 587g, 657f, 657h, 657L, 1756d, 1756e, 1756g, 1756h and 1756L]

27. ETHANOL PRODUCTION FACILITY GRANTS

Joint Finance/Legislature: Specify that for an ethanol production facility that begins construction after the effective date of the bill, in order for the facility to be eligible for a grant under the ethanol producer, agricultural diversification or bioindustry grant programs, the facility must use a competitive bidding process for construction of the facility.

This provision would affect state grant programs for which an ethanol plant would be eligible. In addition to the DATCP programs, this would primarily include economic development programs in the Department of Commerce and the Department of Transportation's transportation facilities economic assistance and development program.

[Act 25 Sections: 1725m, 1752c, 1752f, 1752g, 2347p, and 2388p]

28. RENTAL VEHICLE LICENSING RECOVERY FEE

Joint Finance: Notwithstanding s. 100.18 of the statutes, allow vehicle rental companies to charge an additional fee, not included in the regular price of the vehicle rental, to cover the annual costs of registering and titling a vehicle beginning on January 1, 2006. Specify that fees collected in excess of the actual amounts of the costs of registering and titling vehicles would be applied towards these costs in the next year, and that the rental company would be required to adjust this recovery fee after taking into account these additional revenues.

In addition, beginning in 2007, require vehicle rental companies that elect to charge the additional registering and titling fee to submit an annual report by March 1 to DATCP indicating the amount of registration and titling fees paid to the state in the prior year, and the amount of revenue realized by the rental company in the fiscal year from the recovery fee. Specify that rental companies that submit this report pay an annual fee of \$75 to DATCP for the

Department's review of these reports, and deposit these revenues to DATCP's consumer protection information and education appropriation. Further, specify that if a vehicle rental company owner owns more than one vehicle rental location or franchise, the owner be allowed to file one report for all locations.

Section 100.18 of the statutes prohibits retailers from engaging in deceptive advertising, which requires businesses to include the costs of doing business in any advertised and quoted prices. Registration and titling costs are considered to be part of these costs and therefore must be taken into account in advertised and quoted prices, along with the price shown on a consumer's receipt. As a result, vehicle rental companies would be allowed to exclude registration and titling costs from prices that are advertised and quoted to consumers.

Senate/Legislature: Delete these provisions. Instead, specify that a rental company may not advertise or represent a vehicle rental rate without either: (a) stating the amount of any title or registration fee charged; or (b) a statement that the customer must pay a title or registration fee and the rental company notifies the customer of the amount of the fee before the customer enters into an agreement with the rental company.

[Act 25 Section: 1826L]

ARTS BOARD

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$4,772,600	\$4,840,200	\$4,840,200	\$4,825,300	\$4,825,300	\$52,700	1.1%
FED	1,295,000	1,319,400	1,319,400	1,319,400	1,319,400	24,400	1.9
PR	<u>905,800</u>	<u>964,800</u>	<u>964,800</u>	<u>964,800</u>	<u>964,800</u>	<u>59,000</u>	6.5
TOTAL	\$6,973,400	\$7,124,400	\$7,124,400	\$7,109,500	\$7,109,500	\$136,100	2.0%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	4.00	4.00	4.00	4.00	4.00	0.00
FED	6.00	5.00	5.00	5.00	5.00	- 1.00
PR	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
TOTAL	11.00	10.00	10.00	10.00	10.00	- 1.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

Governor/Legislature: Adjust the base budget by \$33,800 GPR, \$12,200 FED, and \$4,300 PR annually for: (a) full funding of continuing salaries and fringe benefits (\$32,000 GPR, \$12,200 FED, and \$4,300 PR); and (b) full funding of lease costs (\$1,800 GPR).

GPR	\$67,600
FED	24,400
PR	<u>8,600</u>
Total	\$100,600

2. GPR LAPSE REQUIREMENT

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR-Lapse	\$242,000	-\$242,000	\$0

Joint Finance/Legislature: Require that the Arts Board lapse five percent of the biennial funding amount from each of its GPR appropriations by the end of the 2005-07 biennium, for a biennial lapse of \$242,000. Specify that the Arts Board could generate the required lapse from either year of the biennium. It is estimated that \$121,000 would be lapsed annually.

Veto by Governor [A-1]: Delete provision.

[Act 25 Vetoed Section: 9204(1d)]

3. ACROSS-THE- BOARD REDUCTIONS

GPR	-\$14,900
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Senate/Legislature: Reduce the agency's GPR appropriation for general program operations of the Arts Board by \$7,400 in 2005-06 and by \$7,500 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

4. AMERICAN INDIAN ARTS DEVELOPMENT [LFB Paper 155]

PR	\$50,400
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Governor/Legislature: Provide \$25,200 annually and create an appropriation to pay for contracts with, or grants to, American Indian groups or individuals, funded from tribal gaming revenues. Require the Arts Board to conduct a program funded from this appropriation identical to the current law state aid for the arts program, but only for American Indian individuals and groups. Authorize the Arts Board to enter into contracts with American Indian individuals, organizations, institutions, and tribal governments for services furthering the development of the arts and humanities. Specify that any unencumbered balance in this appropriation on June 30 of each year would revert to the Indian gaming receipt appropriation.

[Act 25 Sections: 163, 417, 743, and 744]

5. POSITION REDUCTION

	Positions
FED	- 1.00

Governor/Legislature: Reduce position authority in the Arts Board's federal grants-state operations appropriation by 1.0 FTE, eliminating a vacant position.

BOARD ON AGING AND LONG-TERM CARE

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled Amount	Percent
GPR	\$1,650,800	\$1,734,200	\$1,734,200	\$1,694,100	\$1,694,100	\$43,300	2.6%
PR	<u>1,899,000</u>	<u>2,151,000</u>	<u>2,151,000</u>	<u>2,151,000</u>	<u>2,151,000</u>	<u>252,000</u>	13.3
TOTAL	\$3,549,800	\$3,885,200	\$3,885,200	\$3,845,100	\$3,845,100	\$295,300	8.3%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	12.53	12.53	12.53	12.53	12.53	0.00
PR	<u>12.47</u>	<u>14.47</u>	<u>15.47</u>	<u>15.47</u>	<u>15.47</u>	<u>3.00</u>
TOTAL	25.00	27.00	28.00	28.00	28.00	3.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

GPR	\$83,400
PR	-45,600
Total	\$37,800

Governor/Legislature: Provide \$18,900 (\$41,700 GPR and -\$22,800 PR) annually to reflect: (a) full funding of salaries and fringe benefits (\$4,000 GPR and -\$42,200 PR annually); (b) reclassifications of positions and semiautomatic pay progression (\$37,400 GPR and \$19,400 PR annually); and (c) full funding of lease and directed moves costs (\$300 GPR annually).

2. VOLUNTEER OMBUDSMAN COORDINATORS

	Funding	Positions
PR	\$200,000	2.00

Governor/Legislature: Provide \$100,000 annually to convert 2.0 volunteer ombudsman coordinator project positions, which are currently scheduled to terminate on June 30, 2005, to permanent positions. These volunteer ombudsman coordinators recruit, train, and provide ongoing supervision of

volunteer ombudsman in Milwaukee, Racine, Kenosha, Marathon, Portage, Shawano, Waupaca, and Wood Counties. The positions would continue to be funded from civil monetary penalty revenues collected from DHFS for federal nursing home violations, which DHFS would transfer to the Board.

3. TRANSFER MEDIGAP INSURANCE SPECIALIST

	Funding	Positions
PR	\$96,600	1.00

Governor/Legislature: Provide \$48,300 annually to transfer 1.0 Medigap insurance specialist position, which is currently budgeted in the Department of Health and Family Services (DHFS), to the Board, beginning in 2005-06. This position is supported by federal funds DHFS receives from the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services under the senior health insurance assistance program and, under an agreement between DHFS and the Board, performs the same insurance counseling services that the Board's staff perform. The position would continue to provide information and counseling on Medigap insurance (Medicare supplemental policies) and other insurance products to elderly consumers. The position would be supported by federal funds transferred from DHFS to the Board.

4. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	- 1.00	1.00	0.00

Governor: Delete 1.0 position annually to reflect the consolidation of the agency's attorneys and legal staffs under DOA, effective January 1, 2006. Reallocate \$37,400 in 2005-06 and \$74,700 in 2006-07 from budgeted salaries and fringe benefits to the agency's supplies and services budget to pay for legal services supplied by DOA

Specify that all transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006. [See "Administration -- Transfers to the Department."]

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.10 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that became vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than

at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempted from the attorney position deletion and lapse or transfer of funds requirement.

Veto by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

5. POSTAGE COSTS

PR	\$1,000
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Governor/Legislature: Provide \$1,000 in 2006-07 to fund increased postage costs for materials the Board provides on Medigap supplemental insurance. This function is supported from insurance fee revenue transferred from the Office of Commissioner of Insurance.

6. ACROSS-THE- BOARD REDUCTIONS

GPR	- \$40,100
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Senate/Legislature: Reduce the agency's GPR appropriation for general program operations by \$19,900 in 2005-06 and by \$20,200 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements."

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language

specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which, for this agency, is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

BOARD OF COMMISSIONERS OF PUBLIC LANDS

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
FED	\$105,400	\$105,400	\$105,400	\$105,400	\$105,400	\$0	0.0%
PR	<u>2,864,800</u>	<u>2,771,400</u>	<u>2,771,400</u>	<u>2,771,400</u>	<u>2,771,400</u>	<u>-93,400</u>	-3.3
TOTAL	\$2,970,200	\$2,876,800	\$2,876,800	\$2,876,800	\$2,876,800	-\$93,400	-3.1%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
PR	7.50	7.50	7.50	7.50	7.50	0.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

PR	\$28,200
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Governor/Legislature: Provide standard adjustments to the base budget of \$14,100 annually for full funding of continuing positions salaries and fringe benefits.

2. BUDGET REDUCTIONS

PR	-\$121,600
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Governor/Legislature: Reduce the base budget for the Board of Commissioners of Public Lands (BCPL) by \$60,800 annually to reflect reductions for the following items: (a) funding of \$45,200 annually in the supplies and services budget for information technology purchases; and (b) funding of \$15,600 annually in LTE salaries used to provide support services for information technology activities in the Board's office.

3. REQUIRED TRUST FUND LAPSES

GPR-REV	\$121,600
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Governor/Legislature: Require that Secretary of DOA lapse from the PR appropriation for general operations of the Board an amount of \$60,800 annually. The monies in this appropriation come from the earnings of the Board's trust funds, primarily the common school fund and the normal school fund. Therefore, this required lapse would have to be apportioned against the underlying trust funds that support the administrative operations of the Board. The required lapse language also specifies that the Secretary may not make the proposed lapse or transfer to the general fund if the lapse or transfer would violate the federal or state constitution.

Veto by Governor [E-1]: Delete the specific lapse amount for this agency as required under the bill as passed by the Legislature. Instead, by partial veto, create a general non-statutory provision directing the Secretary of Administration to make lapses from unspecified appropriation accounts to the general fund that total \$71,234,800. The Governor's veto message indicates his intent that the Secretary is to achieve this overall lapse amount by including a lapse of monies from this agency to the general fund in an amount equal to the lapse amounts as specified for this agency in the budget bill as passed by the Legislature.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1) title and (1)(a)&(b)]

4. AUTHORIZATION TO PURCHASE LAND [LFB Paper 165]

Governor: Expand the Board's investment powers by authorizing the investment of monies in any of the Board's trust funds in the purchase of land in this state. Provide that such purchases may only be made if the proposed purchase meets all of the following conditions: (a) the land to be purchased is within any applicable trust land consolidation area that has been approved by the BCPL; (b) the total acreage of public lands managed by the Board after such purchase would not exceed the total acreage managed on the effective date of the budget bill; and (c) the BCPL has determined that the proposed purchase will do one or more of the following: (1) improve the Board's timberland management activities; (2) address forest fragmentation issues; or (3) increase public access to the land.

Also, modify current law provisions regarding land sales by the Board to clarify that the Board may sell any parcel of land that it owns as a whole parcel (as well as subdivided parcels) and to newly provide that such sales may be transacted under a sealed bid process. Currently, the statutes permit sale only at public auction.

Further, create a requirement that the Board must make annual payments in lieu of taxes to the appropriate local governmental unit for any land that Board purchases that was at the time of the purchase subject to assessment or levy of a real property tax and establish an appropriation funded from trust funds revenues to allow such payments. Specify that such payments shall equal to 74 cents per acre. Finally, provide for the establishment of an account

within the normal school fund for the deposit of any proceeds from the sale of public lands which are required to be deposited in that fund and specify that monies in that account may be used only to invest in future land purchases or for costs associated with such purchases.

Under current law, the BCPL is authorized to invest the monies in the four trust funds (Common School Fund, Normal School Fund, University Fund, and Agricultural College Fund) in bonds or notes of the United States, certain securities issued by the United States related to farm loan programs, and bonds issued by: (a) the state; (b) any city, town, village, county or school district in this state; (c) any local exposition, professional football stadium, professional baseball park or cultural arts district in this state; and (d) any bonds issued by the University of Wisconsin Hospitals and Clinics Authority. Further, under current law, the State of Wisconsin Investment Board (SWIB) is required, upon request from the BCPL, to give advice and assistance to the BCPL concerning the investment of any of the monies in the four trust funds and, in addition, to sell, convey and deed to the BCPL any of the investments that SWIB has made, subject to the mutual agreement of the BCPL and SWIB. SWIB is currently authorized to charge BCPL for those services.

Joint Finance/Legislature: Delete provision.

5. REQUIRED SALE OF REMAINING LAND HOLDINGS

Joint Finance: Repeal the current statutory provision which allows the BCPL to withhold from sale all, or such portions of, the public lands that it owns when, in the BCPL's opinion, it may not be advantageous to sell such lands. Further, direct the BCPL to sell all of the remaining lands that it owns to the Department of Natural Resources (DNR) and to sell these lands to DNR at their appraised value. Require that DNR purchase, as soon as practicable, all such lands at their appraised value and use stewardship funds to make such purchases. Specify that DNR may acquire such land without having to obtain any required approval from the county board of the county in which the BCPL land is located or the approval of the Governor for the proposed acquisition. Prohibit the BCPL from exchanging any such land to be acquired by DNR for other land or from taking any other action that would impede or prohibit the sale of these lands to DNR.

Further, direct DNR to submit to the Governor and the Joint Committee on Finance, by February 1, 2006, a report and a plan addressing all of the following: (a) the status of actual and planned purchases of these BCPL lands as of December 31, 2005; (b) a long-term acquisition, retention and disposal plan for all the former BCPL-owned land which DNR is required to purchase; (c) an identification within that required plan of which of these purchased lands that are to be purchased from the BCPL can be incorporated into DNR's current land and forestry programs and activities and which cannot be so incorporated and therefore should be designated for ultimate future sale by DNR; and (d) an identification of those lands which DNR determines are to be disposed of that may be appropriate for sale to local units of governments, such as counties. Finally, specify that the proceeds from any subsequent sale by DNR of such purchased lands shall be used to supplant GPR debt service payments on general obligation bonds used to finance the stewardship program and create a PR appropriation for this purpose.

Senate/Legislature: Modify the Joint Finance provision to delete a reference to "for the acquisition" from the new statutory provisions which would require the Board of Commissioners of Public Lands to sell to the Department of Natural Resources all of its public land holdings and which would require the DNR to purchase these land holdings using stewardship funds available under the land acquisition and the property development and local assistance subprograms.

Veto by Governor [B-33]: Delete provision.

[Act 25 Vetoed Sections: 140 (as it relates to 20.507(7)(ah)), 252, 252c, 429v, 491b thru 491fr, 491i, 491k thru 491n, 491s, 508c thru 511m, and 9135(5q)]

6. DELEGATION OF BCPL INVESTMENT AUTHORITY TO SWIB [LFB Paper 166]

Governor: Modify current law relating to the Board's investment authority to allow BCPL to delegate to SWIB the authority to invest part or all of the monies belonging to any of the four trust funds managed by the BCPL. Specify that if the BCPL chooses to make such a delegation, SWIB may invest the monies belonging to any of the four funds in any fixed income investment or any fund that invests in fixed income instruments. If there is such a delegation, SWIB would be authorized to deduct its administrative costs associated with administering these invested funds from the appropriate fund for which the expenses are incurred and to increase its administrative appropriation by the same amount.

Under current law, the BCPL is authorized to invest the monies in the four trust funds in bonds or notes of the United States, certain securities issued by the United States related to farm loan programs, and bonds issued by: (a) the state; (b) any city, town, village, county or school district in this state; (c) any local exposition, professional football stadium, professional baseball park or cultural arts district in this state; and (d) any bonds issued by the University of Wisconsin Hospitals and Clinics Authority. Further, under current law, SWIB is required, upon request from the BCPL, to give advice and assistance to the BCPL concerning the investment of any of the monies in the four trusts funds and, in addition, to sell, convey and deed to the BCPL any of the investments that SWIB has made, subject to the mutual agreement of the BCPL and SWIB. SWIB is currently authorized to charge BCPL for those services.

Joint Finance/Legislature: Include provision with the following two modifications: (a) delete the language which would allow SWIB to charge the BCPL for the cost of the investments services which it provides to the BCPL including these new services; and (b) clarify that SWIB may invest BCPL monies in mutual funds only if these funds are funds that invest exclusively in fixed income instruments.

[Act 25 Sections: 513, 515, 516, 520, 521, and 523 thru 525m]

BONDING AUTHORIZATION

Budget Change Items

1. GENERAL OBLIGATION BONDING AUTHORITY

Governor/Building Commission: Provide general obligation bonding authority of \$1,522,817,600 for the purposes indicated in the following table.

Joint Finance/Legislature: Provide general obligation bonding authority of \$1,290,769,300 for the purposes indicated in the following table.

Veto by Governor [B-11]: Provide general obligation bonding of \$1,306,469,300 for the purposes indicated in the following table, by using a partial veto to retain \$15,700,000 of existing bonding for the clean water fund that would have been deleted.

<u>Agency and Purpose</u>	<u>Governor/ Bldg. Comm.*</u>	<u>Jt. Finance*/ Legislature</u>	<u>Act 25</u>
Agriculture, Trade and Consumer Protection Soil and water	\$7,000,000	\$5,500,000	\$5,500,000
Building Commission Other Public Purposes (All Agency Projects)	357,500,000**	200,000,000	200,000,000
Housing State Agencies	17,444,100	4,926,900	4,926,900
Capital Equipment Acquisition	9,292,100	9,292,100	9,292,100
Children's Hospital and Health System Children's Research Institute	10,000,000	10,000,000	10,000,000
Corrections Correctional Facilities	8,191,700	8,191,700	8,191,700
Juvenile Correctional Facilities	1,258,000	1,258,000	1,258,000
Environmental Improvement Fund Clean water fund program	9,600,000	-15,700,000	0
Safe drinking water loan program	6,100,000	6,100,000	6,100,000
Hmong Cultural Center Hmong Cultural Center	2,500,000	0	0
Military Affairs Armories and Military Facilities	3,070,100	3,070,100	3,070,100

<u>Agency and Purpose</u>	<u>Governor/ Bldg. Comm.*</u>	<u>Jt. Finance*/ Legislature</u>	<u>Act 25</u>
Natural Resources			
Environmental repair	\$3,000,000	\$3,000,000	\$3,000,000
Nonpoint source grants	6,000,000	4,000,000	4,000,000
Targeted Runoff Management	0	2,000,000	2,000,000
Urban nonpoint source cost sharing	4,700,000	1,500,000	1,500,000
GPR Supported Facilities	527,800	527,800	572,800
SEG Supported Facilities	9,781,200	9,781,200	9,781,200
Environmental Fund SEG Supported Facilities	719,600	719,600	719,600
State Fair Park			
Board Facilities	0	1,200,000	1,200,000
Self-Amortizing Facilities	1,852,000	0	0
State Historical Society			
Historic Records (Storage Facility)	15,000,000	15,000,000	15,000,000
Historic Sites	1,268,800	1,268,800	1,268,800
Self Amortizing Facilities	0	-2,016,600	-2,016,600
Transportation			
Harbor improvements	11,400,000	12,700,000	12,700,000
Major highway and rehabilitation projects	250,000,000	250,000,000	250,000,000
Rail acquisitions and improvements	6,500,000	12,000,000	12,000,000
Southeast Wisconsin freeway rehabilitation projects	213,100,000	213,100,000	213,100,000
University of Wisconsin			
Academic Facilities	260,717,800	250,717,800	250,717,800
Self-Amortizing Facilities	285,294,400	282,131,900	282,131,900
Veterans Affairs			
Self-Amortizing Facilities	500,000	500,000	500,000
Facilities at 22 and 30 West Mifflin, Madison	<u>20,500,000</u>	<u>0</u>	<u>0</u>
Total General Obligation Bonds	\$1,522,817,600	\$1,290,769,300	\$1,306,469,300

* These amounts do not include changes to refunding bond authorizations included in the bill. The Governor recommended unlimited bonding for refunding; the Joint Committee on Finance and Legislature and Act 25 would authorize \$575,000,000 of refunding bonds.

**Includes \$137,500,000 in general fund supported general obligation bonding for the Wisconsin Institute for Discovery projects at UW-Madison.

Update summary schedules relating to bonding and debt service that appear for informational purposes in the statutes.

2. REVENUE OBLIGATION BONDING

Governor/Building Commission: Provide revenue obligation bonding authority of \$550,534,000 for the purposes indicated in the following table.

Joint Finance/Legislature: Provide revenue obligation bonding authority of \$179,718,000 for the purposes indicated in the following table.

Veto by Governor [B-3]: Provide revenue obligation bonding authority of \$228,794,000 for the purposes indicated in the following table, by using a partial veto to retain \$49,076,000 of existing bonding for petroleum environmental cleanup fund award (PECFA) that would have been deleted.

<u>Agency and Purpose</u>	<u>Governor/ Bldg. Comm.</u>	<u>Jt. Finance/ Legislature</u>	<u>Act 25</u>
Commerce PECFA Grant Program	\$0	-\$49,076,000	\$0
Health and Family Services Medical Assistance Program	130,000,000	0	0
Transportation Major highway projects, transportation facilities	<u>420,534,000</u>	<u>228,794,000</u>	<u>228,794,000</u>
Total Revenue Obligation Bonds	\$550,534,000	\$179,718,000	\$228,794,000
GRAND TOTAL Bonding Authority Modifications	\$2,073,351,600	\$1,470,487,300	\$1,535,263,300

Update summary schedules relating to bonding and debt service that appear for informational purposes in the statutes.

BUDGET MANAGEMENT AND COMPENSATION RESERVES

1. COMPENSATION RESERVES [LFB Paper 170]

Governor/Legislature: Provide, in the 2005-07 general fund condition statement, total compensation reserves of \$227,696,800 in 2005-06 and \$450,828,800 in 2006-07 for the increased cost of state employee salaries and fringe benefits. Total compensation reserve amounts by fund source and fiscal year are shown in the following table:

<u>Fund Source</u>	<u>2005-06</u>	<u>2006-07</u>
General Purpose Revenue	\$90,054,100	\$178,302,800
Federal Revenue	30,534,100	60,456,100
Program Revenue	91,033,200	180,241,400
Segregated Revenue	<u>16,075,400</u>	<u>31,828,500</u>
TOTAL	\$227,696,800	\$450,828,800

Details on the component funding amounts included by the Governor in these reserve amounts were not provided by the administration. However, amounts within compensation reserve are funds to pay for such items as: (a) the employer share of increased premium costs in the forthcoming fiscal biennium for state employee health insurance; (b) the costs of pay increases; (c) increases in the employer share of contributions to the state retirement fund for employees' future state retirement benefits; and (d) the employer share of state employee health insurance premiums and pay increases that are expected to be approved for current biennium but for which collective bargaining contracts have not yet been approved. [Note: At the time of the introduction of the Governor's budget, only 8 of the 19 state collective bargaining contracts for the 2003-05 biennium had been settled.]

2. REQUIRED LAPSES FROM PROGRAM REVENUE APPROPRIATIONS

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$60,141,100	-\$25,738,400	\$34,402,700

Governor: Provide that the Secretary of DOA shall lapse to the general fund a total of \$48,214,700 in 2005-06 and \$11,927,700 in 2006-07 from specified agencies' PR appropriation balances. Specify that lapses shall occur in the amounts and from the PR appropriations as shown in the table below:

<u>Agency and Appropriation Title</u>	<u>Required Lapse Amount</u>	
	<u>2005-06</u>	<u>2006-07</u>
Administration		
Plat and proposed incorporation and annexation review	\$21,700	\$0
Materials and services to state agencies and certain districts	35,900	0
Capital planning and building construction services	1,818,900	0
Printing, mail, communication and IT services	7,500,000	0
Telecommunications services; state agencies; veterans services	427,100	0
Admin. of Gov. WI educational technology conference	36,800	0
Waste facility siting board; general program operations	150,000	0
Facility operations and maintenance; police and protection functions	5,453,600	0
Parking	1,250,000	0
Indian gaming; general program operations	56,700	0
Raffles and crane games; general program operations	100,000	0
Subtotal	\$16,850,700	\$0
Agriculture, Trade and Consumer Protection		
Sale of supplies	\$250,000	\$0
Plant protection	50,000	0
Subtotal	\$300,000	\$0
Board of Commissioners of Public Lands		
Trust lands and investments; general program operations	\$60,800	\$60,800
Child Abuse and Neglect Prevention Board		
General program operations	\$35,700	\$35,700
Commerce		
WDF - administration of grants & loans	\$25,100	\$25,100
Auxiliary services	24,600	24,600
Safety and buildings operations	1,353,600	1,428,700
Subtotal	\$1,403,300	\$1,478,400
Corrections		
Juvenile correctional services	\$320,600	\$320,600
Health and Family Services		
Licensing and support services	\$250,000	\$250,000
Interagency and intra-agency programs	151,800	278,300
Subtotal	\$401,800	\$528,300
Insurance		
General program operations	\$1,538,300	\$7,741,300
Justice		
Criminal history searches; fingerprint identification	\$32,800	\$32,800
Terminal charges	35,400	35,400
Law enforcement training fund; state operations	20,000	20,000
Subtotal	\$88,200	\$88,200
Office of State Employment Relations		
Services to non-state governmental units	\$15,000	\$0
Employee development and training services	10,000	0
Publications	10,000	0
Subtotal	\$35,000	\$0

<u>Agency and Appropriation Title</u>	<u>Required Lapse Amount</u>	
	<u>2005-06</u>	<u>2006-07</u>
Public Instruction		
Personnel certification; teacher supply; information and analysis; and teacher improvement	\$176,100	\$176,100
Regulation and Licensing		
General program operations	\$797,000	\$871,700
Revenue		
Administration of county sales and use taxes	\$164,000	\$169,000
Business tax registration	34,000	39,000
Administration of special district taxes	5,400	5,400
Administration of local professional football stadium districts	211,100	25,900
Administration of resort tax	107,100	0
Administration of local taxes	103,700	171,600
Debt collection	31,100	31,100
Administration of liquor tax	59,600	59,600
Administration of endangered resources; professional football district; breast cancer research; and veterans trust fund voluntary payments	5,600	5,600
Reassessments	222,200	0
Reciprocity agreement and publications	145,100	100
Subtotal	\$1,088,900	\$507,300
Technical College System		
Services for district boards	\$118,300	\$118,300
Veterans Affairs		
Institutional operations	\$25,000,000	\$0
TOTAL	\$48,214,700	\$11,926,700

Specify that notwithstanding this requirement, the Secretary is prohibited from making any such lapse to the general fund if the proposed lapse would violate a condition imposed by the federal government on the expenditure of the monies or if the proposed lapse would violate the federal or state constitution.

Joint Finance/Legislature: Provide for the following required lapses from agency program revenue appropriations:

Required Lapses to General Fund Under Enrolled AB 100

<u>Agency and Appropriation Title</u>	<u>Required Lapse Amount</u>	
	<u>2005-06</u>	<u>2006-07</u>
Administration		
Plat and proposed incorporation and annexation review	\$21,700	\$0
Materials and services to state agencies and certain districts	35,900	0
Capital planning and building construction services	1,818,900	0
Printing, mail, communications and IT services	7,500,000	0
Telecommunications services; state agencies; veterans services	427,100	0
Admin. of Gov. WI educational technology conference	36,800	0

<u>Agency and Appropriation Title</u>	<u>Required Lapse Amount</u>	
	<u>2005-06</u>	<u>2006-07</u>
Waste facility siting board; general program operations	\$150,000	\$0
Facility operations and maintenance; police and protection functions	5,453,600	0
Parking	1,250,000	0
Indian gaming; general program operations	56,700	0
Raffles and crane games; general program operations	100,000	0
Agriculture, Trade and Consumer Protection		
Weights and measures	325,000	0
Board of Commissioners of Public Lands		
Trust lands and investments; general program operations	60,800	60,800
Child Abuse and Neglect Prevention Board		
General program operations	35,700	35,700
Commerce		
WDF - administration of grants & loans	25,100	25,100
Auxiliary services	24,600	24,600
Safety and buildings operations	1,353,600	1,428,700
Health and Family Services		
Licensing and support services	250,000	250,000
Interagency and intra-agency program	151,800	278,300
Insurance		
General program operations	1,538,300	3,038,300
Justice		
Legal services interagency and intra-agency assistance	133,100	133,100
Office of State Employment Relations		
Services to non-state governmental units	\$15,000	\$0
Public Instruction		
Personnel certification; teacher supply; information and analysis; and teacher improvement	176,100	176,100
Regulation and Licensing		
General program operations	3,881,600	2,662,000
Revenue		
Administration of county sales and use taxes	164,000	169,000
Business tax registration	34,000	39,000
Debt collection	31,100	31,100
Administration of liquor tax	59,600	59,600
Reassessments	222,200	0
Reciprocity agreement and publications	145,100	100
Technical College System		
Services for district boards	<u>118,300</u>	<u>118,300</u>
TOTAL	\$25,595,700	\$8,529,800

The amounts listed in the table above were listed in the budget bill as passed by the Legislature in a session law provision that identified the amount of the required lapse for each agency and the specific appropriation or appropriations from which the indicated amount of monies were to be lapsed to the general fund. Under the provision, the Secretary of Administration was directed to lapse from each indicated appropriation the amounts by fiscal year as specified in the session law provision.

Veto by Governor [E-1]: Delete all of the specific directed lapses that were contained in the bill as passed by the Legislature. By deleting words, and by the use of the deletion or retention of individual digits and commas from various portions of this section that listed the individual lapses that were to be executed by the Secretary of Administration, the remaining words and individual digits (including commas) left the following language.

"Section 9255. Appropriation changes; other. (1) THE GENERAL FUND. (a) Appropriation lapses to the general fund. from appropriation accounts, the secretary of administration shall lapse to the general fund \$71,234,800."

As vetoed, the language does not limit the appropriation accounts from which the Secretary is to lapse monies. However, in his veto message, the Governor indicated his intent to achieve this total lapse amount of \$71,234,800 by having the Secretary of Administration lapse to the general fund the amounts (a total of \$34,125,500) from each agency appropriation as indicated in the table above under the Joint Finance/Legislature, plus the following additional lapses: (a) the elimination of certain attorney positions as provided for in the budget (\$724,900); (b) savings related to the Governor's Accountability, Consolidation and Efficiency initiative (\$35,500,000); and (c) another lapse related to land information funds (\$884,400). All of these lapse amounts were already included in the general fund condition statement of the bill as passed by the Legislature. Further, other vetoes by the Governor (Items A-4 and B-13) deleted specific session law language that was included in the bill as passed by the Legislature that would have required by law the transfer of those lapses to the general fund. The veto message indicated the Governor's further intent that lapses related to items (a) and (b) above will not be immediately assessed to state agencies but that subsequent guidance will be provided to state agencies with regard to these specific lapses.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1)(title) and 9255(1)(a)&(b)]

3. LIMIT ON EXPENDITURE OF GENERAL FUND REVENUES

Senate/Legislature: Specify that, beginning in fiscal year 2007-08, the sum of state general purpose revenue (GPR) appropriations, general fund compensation reserves, and transfers to other funds, minus estimated lapses from GPR appropriations, in each fiscal year may not exceed the amount of the general fund revenues received by the state in the previous fiscal year increased by the sum of the prior year growth in the consumer price index (CPI), the prior year growth in state population, and 1%. Define "general fund revenues" as the sum of general fund tax receipts,

departmental revenues deposited in the general fund without being credited to a program revenue account, and transfers to the general fund from other funds or from program revenue accounts. Define "prior year growth in the consumer price index" to mean the percentage change in the CPI between the calendar year in which the preceding fiscal year began and the calendar year in which the second preceding fiscal year began, but not less than zero. [For example, the CPI growth factor for the 2007-08 fiscal year would be the increase in CPI in calendar year 2006 over calendar year 2005.] Define "prior year growth in state population" to mean the percentage change in the state's population between the calendar year in which the preceding fiscal year began and the calendar year in which the second preceding fiscal year began, but not less than zero. [For example, the state population growth factor for the 2007-08 fiscal year would be the increase in the state's population in calendar year 2006 over calendar year 2005].

Change the name of the budget stabilization fund to the "taxpayer protection fund." Specify that any general fund revenues in excess of the amount that may be budgeted for expenditure in a fiscal year under this provision would be deposited into the taxpayer protection fund. Specify that all amounts in the taxpayer protection fund could only be appropriated from this fund upon a recommendation from the Governor and an affirmative vote of three-fourths of those voting in each house of the Legislature. Specify that if the balance in the taxpayer protection fund at the end of a fiscal year exceeds 10% of the amount that may be budgeted for expenditure in that fiscal year, the amount in excess of 10% must be returned to taxpayers in the following fiscal year through a reduction in state income taxes, in a manner determined by the Legislature.

Make the following changes to reconcile this provision with existing provisions applying to the budget stabilization fund: (a) repeal the current provision ending transfers of unanticipated general fund tax revenues to the budget stabilization fund when the balance in the fund exceeds 5% of estimated general fund expenditures; and (b) delete the provisions in Engrossed AB 100 related to reserving and using moneys in the budget stabilization fund for transfers to the general fund when actual general fund revenues are 98% or less of estimated general fund revenues.

Veto by Governor [E-3]: Delete provisions.

[Act 25 Vetoed Sections: 15m and 9255(1)]

4. REQUIRED GENERAL FUND STATUTORY BALANCE [LFB Paper 171]

Governor/Legislature: Provide that the required general fund statutory balance for the fiscal years of the proposed budget (2005-06 and 2006-07) be \$65,000,000 for each year. Under current law, the statute provides for a required statutory balance of \$75,000,000 for fiscal year 2005-06 and an amount equal to 2% of total GPR appropriations plus compensation reserves for fiscal year 2006-07 [this would equate to a required statutory balance of \$263.4 million under the Governor's bill without the proposed change].

Further, specify that the required statutory balance for fiscal years 2007-08 and 2008-09 (the fiscal years of the 2007 biennial budget) also be \$65,000,000 for each year. Under current law, the 2% statutory balance requirement is applicable to each future fiscal year beginning with

fiscal year 2006-07. Finally, specify that for fiscal year 2009-10 and succeeding fiscal years, the required statutory balance be set at 2% of the total GPR appropriations plus compensation reserves for each fiscal year, as would be the case under current law. Also, include language to repeal from the statute the existing enumeration of the statutory reserve amounts for fiscal years prior to fiscal year 2005-06 [statutory balance requirements for fiscal years 1999-00, 2000-01, 2002-03, 2003-04, and 2004-05].

[Act 25 Sections: 127 thru 137]

5. MODIFICATION OF FREEZE ON 2005-06 GPR STATE OPERATIONS SPENDING

Governor/Legislature: Repeal the requirement created by 2003 Act 33 that for fiscal year 2005-06 the amount appropriated for GPR state operations spending plus the GPR compensation reserves amounts, less the GPR amounts appropriated for debt service payments, cannot exceed the level of GPR funding appropriated for those same purposes in fiscal year 2002-03. The section that is proposed to be repealed also contains similar freeze language that applied to fiscal years 2003-04 and 2004-05.

[Act 25 Sections: 12 and 15]

6. MODIFICATIONS TO THE REDUCED 2005-06 AND 2006-07 APPROPRIATIONS FOR GPR STATE OPERATIONS LIMITS

Governor/Legislature: Modify the statutory provisions that currently specify that the amounts appropriated for GPR state operations, excluding appropriations for debt service payments, in fiscal years 2005-06 and 2006-07 may not exceed the sum of the GPR amounts appropriated for GPR state operations, excluding debt service, in fiscal year 2004-05, less \$100 million, as follows:

- First, repeal the requirement as it applies to fiscal year 2006-07.
- Second, modify the requirement, as it applies to fiscal year 2005-06, to provide that the following GPR state operations appropriations would be excluded from the limit requirement:
 - a. Any state operations appropriation for UW System.
 - b. The appropriation under DOA for repayment of funds used to retire the state's unfunded WRS liabilities for prior service costs.
 - c. Appropriations for Minnesota and Illinois income tax reciprocity payments.

[Act 25 Sections: 13 and 14]

7. **ADDITIONAL GPR SPENDING LIMIT EXCLUSIONS** [LFB Paper 172]

Governor/Legislature: Create two additional exclusions from those GPR appropriations that are subject to the overall statutory limit on increases in GPR appropriations from the prior biennium. First, provide that, for the 2005-07 biennium only, any appropriation for the purpose of making payments to counties, towns, village and cities under s. 79.035 of the statutes (county and municipal aid payments) would be excluded from the limit calculation. A similar exemption was included on a one-time basis for the 2003-05 budget. Under the bill, the only GPR appropriation that this would affect would be the county and municipal aid account appropriation [s. 20.835(1)(db)] Second, create an additional permanent exemption from the limit for the GPR appropriation [s. 20.505(1)(br)] created in the last budget (2003 Act 33) for appropriation obligations repayments (these repayments are related to making a one-time pay-off of state unfunded prior service pension liabilities under the state retirement fund).

Under current law, total GPR appropriations for each fiscal year of a succeeding biennium [in this case, the forthcoming 2005-07 fiscal biennium], excluding all those specific appropriations or appropriation categories that are enumerated in the statute, may not exceed a level that is the result of multiplying the applicable total GPR level of appropriations for the second year of the prior fiscal biennium [in this case, fiscal year 2004-05] by the projected increase in state personal income for the two calendar years for which January 1 of the calendar year precedes the July 1 of the respective fiscal year [in this case, the personal income growth projections for calendar years 2004 and 2005 respectively]. Under the statute, the second year increase is applied to the limit amount set for the first fiscal year of the forthcoming biennium.

Under current law, the following appropriations or categories of GPR appropriations are excluded from the statutory limit on year-to-year increases in GPR spending:

- Any appropriation passed by at least a two-thirds vote of each house of the Legislature.
- All appropriations to the following agencies: (a) Higher Educational Aids Board; (b) Department of Public Instruction; and (c) University of Wisconsin System.
- All appropriations for payment of tax relief under s. 20.835(2) of the statutes.
- Any appropriation for payment of principal and interest on public debt or operating notes.
- Any appropriation for a payment to honor statutory moral obligation pledges.
- Any appropriation, to be funded from bond revenues, to make payment to the federal government to avoid a designation of state bonds as arbitrage bonds.
- Any appropriation for payment for legal expenses or for the costs of judgments, orders and settlements of actions and appeals incurred by the state.

- Any appropriation for payment to execute a transfer from the general fund to the budget stabilization fund.

[Act 25 Sections: 10 and 11]

8. DOA AND LFB BUDGET REPORT REQUIREMENTS

Governor/Legislature: Modify current law to delete the specific enumeration of items that must be included in the required out-year general fund condition statements required to be prepared for the Governor's biennial budget bill by the Department of Administration and for the legislative versions of biennial budget bill by the Legislative Fiscal Bureau. The existing detailed enumeration was created by 2001 Act 16 and attempted to specify a calculation that is actually non-static because it is subject to modification based on the nature of the proposals included in each biennial budget proposal. Under the Governor's recommendation, the Department of Administration for the Governor's budget bill and the Legislative Fiscal Bureau for the legislative versions of the biennial budget would continue to be required to calculate the out-year statement for the respective versions of each biennial budget based on that specific budget proposal.

[Act 25 Sections: 32 and 65]

9. AGENCY REPORTS ON NEW VACANT POSITIONS

Governor/Legislature: Repeal the statutory provision that requires each state agency to annually submit, after July 1 of each year, to the Secretary of DOA a report identifying each existing authorized position for the agency that became vacant during the preceding fiscal year. The existing provision also specifies that the Secretary of DOA shall require each agency to submit expenditure estimates for the cost of such full-time equivalent positions during each fiscal year.

[Act 25 Section: 67]

10. ELECTRONIC FUNDS TRANSFER

Governor/Legislature: Modify current law regarding the permitted manner in which payments to the state may be made to provide that, unless otherwise specifically prohibited by law, such payments may be made by electronic funds transfer. Under current law, payments may be made only by legal tender, postal money order, express money order, bank draft, or certified check. Payments may also be made by personal or business check unless otherwise provided for by individual state agencies. Provide that payments by electronic funds transfer are subject to same insufficient funds provisions as are other forms of payment.

[Act 25 Sections: 485 and 486]

11. DISTRIBUTION OF STATE BUDGET REPORTS AND OTHER DOCUMENTS IN OPTICAL DISK FORMAT

Governor/Legislature: Modify current law to authorize the Secretary of DOA to distribute the budget request compilation (summary of agency biennial budget requests that is required to be distributed by November 20 of each even numbered year) and the Governor's budget reports (Governor's biennial state budget report as reflected in the Governor's budget book and budget in brief) in either printed form as required under current law or in optical disk format.

Further, modify other provisions of state law relating to public printing by: (a) expanding the general definition of printing to include the reproduction of copies of a document in optical disk format in lieu of a printed format; (b) allowing copies of other state reports such as agency biennial reports, Attorney General opinions, Court of Appeals and Supreme Court opinions, and Public Service decisions to be reproduced in optical disk format if specifically so authorized; and (c) authorize DOA to separately advertise for bids to reproduce publications that are authorized to be published in optical disk format.

[Act 25 Sections: 63, 64, 682 thru 684, and 686 thru 692]

BUDGET STABILIZATION FUND

1. **TRANSFER TO BUDGET STABILIZATION FUND [LFB Paper 183]**

	Governor/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR-Transfer	\$36,000,000	- \$36,000,000	\$0

Governor/Legislature: Provide session law language directing the transfer of \$36,000,000 from the general fund to the budget stabilization fund. No date is specified as to the transfer but the general fund condition statement shows the transfer occurring in fiscal year 2006-07.

Veto by Governor [C-2]: Delete provision.

[Act 25 Vetoed Section: 9255(2)]

2. **LIMITATION ON TRANSFER OF NET PROCEEDS OF STATE-OWNED REAL PROPERTY SALES TO BUDGET STABILIZATION FUND [LFB Papers 175 and 183]**

Governor: As a part of a special procedure that would be created under the bill, provide that the net proceeds of any sales of state facilities and land that occur during the 2005-07 fiscal biennium would be transferred to the general fund rather than the budget stabilization fund as would be required under current law. These reporting, property sale and special transfer requirements would not apply after June 30, 2007, although DOA could complete transactions under these provisions after that date, if approval for the transactions was granted by June 30, 2007. Under the bill, revenues to the general fund of \$36 million in 2006-07 are estimated under this provision. [See Building Commission.] Although not linked in the bill, this amount is equal to the \$36 million amount that would be transferred to the budget stabilization fund as summarized in Item #1 above.

Joint Finance/Legislature: Modify Governor's recommendation to specify that any net proceeds related to the sale of state properties that are received in the 2005-07 biennium in excess of \$36 million be transferred to the budget stabilization fund.

Veto by Governor [E-3]: Delete the language added by the Joint Committee on Finance that would have required the Department of Administration to transfer any net proceeds in excess of \$36,000,000 received for the sale of state facilities and land under these requirements to the budget stabilization fund.

[Act 25 Section: 85]

[Act 25 Vetoed Section: 85]

3. LIMITATIONS ON CERTAIN TRANSFERS TO BUDGET STABILIZATION FUND
[LFB Papers 175, 365, 596, and 601]

Governor: Modify current law with regard to the required annual transfer of 50% of any excess tax revenues to budget stabilization fund as follows.

- First, provide that by September 15, 2006, DOA shall determine whether total general fund revenues (not just tax revenues) for the 2005-07 biennium will exceed budgeted general fund revenues for the 2005-07 biennium as estimated in the biennial budget bill plus the amount to be expended in 2006-07 under a new general equalization aids supplement appropriation.

- Second, provide that, if there are any such excess general fund revenues, the Secretary of DOA may transfer any amount of such excess revenues to the new health care quality improvement fund that is also created under the bill.

- Third, provide that, after deducting any amount transferred to the health care quality improvement fund, any remaining estimated excess general fund revenues, up to a maximum of \$150 million, shall be distributed in fiscal year 2006-07 as school levy tax credits. The bill does not specify any minimum or maximum transfer amount to the health care quality improvement fund. Therefore, the allocation of any excess general fund revenues between that fund and the June, 2007, school levy credit payment would be at the sole discretion of the DOA Secretary.

- Fourth, modify the existing law provision that requires the Secretary of DOA to annually compare the amount of general fund taxes projected to be received under each biennial budget enactment with the amount actually received in that fiscal year and transfer 50% of any tax revenues actually received that are in excess of the budgeted amounts to the budget stabilization fund. Provide that in fiscal year 2006-07, the Secretary of DOA shall reduce the amount of any such transfer that would otherwise be required under current law by the amount required to ensure the distribution under the new general equalization aids supplement appropriation. (The bill provides that this appropriation is to be funded at whatever amount of new revenues is estimated, no sooner than July 1, 2006, and no later than September 1, 2006, by the Department of Revenue to be generated during the 2005-07 fiscal biennium by the streamlined sales tax project that would be authorized under the budget.)

Joint Finance/Legislature: Delete provision.

4. CRITERIA FOR TRANSFERS FROM BUDGET STABILIZATION FUND [LFB Paper 176]

Joint Finance: Provide that the use of moneys in the budget stabilization fund is limited to situations when a revenue shortfall has occurred in which the projected shortfall is in an amount equal to or more than 2% of total revenues as estimated in the biennial budget act. Also

specify that the Governor, the Legislature, or both may recommend use of moneys in the budget stabilization fund in that case to address the revenue shortfall.

Senate/Legislature: Delete provision.

5. TAXPAYER PROTECTION FUND

Senate/Legislature: As part of a new proposed state spending limit provision (see Budget Management and Compensation Reserves), rename the Budget Stabilization Fund to be the Taxpayer Protection Fund.

Veto by Governor [E-3]: Delete provision.

[Act 25 Vetoed Sections: 10m, 17m, 65m, 66m, 68a, 68g, 81p, 126e, 126m, 137m, 140 (as it relates to s. 20.875(title) and (2)(q)), 482m, 482n, 482p, 482r, 520m, and 536]

6. BUDGET STABILIZATION FUND MAXIMUM BALANCE

Senate/Legislature: As a part of a proposed new spending limit provision (see Budget Management and Compensation Reserves), delete the current law provision which provides that no transfer to the budget stabilization fund from excess taxes received may be made if the balance in the fund on June 30 of any fiscal year is at least equal to 5% of estimated expenditures from the general fund for that year.

Veto by Governor [E-3]: Delete the repeal of the current law provision.

[Act 25 Vetoed Sections: 68i and 68j]

BUILDING COMMISSION

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$24,715,800	\$62,307,400	\$49,272,300	\$49,272,300	\$49,272,300	\$24,556,500	99.4%
PR	382,400	0	0	0	0	- 382,400	- 100.0
SEG	<u>2,048,400</u>	<u>2,048,400</u>	<u>2,048,400</u>	<u>2,048,400</u>	<u>2,048,400</u>	<u>0</u>	0.0
TOTAL	\$27,146,600	\$64,355,800	\$51,320,700	\$51,320,700	\$51,320,700	\$24,174,100	89.1%

FTE Position Summary	
There are no full time positions authorized for the Building Commission.	

Budget Change Items

1. **DEBT SERVICE REESTIMATE [LFB Paper 184]**

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$37,591,600	- \$13,035,100	\$24,556,500
PR	<u>- 382,400</u>	<u>0</u>	<u>- 382,400</u>
Total	\$37,209,200	- \$13,035,100	\$24,174,100
GPR-Lapse	\$40,300,000	- \$35,300,000	\$5,000,000

Governor: Adjust funding by \$12,712,600 GPR and -\$191,200 PR in 2005-06 and \$24,879,000 GPR and -\$191,200 PR in 2006-07 to reestimate sum sufficient debt service appropriations as shown in the following table.

	Adjusted Base <u>2004-05</u>	Change to Base		Total Debt Service	
		<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
GPR Debt Service Appropriation					
Capitol and Executive Residence	\$10,879,700	\$1,227,100	\$2,392,500	\$12,106,800	\$13,272,200
Amounts Not Initially Allocated to Agencies	0	11,214,100	22,104,100	11,214,100	22,104,100
Other Public Purposes	1,320,800	228,900	339,200	1,549,700	1,660,000
HR Academy Youth Center	76,200	39,300	39,900	115,500	116,100
Milwaukee Police Youth Activity Ctr.	<u>81,200</u>	<u>3,200</u>	<u>3,300</u>	<u>84,400</u>	<u>84,500</u>
Total GPR	\$12,357,900	\$12,712,600	\$24,879,000	\$25,070,500	\$37,236,900
PR Debt Service Appropriation					
Capital Equipment Acquisition	\$191,200	-\$191,200	-\$191,200	\$0	\$0

Estimate lapses from GPR sum sufficient debt service appropriations of \$26,900,000 in 2005-06 and \$13,400,000 in 2006-07. These lapse amounts are associated with the following (a) \$22,900,000 in 2005-06 and \$9,400,000 in 2006-07 associated with premiums received by the state on certain 2003 and 2004 bond issues, which have yet to be allocated to individual debt service appropriations; and (b) \$4,000,000 annually associated with interest earnings on the bond security redemption fund that will be allocated to debt service appropriations in the biennium.

Joint Finance/Legislature: Decrease funding by \$9,617,800 GPR for 2005-06 and by \$3,417,300 GPR for 2006-07 to reestimate the Building Commission's sum sufficient debt service appropriations, as shown in the following table.

	Change to Governor		Total Debt Service	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
GPR Debt Service Appropriations				
Capitol and Executive Residence	-\$675,700	-\$796,200	\$11,431,100	\$12,476,000
Amounts Not Initially Allocated to Agencies	-8,838,800	-2,532,400	2,375,300	19,571,700
Other Public Purposes	-84,800	-86,500	1,464,900	1,573,500
HR Academy Youth Center	-19,900	-1,700	95,600	114,400
Milwaukee Police Youth Activity Center	<u>1,400</u>	<u>-500</u>	<u>85,800</u>	<u>84,000</u>
Total GPR	-\$9,617,800	-\$3,417,300	\$15,452,700	\$33,819,600

Reestimate the GPR lapse amounts by -\$24,400,000 in 2005-06 and -\$10,900,000 in 2006-07 associated with bond premiums on recent bond issues, because the related funding would be allocated to the individual GPR debt service appropriations under this reestimate.

2. UNLIMITED REFUNDING BONDING AUTHORITY [LFB Paper 181]

Governor: Delete the current statutory limit on the amount of tax supported, self amortizing, and veterans affairs refunding bonds that can be issued by the Building

Commission. Specify that for tax supported and self amortizing refunding bonds, it would be the intent of the Legislature that this unlimited refunding bond authority only be used if the true interest costs of the state can be reduced.

Under current law, the Building Commission is authorized to issue up to \$1,000,000,000 in tax supported and self amortizing refunding bonds and up to \$840,000,000 in veterans affairs refunding bonds from these bonding authorizations.

Joint Finance/Legislature: Delete the Governor's recommendation for unlimited refunding authority and, instead, authorize \$400,000,000 in tax supported and self amortizing refunding bonding and \$175,000,000 in Department of Veterans Affairs refunding bonding.

[Act 25 Sections: 471b and 472c]

3. MEDICAL ASSISTANCE REVENUE OBLIGATION BONDS [LFB Paper 180]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	-\$3,900,000	\$3,900,000	\$0
SEG-REV	3,900,000	-3,900,000	0
BR	\$130,000,000	-\$130,000,000	\$0

Governor: Authorize the Building Commission to issue revenue obligation bonds backed by the state's alcoholic beverage, cigarette, and tobacco products excise taxes that could generate up to \$130,000,000 in net proceeds to fund costs associated with the medical assistance program. Specify that bond proceeds could be: (a) transferred to the proposed health care quality improvement fund; (b) used to provide for reserves and to make ancillary payments as determined by the Building Commission; and (c) transferred to a proposed excise tax revenue obligation redemption fund. If the bonds would be issued, all revenues from the state's alcoholic beverage, cigarette, and tobacco products excise taxes would be deposited to the segregated excise tax fund. As determined by the Building Commission, any tax revenues not needed to retire the revenue obligation bonds, or to provide required reserves or ancillary payments on such obligations, would be transferred to the general fund. If issued, these bonds would be backed by a moral obligation pledge, under which the Legislature expresses its expectation and aspiration that, if the excise tax fund cannot pay debt service, the Legislature would provide GPR funding to pay the debt service or replenish reserves.

It is estimated that revenues from the state's general fund excise taxes would be reduced by \$3,900,000 in 2006-07 and segregated revenues would increase by the same amount to reflect the funds needed to meet the first debt service payment on the 20-year revenue obligation bonds to be issued to fund medical assistance program costs.

Specify that the Secretary of the Department of Administration would determine the requirements for funds to be obtained from revenue obligation bonds issued to fund medical

assistance costs. Require that the amount of expenditures to be paid from these revenue obligations could not exceed \$130,000,000. Specify that the Legislature finds and determines that financing the medical assistance program to fund costs from the net proceeds of these revenue obligation bonds is appropriate and will serve a public purpose by improving the quality of, and access of this state to, health care services. [See "Health and Family Services -- Medical Assistance, BadgerCare, and SeniorCare -- Base Reestimates and Funding."]

The 2003-05 biennial budget authorized the issuance of either revenue obligation bonds or appropriation obligation bonds to finance the state's unfunded pension and sick leave credit conversion program liabilities. In December, 2003, the state issued appropriation obligation bonds to finance the liabilities, but did not issue any revenue obligation bonds. The medical assistance revenue bond program would be created by modifying the unused provisions established for the earlier revenue obligation bond program and the related revenue obligation bond appropriations to refer to the medical assistance program. The bill would also delete any obsolete statutory references under the revenue obligation bond program to unfunded pension and sick leave credit conversion liabilities.

As part of this bonding proposal, provide that the occupational taxes on fermented malt beverages and intoxicating liquor would be converted to excise taxes.

An occupational tax is a tax imposed on the privilege of engaging in an occupation. However, the tax base can still be a specified product or products. An excise tax is a tax imposed on a narrow base. For example, the current state taxes on cigarettes and tobacco products are excise taxes. The bill would change all references to "occupational" under the beer and liquor tax statutes to "excise." However, the rates of tax and the tax bases would not be modified. It is estimated that these provisions would have no fiscal effect.

The purpose for converting the beer and liquor taxes from occupational to excise taxes would be to enable such taxes to support the proposed medical assistance revenue obligation bonds. Current law provides for the use of excise taxes for such a special fund obligation, but makes no reference to occupational taxes being used in this manner.

Joint Finance/Legislature: Delete provision.

4. APPROPRIATION OBLIGATION BOND DEBT SERVICE

Governor/Legislature: Provide \$190,833,100 GPR in 2005-06 and in 2006-07 to fund the debt service on appropriation obligation bonds issued to pay the state unfunded prior service pension liability and accumulated sick leave conversion credit program liability. Estimate lapses to the general fund of \$190,833,100 in 2005-06 and \$114,206,700 in 2006-07 associated with the following: (a) bond proceeds held as capitalized interest to be applied to the initial debt service payments on the bonds; and (b) lower than budgeted debt service payments on the bonds. Increase GPR-Earned estimates by \$74,923,400 in 2005-06 and \$75,769,500 in 2006-07

attributable to payments by state agencies to offset a portion of this debt service. The fiscal effect of this provision is shown under the Department of Administration (DOA).

5. APPROPRIATION OBLIGATION BOND LAPSES AND TRANSFERS

Governor/Legislature: Modify the manner in which the agencies are assessed for debt service payments on the state's appropriation obligation bonds and how these funds are lapsed or transferred to the state's general fund. Specify that during the 2005-07 biennium, the DOA Secretary would determine the amount required to be lapsed or transferred to the general fund from each appropriation based on the amount each agency and appropriation would have been required to expend on the pension and accumulated sick leave conversion credit program liabilities had the bonds not been issued. Provide that beginning in the 2007-09 biennium, the DOA Secretary would determine the amounts to be lapsed or transferred from each appropriation to the general fund based on the amount of current pension contributions made by each agency and appropriation. Under both provisions, the Department of Employee Trust Funds and the Investment Board would be excluded and the DOA Secretary would be required to exclude any appropriation where such a lapse or transfer would violate federal law or the federal or state constitution.

The 2003-05 biennial budget act authorized the issuance of appropriation obligation bonds to pay of the state unfunded prior service pension liability and accumulated sick leave conversion credit program liability. The act also established a mechanism to allow the DOA Secretary to assess, as a part of employee benefit costs, the cost of debt service on the bonds to the various program revenue, segregated revenue, and federal appropriations that had been paying toward these pension liabilities.

Veto by Governor [A-4 and E-11]: Delete the requirement that for the 2005-07 biennium the DOA Secretary determine the amount required to be lapsed or transferred to the general fund from each appropriation based on the amount each agency and appropriation would have been required to expend on the pension and accumulated sick leave conversion credit program liabilities had the bonds not been issued. This provision governing the 2005-07 biennium is vetoed with a few words and digits being retained to accomplish the unrelated veto involving an increase in funding for general school aids.

Modify the section of the bill that would have applied beginning in 2007-09, to delete the following: (a) the requirement that the DOA Secretary first determine the total amount of Wisconsin Retirement System (WRS) contributions to be paid in a biennium and the percentage that each state agency appropriation makes up of these contributions; (b) the requirement that the DOA Secretary apply the percentage that each state agency appropriation makes up of the total WRS contributions to the total amount of principal and interest paid on the state pension obligation bonds during each fiscal biennium in order to determine the amounts to be lapsed or transferred to the general fund from each appropriation associated with the debt service on the bond; and (c) the requirement that these determinations be made beginning with 2007-09 biennium. As a result of the partial veto, the DOA Secretary is required to determine the total

amount allocable to each state agency from which WRS contributions are paid and for each appropriation identified the Secretary would then apply the percentage calculated to the total amount to be paid during the fiscal biennium.

[Act 25 Sections: 79 and 9155(4)]

[Act 25 Vetoed Sections: 79 and 9155(4)]

6. AGREEMENTS AND ANCILLARY ARRANGEMENTS ON GENERAL OBLIGATION DEBT AND OPERATING NOTES [LFB Paper 182]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-Lapse	\$4,500,000	-\$4,500,000	\$0

Governor: Modify current law authorizing agreements or ancillary arrangements relating to state general obligation debt, and operating notes.

Based on information from the administration, these modifications would allow the state to sell certain investment options associated with general obligation bonds to a third party at the time such obligations are issued. Under these investment options, the state would sell a right associated with a long-term obligation issue to a financial institution. The right would allow that institution to compel the state to call its fixed rate long-term bonds in the future. To meet this call, the state would issue lower variable rate bonds, which the financial institution would agree to pay off. In exchange, the state would continue to pay the investment bank the long-term fixed rate on the new amount borrowed. This option allows the state to sell an agreement or arrangement for a future right to a financial institution now that could allow the financial institution the ability to take advantage of any future interest rate differences on the state's fixed rate debt and the corresponding variable rates at that time.

DOA Capital Finance officials estimate that the state could receive \$4,500,000 in 2005-06 associated with the sale of these agreements or arrangements. These amounts would be applied to the GPR debt service appropriations that correspond to the purposes for which the initial bonds are sold. Because the purposes of bonds for which these agreements or arrangements may be sold are not known, for the purposes of the state's general fund condition statement the amounts would be considered to lapsed from these GPR sum sufficient debt service appropriations.

The bill would make the following modifications to relating to the payment and receipt of funds on agreements and ancillary arrangements associated with state general obligation bonds and operating notes:

Modifications to State General Obligation Debt. Specify that the Building Commission could enter into agreements or ancillary arrangements at the time of, or in anticipation of, or after

issuing public debt. Authorize the Building Commission to determine whether any payments received or paid on agreements or ancillary arrangements relating to public debt would be deposited into, or made from, the bond security redemption fund (BSRF) or the capital improvement fund (CIF). Require that the Commission make this determination when the Commission contracts for any such agreement or ancillary arrangements. Specify that the Commission, in making payment from these funds, would also have the authority to determine the timing of any transfer of funds.

Provide that monies received from the issuance of public debt or payments from any agreement or ancillary arrangement relating to public debt would be deposited in the CIF, except as follows: (a) any monies representing accrued interest or that are for funding or refunding bonds would be credited to the BSRF or the building trust fund; and (b) any monies that represent a premium or that are from an agreement or ancillary arrangement relating to public debt could be credited to the BSRF or the CIF, as determined by the Building Commission. Under current law, monies received from the issuance of public debt are deposited in the CIF, except that any monies representing a premium or accrued interest or that are for funding or refunding bonds are credited to the BSRF or the building trust fund.

Authorize expenditures from the CIF for any payment due under an agreement or ancillary arrangement with respect to public debt and modify current law governing the transfer of the proceeds of public debt to the CIF to pay loans or notes, to also apply to these payments.

Modify current law governing expenditures from the BSRF to add payments due under an agreement or ancillary arrangement as an allowable purpose. Under current law, the BSRF is used to pay principal, interest and premium, if any, on public debt. Related provisions concerning debt service appropriations and the BSRF would be modified to reflect this additional spending purpose.

Modify each state debt service appropriation to add payments due under an agreement or ancillary arrangement as an allowable expenditure from the appropriation.

Delete the current law limitation that an interest exchange agreement is not considered public debt of the state.

Modifications to Operating Note Obligations. Delete current law references that specify that the Building Commission's authority to enter into agreements and ancillary arrangements for public debt applies to operating notes. Instead, create similar authority under the statutes governing operating notes, except specify that the Commission would have that authority at the time of, or in anticipation of, and after issuing operating notes.

In addition, specify that any payment made or received under such agreements or arrangements would be made from, or deposited to, the general fund or the operating note redemption fund, as determined by the Commission.

Specify that all moneys resulting from payments to be received under an agreement or ancillary arrangement regarding operating notes would be credited to the general fund. Authorize the operating note redemption fund to make payments due on an agreement or ancillary arrangement entered into with respect to operating notes. Specify that the payments due under these agreements or arrangements with respect to operating notes would be an allowable purpose for which funds could be transferred from the GPR sum sufficient appropriation for debt service on operating notes to the operating note redemption fund.

Joint Finance/Legislature: Delete provision.

7. REVENUE OBLIGATION BOND PROGRAM MODIFICATIONS

Governor/Legislature: Authorize the Legislature to provide a moral obligation pledge to appropriate funds from the treasury if revenues pledged to finance revenue obligation bonds are not sufficient to replenish the required reserves associated with such obligations, as well as to pay principal and interest of the bonds. Under current law, the Legislature can provide a moral obligation pledge to appropriate funds when the revenues backing the bonds are insufficient only to pay the principal and interest on the revenue obligation bonds.

Modify the period for which a revenue obligation bond authorizing resolution could apply to be one year, unless a different period would be established in the resolution. Under current law, such resolutions are required to expire one year after their adoption, unless a shorter period is specified in the resolution.

[Act 25 Sections: 115 and 116]

8. SALE OF STATE FACILITIES BY DOA [LFB Paper 183]

GPR-REV \$36,000,000

Governor/Legislature: Authorize DOA to sell any state-owned real property, if the Department determines that the sale is in the best interest of the state, subject to Building Commission approval. Specify that the sale could be made either on the basis of public bids, with the Department able to reject any bid in the interest of the state, or negotiated prices. Provide that current law procedures for the sale of surplus land by the Building Commission, which include approval by the Joint Committee on Finance if the fair market value exceeds \$20,000, would not apply to property sales under this provision. Increase estimated revenues to the general fund by \$36 million GPR-Earned in 2006-07 attributable to property sales under this provision, which appears under DOA in executive budget documents.

Require DOA to: (a) deposit sufficient proceeds in the bond security and redemption fund to pay off any outstanding debt relating to the property; (b) pay to the federal government any of the net proceeds required by federal law, if federal financial assistance was received for the property; and (c) adhere to any restriction governing the use of the proceeds, if the property were acquired by gift. Specify that if there is no debt outstanding, no monies payable to the

federal government, and no restriction governing the use of proceeds, DOA would deposit the remaining net proceeds in the general fund.

Provide that any sale of the property at 3319 West Beltline Highway in Dane County (Educational Communications Board facilities), lands held in trust for state freeway development, and the property at the Northern Center for the Developmentally Disabled would be subject to current law governing the use of such sale proceeds. Under current law, certain net proceeds from the sale of the Educational Communications Board facility must be paid to the Wisconsin Public Broadcasting Foundation. Net proceeds from the sale of lands related to freeway development that are held in trust must be deposited to a DOT appropriation to reimburse federal and local governments for expenses incurred in the acquisition of the property. Net proceeds from the sale of assets or real property of the Northern Center for the Developmentally Disabled are to be deposited to a DHFS appropriation for operations of state care and treatment institutions.

Specify that DOA would not be allowed to sell any property that is leased by the state until the lease expires or the lease is modified, renewed, or extended, whichever occurs first, without consent of the lessee. DOA's authority to sell state properties would not apply to the following: (a) property under the jurisdiction of the Board of Regents of the University of Wisconsin System; (b) property received as part of DOA's federal resource acquisition activities; (c) lands under the jurisdiction of the Board of Commissioners of Public Lands; (d) property under the jurisdiction of the Department of Natural Resources (DNR), except central or district office facilities; (e) lands acquired with revenues collected under the state forestry tax; and (f) property that is subject to sale under the Department of Veterans Affairs (DVA) mortgage lending program. Specify that these provisions would not authorize the closure or sale of any facility or institution the operation of which is provided for by law.

No later than July 1, 2006, the DOA Secretary would be required to review all holdings of state-owned real property for potential sale, except any property, facility, or institution the closure or sale of which is not authorized under the bill. The DOA Secretary, no later than October 1, 2006, would be required to submit a report to the Secretary of the Building Commission containing an inventory of his or her recommendations and reasons to offer specified state properties for sale. DOA would be allowed to include property in the inventory with or without approval of the state agency having jurisdiction of the property. DOA would have authority to offer the property for sale, if, on or before June 30, 2007, the Building Commission votes to approve the sale of any property included in the inventory. These reporting and property sale requirements would not apply after June 30, 2007, although DOA could complete transactions after that date, if approved by June 30, 2007.

Specify that DOA's authority to sell property under the bill would supercede the following current law authority of other state agencies to sell, convey, or transfer land or property:

- a. the Building Commission's authority to sell surplus land and properties of the state and its authority to sell lands acquired in the Capitol planning area for public or private redevelopment;
- b. DNR's authority to sell lands or property associated with its central and district office facilities;
- c. DVA's authority to sell property conveyed by members of the King and Southeastern veterans facilities or any other DVA properties except property related to the mortgage loan program;
- d. the Department of Health and Family Services (DHFS) authority to sell property if excess capacity exists at the state operated mental health facilities, to sell land or existing buildings owned by DHFS or any of the institutions under the jurisdiction of the Department to a nonprofit corporation, or to sell land excess Department lands;
- e. the authority of the steward of each institution under DHFS's control over the financial management of that institution;
- f. the Department of Transportation's (DOT) authority to sell DOT property that is no longer needed for the transportation purposes of the state, to sell or convey land and improvements to municipalities of the state, or to receive surplus property from other state agencies;
- g. the Department of Corrections authority to sell land and existing buildings held by DOC or any institution under its jurisdiction to a nonprofit corporation, to sell lands in excess of the present or future requirements of the Department, to sell lands acquired under the authority provided the Department under the 1985 statutes relating to the construction of correctional facility in downtown Milwaukee, and to sell lands related to the construction of sewer facility at Taycheedah Correctional Institution.
- h. the authority of wardens and superintendents of each state prison to have charge and custody of the prison and all lands, belongings, furniture, implements, stock, provisions, and every other species of property at their prison facility; and
- i. the Department of Commerce's authority over the use and transfer of surplus property of a state agencies.

Under 2003 Act 33, the net proceeds from the sale of state properties are deposited to the budget stabilization fund. [See "Budget Stabilization Fund."] While the administration indicates that \$36 million would be generated in the biennium from the sale of state properties, no specific properties are identified for sale.

Delete obsolete current law provisions still referencing the law in effect prior to 2003 Act 33, relative to the former practice of crediting proceeds from the sale of state surplus properties

to the Joint Committee on Finance's appropriation, with eventual release of those funds to the agency that sold the property and to the building trust fund.

Veto by Governor [E-4]: Delete the July 1, 2006, deadline for the DOA Secretary to review all holdings of state-owned real property for potential sale. Delete the October 1, 2006, deadline for the DOA Secretary to submit the report containing an inventory of the properties recommended for sale.

[Act 25 Sections: 2, 18, 19, 85, 492, 536, 745b, 975h, 827, 831 thru 838, 840, 842, 1723, 2204 thru 2208, 2225, 2422, and 9101(4)]

[Act 25 Vetoed Sections: 9101(4)(a)1&(b)]

9. STATE FACILITIES OCCUPANCY COST REPORT

Governor/Legislature: Require that each state agency report to the DOA concerning the total cost of occupancy of each state-owned building, structure, and facility, excluding public highways and bridges, under the jurisdiction of the agency for the preceding fiscal year by no later than October 1 of each year. Require that the report be made in a format prescribed by the DOA. Specify that beginning in 2009, if a building, structure, or facility is a part of an institution, the agency having jurisdiction of the institution would also be required to include in its report the total cost of occupancy of all of the buildings, structures, and facilities within the institution. Specify that DOA could exempt an agency from compliance with this reporting requirement with respect to any building, structure, or facility that the Department determines to have a minimal total cost of occupancy.

Require DOA, no later than December 1 of each year, to compile the information received from agencies on occupancy costs and transmit a consolidated report to the Building Commission on the total cost of occupancy of all buildings, structures, and facilities included in the reports filed by agencies, itemized for each building, structure, and facility. Specify that the report would be required to include, for each building, structure, or facility, DOA's recommendations concerning the desired total cost of occupancy for that building, structure, or facility.

Specify that state agency would be defined as any office, department, agency, institution of higher education, association, society or other body in state government created, or authorized to be created by the Constitution, or any law, which is entitled to expend moneys appropriated by law, including the Legislature and the Courts, but not including an authority.

Define the total cost of occupancy as the cost to operate and maintain the physical plant of a building, structure, or facility, including administrative costs of an agency attributable to operation and maintenance of a building, structure, or facility, together with any debt service costs associated with the building, structure, or facility, computed in the manner prescribed by DOA.

This provision would first apply with respect to reports due for submittal in the year 2006.

[Act 25 Sections: 85m and 9355(2)]

10. EXCESS GENERAL OBLIGATION BONDING AUTHORITY
[LFB Paper 185]

BR	- \$17,696,300
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Joint Finance/Legislature: Decrease existing program revenue supported general obligation bonding by \$17,696,300 from the following bonding authorizations: (a) \$3,162,500 in University of Wisconsin self amortizing facilities bonding; and (b) \$12,517,200 in Building Commission housing state agencies and departments bonding; and (c) \$2,016,600 in the State Historical Society self amortizing facilities bonding.

In addition, delete \$870,000 in existing bonding authorized to refund debt issued by the old Building Corporations.

[Act 25 Sections: 460r, 470p, 471c, and 471p]

BUILDING PROGRAM

Budget Change Items

1. 2005-07 ENUMERATED PROJECTS [LFB Papers 186, 188, 189, 190, 191, 221, and 695]

	Bldg. Comm. (Chg. to Base)	Jt. Finance/Leg. (Chg. to Bldg. Comm.)	Net Change
All Funds	\$1,443,469,000	-\$286,852,000	\$1,156,617,000

Building Commission: Provide \$1,443,469,000 from all funding sources of enumerated 2005-07 financing authority for: (a) specific enumerated projects (\$1,142,397,400); and (b) all agency projects (\$301,071,600).

Specify that funding for these projects be drawn from the following sources: (a) \$970,983,600 from new general obligation bonding authority; (b) \$82,712,475 from general obligation bonding authority that is currently authorized; (c) \$7,435,100 of revenue bonding authority; (d) \$13,578,600 from agency operating funds; (e) \$52,096,225 from federal funds; and (f) \$316,663,000 from agency gifts, grants and other receipts.

The funding sources for the 2005-07 enumerated project authority by agency are shown in Table 1. A listing of individual major agency projects enumerated as part of the 2005-07 state building program, as recommended by the Building Commission, is provided in Table 2.

Joint Finance/Legislature: Modify the Building Commission's 2005-07 state building program recommendations as follows:

a. Delete \$137.5 million in general fund supported bonding associated with the Wisconsin Institute for Discovery Program at UW-Madison, as well as \$93.2 million of project enumeration funded from gifts and grants. Enumerate the program at \$150 million to be funded with \$50 million in existing general fund supported bonding and \$100 million in gifts, grants, and other receipts.

b. Decrease Building Commission "all agency" general fund supported bonding by \$20 million (\$11,125,200 for facilities repair and renovation, \$4,600,500 for utilities repair and renovation, \$2,357,100 for health, safety, and environmental protection, \$181,800 for preventative maintenance, \$909,100 for programmatic remodeling and renovation, \$227,300 for land and property acquisition, and \$599,000 for capital equipment acquisition).

c. Decrease UW System general fund supported bonding by \$10 million to be taken from UW System projects enumerated as part of 2005-07 state building program. (The UW

System enumerated project budgets were not reduced to reflect this decrease in general fund supported bonding.)

d. Delete the enumeration of a Hmong Cultural Center project, including \$2.5 million in general fund supported bonding and \$2.5 million from gifts and grants.

e. Delete the enumeration of the purchase and remodeling of buildings at 22 and 30 W. Mifflin Street in Madison under the Department of Veterans Affairs. In addition, delete the \$20.5 million in program revenue supported bonding and the bonding purpose for this project.

f. Delete \$1,352,000 in program revenue supported bonding for racetrack improvements at State Fair Park and provide \$1.2 million in general fund supported bonding associated with the racetrack improvement project.

g. Delete \$500,000 in State Fair Park program revenue supported bonding for facilities repair and renovation all agency projects.

The funding sources for the 2005-07 enumerated project authority by agency are shown in Table 1. A listing of individual major agency projects enumerated as part of the 2005-07 state building program, as recommended by the Joint Committee on Finance/Legislature, is provided in Table 2.

TABLE 1

Building Commission Recommended Financing Sources
for the 2005-07 Enumerated Projects

	New General Obligation Bonds			Revenue Bonds**	Existing General Obligation Bonds	Agency Operating Funds	Gifts and Grants	Federal	Total
	GPR	PR	SEG						
Administration	\$350,000	\$4,639,100	\$850,000	\$0	\$0	\$0	\$0	\$0	\$5,839,100
Hmong Cultural Center	2,500,000	0	0	0	0	0	2,500,000	0	5,000,000
Children's Hospital and Health System	10,000,000	0	0	0	0	0	20,000,000	10,000,000	40,000,000
Corrections	9,996,200	0	0	0	12,000,000	0	0	0	21,996,200
Military Affairs	3,160,100	0	0	0	0	0	0	18,025,200	21,185,300
Natural Resources	177,800	0	5,726,500	0	6,343,000	7,200,000	200,000	496,900	20,144,200
State Fair Park	0	1,352,000	0	0	0	0	0	0	1,352,000
State Historical Society	16,310,200	0	0	0	0	0	0	0	16,310,200
Transportation	0	0	0	2,118,700	0	0	0	0	2,118,700
Veterans Affairs	0	20,500,000	0	0	9,768,675	0	0	22,641,825	52,910,500
University of Wisconsin System*	405,371,000	206,497,200	0	0	50,000,000	0	293,673,000	0	955,541,200
Subtotal	\$447,865,300	\$232,988,300	\$6,576,500	\$2,118,700	\$78,111,675	\$7,200,000	\$316,373,000	\$51,163,925	\$1,142,397,400
All Agency									
Facilities Repair and Renovation	\$122,377,000	\$31,351,100	\$3,924,300	\$4,392,600	\$4,600,800	\$3,389,100	\$40,000	\$367,300	\$170,442,200
Utilities Repair and Renovation	50,605,000	17,514,300	0	923,800	0	424,000	0	565,000	70,032,100
Health, Safety & Environmental Protection	25,928,000	3,354,500	0	0	0	319,000	0	0	29,601,500
Preventative Maintenance Program	2,000,000	2,000,000	0	0	0	0	0	0	4,000,000
Programmatic Remodeling and Renovation	10,000,000	409,300	0	0	0	2,206,500	250,000	0	12,865,800
Land and Property Acquisition	2,500,000	5,000,000	0	0	0	0	0	0	7,500,000
Capital Equipment and Acquisition	6,590,000	0	0	0	0	40,000	0	0	6,630,000
Subtotal	\$220,000,000	\$59,629,200	\$3,924,300	\$5,316,400	\$4,600,800	\$6,378,600	\$290,000	\$932,300	\$301,071,600
TOTAL	\$667,865,300	\$292,617,500	\$10,500,800	\$7,435,100	\$82,712,475	\$13,578,600	\$316,663,000	\$52,096,225	\$1,443,469,000

*University of Wisconsin System total includes funding provided under the Building Commission's bonding authority for the Wisconsin Institute for Discovery building projects at the University of Wisconsin-Madison.

**Revenue bonding amounts indicated are transportation revenue bonds, which would be included under the Department of Transportation's 2005-07 operating budget.

TABLE 2

Joint Finance Committee/Legislature Recommended Financing Sources
for the 2005-07 Building Program Projects

	New General Obligation Bonds			Revenue Bonds**	Existing General Obligation Bonds	Agency Operating Funds	Gifts and Grants	Federal	Total
	GPR	PR	SEG						
Administration	\$350,000	\$4,639,100	\$850,000	\$0	\$0	\$0	\$0	\$0	\$5,839,100
Building Commission	0	0	0	0	0	0	0	0	0
Children's Hospital and Health System	10,000,000	0	0	0	0	0	20,000,000	10,000,000	40,000,000
Corrections	9,996,200	0	0	0	12,000,000	0	0	0	21,996,200
Military Affairs	3,160,100	0	0	0	0	0	0	18,025,200	21,185,300
Natural Resources	177,800	0	5,726,500	0	6,343,000	7,200,000	200,000	496,900	20,144,200
State Fair Park	1,200,000	0	0	0	0	0	0	0	1,200,000
State Historical Society	16,310,200	0	0	0	0	0	0	0	16,310,200
Transportation	0	0	0	2,118,700	0	0	0	0	2,118,700
Veterans Affairs	0	0	0	0	9,768,675	0	0	22,641,825	32,410,500
University of Wisconsin System*	257,871,000	206,497,200	0	0	50,000,000	0	200,473,000	0	714,841,200
Subtotal	\$299,065,300	\$211,136,300	\$6,576,500	\$2,118,700	\$78,111,675	\$7,200,000	\$220,673,000	\$51,163,925	\$876,045,400
All agency									
Facilities Repair and Renovation	\$111,251,800	\$30,851,100	\$3,924,300	\$4,392,600	\$4,600,800	\$3,389,100	\$40,000	\$367,300	\$158,817,000
Utilities Repair and Renovation	46,004,500	17,514,300	0	923,800	0	424,000	0	565,000	65,431,600
Health, Safety and Environmental Protection	23,570,900	3,354,500	0	0	0	319,000	0	0	27,244,400
Preventative Maintenance Program	1,818,200	2,000,000	0	0	0	0	0	0	3,818,200
Programmatic Remodeling and Renovation	9,090,900	409,300	0	0	0	2,206,500	250,000	0	11,956,700
Land and Property Acquisition	2,272,700	5,000,000	0	0	0	0	0	0	7,272,700
Capital Equipment and Acquisition	5,991,000	0	0	0	0	40,000	0	0	6,031,000
Subtotal	\$200,000,000	\$59,129,200	\$3,924,300	\$5,316,400	\$4,600,800	\$6,378,600	\$290,000	\$932,300	\$280,571,600
TOTAL	\$499,065,300	\$270,265,500	\$10,500,800	\$7,435,100	\$82,712,475	\$13,578,600	\$220,963,000	\$52,096,225	\$1,156,617,000

*The enumerations for UW System general fund supported bonding projects would be \$10 million higher (as shown in Table 2) than the amount of general fund supported bonding provided for UW System projects.

**Revenue bonding amounts indicated are transportation revenue bonds, which would be included under the Department of Transportation's 2005-07 operating budget.

TABLE 3

**State Agency 2005-07 Enumerated Major Projects
Total Project Authority (All Funding Sources)**

	<u>Bldg. Commission</u>	<u>Jt. Finance/Leg</u>
Administration		
Renovation of Natural Resources General Executive Facility 2 - Phase 2 Madison	\$5,839,100	\$5,839,100
Children's Hospital and Health System		
Children's Research Institute	\$40,000,000	\$40,000,000
Corrections		
Dodge Correctional Institution - Central Pharmacy	\$1,991,400	\$1,991,400
Ethan Allen School - Visiting Center	1,325,000	1,325,000
Oakhill Correctional Institution -- Food Service Facility	4,779,800	4,779,800
Drug Abuse Correctional Center Replacement - Oshkosh	<u>13,900,000</u>	<u>13,900,000</u>
Total	\$21,996,200	\$21,996,200
Hmong Cultural Center		
Hmong Cultural Center-- Madison and Milwaukee	\$5,000,000	\$0
Military Affairs		
Mitchell Field Land Acquisition - Milwaukee	\$560,000	\$560,000
Field Maintenance Shop Renovation/Addition - Wausau	6,579,800	6,579,800
Readiness Center Renovation/Addition - Portage	7,774,200	7,774,200
Field Maintenance Shop Renovation/Addition - Whitewater	690,000	690,000
Camp Williams Search and Rescue Training Facility	3,331,300	3,331,300
Three Motor Vehicle Storage Buildings	<u>2,250,000</u>	<u>2,250,000</u>
Total	\$21,185,300	\$21,185,300
Natural Resources		
Purchase of Service Center - Dodgeville	\$812,000	\$812,000
State Campground Expansion - Statewide	5,762,300	5,762,300
Newport State Park - Park Entrance and Visitors Center	680,000	680,000
Wild Rose Fish Hatchery Renovation - Phase 2	11,589,500	11,589,500
Ranger Station Replacement - Merrill	<u>1,300,400</u>	<u>1,300,400</u>
Total	\$20,144,200	\$20,144,200
State Fair Park Board		
Racetrack Improvements	\$1,352,000	\$1,200,000
State Historical Society		
Old World Wisconsin Multipurpose and Storage Building	\$1,310,200	\$1,310,200
Shared Storage Building For State Historical Society and Wisconsin Veterans Museum - Dane County	<u>15,000,000</u>	<u>15,000,000</u>
Total	\$16,310,200	\$16,310,200

	<u>Bldg. Commission</u>	<u>It. Finance/Leg.</u>
Transportation		
Division of Motor Vehicles Service Center Expansion and Heating, Ventilation, and Air Conditioning Renovation - Fond du Lac	\$979,300	\$979,300
Division of State Patrol District Headquarters Remodeling - Fond du Lac	<u>1,139,400</u>	<u>1,139,400</u>
Total	\$2,118,700	\$2,118,700
University of Wisconsin System		
Madison -Wisconsin Institute for Discovery	\$380,700,000	\$150,000,000
-Purchase of Space at University Square	56,850,000	56,850,000
-Sterling Hall Renovation	39,500,000	39,500,000
-Chadbourne Residence Hall Renovation	6,599,000	6,599,000
-Purchase of Facilities and 21 and 35 N. Park Street Parking and Housing	46,832,200	46,832,200
-Research Park II - Roads and Utilities	15,000,000	15,000,000
-Education Building Restoration, Renewal, and Addition	31,000,000	31,000,000
-Elvehjem Museum Addition - Phase 1	31,530,000	31,530,000
-Engineering Student Learning Center Remodeling	538,000	538,000
-Kegonsa Campus Production and Research Facilities - Stoughton	4,500,000	4,500,000
-Wisconsin National Primate Research Center Addition - Phase 1	8,500,000	8,500,000
-Waisman Center Renovation	6,000,000	6,000,000
Milwaukee -Golda Meir Library Remodeling - Phase 1	4,908,000	4,908,000
-Columbia St. Mary's Columbia Campus Medical Facilities Acquisition and Remodeling	112,120,000	112,120,000
Oshkosh -South Campus Parking Ramp	7,319,000	7,319,000
Platteville -Tri-State Initiative Facilities	50,615,000	50,615,000
-Pioneer Stadium Locker/Wrestling/Storage Building	644,000	644,000
-Purchase of Residence Hall (West of Longhorn Drive)	20,000,000	20,000,000
Stevens Point -Waste Management Laboratory	1,789,000	1,789,000
Stout -Jarvis Science Wing Addition and Remodeling	40,637,000	40,637,000
Superior -Jim Dan Hill Library Renovation	6,500,000	6,500,000
Whitewater -College of Business and Economics Building	41,039,000	41,039,000
-Sayles Residence Hall Renovation	6,821,000	6,821,000
System -Classroom Renovation/Instructional Technology	7,000,000	7,000,000
-Utility Improvements - 3 Campuses	<u>28,600,000</u>	<u>28,600,000</u>
Total	\$955,541,200	\$724,841,200

	<u>Bldg. Commission</u>	<u>It. Finance/Leg.</u>
Veteran's Affairs		
Purchase and Remodeling of Buildings at 22 and 30 W. Mifflin		
Street - Madison	\$20,500,000	\$0
120-Bed Skilled Nursing Facility - Chippewa Falls	24,500,000	24,500,000
Southern Wisconsin Veterans Retirement Center - Connector Walkways	3,410,500	3,410,500
Southern Wisconsin Veterans Memorial Cemetery - Phase 3 -		
Union Grove	<u>4,500,000</u>	<u>4,500,000</u>
Total	\$52,910,500	\$32,410,500
All Agency		
Facilities Maintenance and Repair	\$170,442,200	\$158,817,000
Utilities Repair and Renovation	70,032,100	65,431,600
Health, Safety, and Environmental Protection	29,601,500	27,244,400
Preventive Maintenance Program	4,000,000	3,818,200
Programmatic Remodeling and Renovation	12,865,800	11,956,700
Land and Property Acquisition	7,500,000	7,272,700
Capital Equipment Acquisition	<u>6,630,000</u>	<u>6,031,000</u>
Total	\$301,071,600	\$280,571,600
Total -- All Projects	\$1,443,469,000	\$1,156,617,000

[Act 25 Section: 9105(1)]

2. MODIFICATIONS TO 2003-05 STATE BUILDING PROGRAM

All Funds	\$28,619,000
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Building Commission/Legislature: Provide \$34,434,000 in additional general obligation bonding and \$4,140,000 in gifts, grants, and other receipts funding for the following University of Wisconsin System projects enumerated in the 2003-05 state building program. In addition, delete \$10,000,000 in agency operating funds associated with these projects.

	General <u>Obligation Bonding</u>	Agency Operating <u>Funds</u>	<u>Gifts</u>	Subtotal Additional <u>Funding</u>	Total Project <u>Funding</u>
	<u>GPR</u>	<u>PR</u>			
University of Wisconsin System					
Green Bay -- Phoenix Sports Center	\$0	\$10,000,000	-\$10,000,000	\$0	\$30,000,000
Parkside -- Student Union					
Expansion and Admissions Office	1,461,000	1,566,000	0	3,027,000	25,191,000
Superior -- Student Center Renovation	0	9,385,000	0	4,000,000	20,885,000
Whitewater -- Connor University					
Center Addition and Remodeling	<u>0</u>	<u>12,022,000</u>	<u>45,000</u>	<u>140,000</u>	<u>19,637,000</u>
Total	\$1,461,000	\$32,973,000	-\$9,555,000	\$4,140,000	\$95,713,000

Adjust the funding totals for these projects under the 2003-05 state building program enumerations to reflect the funding changes for the projects. Make changes to the funding for

these projects as follows: (a) provide \$10,000,000 of program revenue supported bonding and delete a net amount of \$10,000,000 in agency operating funds authority provided under the 2003-05 project enumeration for the Phoenix Sports Center at UW Green Bay; (b) provide \$1,461,000 in general fund supported and \$1,566,000 in program revenue supported bonding for the student union expansion and the admissions office at UW-Parkside; (c) provide \$9,385,000 in program revenue supported borrowing and \$4,000,000 in gifts, grants, and other receipts for the student center renovation of UW-Superior; and (d) provide \$12,022,000 in program revenue supported bonding, \$45,000 in agency operating funds, and \$140,000 in gifts, grants, and other receipts for the Connor University Center addition and remodeling at UW-Whitewater. Modify the 2003-05 enumeration of the student center renovation at UW-Superior to refer to the student center renovation or replacement.

[Act 25 Sections: 2496g, 2496r, and 9105(6)&(7)(b)]

3. MODIFICATION TO 2001-03 STATE BUILDING PROGRAM ENUMERATION

Building Commission/Legislature: Increase the project enumeration by \$511,900 (from \$1,465,600 to \$1,977,500) under the Department of Transportation for the Division of Motor Vehicles Service Center project in Waukesha, which was enumerated under the 2001-03 state building program. Because the segregated fund supported revenue bonding amounts would be included under DOT's 2005-07 biennial budget, or the increase could be funded from existing revenue bond authority, no fiscal impact associated with this increase is shown. Specify that the appropriate totals under the 2001-03 state building program would be adjusted to reflect this modification.

[Act 25 Sections: 9105(5)&(7)(a)]

4. BONDING AUTHORIZATIONS IN BUILDING PROGRAM

Building Commission: Provide \$1,005,417,600 in new general obligation bonding authority for 2005-07 and 2003-05 building program projects, as shown in the following table.

Joint Finance/Legislature: Reduce the amount of new general obligation bonding by \$191,152,000, which would result in a new amount of \$814,265,600, as shown in the following table.

2005-07 Building Program Bonding Authorizations

<u>Purpose</u>	<u>Bldg. Commission</u>	<u>Jt. Finance/Leg.</u>
Building Commission		
Other Public Purposes (All Agency Projects)	\$357,500,000*	\$200,000,000
Housing State Agencies	17,444,100	17,444,100
Capital Equipment Acquisition	9,292,100	9,292,100
Children's Hospital and Health System		
Children's Research Institute	10,000,000	10,000,000
Corrections		
Correctional Facilities	8,191,700	8,191,700
Juvenile Correctional Facilities	1,258,000	1,258,000
Hmong Cultural Center		
Hmong Cultural Center	2,500,000	0
Military Affairs		
Armories and Military Facilities	3,070,100	3,070,100
Natural Resources		
GPR Supported Facilities	527,800	527,800
SEG Supported Facilities	9,781,200	9,781,200
Environmental Fund SEG Supported Facilities	719,600	719,600
State Fair Park		
Self-Amortizing Facilities	1,852,000	0
Board Facilities	0	1,200,000
State Historical Society		
Historic Records (Storage Facility)	15,000,000	15,000,000
Historic Sites	1,268,800	1,268,800
University of Wisconsin System		
Academic Facilities	259,256,800	249,256,800
Self-Amortizing Facilities	252,321,400	252,321,400
Veterans Affairs		
Self-Amortizing Facilities	500,000	500,000
Facilities at 22 and 30 West Mifflin, Madison	<u>20,500,000</u>	<u>0</u>
Subtotal	\$970,983,600	\$779,831,600

*Includes \$137,500,000 in general fund supported general obligation bonding for the Wisconsin Institute for Discovery projects at UW-Madison.

2003-05 Building Program Bonding Authorizations

<u>Purpose</u>	<u>Bldg. Commission</u>	<u>It. Finance/Leg.</u>
University of Wisconsin System		
Academic Facilities	\$1,461,000	\$1,461,000
Self-Amortizing Facilities	<u>32,973,000</u>	<u>32,973,000</u>
Subtotal	\$34,434,000	\$34,434,000
GRAND TOTAL	\$1,005,417,600	\$814,265,600

[Act 25 Sections: 460g, 460r, 465e, 465m, 465s, 469g, 469r, 471c, 471e, 471g, 471m, 471q, 471r, 471t, 472e, and 472t]

5. DELAYED BONDING AUTHORIZATIONS [LFB Papers 187, 188, and 189]

Building Commission: Specify that the following general obligation bonding amounts authorized under the 2005-07 building program could not be contracted for until after June 30, 2007.

	<u>General Obligation Bonding</u>		<u>Total</u>
	<u>GPR</u>	<u>PR</u>	
University of Wisconsin System			
Purchase Space and University Square			
UW- Madison	\$39,850,000	\$0	\$39,850,000
Sterling Hall Renovation - UW-Madison	20,000,000	0	20,000,000
St. Mary's Columbia Campus Medical			
Facilities- UW-Milwaukee	56,530,000	55,590,000	112,120,000
Tri-State Initiative Facilities - UW- Platteville	10,000,000	0	10,000,000
State Historical Society and Veterans Museum			
Shared Storage Building	15,000,000	0	15,000,000
Veterans Affairs Purchase and Remodeling of			
Buildings at 22 and 30 W. Mifflin Street			
in Madison	<u>0</u>	<u>20,500,000</u>	<u>20,500,000</u>
Total	\$141,380,000	\$76,090,000	\$217,470,000

Specify that for the St. Mary's Columbia Campus medical facilities project at UW-Milwaukee, beginning on July 1, 2007, and ending on June 30, 2009, not more than 50% (\$28,265,000) of the general fund supported borrowing and 50% (\$27,795,000) of the program revenue supported borrowing could be incurred. Beginning on July 1, 2009, the remainder of the general fund supported borrowing and program revenue supported borrowing could be incurred.

The fiscal effect of these projects is included in the totals under Items 1 and 2.

Joint Finance/Legislature: Delete \$20,500,000 in program revenue supported bonding associated with the deletion of the Department of Veterans Affairs' purchase and remodeling of buildings at 22 and 30 W. Mifflin Street in Madison project.

[Act 25 Sections: 9105(8) thru (12)]

6. WISCONSIN INSTITUTE FOR DISCOVERY [LFB Paper 188]

Building Commission: Create a program to be known as the Wisconsin Institute for Discovery (WID) for the purpose of providing financial support to attract federal and private funds to construct facilities for biotechnology, nanotechnology, and information technology education and research activities at the University of Wisconsin. Specify that projects financed under the WID program would have to be designed to provide computational and biological sciences education and research facilities, ancillary systems, and supporting infrastructure. Specify that the WID program projects would be financed from the Building Commission's other public purposes bonding authorization or as otherwise provided in the authorized state building program.

Provide \$137.5 million in general fund supported bonding under the Building Commission's other public purposes bonding authorization, in addition to any existing Biostar project funds (\$50 million of this existing bonding would be allocated under the 2005-07 building program) that would be used for WID projects. The \$137.5 million debt authorization would not be allowed to exceed the following amounts on the following dates:

- a. \$0 through the 2005-07 biennium and 2007-09 biennium;
- b. \$45 million through the 2009-11 biennium;
- c. \$91 million through the 2011-13 biennium; and
- d. \$137.5 million through the 2013-15 biennium.

The fiscal effect of this project is included in the totals under Items 1 and 2.

Joint Finance/Legislature: Delete the \$137.5 million in general fund supported bonding for the program. The program would be enumerated as part of the 2005-07 state building program and \$50 million in existing general fund supported bonding and \$100 million in gifts, grants, and other receipts would be provided for the program.

[Act 25 Section: 19e]

7. UW-SYSTEM DEBT SERVICE APPROPRIATION CHANGES [LFB Paper 188]

Building Commission: Modify the UW System's tuition appropriation to authorize the use of tuition for: (a) the payment of principal and interest costs incurred in the financing the

construction of the tri-state initiative facilities at the UW-Platteville, which would be enumerated as part of the 2005-07 state building program; (b) to make payments, as determined by the Building Commission, that are attributable to the proceeds of obligations incurred in financing the facilities; and (c) to make payments under any agreement or ancillary arrangement that may be entered into that is associated with the issuance of public debt.

Specify that the UW-System Board of Regents would be required to first use differential tuition charged to nonresident students enrolled at UW-Platteville to make the debt service payments. Require that if this differential tuition is insufficient to make the debt service payments, the Board of Regents would have to use other tuition monies to make the payments. Provide that the tuition appropriation could be used to make debt service payments. In addition, specify that if tuition revenues are insufficient to cover the annual debt service payments due to be paid from the appropriation, funds may be advanced from an existing Building Commission debt service appropriation, which guarantees the payment on certain self amortizing debt and is to be reimbursed for any amount advanced.

Joint Finance/Legislature: Modify the provision to create a separate PR debt service appropriation under the UW System. Specify that the appropriation would be funded from tuition charged to nonresident students under the tri-state initiative at UW-Platteville. Specify that if the nonresident tuition from these students would be insufficient, then the Board of Regents could use other tuition revenues from the UW System's tuition appropriation.

[Act 25 Sections: 201m, 201r, 460, and 482]

8. CHILDREN'S RESEARCH INSTITUTE [LFB Paper 190]

Building Commission/Legislature: Enumerate the construction of a \$40,000,000 children's research institute at the Children's Hospital and Health System in the City of Wauwatosa, including \$10,000,000 in general fund supported bonds, \$20,000,000 in gifts and \$10,000,000 in federal funds. Authorize the Building Commission to issue up to \$10,000,000 in general fund supported bonds to make a grant to the Children's Hospital and Health System for construction of a children's research institute. Create a GPR sum sufficient appropriation to fund the debt service payment or any payments on an agreement or ancillary arrangement associated with the bonding. Provide that these payments could be made through the bond security redemption fund appropriation.

Establish the following requirements related to the release of up to \$10,000,000 in general fund supported borrowing; (a) specify that before approving any state funding for the construction of the institute and before awarding the grant, the Building Commission would be required to determine that the Children's Hospital and Health System has secured additional funding commitments of at least \$30 million from nonstate revenue sources; (b) require that if for any reason the facility is constructed with state grant funds but is not used as a children's research institute in the City of Wauwatosa, or the institute is not operated to conduct pediatric research, the state would retain an ownership interest in the facility equal to the amount of the

state's grant; and (c) specify that DOA would review and approve the plans for the project although DOA could not supervise any services or work or let any contract for the project.

Specify that the Legislature finds and determines the following related to the use of state borrowing for the project: (a) that there is a critical need for pediatric research to be conducted in the Milwaukee metropolitan area at a unified site; (b) that state support for the construction of a children's research institute at a location that permits interconnection with functionally related facilities at the Medical College of Wisconsin will contribute to the advancement of public health in the state; (c) pediatric research is a statewide responsibility of statewide dimension; and (d) because it will better ensure that this important responsibility is undertaken in the manner most advantageous to the people of the state, it will have a direct and immediate effect on a matter of statewide concern for the state to facilitate the construction and operation of a children's research institute.

The fiscal effect of this project is included in the totals under Items 1 and 2.

[Act 25 Sections: 19s, 460, 471m, 479m, and 9105(1)(k)&(14)]

9. HMONG CULTURAL CENTER [LFB Paper 191]

Building Commission: Enumerate the construction of a \$5,000,000 Hmong Cultural Center in the City of Madison as part of the 2005-07 state building program. Provide \$2,500,000 in general fund supported general obligation bonding for the purpose of constructing the center, and specify that there is a public purpose for this project. Create a GPR sum sufficient appropriation to fund the debt service payments and any payments on an agreement or ancillary arrangement associated with the bonding. Provide that these payments could to be made through the bond security redemption fund appropriation.

Authorize the Building Commission to issue general obligation bonding for the purpose of making a grant to an organization designated by the Secretary of the Department of Administration (DOA) that represents the Hmong people for the construction of the center in Madison. Before approving any state funding commitment for the construction of the center, the Building Commission would be required to make a determination that the organization has secured additional funding commitments of at least \$2,500,000 from nonstate revenue sources for the construction of the center. The organization designated for the construction of the Hmong Cultural Center would be required to submit to the Building Commission an initial budget and business plan, which would be required to include an analysis and description of the proposed operation of any satellite facility that would be operated in the City of Milwaukee for the same purpose as the center. Before awarding the grant, the Building Commission would be required to review and approve the initial budget and business plan. Specify that the Building Commission would not be allowed to make the grant, unless DOA has reviewed and approved the plans for the project although DOA could not supervise any services or work or let any contract for the project.

As a condition of the grant, the organization would be required to enter into an agreement with the DOA Secretary guaranteeing that the center would be operated to serve the nonsectarian cultural interests of the Hmong people. Specify that if the Building Commission makes a grant for the construction of the facility, the state would retain an ownership interest in the facility equal to the amount of the state's grant if the facility is not used as a Hmong Cultural Center or is not operated to serve the nonsectarian interests of the Hmong people.

Specify that Legislature finds and determines the following related to the construction of and operation of a state Hmong Cultural Center: (a) that a significant number of Hmong people are citizens of this state; (b) that the Hmong people have a proud heritage that needs to be recognized and preserved and that Hmong people have experienced difficulties assimilating in Wisconsin; (c) that supporting the Hmong people in their efforts to recognize their heritage and to realize the full advantages of citizenship in this state is a responsibility of statewide dimension; and (d) because it would ensure that the heritage of the Hmong people is preserved and will better enable the Hmong people to realize the full advantages of citizenship, it will have a direct and immediate effect on a matter of statewide concern for the state to facilitate the construction and operation of a Hmong Cultural Center.

The fiscal effect of this project is included in the totals under Items 1 and 2.

Joint Finance/Legislature: Delete provision.

10. VETERANS AFFAIRS FACILITIES BONDING AND DEBT SERVICE MODIFICATIONS [LFB Paper 189]

Building Commission: Create a new \$20,500,000 self amortizing bonding authorization for the acquisition, construction, development, enlargement, or improvement of facilities at 22 and 30 W. Mifflin St. in Madison. This bonding authorization would fund the purchase and remodeling of the buildings currently at these sites, which would be enumerated under the 2005-07 state building program. Specify that this bonding could not be issued until July 1, 2007.

Modify the existing Veterans Affairs debt service appropriation for self amortizing housing facilities by: (a) deleting the reference to housing in the appropriation title; (b) referencing the receipt of monies from providing housing services at the Northern Wisconsin Center for the Developmentally Disabled; (c) referencing the receipt of monies from operations at 22 and 30 W. Mifflin St. in Madison; (d) authorizing the payment of principal and interest costs incurred in acquiring, constructing, developing, enlarging, or improving facilities at the Northern Wisconsin Center for the Developmentally Disabled and at 22 and 30 W. Mifflin St. in Madison; and (e) authorizing payments related to an agreement or ancillary arrangement associated with public debt.

The fiscal effect of this project is included in the totals under Items 1 and 2.

Joint Finance/Legislature: Delete the enumeration of the purchase and remodeling of these facilities from the 2005-07 state building program. Delete the modification to the Veterans

Affairs debt service appropriation that would have allowed the receipt of funds from properties at 22 and 30 W. Mifflin Street in Madison and the payment of debt service from these revenues, as well as references to an agreement or ancillary arrangement associated with public debt.

[Act 25 Section: 374m]

11. BIENNIAL BUILDING PROGRAM GPR SUPPORTED BONDING TARGET [LFB Paper 187]

Joint Finance/Legislature: Require that in making recommendations for the building program, the Building Commission would seek to recommend that any increase in general fund borrowing not exceed an amount established as follows:

a. set the amount equal to \$480 million for the 2007-09 biennium, and increased each biennium thereafter to reflect the estimated increase in costs of construction, as determined by the Commission;

b. reduce the amount by any amount of bonding authorized under a prior building program or biennial budget, but that could not be issued until the biennium for which the biennial building program is being established; and

c. reduce the amount of general fund supported bonding by the amount of such bonding included in the Governor's biennial budget recommendations for the biennium for which the building program is being established.

Veto by Governor [E-12]: Delete provision.

[Act 25 Vetoed Sections: 16p and 16r]

12. STATEMENT OF BUILDING PROGRAM CONTINUATION

Building Commission/Legislature: Continue the building and financing authority enumerated under the previous state building program into the 2005-07 biennium. Each building program is approved only for the current biennium; this provision would continue the past state building program into the 2005-07 biennium.

[Act 25 Section: 9105(2)]

13. PROJECT CONTINGENCY FUNDING RESERVE

Building Commission/Legislature: Specify that the Commission could, during the 2005-07 biennium, use bonding provided for project contingencies for any project in the building program. Generally, projects include an allowance of 5% to 7% of the total budget to cover unanticipated costs during construction.

[Act 25 Section: 9105(4)(a)]

14. CAPITAL EQUIPMENT ACQUISITION BONDING

Building Commission/Legislature: Authorize the Building Commission during the 2005-07 biennium to use bonding provided for capital acquisition in connection with any project in the authorized state building program.

[Act 25 Section: 9105(4)(b)]

15. PROJECT LOANS

Building Commission/Legislature: Authorize the Commission, during the 2005-07 biennium, to make loans from general fund-supported borrowing or the building trust fund to state agencies for any 2005-07 building program projects funded from non-GPR sources.

[Act 25 Section: 9105(3)]

CHILD ABUSE AND NEGLECT PREVENTION BOARD

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$0	\$680,000	\$680,000	\$680,000	\$680,000	\$680,000	N.A.
FED	780,000	1,080,000	1,080,000	1,080,000	1,080,000	300,000	38.5%
PR	4,653,000	5,010,300	4,183,600	4,183,600	3,294,500	- 1,358,500	- 29.2
SEG	<u>46,200</u>	<u>46,200</u>	<u>46,200</u>	<u>46,200</u>	<u>46,200</u>	<u>0</u>	0.0
TOTAL	\$5,479,200	\$6,816,500	\$5,989,800	\$5,989,800	\$5,100,700	-\$378,500	6.9%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
PR	4.00	4.00	4.00	4.00	4.00	0.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

PR	\$25,600
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Governor/Legislature: Provide \$12,800 annually to reflect: (a) full funding of salaries and fringe benefits (\$10,600 annually); and (b) reclassification of positions (\$2,200 annually).

2. PROGRAM REVENUE LAPSES

GPR-REV	\$71,400
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Governor/Legislature: Lapse \$35,700 annually in program revenues (PR) to the general fund from the Board's general operations PR appropriation. A portion of the revenues from birth certificate fees is credited to this appropriation.

Veto by Governor [E-1]: Delete the specific lapse amount for the Board as required under the bill as passed by the Legislature. Instead, by partial veto, create a general nonstatutory provision directing the Secretary of Administration to make lapses from unspecified

appropriation accounts to the general fund that total \$71,234,800. The Governor's veto message indicates his intent that the Secretary is to achieve this overall lapse amount by including a lapse of monies from the Board to the general fund in an amount equal to the lapse amounts as specified for the Board in the budget bill as passed by the Legislature.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1) title and (1)(a)&(b)]

3. BASE FUNDING CHANGES

GPR	\$680,000
FED	300,000
PR	- 980,000
Total	\$0

Governor/Legislature: Provide \$340,000 GPR and \$150,000 FED and reduce funding by \$490,000 PR annually to reflect the following changes in funding for the Board.

Federal Access to Visitation Funds. Reduce funding by \$150,000 PR annually and provide \$150,000 FED annually to accurately reflect the direct receipt of federal access and visitation funds by the Board.

Replace TANF Funds with GPR Funds. Provide \$340,000 GPR annually and reduce funding by \$340,000 PR annually to fund grants and operations of the Board with GPR instead of temporary assistance for needy families (TANF) funds transferred to the Board from the Department of Workforce Development.

Create a GPR annual appropriation to support the Board's grants to organizations and add references under the Board's grants to this appropriation. Delete references to TANF funding for the Board.

[Act 25 Sections: 297, 298b, 1045 thru 1047, and 1109]

4. GRANTS FUNDING AND BIRTH CERTIFICATE FEE INCREASE [LFB Paper 195]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
PR-REV	\$1,022,200	\$0	-\$1,022,200	\$1,022,200
PR	\$889,100	-\$404,100	-\$889,100	-\$404,100

Governor: Provide \$404,100 in 2005-06 and \$485,000 in 2006-07 to increase, from \$1,480,000 to \$1,884,100 in 2005-06 and \$1,965,000 in 2006-07, funding for grants distributed by the Board that are supported by revenue from birth certificate fees. Increase the fee assessed for birth certificates, from \$12 to \$15, and specify that \$9, instead of \$7 under current law, would be transferred to the Board to support grants.

In addition, increase from \$5 to \$15 the fee for issuing a birth certificate when the birth certificate is filed more than 365 days after the birth and clarify that \$9 of the \$15 fee is to be forwarded to the Board.

The remaining additional revenue that would be collected from this fee increase would be retained by the agency that issued the birth certificate, either DHFS or counties. The Governor estimates \$606,300 in 2005-06 and \$727,600 in 2006-07 in additional revenue from this fee increase, of which approximately \$404,100 in 2005-06 and \$485,000 in 2006-07 would be forwarded to the Board, \$60,500 in 2005-06 and \$72,600 in 2006-07 would be received in DHFS, and \$141,700 in 2005-06 and \$170,000 in 2006-07 would be retained by counties.

Joint Finance/Legislature: Reduce funding by \$404,100 PR in 2005-06, to decrease from \$1,884,100 to \$1,480,000 funding for grants distributed by the Board that are supported by birth certificate fee revenue to reflect the availability of projected fee revenue in that year.

Veto by Governor [F-11]: Delete the fee increase and related allocation to the Board as part of the method used to create a different sunset date for county and municipal levy limits. Although the Governor's veto did not write down the affected appropriations in the Board and DHFS, this effect of the veto is to decrease revenues to both DHFS and the Board. Therefore, reduce funding by \$404,100 to \$1,075,900 in 2005-06 and by \$485,000 to \$1,480,000 in 2006-07.

[Act 25 Vetoed Sections: 1257 and 1258]

5. CHILD SEXUAL ABUSE PREVENTION [LFB Paper 430]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$422,600	-\$422,600	\$0

Governor: Provide \$57,300 in 2005-06 and \$365,300 in 2006-07 from the child abuse prevention and child mental health surcharge, which would be created in the bill, to support grants administered by the Board. While the bill would not require the Board to use these additional funds exclusively for sexual abuse prevention, the Board intends to use the funding to support child sexual abuse prevention strategies, as recommended by workgroups formed from the Governor's Summit to Prevent Child Abuse in April, 2004. These activities may include: (a) identification and intervention with potential child sexual abuse perpetrators; and (b) promoting adult responsibility for protecting children from child sexual abuse. Provisions relating to the proposed surcharge are summarized under "Health and Family Services -- Children and Family Services."

Joint Finance/Legislature: Delete provision.

CIRCUIT COURTS

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled Amount	Percent
GPR	\$158,676,600	\$163,078,900	\$162,389,200	\$159,753,700	\$159,753,700	\$1,077,100	0.7%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	511.00	511.00	511.00	511.00	511.00	0.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

GPR	\$3,461,800
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Governor/Legislature: Provide \$1,730,900 annually to adjust the base budget for full funding of salaries and fringe benefits.

2. COURT INTERPRETERS [LFB Paper 200]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$940,500	-\$689,700	\$250,800

Governor: Provide \$403,600 in 2005-06 and \$536,900 in 2006-07 to increase state reimbursement to counties for court interpreter services (foreign language interpreters and interpreters for the hearing impaired). Modify statutory language to require that a court, in all criminal and civil proceedings, provide an interpreter for a party or witness who has limited English proficiency, regardless of indigence. The modification would first apply to actions commenced on the effective date of the bill.

Funding would be divided as follows: (a) \$51,600 in 2005-06 and \$107,100 in 2006-07 for

projected increased use of interpreters under current law; (b) \$185,500 in 2005-06 and \$192,700 in 2006-07 for higher reimbursement rates for certified (rather than qualified) interpreters under current law; (c) \$90,200 in 2005-06 and \$128,400 in 2006-07 to reimburse counties for interpreters in all types of cases; and (d) \$76,300 in 2005-06 and \$108,700 in 2006-07 to reimburse counties for interpreters provided to non-indigents.

Under current law, the state provides reimbursement to counties for interpreter services for indigent persons in criminal, delinquency, protective services, Chapter 48 (children's code) and Chapter 51 (alcohol, drug abuse, developmental disabilities, and mental health act) proceedings at a rate of \$40 per hour for certified interpreters and \$30 per hour for qualified interpreters, with base level funding of \$688,200. Under the Governor's recommendation, total court funding would be \$1,091,800 in 2005-06 and \$1,225,100 in 2006-07.

Joint Finance/Legislature: Delete the provisions that would provide interpreters in all types of cases and regardless of indigence. Reduce funding by \$291,700 in 2005-06 and \$398,000 in 2006-07 as follows: (a) \$255,900 in 2005-06 and \$326,500 in 2006-07 associated with the deleted statutory provisions; and (b) \$35,800 in 2005-06 and \$71,500 in 2006-07 transferred to the Supreme Court's Director of State Courts Office appropriation to support a court interpreter program manager position.

In addition, provide \$89,400 in 2005-06 in the Joint Committee on Finance's supplemental appropriation for release to the courts under s. 13.10 to address any shortfall in court interpreter reimbursement funding associated with 2004-05 costs reimbursed in 2005-06.

3. JUSTICE INFORMATION SYSTEM SURCHARGE [LFB Paper 101]

Governor/Legislature: Increase the justice information system surcharge by \$3 to \$12. Provide five-twelfths of the surcharge (\$5) be allocated for the Department of Administration (DOA) for justice information systems, one-half (\$6) would be used for Circuit Court Automation Programs (CCAP), and the remaining one-twelfth (\$1) be deposited into the general fund. [See "Administration -- General Programs."]

Under current law, the \$9 justice information system surcharge is assessed with a court fee for the commencement or filing of certain court proceedings, including civil, small claims, forfeiture, wage earner, or garnishment actions, an appeal from municipal court, third party complaint in a civil action, or for filing a counterclaim or cross complaint in a small claims action (excluded are actions for safety belt use violations, or first time violations for operating a motor vehicle, all-terrain vehicle, motorboat, or snowmobile if the operator had a blood alcohol concentration of 0.08 or more but less than 0.1). Of the current \$9 surcharge, \$2 (two-ninths) is allocated to DOA for justice information systems, \$6 (six-ninths) is allocated for CCAP, and \$1 is deposited into the general fund.

[Act 25 Sections: 393, 440, and 2451]

4. REQUIRED GPR LAPSE

Governor/Legislature: Specify that the Chief Justice of the Supreme Court, acting as the administrative head of the judicial system, take actions during the 2005-07 fiscal biennium to ensure that \$1,300,000 GPR is lapsed from GPR state operations appropriations for the Circuit Courts, Court of Appeals and Supreme Court, or is subtracted from expenditure estimates for any other type of appropriation, or both. The adjustment represents 0.9% of the adjusted base budget doubled for state operations of the Circuit Courts, Court of Appeals, and the Supreme Court [see "Supreme Court"].

[Act 25 Section: 9145(1)]

5. REGISTER IN PROBATE COPY FEE

Joint Finance/Legislature: Increase the statutorily-authorized copy fee charged by the register in probate from \$1 per page to \$1.25 per page.

Veto by Governor [D-1]: Delete provision.

[Act 25 Vetoed Section: 2448m]

6. ACROSS-THE-BOARD GPR REDUCTIONS

GPR	- \$2,635,500
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Senate/Legislature: Reduce the Circuit Courts' appropriation for general program operations by \$1,307,800 in 2005-06 and \$1,327,700 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. [See "Budget Management and Compensation Reserves" and "Program Supplements."]

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) reestimate the expenditure level for the appropriation and transfer monies from the Committee's appropriation in any amount not to exceed the amount of the reduction indicated above for the Circuit Courts.

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

COMMERCE

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$48,737,000	\$58,156,200	\$43,676,200	\$43,379,900	\$43,379,900	-\$5,357,100	- 11.0%
FED	147,260,000	147,669,100	149,091,100	149,091,100	149,091,100	1,831,100	1.2
PR	91,454,000	88,540,500	104,040,500	104,040,500	104,040,500	12,586,500	13.8
SEG	<u>167,186,800</u>	<u>165,896,900</u>	<u>108,983,500</u>	<u>108,983,500</u>	<u>108,983,500</u>	<u>- 58,203,300</u>	<u>- 34.8</u>
TOTAL	\$454,637,800	\$460,262,700	\$405,791,300	\$405,495,000	\$405,495,000	-\$49,142,800	- 10.8%
BR		\$0	-\$49,076,000	-\$49,076,000	\$0		

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	68.00	61.80	61.80	61.80	61.80	- 6.20
FED	58.65	45.35	54.35	54.35	54.35	- 4.30
PR	236.45	207.10	207.10	207.10	207.10	- 29.35
SEG	<u>82.40</u>	<u>71.40</u>	<u>74.40</u>	<u>74.40</u>	<u>74.40</u>	<u>- 8.00</u>
TOTAL	445.50	385.65	397.65	397.65	397.65	- 47.85

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

Governor/Legislature: Provide adjustments of \$320,400 FED and \$300,800 SEG in 2005-06; \$230,700 FED and \$250,100 SEG in 2006-07; and \$330,300 GPR, -\$237,800 PR, and -4.0 FED, -1.5 PR, and -1.0 SEG positions annually as standard budget adjustments. Adjustments are for: (a) turnover reduction (-\$246,400 PR annually); (b) removal of noncontinuing items from the base (-\$143,600 FED and -40,900 SEG in 2005-06; -\$233,300 FED and -\$91,600 SEG in 2006-07; and -\$392,900 PR, -4.0 FED, -1.5 PR, and -1.0 SEG positions annually); (c) full funding of continuing salaries and fringe benefits (\$327,100 GPR, \$464,000

	Funding	Positions
GPR	\$660,600	0.00
FED	551,100	- 4.00
PR	- 475,600	- 1.50
SEG	<u>550,900</u>	<u>- 1.00</u>
Total	<u>\$1,287,000</u>	<u>- 6.50</u>

FED, \$393,500 PR, and \$341,700 SEG annually); (d) position reclassifications (\$3,200 GPR annually); (e) overtime (\$8,000 PR annually); and (f) minor transfers within the same alpha appropriation. In total, changes due to standard budget adjustments would increase funding by \$713,700 in 2005-06 and \$573,300 in 2006-07.

2. BUDGET REDUCTIONS

Governor/Legislature: Delete \$1,585,600 PR and 22.1 PR positions in 2005-06 and \$1,660,700 PR and 23.10 PR positions in 2006-07; and \$571,900 GPR, 8.2 GPR positions, \$920,400 SEG, 8.0 SEG positions, and 0.8 FED position annually for base level budget reductions. The reductions, by appropriation, are shown in the table below.

	Funding	Positions
GPR	-\$1,143,800	- 8.20
FED	0	- 0.80
PR	- 3,246,300	- 23.10
SEG	- 1,840,800	- 8.00
Total	-\$6,230,900	- 40.10

	<u>2005-06</u>		<u>2006-07</u>		<u>Source</u>
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	
a. Community and Economic Development					
General Program Operations	-\$392,600	-5.70	-\$392,600	-5.70	GPR
Wisconsin Development Fund Administration	-25,100	-0.50	-25,100	-0.50	PR
American Indian Economic Development Administration	-25,000	0.00	-25,000	0.00	PR
Brownfields Redevelopment Administration	-122,000	0.00	-122,000	0.00	SEG
b. Housing Assistance					
General Program Operations	-34,100	-0.50	-34,100	-0.50	GPR
c. Regulation of Industry Safety and Buildings					
Safety and Building Operations	-1,353,600	-18.60	-1,428,700	-19.60	PR
Fire Prevention and Fire Dues Administration	-72,300	-1.00	-72,300	-1.00	PR
Federal Operations	0	-0.80	0	-0.80	FED
PECFA Administration	-293,800	-3.00	-293,800	-3.00	SEG
Petroleum Inspection Administration	-504,600	-5.00	-504,600	-5.00	SEG
d. Executive and Administrative Services					
General Program Operations	-145,200	-2.00	-145,200	-2.00	GPR
Administrative Services	-109,600	-2.00	-109,600	-2.00	PR
Total	-\$3,077,900	-39.10	-\$3,153,000	-40.10	Total
	-571,900	-8.20	-571,900	-8.20	GPR
	0	-0.80	0	-0.80	FED
	-1,585,600	-22.10	-1,660,700	-23.10	PR
	-920,400	-8.00	-920,400	-8.00	SEG

The reductions under the programs would include the following:

a. The economic and community development reductions include eliminating 5.7 positions from the Divisions of Business Development and International and Export Development, reducing funding for marketing for the American Indian Economic Development program, eliminating a vacant position for Wisconsin Development Fund administration, and deleting supplies and services funding for brownfields administration.

b. A 0.5 position and related funding would be eliminated in the Bureau of Housing.

c. Funding and position reductions in the Division of Safety and Buildings would include eliminating 2.4 program assistants, 5.9 inspectors, and 4.0 plan reviewers. Two positions would be eliminated by consolidating sections within the Integrated Services Bureau and by eliminating a program manager in the Bureau of Program Development. Other positions and related funding that would be eliminated include a vacant position associated with private, on-site wastewater treatment system reviews, 2.0 positions from the code consultant section, the OSHA director, a vacant position associated with the credentialing program, a vacant fire dues administration position, and a position in the rental unit weatherization program in 2006-07. In addition, a 0.8 vacant federal mine inspector would be eliminated but the associated expenditure authority retained. Petroleum inspection program reductions include eliminating 5.0 positions, closing three labs, reducing supplies and services funding, and replacing some local contractors for petroleum inspection programs with existing staff. Three PECFA positions and supplies funding would also be deleted.

d. An administrative services and an Office of the Secretary position, a budget and policy analyst, and a communications position and related funding would be eliminated in the Division of Administrative Services.

3. PROGRAM REVENUE APPROPRIATION LAPSES

GPR-REV \$2,881,700

Governor/Legislature: Require the Secretary of Administration to lapse \$1,403,300 in 2005-06 and \$1,478,400 in 2006-07 from program revenues to the general fund as follows:

a. *Safety and Building Operations.* The required lapse would be \$1,353,600 in 2005-06 and \$1,428,400 in 2006-07. The appropriation funds various program activities of the Division of Safety and Buildings. The source of funding for the appropriation is fees from several plan review and inspection activities related to construction such as commercial buildings, multi-family and manufactured dwellings, plumbing, private sewage systems, electrical and heating systems, and elevators.

b. *Safety and Buildings Auxiliary Services.* The required lapse would be \$24,600 in 2005-06 and \$24,600 in 2006-07. The appropriation provides funding for the costs of publications and seminars provided by the Division and the source of revenue is fees charged for those items.

c. *Wisconsin Development Fund Administration.* The required lapse would be \$25,100 in 2005-06 and \$25,100 in 2006-07. The appropriation is funded with a loan origination fee equal to 2% of major economic development and customized labor training loans in excess of \$200,000. The appropriation provides funding for administration of Wisconsin Development Fund grants and loans.

The lapses from the safety and buildings operations and WDF administration appropriations equal the expenditure reductions included in base level funding reductions.

Veto by Governor [E-1]: Delete the specific lapse amount for this agency as required under the bill as passed by the Legislature. Instead, by partial veto, create a general non-statutory provision directing the Secretary of Administration to make lapses from unspecified appropriation accounts to the general fund that total \$71,234,800. The Governor's veto message indicates his intent that the Secretary is to achieve this overall lapse amount by including a lapse of monies from this agency to the general fund in an amount equal to the lapse amounts as specified for this agency in the budget bill as passed by the Legislature.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1) title and (1)(a)&(b)]

4. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	- 2.00	2.00	0.00

Governor: Delete 2.0 positions annually from the petroleum inspection fund to reflect the consolidation of the agency's attorneys and legal staff under DOA, effective January 1, 2006. Reallocate \$66,900 in 2005-06 and \$133,500 in 2006-07 from salaries and fringe benefits to the agency's supplies and services budget to pay for legal services supplied by DOA. Authorize the Secretary of DOA to identify one attorney position in Commerce as general counsel for the agency and authorize 1.0 PR unclassified position for this purpose. The general counsel position would be funded from base level salary and fringe benefits amounts associated with the position identified by the Secretary of DOA.

Specify that any transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006. [See "Administration -- Transfers to the Department."]

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempted from the attorney position deletion and lapse or transfer of funds requirements.

Vetoed by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

5. HUMAN RESOURCES AND PAYROLL BENEFITS SERVICES CONSOLIDATION [LFB Paper 112]

	Funding	Positions
PR	-\$41,600	- 0.60

Governor/Legislature: Delete \$41,600 and 0.6 position in 2006-07 associated with the consolidation of human resources and payroll benefits functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

6. PROCUREMENT AND PURCHASING SERVICES CONSOLIDATION [LFB Paper 112]

	Positions
FED	- 0.50
PR	- 1.70
Total	- 2.20

Governor/Legislature: Reallocate \$132,700 (\$103,800 PR and \$28,900 FED) from salaries and fringe benefits to unallotted reserve and delete 2.2 positions (1.7 PR and 0.5 FED) in 2006-07 associated with the consolidation of procurement and purchasing services functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

7. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions
PR	- 2.45

Governor/Legislature: Reallocate \$204,200 from salaries and fringe benefits to unallotted reserve and delete 2.45 positions in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

8. TRANSFER MANUFACTURING EXTENSION CENTER GRANT PROGRAM [LFB Paper 206]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$1,700,000	\$1,700,000	\$0

Governor: Delete \$850,000 annually from Commerce and transfer the manufacturing extension center grant program and related funding to the Wisconsin Technical College System Board (WTCS).

Manufacturing extension grants provide financial assistance to technology-based nonprofit organizations. Historically, funding has been provided to the Wisconsin Manufacturing Extension Partnership (WMEP). Beginning in 2003-04, funding has also been provided to the Northwest Wisconsin Manufacturing Outreach Center (NWMOC). Base funding of \$850,000 GPR is provided annually in Commerce for manufacturing extension center grants. Under the bill, WTCS grants would be funded at \$1,500,000 GPR annually.

WMEP is operated by an organization, the Wisconsin Center for Manufacturing and Productivity, Inc., that includes the Department of Commerce, University of Wisconsin System and Extension, WTCS, Marquette University, Milwaukee School of Engineering, labor, and business. WMEP provides process improvement and technology transfer services to small and medium-sized manufacturers. WMEP personnel work directly with the manufacturers to address their needs in areas such a production techniques, technology applications, business practices, and specialized training. Solutions are offered through a combination of direct assistance from staff and work with outside resources. WMEP is part of a nationwide system of manufacturing extension partnerships that receive federal funding from the National Institute of Standards and Technology (NIST).

NWMOC is a direct partnership between the University of Wisconsin-Stout and five technical colleges: Chippewa Valley; Western Wisconsin; Wisconsin Indianhead; Nicolet Area; and Northcentral. NWMOC delivers an integrated manufacturing modernization service to small and medium-sized manufacturers in Northwest Wisconsin. Services provided by NWMOC include: free on-site assessments; on-site technical assistance; networking; technical training; seminars; and lean manufacturing.

Joint Finance/Legislature: Delete provision and, instead, maintain current law. As a result, the manufacturing extension center grant program would continue to be administered by Commerce and annual base level funding of \$850,000 would be provided.

9. SUPER EMPLOYMENT AND ECONOMIC DEVELOPMENT ZONE GRANT PROGRAM [LFB Paper 207]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$5,000,000	-\$5,000,000	\$0

Governor: Provide \$5.0 million beginning in 2006-07 in a biennial appropriation and create a super employment and economic development zone (SEEDZ) grant program. Commerce would be authorized to designate areas of the state as extremely depressed areas, if it determined that the unemployment rate for the area equaled or exceeded 150% of the average unemployment rate for the state. Beginning on July 1, 2006, Commerce could award grants to eligible businesses that located in designated extremely depressed areas for reimbursing the businesses' eligible costs. To award a grant, all of the following criteria would apply:

a. Commerce determines that the business would create not fewer than 100 qualifying jobs in the extremely depressed area.

b. The business enters into a written agreement with the Department that specifies the conditions for use of the grant proceeds and in which the business agrees to do all of the following: (1) compensate, at a family-supporting wage, at least 90% of the employees in qualifying jobs created in the extremely depressed area; (2) make every reasonable effort to hire individuals who reside in the area to fill at least 75% of the qualifying jobs created in the extremely depressed area; (3) after receiving a grant, submit a report to Commerce, by March 31 of the year following the year Commerce disbursed the grant, that details how the grant moneys received in that year were used.

The Department would be authorized to pay grant proceeds to an eligible business that is awarded a super employment and economic development zone grant for up to five years. Commerce would be required to promulgate administrative rules defining all of the following terms:

a. "Eligible costs" which may include property taxes, utilities, job training, employee transportation, a portion of wages paid by the business to employees who reside in the extremely depressed area, and a portion of the costs incurred by the business to provide child care at the business for employees.

b. "Extremely depressed area."

c. "Family-supporting wage."

d. "Qualifying jobs."

Joint Finance/Legislature: Delete provision.

10. TRAINING ASSISTANCE GRANT PROGRAM [LFB Paper 208]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$5,000,000	- \$5,000,000	\$0

Governor: Provide \$2,500,000 each year in a biennial appropriation and create a training assistance grant (TAG) program administered by the Department. Under the program, Commerce would be authorized to award a grant for training employees if all of the following apply:

a. The employer satisfies one of the following: (1) the employer will create significant numbers of new, high-paying jobs in Wisconsin, as determined by the Department; (2) the employer will introduce new capital investment to retain a significant number of jobs in the state, as determined by the Department; or (3) the employer agrees to pay a family-supporting wage to employees who successfully complete a job training program, and the Department determines that there is significant potential for those employees to obtain additional wage increases.

b. The employer submits, and Commerce approves, a training plan that has been developed jointly by the employer with a technical college or other training provider, and that details the proposed use of the grant proceeds.

c. The employer enters into an agreement for the use of the grant proceeds.

d. After receiving a grant, the employer agrees to submit a report to the Department, within six months after the full amount of a grant has been spent, detailing how the grant proceeds were spent.

Commerce would be required to give preference to employers that submitted training plans under which the training would be provided by a technical college. The Department would also be authorized to pay the proceeds of a grant directly to a technical college or other training provider that participated in developing the training plan. Finally, Commerce would be required to promulgate administrative rules that, for the purposes of the training assistance grant program, defined all of the following terms: (a) capital investment; (b) family-supporting wage; (c) high-paying job; and (d) significant numbers.

If funding in the TAG appropriation was exhausted, Commerce would be authorized to make training assistance grants from the Wisconsin Development Fund GPR appropriation.

Joint Finance/Legislature: Delete provision.

11. FORWARD WISCONSIN [LFB Paper 209]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$1,180,000	-\$1,180,000	\$0

Governor: Provide an additional \$180,000 in 2005-06 and \$1,000,000 in 2006-07 for Forward Wisconsin. The Department of Administration would be required to certify that Forward Wisconsin raised at least \$2 million in private funds in 2005-06 and 2006-07, in order for Forward Wisconsin to receive the additional \$1 million provided in 2006-07.

Forward Wisconsin is a 501(c)(3) nonprofit corporation created in 1984 to attract business to Wisconsin. The organization focuses on marketing Wisconsin to out-of-state companies to attract new businesses, jobs, and increased economic activity to the state. Forward Wisconsin has a staff of five full-time and one contract positions, offices in Madison, Eau Claire, and Milwaukee, and an annual budget of about \$1.0 million. Base level funding of \$320,000 GPR is provided to Forward Wisconsin. The organization also raises private funds to support its activities.

Joint Finance/Legislature: Delete provision. As a result, annual base level funding of \$320,000 GPR would be provided for aid to Forward Wisconsin.

12. TECHNOLOGY COMMERCIALIZATION PROGRAM STAFFING

	Funding	Positions
GPR	\$300,000	2.00

Governor/Legislature: Provide \$100,000 in 2005-06 and \$200,000 in 2006-07, and 2.0 positions beginning in 2005-06 that were specified under 2003 Wisconsin Act 255 to administer the technology commercialization grant and loan program and the angel investment and early stage seed investment tax credits that were created by the act. Act 255 was effective in April, 2004, and created the technology commercialization grant and loan program to provide financial assistance to entrepreneurs, start-up and early stage companies. The Act also created the angel investment and early stage seed investment tax credits to provide incentives to individuals and investment fund managers to invest in start-up and early stage businesses. Commerce was required to administer the programs and the Act specified that \$100,000 GPR in 2005-06 and \$200,000 GPR in 2006-07, with 2.0 GPR positions, be provided for administering the programs.

13. GAMING ECONOMIC DEVELOPMENT AND DIVERSIFICATION GRANT AND LOAN PROGRAM FUNDING INCREASE [LFB Paper 210 and 845]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$800,000	-\$1,400,000	-\$600,000

Governor: Provide \$400,000 annually in tribal gaming revenues for the gaming economic development and diversification grant and loan program. In addition, the amount transferred to the Governor's Work-Based Learning Board (GWBLB) for work-based learning grants to tribal colleges would be increased by \$300,000 to a total of \$600,000 annually. Base level funding for the program is \$2,838,700. Consequently, total funding for grants and loans would be \$3,238,700 in each year of the 2005-07 biennium.

The gaming economic development and diversification grant and loan program was created by 1999 Wisconsin Act 9 and is funded from tribal gaming revenues provided to the state under state-tribal gaming compact amendments. The program provides financial assistance to businesses affected by American Indian gaming operations and for projects to diversify local economies. An annual transfer of \$300,000 is made from the gaming grants and loans appropriation to fund work-based learning grants to tribal colleges. Under current law, that program is administered by the Wisconsin Technical College System Board. Under the bill, the program would be transferred to the GWBLB. In addition, the amount transferred from Commerce to the Board would be doubled from \$300,000 to \$600,000 annually.

Joint Finance/Legislature: Delete \$700,000 PR in annual funding and eliminate the requirement that an amount equal to the appropriation level for work-based learning grants to tribal colleges (\$600,000 annually) be transferred to the tribal college grants appropriation. The appropriation for work-based learning grants to tribal colleges would be directly provided annual funding of \$600,000 PR and would be administered by WTCS. Total annual funding available for Commerce gaming economic development and diversification grants and loans would remain at \$2,538,700 PR.

[Act 25 Section: 156d]

14. AMERICAN INDIAN ECONOMIC DEVELOPMENT LIAISON GRANT PROGRAM

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$50,000	-\$50,000	\$0

Governor: Provide \$25,000 tribal gaming revenues annually to restore funding for the American Indian economic development liaison grant program.

Prior to the 2003-05 biennial budget act, the economic development liaison grant program provided \$25,000 in tribal gaming funding to the Great Lakes Inter-Tribal Council (GLITC) to partially fund a Council liaison between American Indians, Indian businesses and Indian tribes interested in targeted economic assistance programs, and the agencies and organizations that administer the programs. However, as passed by the Legislature, the 2003-05 budget bill repealed the liaison grant program and deleted the \$25,000 in tribal gaming funding used for the grant. The Governor vetoed related provisions in the bill to eliminate repeal of the economic development liaison grant program and the associated appropriation. However, the veto did not restore funding for the program. In his veto message, the Governor indicated that retaining the program authority would allow Commerce to request funding at a future date.

The tribal economic development liaison acts as a spokesperson for the tribes on certain economic development issues, assists in organizing and implementing joint projects, and acts as a contact between the tribes and government agencies.

Joint Finance/Legislature: Delete provision.

15. WISCon PROGRAM TRANSFER

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
FED	-\$1,422,000	-9.00	\$1,422,000	9.00	\$0	0.00

Governor: Delete \$711,000 and 9.0 positions annually from Commerce and transfer the WISCon program to the University of Wisconsin System, State Laboratory of Hygiene. All incumbent employees would be transferred and would retain the same rights and status as in Commerce. Any employee who had attained permanent status would not be required to serve a probationary period at the state laboratory. All tangible personal property, including records, that related to federal Occupational and Health Administration (OSHA) testing from both Commerce and the Department of Health and Family Services would be transferred to the state lab. All contracts that related to OSHA testing would remain in effect and also be transferred to the state laboratory. The State Laboratory of Hygiene would be required to carry out the obligations of any contract until it was modified or rescinded.

The WISCon program is funded 90% with federal grant monies and provides services to help businesses comply with federal OSHA safety regulations. Consultants assess existing safety programs, evaluate work practices, identify assistance, and provide training for managers and employees. The consultants are separate from the OSHA enforcement function, and do not issue citations, propose penalties, or report safety violations to OSHA. The business must commit to the timely correction of any serious deficiencies discovered during the consultation visit.

Joint Finance/Legislature: Delete provisions transferring the Commerce program to the state laboratory. As a result, the WISCon program would continue to be administered by Commerce.

16. ENTERPRISE DEVELOPMENT ZONES MAXIMUM TAX CREDIT LIMIT [LFB Paper 211]

Governor: Delete the statutory limit of 79 on the number of enterprise development zones that can be created, and eliminate the requirement that Commerce must obtain approval from the Joint Committee on Finance to designate any zone that would exceed the statutory figure (currently authorized at a total of 81 zones). A total statewide maximum tax credit amount that could be claimed in all enterprise development zones that were created would be set at \$243 million.

The 1995-97 budget created the Enterprise Development Zones program. A business that conducts or that intends to conduct economic activity in an area of the state can apply to Commerce to have the area designated as an enterprise development zone by submitting an application and a project plan. The Department can designate the area as an enterprise development zone if the area meets certain criteria, and the Department approves the project plan. Commerce is authorized to establish the length of time an enterprise development zone can be designated, but the zone cannot be designated for more than seven years (84 months).

Originally, Commerce could not designate more than 50 enterprise development zones, unless it received approval from the Joint Committee on Finance. At the September, 1998, meeting under s. 13.10, the Joint Committee on Finance increased the number of enterprise development zones that could be created from 50 to 64. In 1999 Wisconsin Act 9, the total number of enterprise development zones that could be created was increased from 64 to 79. Finally, at the January, 2005, meeting under s. 13.10 of the statutes, the Joint Committee on Finance increased the number of zones that could be created by two, from 79 to 81. Ten of the zones are required to be for environmental remediation projects.

A business which conducts economic activity in an enterprise development zone and is certified by Commerce can claim the consolidated development zones tax credit. Only one business is eligible for tax benefits in an enterprise development zone. The maximum amount of credits that can be claimed by an eligible business in an enterprise development zone is established by Commerce, but cannot exceed \$3 million.

Joint Finance/Legislature: Delete provisions. Instead, current law would be modified as follows: (a) Commerce would be authorized to establish four additional enterprise development zones, for a total authorization of 85; (b) more than one business in an enterprise development zone could be eligible for tax credits; (c) one-half of the businesses that receive tax credits in newly authorized zones would be required to be small businesses, defined as businesses with

less than 100 employees, and (d) Commerce would be authorized to create enterprise development zones in development zones.

Vetoed by Governor [B-4 and B-5]: Increase the allowable number of enterprise development zones that could be established by 17 to a total of 98. In addition, delete the requirement that one-half the businesses that receive tax credits in newly authorized zones would be required to be small businesses (businesses with less than 100 employees). Under the veto up to \$39 million in additional tax credits could be authorized.

[Act 25 Sections: 2418m, 2419, 2419k, and 2419L]

[Act 25 Vetoed Sections: 2419 and 2419m]

17. RESTRUCTURE WISCONSIN DEVELOPMENT FUND [LFB Papers 212 and 213]

Governor: Eliminate current Wisconsin Development Fund (WDF) grant and loan programs and related administrative processes and establish more general program criteria and procedures for distributing financial assistance through the WDF. Base level funding of \$8,548,400 annually would remain. Under the restructured program, Commerce, at the request of the Development Finance Board (Board), would be authorized to make grants or loans to eligible recipients. Eligible recipients would include governing bodies or "persons" eligible to receive grants or loans. (The universal statutory definition of "person" includes all individuals, partnerships and bodies politic or corporate.) Activities eligible for awards would include: (a) capital financing; (b) worker training; (c) entrepreneurial development; (d) providing assistance to technology-based business or to businesses at a foreign trade show or event; (e) promoting urban or regional economic development; (f) establishing revolving loan funds; (g) providing working capital; and (h) promoting employee ownership by conducting or implementing feasibility studies to investigate the reorganization or new incorporation of existing businesses as employee-owned businesses.

Commerce would be required to establish criteria for awarding WDF grants and loans, including the types of eligible property that would receive priority. The Department would determine conditions applicable to grants and loans awarded. An origination fee of not more than 2% of the amount of the award could be imposed on grants or loans of \$200,000 or more. Fees that were collected would continue to be placed in the program revenue, WDF administration appropriation. With Board approval, Commerce would be required to develop procedures, related to grants and loans for all of the following: (a) submitting applications for grants and loans; (b) evaluating applications; (c) monitoring project performance; and (d) auditing grants and loans. The current requirement that the Department, with Board approval, develop and implement procedures for monitoring grant use, economic growth, job creation, and new jobs would continue.

Provisions requiring Commerce and the Board to encourage and assist small businesses in applying for and obtaining financial assistance would be retained. However, a small business

would be defined as a business with fewer than 100 employees, rather than the current definition of a business operating for profit with 250 or less employees.

Similarly, the Department could continue to retain 1% of WDF GPR funding for: (a) evaluations of proposed technical research projects; (b) grants to small businesses for preparing proposals for the federal small business innovative research program; and (c) costs associated with administering the WDF loan portfolio.

When an application for financial assistance was received, the Board would consider a number of factors in determining whether to award a grant or loan. Most of these factors must be considered under current law. However, the Board could consider any, rather than all, of the factors. Specifically, in determining whether to make an award, the Board could consider any of the following:

- a. Whether the project serves a public purpose.
- b. Whether the project will retain or increase employment in the state.
- c. Whether the project "might not" (rather than "is not likely to" currently) occur without the grant or loan.
- d. Whether financing is available from another source on reasonably equivalent terms.
- e. The extent to which the project will be financed with funds not provided by the state.
- f. Whether funds from the grant or loan will be used to pay overhead costs or to replace funds from another source.
- g. Whether the project will displace any workers in the state.
- h. The extent to which the project will retain or increase employment in the state.
- i. The extent to which the project will contribute to the economic growth of the state and the well-being of residents of the state.
- j. Whether the project will be located in an area of high unemployment or low average income.
- k. The financial soundness of the eligible recipient.
- L. The intention of the eligible recipient to repay the grant or loan.
- m. Whether the project will be located in a targeted area.

When considering whether a project for which financial assistance was requested was located in a targeted area the Board could consider any of the following factors:

- a. Whether the area has high unemployment.
- b. Whether the area has a low median household income.
- c. Whether a significant number of workers in the area have been permanently laid off by their employers, or whether public notice has been given by an employer of either a plant closing or a substantial reduction in work force that will result in a significant number of workers in the area being permanently laid off.
- d. Whether the area is designated as a development or enterprise development zone.
- e. Any other factor the board considers to be an appropriate indicator of a targeted area.

Factors related to declining population and property values, and families receiving AFDC would be deleted.

The Board would have to require that, as a condition of receiving a grant or loan, a recipient would have to contribute to a project an amount equal to at least 25% of the grant or loan. The Board would continue to be responsible for developing a policy related to the repayment of grants and loans awarded under the WDF. Specific provisions would be deleted that required that priority be given to recipients with techniques that reduce or eliminate ozone-depleting substances, hire AFDC assistance recipients, or that projects be located in targeted areas.

The current WDF programs that would be repealed include: (a) revolving loan fund capitalization grants; (b) the rapid response fund; (c) employee ownership assistance grants; (d) major economic development grants and loans; (e) urban early planning grants; (f) technology development and commercialization grants and loans; and (g) customized labor training grants. Two programs that have statutory provisions but are not funded, Wisconsin Procurement Institute grants and technology and pollution control and abatement grants and loans, would also be repealed. The Wisconsin trade project grant program would not be repealed, and the entrepreneurial training grant program does not have specific statutory provisions.

WDF definitions of terms, including biotechnology, consortium, higher educational institution, major economic development project, technology, and technology-based nonprofit organization that are related to specific WDF programs, would be repealed. There would be cross-reference changes to reflect the repeal and modifications of statutory provisions.

Under current statutory provisions the WDF provides financial assistance through the following programs:

- a. *Customized Labor Training Grants.* Customized labor training (CLT) grants fund labor training programs which provide employees with job training in new or more advanced technology, industrial and other employment-related skills, or job training in manufacturing

processes to assist employers in maintaining a technologically advanced workforce. The Department can finance up to 50% of eligible project costs not to exceed \$2,500 per employee trained. Grant funds may be used to pay base wages of trainees and associated instructional costs.

b. *Technology Development and Commercialization Grants and Loans.* Technology development and commercialization grants and loans fund technical research by a business or consortium to develop new, or improve existing, industrial products or processes (technology development) and to assist businesses in infrastructure development and commercialization of a new, product or process. Awards can be granted for the following purposes: (1) a technology development grant or loan to a business or consortium to fund technical research to develop new or to improve existing industrial products or processes that have a high probability of commercial success within a relatively short time period (two to three years); or (2) a technology development loan to a business to provide working capital or fixed asset financing to develop the infrastructure of the business or for the initial commercialization of the new industrial product or process.

c. *Major Economic Development Grants and Loans.* Major economic development (MED) grants and loans fund projects that are not eligible for funding under criteria of any other WDF program, and that involve significant capital investment, or creation or retention of a significant number of jobs. The Board decides the amount of funding for a project and a determination as to whether the award is a grant or loan. Historically, awards have ranged between \$3,000 and \$10,000 per full-time job created. Allowable uses generally include expenditures for: construction and expansion; acquisition of existing businesses, land, buildings and equipment; and working capital.

d. *Employee Ownership Assistance Grants.* Employee ownership assistance grants fund the cost of an independent third party to provide professional services to evaluate the feasibility of an employee buy-out. The maximum grant is 75% of eligible project costs up to \$15,000. Grants can fund expenditures for feasibility studies to investigate the reorganization or new incorporation of an existing business as an employee-owned business, and for professional services to implement the study.

e. *Urban Early Planning Grants.* Urban early planning grants provide financial assistance to entrepreneurs and small businesses to fund professional services related to business start-ups or expansion. Grants can be made for up to 75% of eligible project costs up to \$15,000 to a single business. Grants are generally limited to \$3,000 or less, unless it can be demonstrated that the project will have a statewide impact. The total amount of urban early planning grants that can be awarded is \$250,000 in a biennium. Grants must be used to fund early planning projects. An early planning project is the preliminary stages of considering and planning the expansion or start-up of a business that is or will be located in an urban area in the state.

f. *Entrepreneurial Training Grants.* Entrepreneurial training grants are awarded through a program developed in conjunction with the University of Wisconsin-Extension Small Business Development Center (SBDC) designed to help entrepreneurs by providing financial assistance to cover a portion of the cost of attending SBDC's Entrepreneurial Training Course. Grants can be made for up to 75% of eligible tuition costs. Eligible tuition costs are limited to the tuition charged by the SBDC to attend the Entrepreneurial Training Course, including FastTrac. Grants must be used to cover the cost of tuition charged for attending the course.

g. *Wisconsin Trade Project Program.* The Wisconsin trade project program provides reimbursement for attending international trade shows, U.S. trade shows (in certain circumstances), and U.S. Department of Commerce sanctioned "matchmaker" trade delegation events. Eligible applicants are businesses, including affiliates, with \$25,000,000 or less in gross annual sales that are operating in the state and manufacturing a product and/or performing a service with potential to be exported. The maximum reimbursement amount is \$5,000 a year, and not more than \$5,000 for participation in a single trade show or matchmaker trade delegation event. The following costs are eligible for reimbursement: (1) fees for participation in a trade show, a U.S. trade show, or a U.S. Department of Commerce sanctioned matchmaker trade delegation event; (2) costs associated with shipping displays, sample products, catalogs or advertising material to a trade show, a U.S. trade show, or matchmaker trade delegation event; (3) costs incurred at a trade show, a U.S. trade show, or matchmaker trade delegation event for utilities, booth construction or necessary modifications, repairs, or other reasonable expenses associated with displays; and (4) costs associated with foreign language translation of brochures, or product information, or with the use of translation services and interpreters at a trade show, a U.S. trade show, or matchmaker delegation event.

h. *Rapid Response Fund.* The rapid response fund provides financial assistance to businesses or local governments to prepare sites for businesses to locate or expand, in communities that have experienced plant closings or substantial layoffs. Funding is provided in the form of loans. Loan recipients must provide matching funds equal to 25% of the cost of the project up to a maximum of \$250,000. The Department may not award more than \$2 million in total loans from the rapid response fund in a biennium. Loans can only be used for the following purposes: (1) the renovation or improvement of an existing building; (2) the purchase of land, an existing building, machinery or equipment; and (3) the construction of a new building. Commerce has not made any awards under this provision in recent years.

i. *Revolving Loan Fund Capitalization Grants.* Revolving loan fund capitalization grants provide funding for local revolving loan funds, which are used to promote local and regional economic development, primarily in areas that experience business closings or substantial layoffs. This program is, in part, intended to operate in conjunction with the rapid response fund. The maximum total amount of loan fund capitalization grants that can be made in a biennium is \$500,000. Grants must be used to establish or provide capital for local revolving loan funds. The revolving loan fund must be used to promote local or regional economic development. Commerce has not made any awards under this provision in recent years.

WDF award recipients are currently required to provide a nonstate match of at least 25% of the eligible project costs. However, in practice, recipients typically must provide matching amounts that exceed the statutorily minimum requirement. In many cases, the match exceeds the amount of the award.

Currently, Commerce is authorized to charge an origination fee of up to 2% on MED and CLT grants and loans in excess of \$200,000. Fee collections are placed in a program revenue appropriation used to provide funding for administration of the WDF. In addition, the Department is authorized to use up to 1% of amounts appropriated for GPR WDF awards for evaluation costs, collection costs, foreclosure costs, and other costs associated with administering the WDF loan portfolio.

The WDF is funded through a general purpose revenue (GPR) and a program revenue (PR) repayments appropriation. The program revenue repayments appropriation was established to operate similar to a revolving loan fund. Amounts received from WDF loan repayments are credited to the repayments appropriation and these monies can be used to fund WDF grants and loans. Base level funding for WDF grants and loans is \$4,498,400 GPR and \$4,050,000 PR.

Joint Finance/Legislature: Delete provision. Rather, modify current law provisions as follows:

a. Require that 50% of total WDF funding be awarded to small businesses. "Small business" would be defined as a business with less than 100 employees, or \$10 million or less in gross receipts.

b. Require 35% of total WDF funding to be awarded to projects in distressed areas. "Distressed area" would be an area with one of the following: (1) high unemployment; (2) low median household income; (3) a significant number of workers in the area have been permanently laid off by their employers; (4) public notice has been given by an employer of either a plant closing or a substantial reduction in work force that will result in a significant number of workers in the area being permanently laid off; (5) designated as a development or enterprise development zone; or (6) any other factor the Development Finance Board considers to be an appropriate indicator of a targeted area.

c. Incorporate the technology commercialization grant and loan program and annual funding of \$2.6 million GPR into the WDF technology development and commercialization grant and loan program. The technology commercialization grant and loan program awards grants and loans to provide financial assistance to entrepreneurs. The program provides the following types of financial assistance: (1) early stage planning grants and loans; (2) matching grants and loans; (3) bridge grants and loans; (4) venture capital grants and loans; (5) entrepreneurial and technology transfer center grants.

d. Require Commerce to make a grant of \$2.5 million in 2005-06 from the WDF technology development and commercialization grant and loan program to the Board of

Regents of the University of Wisconsin-Milwaukee to establish a biomedical technology alliance in southeastern Wisconsin. The Department would be required to enter into an agreement with the Board of Regents that specified the uses for the grant proceeds and reporting and auditing requirements.

e. Require Commerce to make a grant of \$100,000 in 2005-06 and 2006-07 from the WDF to the Wisconsin Procurement Institute (WPI). The Department would be required to enter into an agreement with the Institute that specified the uses for the grant proceeds and reporting and auditing requirements.

f. Require Commerce to make an annual grant of \$1.4 million in fiscal years 2005-06 through 2007-08 from the WDF to the City of Green Bay for a downtown waterfront redevelopment project. The Department would be required to enter into an agreement with the City that specified the uses for grant proceeds and reporting and auditing requirements.

g. Commerce indicates that it will lapse \$336,700 GPR in 2004-05 in encumbrances identified by the Legislative Audit Bureau, for inactive grants and loans from the WDF to the general fund. This will increase the July 1, 2005, opening balance of the general fund by \$336,700.

Vetoed by Governor [B-6, B-7, and B-8]: Modify provisions as follows: (a) delete the requirement that 50% of total WDF funding be awarded to small businesses (businesses with less than 100 employees, or \$10 million or less in annual gross receipts); (b) reduce from \$2.5 million to \$500,000, the grant to the Board of Regents of the University of Wisconsin-Milwaukee to establish a biomedical technology alliance in southeastern Wisconsin; and (c) reduce to a single grant of \$1,400,000, the amount to be awarded to the City of Green Bay for a downtown waterfront redevelopment project.

[Act 25 Sections: 150m, 151, 153m, 155L, 155m, 2366m, 2376k, 2407L, 9108(2k),(3k)&(3m), 9208(2n), and 9308(1z)]

[Act 25 Vetoed Sections: 2376j, 2376L, 2376m, 2407L, 9108(3k)&(3m), and 9308(1z)]

18. DIRECT PAYMENT OF GRANT PROCEEDS

Governor: Authorize the Department to contract directly with and pay grant proceeds directly to any person providing technical or management assistance under the gaming economic development and diversification, and business employee skills training (BEST) programs.

The gaming economic development and diversification grant and loan programs provides financial assistance to businesses located in areas that are affected by American Indian gaming operations and for diversifying local economies. The program includes early planning, economic development, and economic diversification grants and loans. The BEST program

provides grants to certain small businesses to develop employee work skills sought by their employers. Currently, Commerce is authorized to contract with and pay grant proceeds directly to persons providing technical or management assistance for early planning grants under the Wisconsin Development Fund, minority business finance, and rural economic development financial assistance programs. This provision would provide the Department with similar authority under the gaming grant and loan, and BEST grant programs.

Joint Finance/Legislature: Adopt the provision as it relates to the gaming economic development and diversification grant and loan program only (the BEST program would be deleted from Commerce under a following provision).

[Act 25 Sections: 2351 and 2352]

19. TRANSFER BUSINESS EMPLOYEES' SKILLS TRAINING PROGRAM TO WISCONSIN TECHNICAL COLLEGE SYSTEM BOARD

Joint Finance/Legislature: Eliminate the Business Employees' Skills Training Program (BEST) under Commerce and, instead, create a similar program administered by the Wisconsin Technical College System (WTCS) Board. Annual funding of \$1.0 million GPR would be provided in WTCS. On the effective date of the bill, pending BEST applications would be transferred to WTCS.

The BEST grant program was created by 1999 Wisconsin Act 177 to provide grants to certain small businesses to assist employees or prospective employees in acquiring work skills sought by the businesses. The program is administered by the Department of Commerce and provides funds to small businesses to assist them in upgrading the skills of their workforce. Eligible applicants are businesses located in Wisconsin with: (a) no more than 25 full-time employees; or (b) no more than \$2.5 million in gross annual income in the prior year.

The maximum grant available is 75% of project costs up to \$1,000 per full-time employee that is trained. Grant recipients must provide a cash match of 25% of project costs. Statutorily, a business cannot receive more than \$10,000 in BEST grants; however, in practice, total grants to a business are generally limited to \$5,000. The maximum total amount of grants that can be awarded is \$500,000 annually.

No single funding source is currently specified for BEST grants. As a result, eliminating the program would not result in a corresponding fiscal effect. Commerce makes BEST grants from the Wisconsin Development Fund (WDF), Rural Economic Development program (RED), or the Minority Business Finance program (MBF), depending on the type of applicant and project. The total amount of BEST awards made through these programs was \$371,100 in 2000-01, \$68,900 in 2001-02, \$69,600 in 2002-03, and \$129,600 in 2003-04. Through March 2005, a total of \$65,900 had been awarded for 2004-05.

Veto by Governor [A-22]: Delete the repeal of the Commerce BEST program, allowing Commerce to continue to make BEST grants from its economic development assistance

programs.

[Act 25 Sections: 217m, 724m, and 9108(4k)]

[Act 25 Vetoed Sections: 217m, 724m, and 2357m]

20. MINORITY BUSINESS FINANCE PROGRAM -- GRANT TO BISHOP'S CREEK REDEVELOPMENT PROJECT

Joint Finance/Legislature: Require Commerce to make a grant of \$375,000 in 2005-06 and 2006-07 from the Minority Business Finance (MBF) program to the Bishop's Creek redevelopment project in Milwaukee. In order to award the grant, the Department would be required to enter into an agreement with the project that specified the uses for the grant and reporting and auditing requirements.

Veto by Governor [B-9]: Delete provision.

[Act 25 Vetoed Sections: 154m, 155r, and 9108(8k)]

21. BROWNFIELDS GRANT PROGRAM -- GRANT TO CITY OF MADISON

Joint Finance/Legislature: Require Commerce to make a brownfields grant of \$500,000 in 2005-06 and 2006-07 to the City of Madison for the purpose of establishing a city brownfields revolving loan fund. Authorize the City to use the state grants for: (a) loans or grants to other entities for environmental site assessments, site investigations, remedial action plans and remedial actions; and (b) associated City costs related to administering and implementing the program, involving interested persons in the process, obtaining DNR approval of cleanup activities, and marketing brownfields properties to developers. To be awarded the grant all of the following would have to apply: (a) the City submits a plan to the Department detailing the use of the grant and the Secretary of Commerce approves the plan; (b) the City enters into a written agreement with the Department that specifies the conditions for use of the grant proceeds, including reporting and auditing requirements, and (c) the City agrees in writing to submit to the Department within six months after spending the full amount of the grant, a report detailing how the grant proceeds were used.

[Act 25 Sections: 156i and 9108(3f)]

22. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM -- GRANTS TO WONEWOC AND ITHACA

Joint Finance/Legislature: Require Commerce to make the following grants in 2005-06 from the federal Community Development Block Grant -- Public Facilities program:

- a. A grant of \$274,000 to the Village of Wonewoc in Juneau County for a water reservoir.
- b. A grant of \$80,000 to the Town of Ithaca in Richland County for a water well.

Within six months of spending the full amount of the grant, each village would be required to submit a report to the Department detailing how the grant proceeds were spent.

Veto by Governor [B-10]: Delete provision.

[Act 25 Vetoed Sections: 9108(5k)&(6k)]

23. GENERAL AWARD AND TAX CREDIT REPAYMENT CRITERIA

Joint Finance/Legislature: Require that Commerce may not award a grant or loan from an economic development program it administers or certify a person to receive tax benefits unless the Department entered into an agreement with the person that required the person to repay the grant, loan, or tax benefits if, within five years after receiving the grant or loan or being certified for tax benefits, the person ceases conducting the economic activity for which the grants, loans or tax benefits were received, and begins such economic activity outside Wisconsin. The provision would first apply to grants, loans or tax benefits for which applications were received after the general effective date of the bill.

[Act 25 Sections: 2348m and 9308(2q)]

24. AWARD ELIGIBILITY FOR ETHANOL PRODUCTION FACILITIES

Joint Finance/Legislature: Require that for an ethanol production facility that begins construction after the effective date of the bill, in order for the facility to be eligible for a grant from Commerce economic development programs a competitive bidding process must be used for construction of the facility.

[Act 25 Sections: 2347p and 2388p]

25. ACROSS-THE- BOARD REDUCTIONS

GPR	- \$296,300
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Senate/Legislature: Reduce the agency's GPR appropriation for general program operations by \$145,900 in 2005-06 and by \$150,400 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the

GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

26. TRANSFER PATH PROGRAM FROM THE DEPARTMENT OF HEALTH AND FAMILY SERVICES (DHFS) TO COMMERCE

	Funding	Positions
GPR	\$122,400	0.00
FED	<u>1,280,000</u>	<u>1.00</u>
Total	\$1,402,400	1.00

Governor/Legislature: Provide \$61,200 GPR, \$640,000 FED and 1.0 FED position annually to reflect the transfer of the PATH (projects for assistance in transition from homelessness) program from DHFS to the Bureau of Housing in Commerce on July 1, 2005. Currently, DHFS receives federal funds for the PATH program that are distributed, in combination with state GPR matching funds, to public, nonprofit agencies to provide mental health services to persons who are in need of such services and who are also homeless. The funds provided to Commerce include the following annual amounts: (a) \$565,600 FED for grants to local agencies; (b) \$74,400 FED and 1.0 FED position to administer the program; and (c) \$61,200 GPR for a portion of the required 25% non-federal match (counties provide the remaining matching funds). [See also the entry under "Health and Family Services -- Community, Disability, and Elder Services."]

[Act 25 Sections: 323, 331, 905 thru 908, 9121(5), and 9421(6)]

27. REAL ESTATE BROKERS' TRUST ACCOUNTS

Governor/Legislature: Require that earnings from interest bearing real estate trust accounts (IBRETA) be paid to the Department of Commerce instead of the Department of Administration currently. Real estate brokers and salespersons are required to deposit down payments, earnest money and similar types of real estate payments in a pooled interest bearing

trust account in a depository institution. Annually, before February 1, each depository institution must remit to DOA (Commerce, under the bill) the total amount of interest or dividends in excess of \$10, less service charges or fees, earned on these accounts during the previous calendar year. Commerce uses the amounts received under the IBRETA program to make grants to organizations that provide shelter or services to homeless individuals or families. Administration of the IBRETA program and several other housing programs was transferred from DOA to Commerce in 2003 Act 33. However, deposit of IBRETA earnings was not transferred from DOA to Commerce at that time. IBRETA earnings totaled \$320,900 for calendar year 2003, were received by DOA in February, 2004, and were transferred to the Commerce appropriation for the program.

[Act 25 Sections: 2338v thru 2345 and 9108(1)]

28. HOUSING GRANTS AND LOANS [LFB Paper 825]

GPR	- \$5,000,000
PR	<u>5,000,000</u>
Total	\$0

Joint Finance/Legislature: Delete \$3,000,000 GPR in 2005-06 and \$2,000,000 GPR in 2006-07 under the Department's housing assistance function for housing cost grants and loans to low- and moderate-income families. Direct the Wisconsin Housing and Economic Development Authority (WHEDA) to transfer \$3,000,000 in 2005-06 and \$2,000,000 in 2006-07 from its unencumbered general reserve fund to Commerce for housing grants and loans. Create a PR-funded biennial appropriation for this purpose, authorize the payment of housing costs grants and loans from the new appropriation account, and provide expenditure authority of \$3,000,000 PR in 2005-06 and \$2,000,000 PR in 2006-07. Repeal the PR appropriation on June 30, 2007. Further, require Commerce to submit a request to the Governor for GPR housing grants funding for the 2007-09 biennium as though \$3,300,300 GPR was provided as base level funding (\$1,300,300 GPR is provided in 2006-07).

[Act 25 Sections: 156n, 156p, 2118k thru 2118n, 9108(3r), 9408(1q), and 9424(1q)]

29. TRANSFER FROM THE PETROLEUM INSPECTION FUND TO THE GENERAL FUND

GPR-REV	\$30,860,600
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Governor/Legislature: Transfer \$10,860,600 in 2005-06 and \$20,000,000 in 2006-07 from the segregated petroleum inspection fund to the general fund.

[Act 25 Section: 9208(1)]

30. PETROLEUM INSPECTION FEE [LFB Paper 214]

SEG-REV	-\$45,900,000
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Joint Finance/Legislature: Decrease the petroleum inspection fee by 1¢, from 3¢ to 2¢ per gallon, effective May 1, 2006. This would decrease revenue to the petroleum inspection fund by

an estimated \$6.4 million in 2005-06 and \$39.5 million in 2006-07.

[Act 25 Sections: 2094f and 9408(1x)]

31. PECFA PROGRAM [LFB Paper 214]

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
SEG	-\$58,000,000	\$0	-\$58,000,000
BR	-\$49,076,000	\$49,076,000	\$0

Joint Finance/Legislature: Make the following changes in the petroleum environmental cleanup fund award (PECFA) program:

a. Decrease the PECFA awards appropriation by \$27,600,000 SEG in 2005-06 and \$30,400,000 SEG in 2006-07 to provide \$40.4 million in 2005-06 and \$37.6 million in 2006-07 for PECFA claims. This would equal the anticipated level of PECFA claim demand.

b. Delete \$49,076,000 in currently authorized, but unissued, PECFA revenue obligation bonding authority.

c. Direct the Department of Commerce to submit, as part of its 2007-09 biennial budget request, a proposal to phase-out the PECFA program.

Veto by Governor [B-3]: Restore the \$49,076,000 in PECFA revenue obligation authority. Delete the requirement that Commerce submit, as part of its 2007-09 biennial budget request, a proposal to phase out the PECFA program.

[Act 25 Vetoed Sections: 1829p and 9108(1v)]

32. DIESEL TRUCK IDLING REDUCTION UNIT GRANT PROGRAM

	Funding	Positions
SEG	\$1,086,600	1.00

Joint Finance: Provide \$37,700 petroleum inspection fund SEG in 2005-06 and \$1,048,900 SEG in 2006-07 with 1.0 SEG position annually, and create a diesel truck idling reduction unit grant program in Commerce that would provide financial assistance to motor carriers, who transport freight, for voluntarily purchasing and field testing idling reduction units on a portion of the carrier's fleet of diesel trucks. The program would include the following components:

a. Define "idling reduction unit" as a device that is installed on a diesel truck to reduce the long-duration idling of the truck by providing heat, air conditioning, or electricity to the

truck while the truck is stationary and the main drive engine of the truck is not operating.

b. Authorize Commerce to award a grant during the five year period between July 1, 2006, and June 30, 2011, to a common motor carrier (currently defined in s. 194.01 (1)), contract motor carrier (defined in s. 194.01 (2)), or private motor carrier (defined in s. 194.01 (11)) for the purchase and field testing of one or more idling reduction units, subject to eligibility terms and conditions. Sunset the program on December 31, 2012, (18 months after the last grant could be awarded).

c. Create two appropriations from the segregated petroleum inspection fund and provide funding as follows: (1) \$1,000,000 SEG in 2006-07 in an annual appropriation for grants under the program. (No grant funds could be encumbered after June 30, 2011.); and (2) \$37,700 SEG in 2005-06 and \$48,900 SEG in 2006-07 with 1.0 SEG grants specialist position in an annual appropriation for administration of the program.

d. Specify that eligible costs would include the amount that the applicant has incurred or will incur to purchase and install one or more idling reduction units under the program.

e. Ineligible costs would include: (1) the cost of shipping an idling reduction unit, purchased with a grant under the program, from the manufacturer of the unit to the facility where the unit will be installed on the motor carrier's truck tractor as defined in s. 340.01 (73); (2) the cost of operating an idling reduction unit; and (3) the cost of maintaining an idling reduction unit.

f. A grant awarded under the program could equal up to 70% of the eligible costs based on the number of truck tractors with post-1998 diesel truck engines owned and operated by the applicant. Define "post-1998 diesel truck engine" as a heavy-duty highway diesel engine that complies with the air pollutant emission standards promulgated by the U.S. Environmental Protection Agency under 42 U.S.C. s. 7521 for engine model year 1998 or a later model. The maximum number of idling reduction units per applicant which may be funded under the program would be as follows: (1) if the applicant owns and operates one truck tractor with a post-1998 diesel truck engines, the maximum number of funded idling reduction units would be one; (2) if the applicant owns and operates two to 10 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be two; (3) if the applicant owns and operates 11 to 50 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be two or 10% of the portion of the applicant's fleet with eligible engines, whichever is greater; (4) if the applicant owns and operates 51 to 250 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be six or 7% of the portion of the applicant's fleet with eligible engines, whichever is greater; (5) if the applicant owns and operates 251 to 500 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be 18 or 6% of the portion of the applicant's fleet with eligible engines, whichever is greater; (6) if the applicant owns and operates 501 to 2,500 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be 25 or 5% of the

portion of the applicant's fleet with eligible engines, whichever is greater; and (7) if the applicant owns and operates over 2,500 truck tractors with post-1998 diesel truck engines, the maximum number of funded idling reduction units would be 3% of the portion of the applicant's fleet with eligible engines.

g. Specify that an individual applicant may not receive, in any fiscal year, more than 20% of the amount appropriated for grants.

h. Allow Commerce to disburse a grant award over more than one fiscal year, subject to the availability of funds and the annual cap for an individual applicant.

i. Specify that an applicant must be headquartered in Wisconsin.

j. Specify that an applicant must install an idling reduction unit purchased under the program on a truck tractor that: (1) is owned and operated by the applicant; and (2) has a post-1998 diesel truck engine.

k. Require the applicant to pay at least 30% of the eligible costs for each idling reduction unit covered by a grant under the program. Specify that the applicant may not use grants, loans, or other financial assistance from the state or local governments in Wisconsin to pay for the applicant's share of the eligible costs.

L. Require that the use of an idling reduction unit purchased under the program must result, in aggregate, in a decrease in emissions of one or more air contaminants, as defined in s. 285.01 (1), from the truck tractor on which the unit is installed or a decrease in the use of energy by the truck tractor on which the unit is installed.

m. Require that the applicant agree to collect information relating to the operation and performance of each idling reduction unit covered by a grant under the program, as required by Commerce, and to report that information to Commerce.

n. Require that if an applicant is awarded a grant for purchasing more than one idling reduction unit, the units must be from more than one manufacturer and more than one type of units.

o. Require that the applicant must comply with any other grant condition established by the Department.

p. Require that Commerce withhold payment of at least 20% of a grant award until the grant recipient has complied with the conditions of the grant established by the Department, including providing to the Department information relating to the operating and performance of each idling reduction unit covered by the grant.

q. Require Commerce to collect information from grant recipients on the operation and performance of idling reduction units purchased under the program. Require that the Department summarize the information collected on the operation and performance of idling

reduction units and make it available to motor carriers in an accessible and cost-effective manner, such as on the Department's Internet site.

r. Authorize Commerce to promulgate emergency administrative rules to administer the program, without the finding of an emergency.

Assembly/Legislature: Make the following changes: (a) require that Commerce may make a grant of 70% (instead of "up to" 70%) of the eligible costs of the idling reduction unit and that the applicant pay 30% (instead of "at least" 30%) of the eligible costs; (b) clarify that an applicant must own "and" (instead of "or") operate the truck tractor on which an idling reduction unit would be installed; and (c) specifically require Commerce to promulgate emergency and permanent rules to administer the program.

[Act 25 Sections: 156s, 156t, 2348q, and 9108(1w)]

33. TRANSFER CODE CONSULTANT SECTION TO SAFETY AND BUILDINGS DIVISION

Governor/Legislature: Transfer \$557,300 PR and 6.0 PR code consultants annually from the Administrative Services Division to the Safety and Buildings Division. The code consultant positions perform activities related to administrative rule development such as for building, electrical, elevator, plumbing, private sewage system, one- and two-family dwelling, manufactured building and multifamily dwelling codes. In the 2001-03 biennial budget, 6.0 code consultants were moved to the Administrative Services Division. (This included moving 5.5 positions from the Safety and Buildings Division and 0.5 position from the Environmental Regulatory Services Division.)

34. SAFETY AND BUILDINGS DIVISION LICENSES AND REGISTRATIONS

PR-REV	\$782,800
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Governor/Legislature: Double the maximum fee amount that Commerce can establish by administrative rule for most of the licenses and registrations that the Department issues to plumbers, utility contractors, pipelayers, and contractors installing or maintaining automatic fire sprinklers. In addition, double the maximum term for these licenses and registrations from two to four years. Finally, double from two to four years the term of a no-fee license a plumbing supervisor employed by Commerce must hold.

Currently, Commerce may promulgate rules to set the fee for these licenses and registrations, and the fee may not exceed a statutory maximum amount. The types of licenses and registrations, existing statutory maximum fee and statutory maximum fee under the bill are shown in the following table. Currently, all of the licenses and registrations listed in the table are assessed the statutory maximum fee under administrative rule Comm 5 (except for temporary permits).

Commerce anticipates that administrative rule changes with the revised fee amounts and four-year terms would be effective in approximately August 1, 2006. The Department projects a two-year increase in revenue of \$782,800 in 2006-07 and \$729,700 in 2007-08, then a two-year decrease in revenue of \$601,200 in 2008-09 and \$654,300 in 2009-10. Revenue would increase in the first two years because of the doubling of the fee. Revenue would decrease in the third and fourth years of implementation because the change in term would result in renewals of the four-year license in the fifth year of implementation instead of current renewals of two year licenses in year three.

Licenses and Registrations -- Current and AB 100

<u>License or Registration Type</u>	<u>Current Statutory Maximum Fee (2-year term)</u>	<u>Maximum Fee Under the Bill (4-year term)</u>
Master plumber's license - new or renewal.	\$250	\$500
Journeyman plumber's license - new or renewal.	90	180
Temporary permit pending examination and issuance of license for master plumber, (also covers the examination and initial license fee).	400*	400*
Temporary permit pending examination and issuance of license for journeyman plumber (also covers the examination and initial license fee).	150*	150*
Master plumber's license (restricted) new and renewal.	250	500
Journeyman plumber's license (restricted) - new and renewal.	90	180
Plumbing supervisor employed by Commerce (for a license for which the person had previously qualified).	No fee	No fee
Automatic fire sprinkler contractor's license - new and renewal.	\$1,000	\$2,000
Automatic fire sprinkler - maintenance only registration - new and renewal.	200	400
Journeyman automatic fire sprinkler fitter's license - new and renewal.	90	180
Automatic fire sprinkler fitter - maintenance only registration certificate - new and renewal.	30	60
Utility contractor's license - new and renewal.	250	500
Pipelayer's registration - new and renewal.	90	180

*The maximum fee amount does not change under the bill, but it is listed because the term for which it applies would increase from two to four years.

[Act 25 Sections: 2014 thru 2026]

35. EDUCATION ABOUT HOME BUILDING PROCESS

PR	\$1,350,000
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Joint Finance/Legislature: Provide \$650,000 PR in 2005-06 and \$700,000 PR in 2006-07 in the Safety and Buildings program revenue operations appropriation and direct Commerce to use it as follows: (a) require Commerce to allocate at least \$600,000 annually from the appropriation to a contract with a private organization for education of consumers about the home building process, including selection of a contractor, the construction process, and consumer protection; and (b) require Commerce to allocate \$100,000 annually from the appropriation to contract with a private organization to provide education for builders on business practices, in addition to currently-required construction standards and inspection requirements. Specify that Commerce may only contract with an organization that is described in section 501 (c)(6) of the Internal Revenue Code and is exempt from federal income tax under section 501 (a) of the Internal Revenue Code. These contracts would be in addition to the current contract required with a private organization to provide education regarding construction standards and inspection requirements to builders of dwellings in the state. (Current law does not specify a contract amount for the existing contract but Commerce has provided an average of \$50,000 per year from 1999-00 through 2004-05.)

[Act 25 Sections: 1830e thru 1830m]

36. FIRE DUES DISTRIBUTION [LFB Paper 215]

PR	\$10,600,000
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Joint Finance/Legislature: In order to reflect anticipated revenues, reestimate the appropriation for fire dues distribution to local fire departments from \$8,600,000 to \$13,700,000 in 2005-06 (an increase of \$5,100,000) and \$14,100,000 in 2006-07 (an increase of \$5,500,000).

CORRECTIONS

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$1,781,276,600	\$1,864,831,900	\$1,834,221,200	\$1,802,134,800	\$1,802,134,800	\$20,858,200	1.2%
FED	5,179,800	5,204,200	5,204,200	5,204,200	5,204,200	24,400	0.5
PR	290,602,600	260,943,400	254,763,800	254,763,800	254,763,800	- 35,838,800	- 12.3
SEG	<u>602,600</u>	<u>578,600</u>	<u>569,800</u>	<u>569,800</u>	<u>569,800</u>	<u>- 32,800</u>	- 5.4
TOTAL	\$2,077,661,600	\$2,131,558,100	\$2,094,759,000	\$2,062,672,600	\$2,062,672,600	-\$14,989,000	- 0.7%

Note: The amounts shown for the 2005-07 biennium under Act 25 do not include \$24,341,800 GPR placed in the Joint Committee on Finance supplemental appropriation for possible release for prison bed contracts and correctional health care services, or \$32,086,400 GPR placed in the Finance appropriation as the result of a 2.3% across-the-board reduction to Correction's GPR state operations appropriation. The \$32.1 million may also be released to the Department. (These amounts are shown under "Program Supplements.")

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	9,311.67	9,150.92	9,184.37	9,184.37	9,184.37	- 127.30
FED	0.60	0.00	0.00	0.00	0.00	- 0.60
PR	1,105.06	923.27	877.07	877.07	877.07	- 227.99
SEG	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>0.00</u>
TOTAL	10,419.33	10,076.19	10,063.44	10,063.44	10,063.44	- 355.89

Budget Change Items

Departmentwide

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 220]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$62,898,700	- 2.00	-\$645,900	0.00	\$62,252,800	- 2.00
FED	24,400	- 0.60	0	0.00	24,400	- 0.60
PR	5,754,700	- 15.00	- 286,900	0.00	5,467,800	- 15.00
SEG	<u>- 24,000</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>	<u>- 24,000</u>	<u>0.00</u>
Total	\$68,653,800	- 17.60	-\$932,800	0.00	\$67,721,000	- 17.60

Governor: Provide \$34,545,700 and -17.6 positions in 2005-06 (\$31,341,700 GPR and -2.0 GPR positions, \$24,400 FED and -0.60 FED position, \$3,191,600 PR and -15.0 PR positions, and -\$12,000 SEG) and \$34,108,100 and -17.6 positions in 2006-07 (\$31,557,000 GPR and -2.0 positions, \$0 FED and -0.6 FED position, \$2,563,100 PR and -15.0 PR positions, and -\$12,000 SEG) for the following adjustments to the base budget: (a) turnover reduction (-\$10,433,600 GPR and -\$925,800 PR annually); (b) removal of non-continuing items (-2.0 GPR positions, -\$8,100 FED and -0.6 FED position, and -\$304,600 PR and -15.0 PR positions in 2005-06; -2.0 GPR positions, -\$32,500 FED and -0.6 FED position, and -\$952,000 PR and -15.0 PR positions in 2006-07); (c) full funding of salary and fringe benefits (\$11,803,200 GPR, \$32,500 FED, \$1,811,800 PR, and -\$16,700 SEG annually); (d) reclassifications within the Parole Commission (\$10,100 GPR annually); (e) overtime costs (\$21,736,600 GPR, \$1,933,800 PR, and \$4,600 SEG in 2005-06; \$21,951,900 GPR, \$1,952,700 PR, and \$4,600 SEG in 2006-07); (f) night and weekend pay differential (\$8,207,200 GPR, \$676,400 PR, and \$100 SEG annually); and (g) full funding of lease costs (\$18,200 GPR annually).

Joint Finance/Legislature: Modify the Governor's recommendation by -\$215,300 GPR and -\$143,400 PR in 2005-06 and -\$430,600 GPR and -\$143,500 PR in 2006-07 as follows: (a) -\$143,200 PR annually associated with turnover reductions; and (b) -\$215,300 GPR and -\$200 PR in 2005-06 and -\$430,600 GPR and -\$300 PR in 2006-07 associated with overtime funding.

2. FUEL AND UTILITY REESTIMATES

GPR	\$20,284,100
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Governor/Legislature: Provide \$9,711,700 in 2005-06 and \$10,572,400 in 2006-07 for estimated fuel and utility costs for the Division of Adult Institutions. Base funding for fuel and utilities is \$14,218,900.

3. DEBT SERVICE REESTIMATES [LFB Paper 184]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$5,661,300	-\$346,100	\$5,315,200
PR	<u>-642,900</u>	<u>0</u>	<u>-642,900</u>
Total	\$5,018,400	-\$346,100	\$4,672,300

Governor: Provide \$3,723,700 GPR and -\$364,100 PR in 2005-06 and \$1,937,600 GPR and -\$278,800 PR in 2006-07 to reflect a reestimate of debt service costs in the Department of Corrections. The reestimates include: (a) adult corrections, \$3,319,400 GPR in 2005-06 and \$2,022,200 GPR in 2006-07; (b) juvenile corrections, \$404,300 GPR in 2005-06 and -\$84,600 GPR in 2006-07; and (c) Badger State Industries, -\$364,100 PR in 2005-06 and -\$278,800 PR in 2006-07.

In total, debt services for Corrections would be: (a) adult corrections, \$74,926,800 GPR in 2005-06 and \$73,629,600 GPR in 2006-07; (b) juvenile corrections, \$4,918,300 GPR in 2005-06 and \$4,429,400 GPR in 2006-07; and (c) Badger State Industries, \$153,300 PR in 2005-06 and \$238,600 PR in 2006-07.

Joint Finance/Legislature: Modify debt service costs associated with adult and juvenile correctional institutions by -\$1,318,000 GPR in 2005-06 and \$971,900 GPR in 2006-07. Funding would be reestimated as follows: (a) -\$1,340,300 GPR in 2005-06 and \$900,800 GPR in 2006-07 for adult institutions; and (b) \$22,300 GPR in 2005-06 and \$71,100 GPR in 2006-07 for juvenile correctional institutions. In total, reestimated debt service costs for Corrections would be: (a) adult corrections, \$73,586,500 GPR in 2005-06 and \$74,530,400 GPR in 2006-07; and (b) \$4,940,600 GPR in 2005-06 and \$4,500,500 GPR in 2006-07.

4. RENT [LFB Paper 221]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$741,900	-\$200,100	\$541,800
PR	<u>-276,800</u>	<u>0</u>	<u>-276,800</u>
Total	\$465,100	-\$200,100	\$265,000

Governor: Provide \$60,700 in 2005-06 (\$309,100 GPR and -\$248,400 PR), and \$404,400 in 2006-07 (\$432,800 GPR and -\$28,400 PR) for rent costs on a departmentwide basis. Funding would be provided as indicated in the table below. The amounts identified in the table for the Wisconsin Correctional Center System, the Parole Commission, and the Division of Juvenile Corrections represent monies transferred to the Division of Management Services (DMS). Under the bill, overall rent in DMS would increase by \$81,400 GPR in 2005-06 and \$194,900 GPR in 2006-07.

	GPR		PR	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Division of Management Services	\$412,300	\$525,500	-\$30,600	-\$8,000
Division of Adult Institutions	800	1,200		
Division of Community Corrections	-268,300	-101,400		
Division of Correctional Programs (eliminated)	-52,000	-52,000		
Secretary's Office	500	600		
Wisconsin Correctional Center System	-267,900	-267,900		
Training Centers for Correctional Officers	36,500	38,900	15,600	24,400
Central Pharmacy	194,300	200,100		
Badger State Industries, Correctional Farms	4,100	10,600		
Sex Offender Registry Office	47,600	49,100		
Parole Commission	-34,700	-34,700		
Division of Juvenile Corrections	<u>-28,300</u>	<u>-28,000</u>	<u>30,800</u>	<u>46,000</u>
Total	\$309,100	\$432,800	-\$248,400	-\$28,400

Joint Finance/Legislature: Transfer \$200,100 GPR in 2006-07 to the Joint Committee on Finance's supplemental appropriation associated with rent for the Dodge Correctional Institution's pharmacy.

[Act 25 Section: 9109(2r)]

5. BUDGET REDUCTIONS -- ADULT CORRECTIONS

	Funding	Positions
GPR	-\$8,201,000	-13.00

Governor/Legislature: Delete \$4,100,500 and 13.0 positions annually in Corrections' state operations appropriations for adult corrections. In the Executive Budget Book, the Governor recommends reducing funding and positions "to create additional operational efficiencies and balance the budget by: (a) reducing food expenditures in adult institutions; (b) eliminating vacant positions across funding sources; and (c) reducing rent expenditures at the department's central office." The reductions would be divided as follows: (a) -\$2,805,100 annually associated with decreased food costs; (b) -\$700,000 annually associated with decreased rent expenditures; and (c) -\$595,400 and -13.0 positions annually associated with vacant positions (the positions to be deleted have yet to be determined).

6. HEALTH CARE SERVICES POSITION ELIMINATION [LFB Paper 221]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$0	-124.20	-\$12,766,000	124.20	-\$12,766,000	0.00
PR	0	-6.25	0	6.25	0	0.00
Total	\$0	-130.45	-\$12,766,000	130.45	-\$12,766,000	0.00

Governor: Delete 124.2 GPR positions and 6.25 PR positions in 2006-07 associated with health care services from the Department as identified in the table below. Under the bill, funding associated with the positions (\$12,766,000 GPR and \$716,600 PR for salaries and fringe benefits) would remain in the Department's base funding. According to the Executive Budget Book, Corrections "is investigating a number of cost containment strategies, including a review of the drug formulary, regional hospital coverage, protocols for disease management and contracts with health care professionals to provide health services to adults and juveniles in correctional institutions and centers." Health care positions that would not be eliminated in adult correctional programs include health services nursing coordinators, nursing specialists, nursing supervisors, nurse clinicians; for juvenile correctional programs, positions that would remain include a psychiatrist, a psychologist supervisor and psychologists.

<u>Institution</u>	<u>Position Title</u>	<u>Positions</u>	<u>Funding</u>	<u>Source</u>	
Bureau of Health Services	Physicians	-18.85	\$3,820,500	GPR	
	Physician Supervisors, Managers	-1.50	389,700	GPR	
		-0.50	148,400	PR	
	Physician Assistants	-2.00	187,400	GPR	
	Pharmacists	-9.50	1,066,600	GPR	
	Pharmacist Supervisor	-1.00	132,300	GPR	
	Pharmacy Technicians	-11.75	412,700	GPR	
	Pharmacy Assistant	-1.00	39,400	GPR	
	Dentists	-18.75	3,007,700	GPR	
		-2.00	319,300	PR	
	Dental Supervisors, Managers	-2.00	360,100	GPR	
	Dental Hygienists	-1.50	92,100	GPR	
	Dental Assistants	-5.00	184,500	GPR	
	Nurse Practitioners	-12.35	1,269,500	GPR	
	Nurse Consultants	-1.50	92,400	GPR	
	Health Information Supervisor	-1.00	72,600	GPR	
	Health Information Technician	-4.00	153,700	GPR	
	Ophthalmic Assistant	-1.00	31,500	GPR	
	Optometrist	-1.00	145,800	GPR	
	Waupun Correctional Institution	Dental Hygienist	-0.50	29,400	GPR
		Dental Assistant	-1.00	38,900	GPR
Diagnostic Radiologic Technician		-1.00	61,000	GPR	
Dodge Correctional Institution	Medical Assistant	-2.00	67,800	GPR	
	Diagnostic Radiologic Technician	-1.00	50,800	GPR	
	Phlebotomist	-1.00	48,700	GPR	
	Physical Therapy Assistant	-1.00	45,200	GPR	
Green Bay Correctional Institution	Dental Hygienist	-1.00	34,300	GPR	
	Medical Assistant	-0.50	16,800	GPR	
Taycheedah Correctional Institution	Dental Hygienist	-0.50	38,300	GPR	
	Dental Assistant	-1.00	29,400	GPR	
Fox Lake Correctional Institution	Dental Assistant	-1.00	34,300	GPR	
Columbia Correctional Institution	Dental Assistant	-1.00	41,400	GPR	
Kettle Moraine Correctional Institution	Dental Hygienist	-0.50	29,400	GPR	
	Dental Assistant	-1.00	37,300	GPR	
Oakhill Correctional Institution	Dental Assistant	-1.00	34,300	GPR	
Racine Correctional Institution	Dental Hygienist	-1.00	61,800	GPR	
	Dental Assistants	-2.00	68,100	GPR	
Oshkosh Correctional Institution	Dental Hygienist	-0.50	32,400	GPR	
	Dental Assistants	-2.25	87,200	GPR	
Jackson Correctional Institution	Dental Assistant	-1.00	37,800	GPR	
Wisconsin Secure Program Facility	Dental Assistant	-0.50	17,100	GPR	
Racine Youthful Offender Correctional Facility	Dental Assistant	-0.50	19,200	GPR	

<u>Institution</u>	<u>Position Title</u>	<u>Positions</u>	<u>Funding</u>	<u>Source</u>
Redgranite Correctional Institution	Dental Hygienist	-0.75	\$44,000	GPR
	Dental Assistant	-0.75	25,700	GPR
New Lisbon Correctional Institution	Dental Hygienist	-0.50	33,400	GPR
	Dental Assistant	-0.75	25,300	GPR
	Nursing Consultant	-0.50	30,800	GPR
Chippewa Valley Treatment Correctional Facility	Dental Assistant	-0.50	16,900	GPR
Stanley Correctional Institution	Dental Hygienist	-0.50	33,900	GPR
	Dental Assistants	-2.00	68,600	GPR
Milwaukee Secure Detention Facility	Dental Hygienist	-0.50	32,400	GPR
	Dental Assistant	-1.00	35,600	GPR
Ethan Allen School	Dental Assistant	-1.00	33,800	PR
	Nurse Practitioner	-0.50	45,500	PR
Lincoln Hills School	Dental Hygienist	-1.00	80,000	PR
	Dental Assistant	-0.50	19,200	PR
Southern Oaks Girls School	Nurse Practitioner	<u>-0.75</u>	<u>70,400</u>	PR
	GPR Total	-124.20	\$12,766,000	
	PR Total	<u>-6.25</u>	<u>716,600</u>	
	All Funds Total	-130.45	\$13,482,600	

Joint Finance/Legislature: Delete the Governor's recommendation. Transfer \$12,766,000 GPR in 2006-07 associated with the 124.2 GPR positions to the Joint Committee on Finance's supplemental appropriation. Direct the Department to submit a plan, not later than January 2, 2006, regarding the manner in which the Department will manage adult correctional health care and health care costs in 2006-07. If the Department intends to contract for health care, the plan should specify the contract provisions and costs. If the Department does not contract for health care, the plan should specify how Corrections will address correctional health care needs. Funding could be released and positions adjusted after the plan is approved by the Committee. In addition, require that the plan include a review of the delivery of controlled medications to inmates by correctional officers, and recommended alternatives to this practice. Further, specify that Corrections retain responsibility for juvenile corrections health care.

[Act 25 Section: 9109(2r)]

7. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-6.50	6.50	0.00
PR	<u>-0.30</u>	<u>0.30</u>	<u>0.00</u>
Total	-6.80	6.80	0.00

Governor: Delete 7.8 positions (7.5 GPR and 0.3 PR) annually to reflect the consolidation of the agency's attorneys and legal staff under DOA, effective January 1, 2006. Reallocate \$366,300 (\$358,600 GPR and \$7,700 PR,) in 2005-06 and \$732,600 (\$717,400 GPR and \$15,200 PR) in 2006-07 from budgeted salaries and fringe benefits to the agency's supplies and services budget to pay for legal services supplied by DOA. Authorize the Secretary of DOA to identify one attorney position in Corrections as general counsel for the agency and authorize 1.0 GPR unclassified position for this purpose. The general counsel position would be funded from base level salary and fringe benefits amounts associated with the position identified by the Secretary of DOA.

Specify that all transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006.

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempt from the attorney position deletion and lapse or transfer of funds requirements.

Vetoed by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

8. PROCUREMENT AND PURCHASING SERVICES CONSOLIDATION [LFB Paper 112]

	Funding	Positions
GPR	-\$869,000	- 14.50

Governor/Legislature: Delete \$869,000 in salaries and fringe benefits and 14.5 positions in 2006-07 associated with the consolidation of procurement

and purchasing services functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

9. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions	
GPR		- 8.80

Governor/Legislature: Reallocate \$516,200 from salaries and fringe benefits and \$124,000 from supplies and services to unallotted reserve and delete 8.8 positions in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

10. BASE LEVEL FUNDING AND POSITION REALLOCATIONS

	Funding	Positions
GPR	-\$68,800	- 1.00
PR	<u>68,800</u>	<u>1.00</u>
Total	\$0	0.00

Governor/Legislature: Reallocate base level funding and positions between and within appropriations in the Department to reflect departmental reorganization. Overall funding and position totals for each fiscal year would not change. However, \$34,400 GPR and 1.0 GPR program assistant position would be converted to \$34,400 PR and 1.0 PR position associated with probation, parole and extended supervision. Changes to appropriations due to reallocations would be as follows: (a) general program operations, adult corrections, \$172,700 GPR and 2.9 GPR positions annually; (b) services for community corrections, -\$354,400 GPR and -6.35 GPR positions and \$34,400 PR and 1.0 PR position annually; (c) Parole Commission, \$47,600 GPR and 1.0 GPR position annually; (d) general program operations, juvenile corrections, \$99,700 GPR and 1.45 GPR positions annually; (e) juvenile correctional services, 0.17 PR position annually; and (f) juvenile corrective sanctions program, -0.17 PR position annually.

11. DELETION OF UNIT SUPERVISOR POSITIONS

	Funding	Positions
GPR	-\$6,648,200	- 45.00
PR	<u>-2,084,200</u>	<u>-14.00</u>
Total	-\$8,732,400	- 59.00

Joint Finance/Legislature: Delete \$3,324,100 GPR and 45.0 GPR positions and \$1,042,100 PR and 14.0 PR positions annually associated with corrections unit supervisor and assistant unit supervisor positions.

Prohibit Corrections from creating or employing any corrections unit supervisors or similar positions to supervise correctional institution security staff if that position does not directly report to the institution's security director.

Veto by Governor [D-5]: Delete provision. Although the deleted funding and positions could not be restored through the partial veto, in the veto message, the Governor indicates that "Corrections will have the flexibility to substitute other positions in place of the corrections unit supervisor and assistant unit supervisor positions deleted" under the act.

[Act 25 Vetoed Section: 2221m]

12. RISK MANAGEMENT [LFB Paper 222]

GPR	- \$261,600
PR	- 124,400
SEG	- 8,800
Total	- \$394,800

Joint Finance/Legislature: Delete \$131,600 GPR, \$62,400 PR, and \$4,400 SEG in 2005-06 and \$130,000 GPR, \$62,000 PR, and \$4,400 SEG in 2006-07 associated with funding for risk management.

13. BADGERCARE COVERAGE OF PRENATAL CARE AND DELIVERY SERVICES [LFB Paper 375]

GPR	- \$123,000
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Joint Finance/Legislature: Delete \$41,000 in 2005-06 and \$82,000 in 2006-07 associated with Corrections' savings as a result of providing prenatal care and delivery services to incarcerated females under the state's BadgerCare program (approximately 17 females annually).

14. SALE OF STATE-OWNED POWER PLANTS

	Positions
GPR	- 20.25
PR	- 24.00
Total	- 44.25

Joint Finance/Legislature: Delete 20.25 GPR positions and 24.0 PR positions in 2006-07 associated with correctional power plants. Require the Department of Administration to do one of the following by

April 7, 2007: (a) sell the plant or facility and credit the net sale proceeds, less any outstanding public debt owed on the plant or facility, to the budget stabilization fund; or (b) contract with a private entity for the operation of the plant or facility. Transfer funding associated with salary and fringe benefits of the deleted positions (\$1,141,600 GPR and \$1,388,900 PR) to unallotted reserve in 2006-07 to fund agency costs related to the provision of utility services. [See "Administration -- General Agency Provisions."]

Veto by Governor [E-6]: Delete provision. According to the veto message, the Governor indicates that, while he cannot restore the deleted positions, "I am asking the Department of Administration secretary to pursue the restoration of these positions through procedures authorized under current law to ensure continuity of basic services."

[Act 25 Vetoed Sections: 16m, 16n, 83m, 85g, 85r thru 87L, 163m, 167m, 172m, 193m, 286m, 288m, 364c, 384t, 413m, 795f, 9101(10v), and 9455(3w)]

15. PILOT PROGRAM TO CONTRACT FOR PHARMACEUTICALS

Joint Finance/Legislature: Create a pilot program under which a private contractor would supply and distribute pharmaceuticals at one of the Department of Corrections' adult institutions. Specify that a contract would be awarded only if cost savings would be realized as a result of the contract.

Veto by Governor [D-2]: Delete the phrase "one of." As a result, Corrections is allowed to create a pilot program at more than one adult institution.

[Act 25 Section: 9109(2q)]

[Act 25 Vetoed Section: 9109(2q)]

16. JOINT SERVICES PILOT PROGRAM

Joint Finance/Legislature: Require DHFS, the Department of Veterans Affairs, and the Department of Corrections to develop a plan for the provision of personal, payroll, purchasing, custodianship, grounds and maintenance, distribution, warehouse, and security services at the Northern Center and Southern Center for the Developmentally Disabled, for all programs that each agency conducts at these places. Specify that the report would contain the projected impact of the proposed programs on expenditures and the numbers of authorized positions for each agency. Require the agencies to submit the report to the Joint Committee on Finance by December 31, 2005. Provide that if the Committee approves the plan, the agencies would jointly fund and implement the specified activities that each agency conducts at these places.

Veto by Governor [C-27]: Delete provision.

[Act 25 Vetoed Sections: 1225m and 9121(12q)]

17. ACROSS-THE-BOARD GPR REDUCTIONS

GPR	- \$32,086,400
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Senate/Legislature: Reduce Corrections' appropriation for general program operations by \$16,212,300 in 2005-06 and \$15,874,100 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements."

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not

to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

Adult Corrections

1. ADULT CORRECTIONAL FACILITY POPULATIONS [LFB Paper 225]

Governor: Estimate an average daily population in adult correctional facilities (correctional institutions and centers) and contract beds of 21,726 in 2005-06 and 21,295 in 2006-07. The following table identifies the distribution of this population.

	February 25, 2005 <u>Actual Population</u>	<u>Average Daily Population</u>	
		<u>2005-06</u>	<u>2006-07</u>
Institutions	18,929	18,715	18,715
Centers	2,382	2,485	2,501
Contract Beds*	<u>631</u>	<u>526</u>	<u>79</u>
Total	21,942	21,726	21,295

*Contract beds include 25 inmates held in federal facilities, and inmates placed in Wisconsin county jails and private out-of-state contract facilities.

Joint Finance/Legislature: Reestimate the average daily population to be 21,406 inmates in 2006-07, as a result of removing the expansion of the earned release program (Item #5). The following table identifies the distribution of this population.

	June 3, 2005 <u>Actual Population</u>	<u>Average Daily Population</u>	
		<u>2005-06</u>	<u>2006-07</u>
Institutions	18,894	18,715	18,715
Centers	2,284	2,485	2,501
Contract Beds*	<u>572</u>	<u>526</u>	<u>190</u>
Total	21,750	21,726	21,406

*Contract beds include 25 inmates held in federal facilities, and inmates placed in Wisconsin county jails and private out-of-state contract facilities.

2. POPULATION AND INFLATIONARY COST INCREASES [LFB Paper 221]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$12,274,000	-\$8,375,700	\$3,898,300

Governor: Provide \$3,948,000 in 2005-06 and \$8,326,000 in 2006-07 to reflect population-related costs adjustments for prisoners in facilities operated by the Division of Adult Institutions as follows: (a) -\$65,000 in 2005-06 and -\$49,700 in 2006-07 for variable non-food costs, such as clothing, laundry, inmate wages, and other supplies; (b) \$3,177,100 in 2005-06 and \$7,424,100 in 2006-07 for inmate health care; and (c) \$2,066,100 annually associated with limited-term positions for inmate health care (primarily psychiatrists). In addition, reduce inmate health care costs by \$1,230,200 in 2005-06 and \$1,114,500 in 2006-07 associated with projected cost reductions. Including the projected cost reductions, the per capita cost for inmate health care would increase from an estimated \$2,265 in 2004-05, to \$2,387 in 2005-06 and \$2,585 in 2006-07 (a 5.4% increase in the first year and an 8.3% increase in the second year). Health care costs include contracts with the University Hospital and Clinics, the UW Medical Foundation, other community hospitals, and pharmaceutical costs.

Joint Finance/Legislature: Modify the Governor's provision by transferring \$8,375,700 in 2006-07 associated with inmate health care to the Joint Committee on Finance's supplemental appropriation. Funding would include: (a) \$7,424,100 in 2006-07 for inmate health care; (b) \$2,066,100 in 2006-07 associated with limited-term positions for inmate health care; and (c) -\$1,114,500 in 2006-07 associated with projected cost reductions. Funding could be released to the Department after approval of a plan regarding correctional health care.

[Act 25 Section: 9109(2r)]

3. PRISON CONTRACT BED FUNDING [LFB Paper 225]

GPR	-\$12,141,600
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Governor: Delete \$4,314,300 GPR in 2005-06 and \$7,827,300 GPR in 2006-07 related to in-state and out-of-state prison contract beds. Total contracted bed funding of \$11,007,500 in 2005-06 and \$7,495,400 in 2006-07 would support an estimated 510 contract prison beds in 2005-06 and 323 contract beds in 2006-07. In addition, the contract beds appropriation funds the costs of youthful adult offenders (seven annually) in juvenile correctional facilities, the temporary lock-up of correctional center system inmates, and inmate transportation costs from contracted facilities. As of February 25, 2005, there were 53 inmates in private, out-of-state contract facilities and 576 inmates in Wisconsin county jails.

Delete \$500,500 annually from the Department's purchase of services for offenders appropriation and provide that amount in contract bed funding. Under 2003 Act 33, a pilot program was created to support two 25-bed halfway houses that would allow non-violent offenders to spend the last six months of their prison term at those facilities under the supervision of the Department, notwithstanding current sentencing laws. A request for

proposals associated with the programs was issued in July, 2004, but no responses were received by the deadline in September, 2004. Under the bill, funding associated with the program is eliminated, but statutory provisions authorizing the program are retained.

Under the bill, funding for the contract beds appropriation would be reduced by two other provisions, indicated in the following table.

	<u>2005-06</u>		<u>2006-07</u>	
	<u>Amount</u>	<u>Beds</u>	<u>Amount</u>	<u>Beds</u>
<u>Base Funding</u>	\$14,821,300	731	\$14,821,300	731
Prison Contract Bed Funding	-4,314,300	-221	-7,827,300	-408
Funding transferred from purchased services for offenders appropriation	<u>500,500</u>	<u>--</u>	<u>500,500</u>	<u>--</u>
Total	\$11,007,500	510	\$7,494,500	323
<u>Funding Reductions</u>				
Expansion to Community Alternatives to Revocation (Item #4)	-\$167,900	-9	-\$2,972,700	-158
Earned Release Program (Item #5)	<u>0</u>	<u>--</u>	<u>-2,093,500</u>	<u>-111</u>
Appropriation Total	\$10,839,600	501	\$2,428,300	54

Joint Finance/Legislature: Include the Governor's provision. In addition, place \$1,500,000 annually in the Joint Committee on Finance's supplemental appropriation for possible release to Corrections for additional contract beds. Based on current daily contract rates (\$51.46), the funding would support 80 additional contract beds.

Total funding for contract beds would be as follows (including reserved funding).

	<u>2005-06</u>		<u>2006-07</u>	
	<u>Amount</u>	<u>Beds</u>	<u>Amount</u>	<u>Beds</u>
<u>Base Funding</u>	\$14,821,300	731	\$14,821,300	731
Prison Contract Bed Funding	-4,314,300	-221	-7,827,300	-408
Funding transferred from purchased services for offenders appropriation	<u>500,500</u>	<u>--</u>	<u>500,500</u>	<u>--</u>
Total	\$11,007,500	510	\$7,494,500	323
<u>Funding Modifications</u>				
Expansion to Community Alternatives to Revocation (Item #4)	-\$167,900	-9	-\$2,972,700	-158
JFC Reserve Funding for Contract Beds	<u>1,500,000</u>	<u>80</u>	<u>1,500,000</u>	<u>80</u>
Total	\$12,339,600	581	\$6,021,800	245

Veto by Governor [D-6]: Delete provision to place \$1,500,000 annually in the Joint Committee on Finance supplemental appropriation for possible release to Corrections for

contract beds. [See "Program Supplements".] Total funding for contract beds under Act 25 would be as follows:

	2005-06		2006-07	
	Amount	Beds	Amount	Beds
<u>Base Funding</u>	\$14,821,300	731	\$14,821,300	731
Prison Contract Bed Funding	-4,314,300	-221	-7,827,300	-408
Funding transferred from purchased services for offenders appropriation	<u>500,500</u>	<u>--</u>	<u>500,500</u>	<u>--</u>
Total	\$11,007,500	510	\$7,494,500	323
<u>Funding Modifications</u>				
Expansion to Community Alternatives to Revocation (Item #4)	<u>-\$167,900</u>	<u>-9</u>	<u>-\$2,972,700</u>	<u>-158</u>
Total	\$10,839,600	501	\$4,521,800	165

[Act 25 Vetoed Section: 140 (as it relates to s. 20.865(4)(a))]

4. EXPANSION OF COMMUNITY ALTERNATIVE TO REVOCATION [LFB Paper 233]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$11,800	-\$531,300	-\$543,100

Governor: Provide \$723,600 in 2005-06 and \$2,405,200 in 2006-07 to expand local community housing and treatment options available to offenders who violate their probation, parole, or extended supervision and may serve time and/or receiving programming as an alternative to the revocation of their probation, parole, or extended supervision. Funding would include: (a) one-time funding for electronic monitoring equipment (\$83,000 in 2005-06); (b) additional halfway house (HWH) beds for high-risk offenders (\$1,124,100 in 2006-07); (c) temporary living placement (TLP) beds for low-risk offenders (\$269,800 in 2005-06 and \$539,500 in 2006-07); and (d) six additional day reporting centers and electronic monitors for offenders (\$370,800 in 2005-06 and \$741,600 in 2006-07). Currently, there are 472 HWH beds, 283 TLP beds, and six day reporting centers.

Costs of expanding the use of community alternatives to revocation would be offset by a reduction in contract bed funding of \$167,900 in 2005-06 (a reduction of nine offenders) and \$2,972,700 in 2006-07 (a reduction of 158 offenders).

Joint Finance/Legislature: Modify the Governor's recommendation by -\$185,400 in 2005-06 and -\$345,900 in 2006-07 to provide three, rather than six, additional day reporting centers for offenders.

5. EARNED RELEASE PROGRAM EXPANSION [LFB Paper 226]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$41,300	22.50	\$41,300	-22.50	\$0	0.00

Governor: Specify that Corrections may designate all or any part of any prison as a correctional treatment facility to provide alcohol and other drug abuse (AODA) programs. Provide \$779,700 in 2005-06 and \$1,272,500 in 2006-07 and 22.5 positions annually to expand the use of the earned release program by 200 new beds. Reduce contract bed funding by \$2,093,500 in 2006-07 associated with the expanded program. Currently, the substance abuse program associated with earned release is at the Drug Abuse Correctional Center (DACC) in Winnebago.

Under the recommendation, the Department would convert 40 beds for use for the earned release program at each of the following facilities: Thompson Correctional Center, Oregon Correctional Center, Robert E. Ellsworth Correctional Center, Kenosha Correctional Center, and Marshall E. Sherrer Correctional Center. Each of the programs would be staffed by 3.0 social workers, 1.0 psychologist, and 0.5 program assistant.

An earned release program was created in 2003 Act 33 for eligible inmates who successfully complete the substance abuse treatment program at DACC. All inmates are eligible for the DACC earned release program, except inmates who are incarcerated for crimes against life and bodily security (crimes under Chapter 940 of the statutes), or for certain crimes against a child. Inmates in the intensive sanctions program may participate in the program but are not eligible for earned release. For inmates serving a bifurcated sentence (truth-in-sentencing), the sentencing court must decide at sentencing whether or not an inmate is eligible for the program. Inmates serving a bifurcated sentence prior to the creation of the DACC program must petition the sentencing court to determine eligibility. The sentencing court must rule on the inmate's petition no later than 90 days after the petition is filed. In addition, eligible inmates serving an indeterminate sentence may be placed in the earned release program by the Department.

Joint Finance/Legislature: Delete provision. However, designate the Ellsworth Correctional Center for female offenders as a facility for the earned release program.

[Act 25 Sections: 2226m, 2227m, and 2228 thru 2231]

6. ALCOHOL AND OTHER DRUG ABUSE TREATMENT UNITS [LFB Paper 227]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$2,688,300	25.50	-\$1,503,100	-13.50	\$1,185,200	12.00

Governor: Provide \$1,230,200 in 2005-06 and \$1,458,100 in 2006-07 and 25.5 positions annually to establish alcohol and other drug abuse (AODA) treatment units at the Racine Correctional Institution (174 beds) and Taycheedah Correctional Institution (36 beds). The programs would be four-months long and, when fully operational, would serve up to 522 male inmates at Racine and 120 female inmates at Taycheedah annually. Staffing would include: (a) Racine, 14.0 social workers, 5.0 psychologists, and 2.0 program assistants; and (b) Taycheedah, 3.0 social workers, 1.0 psychologist and 0.5 program assistant.

Joint Finance/Legislature: Modify the Governor's recommendation by -\$684,900 in 2005-06 and -\$818,200 in 2006-07 and -13.50 annually and establish a 100-bed (rather than the 174-bed) AODA treatment unit at Racine Correctional Institution and a 15-bed (rather than a 36-bed) AODA treatment unit at Taycheedah Correctional Institution. Staffing would include: (a) Racine, 8.25 social workers, 0.75 psychologist, and 1.50 program assistants; and (b) Taycheedah, 1.25 social workers and 0.25 program assistant.

7. **JACKSON CORRECTIONAL INSTITUTION WASTEWATER TREATMENT FACILITY**
[LFB Paper 230]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$327,400	-\$201,300	\$126,100

Governor: Create an annual program revenue appropriation to make improvements to the wastewater treatment facility at the Jackson Correctional Institution in Black River Falls and provide one-time funding of \$327,400 in 2005-06. Revenue would be provided from tribal gaming receipts. Repeal the appropriation on July 1, 2007. Funding would be used to upgrade the Wazee Wastewater Treatment Facility in Black River Falls for Jackson Correctional Institution.

Joint Finance/Legislature: Delete \$1,300 PR in 2005-06 to reflect Corrections' share of actual costs of upgrades to Wazee Area Wastewater Treatment Facility. In addition, reduce funding by \$200,000 PR in 2005-06. Require Corrections to use \$100,000 GPR in base funding in 2005-06 and transfer \$100,000 GPR in base resources from 2006-07 to 2005-06 to fund costs of upgrades to Wazee Area Wastewater Treatment Facility.

[Act 25 Sections: 290, 291, 427, 428, and 9409(1)]

8. **GENERAL FUNDING AND POSITION REDUCTIONS**
-- ADULT CORRECTIONS

	Funding	Positions
GPR	-\$3,605,000	- 64.00

Governor/Legislature: Delete \$1,000,000 and 50.0 positions in 2005-06 and \$2,605,000 and 64.0 positions in 2006-07 from salary and fringe benefits, as follows: (a) general program operations, -\$500,000 and -25.0 positions in 2005-06 and

-\$1,582,800 and -39.0 positions in 2006-07; and (b) community corrections, -\$500,000 and -25.0 positions in 2005-06 and -\$1,022,200 and -25.0 positions in 2006-07. The Executive Budget Book indicates that the Governor recommends the reduction of expenditures and positions "to create additional operational efficiencies and balance the budget by . . . eliminating vacant positions across funding sources."

9. REDUCTION OF FUNDING FOR PHARMACOLOGICAL TREATMENT FOR CERTAIN CHILD SEX OFFENDERS [LFB Paper 231]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$800,000	-\$239,400	-\$1,039,400

Governor: Delete \$400,000 annually in supplies and services funding from the pharmacological treatment for certain child sex offenders appropriation. In addition, reallocate a 0.75 chief psychologist position and associated funding of \$78,800 annually from the appropriation to the general program operations appropriation (with no change to overall funding and position totals). Current base funding in the appropriation is \$701,200 and 0.75 position.

Joint Finance/Legislature: Approve the Governor's recommendation. Further, delete an additional \$119,700 annually in supplies and services funding.

10. SUPPLIES AND SERVICES FUNDING REDUCTIONS -- ADULT CORRECTIONS [LFB Paper 121]

GPR	-\$250,000
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Governor: Delete \$250,000 in 2006-07 from Corrections as follows: (a) -\$125,000 in supplies and services from the general program operations appropriation; and (b) -\$125,000 in supplies and services from the community corrections services appropriation. The Executive Budget Book indicates that funding in a new appropriation under the Office of Justice Assistance would pay appropriated amounts to the Wisconsin Trust Account Foundation, Inc., to provide civil legal services to indigent persons. [See "Administration -- Office of Justice Assistance."]

Joint Finance/Legislature: Retain the funding reduction in Corrections. However, delete the new appropriation under the Office of Justice Assistance to pay appropriated amounts to the Wisconsin Trust Account Foundation, Inc.

11. **ELIMINATION OF THE BUSINESS/PRISON EMPLOYMENT PROGRAM** [LFB Paper 229]

PR	- \$741,600
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Governor: Eliminate the private business/prison employment program and delete base funding of \$370,800 annually. Create statutory language to transfer the encumbered balance from the private business/prison employment program appropriation to the prison industries appropriation in order to eliminate the current deficit in the private sector ventures program. As of June 30, 2004, the private business/prison employment appropriation had a balance of -\$1,377,700 while prison industries had a \$3,148,500 balance. To date in 2004-05, the private business/prison employment appropriation has received revenue of \$61,900 and had no expenditures.

Under current law, Corrections is authorized to lease space within state prisons and juvenile correctional institutions to not more than two private businesses that would employ prison inmates to manufacture products or components or to provide services for sale on the open market. Previously, two private business/prison employment projects operated at correctional facilities: (a) Jorgensen Conveyors of Mequon, at the Waupun Correctional Institution, providing welding services for the company (1996-1999); and (b) Fabry Glove and Mitten Company, at Green Bay Correctional Institution (1996-2002). No private business/prison employment projects have operated since November, 2002.

Joint Finance/Legislature: Include the Governor's recommendation to delete base funding of \$370,800 annually and create statutory language to transfer the encumbered balance to the prison industries appropriation. However, retain the statutory authority to operate a private business/prison employment.

[Act 25 Section: 9209(2)]

12. **PROGRAM REVENUE REESTIMATE -- PRISON INDUSTRIES RAW MATERIALS**

PR	- \$11,967,600
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Governor/Legislature: Provide a reduction in program revenue expenditure authority of -\$6,874,200 in 2005-06 and -\$5,093,400 in 2006-07 associated with reduced costs for prison industries raw materials. The Department operates prison industries programs at 14 correctional institutions. Prison industry production includes office and institutional furniture, textile products, signage, printing and graphics, laundry, and metal stamping. According to the Department, revenues are declining for prison industries as a result of decreased business, due in part to the current economy and reduced furniture purchases from state agencies. Currently, expenditure authority for the prison industries appropriation is \$24,636,000, however, the Department estimates total revenues of \$17,000,000 in 2005-06 and \$20,000,000 in 2006-07.

13. PROGRAM REVENUE REESTIMATE -- INMATE WORK PROJECTS PR \$3,917,600

Governor/Legislature: Provide \$1,958,800 annually in increased expenditure authority to fund inmate work projects in correctional institution enterprises, inmate activities and employment correctional farms, associated with more inmates being brought back from out-of-state facilities. Expenditures would primarily involve transportation costs for work releases at Fox Lake Correctional Institution and the Sturtevant Workhouse. Current expenditure authority is \$1,249,700.

14. PROGRAM REVENUE REESTIMATES -- ADULT CORRECTIONS PR \$291,600

Governor/Legislature: Provide \$147,200 in 2005-06 and \$144,400 in 2006-07 associated with the following program revenue reestimates: (a) -\$215,900 in 2005-06 and -\$218,700 in 2006-07 associated with home detention services provided to counties based on estimated usage; (b) -\$45,600 annually to eliminate expenditure authority associated with facilities and engineering design; (c) -\$70,000 annually to eliminate expenditure authority associated with electronic monitoring fees for inmates in the intensive sanctions program; (d) \$49,500 annually associated with inmate telephone company commissions at new or expanded correctional facilities; and (e) \$429,200 annually associated with increased inmate room and board collections in the Division of Adult Institutions.

15. FEDERAL BYRNE FUNDING REDUCTION [LFB Paper 122]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	-\$444,000	-\$121,400	-\$565,400

Governor: Reduce expenditure authority by \$222,000 annually under the Department's interagency and intra-agency appropriation to reflect a decrease in federal Byrne antidrug funding. The reductions represent a decrease of 5.3% annually to the appropriation supported by Byrne funding in order to reflect a 48% cut in federal funding for the program.

Joint Finance/Legislature: Reduce expenditure authority by an additional \$60,700 annually. Total Byrne funding for Corrections would be \$182,000 annually. [See "Administration -- Office of Justice Assistance."]

16. **PENALTY SURCHARGE FUNDING REDUCTION** [LFB Paper 465] PR - \$156,700

Governor/Legislature: Reduce expenditure authority by \$78,200 in 2005-06 and \$78,500 in 2006-07, as follows: (a) -\$70,600 in 2005-06 and -\$70,900 in 2006-07 under the correctional officer training appropriation; and (b) -\$7,600 annually under the victim services and programs appropriation. The reductions reflect a decrease of approximately 3% annually (after standard budget adjustments) to appropriations supported by penalty surcharge receipts in order to address a deficit in penalty surcharge funding. [See "Administration -- Office of Justice Assistance."]

17. **PURCHASE OF SERVICES FUNDING -- COMMUNITY CORRECTIONS** [LFB Papers 234 and 235]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$8,111,700	-\$4,268,900	\$3,842,800

Governor: Provide \$3,737,700 in 2005-06 and \$4,374,000 in 2006-07 for purchased services for offenders under community corrections supervision. According to the Governor's Executive Budget Book, funding would be for halfway house beds, temporary living placements, day reporting centers, employment services, treatment and other services in the community. Base funding for community corrections purchase of services is \$19,330,300.

Joint Finance/Legislature: Delete \$1,877,600 in 2005-06 and \$2,391,300 in 2006-07 for purchase of services funding. Adjusted funding includes: (a) -\$1,877,600 in 2005-06 and -\$1,710,900 in 2006-07 to provide purchase of service funding at the level of approximately \$275 per offender; and (b) -\$680,400 in 2006-07 associated with the modification in the terms of probation for misdemeanor offenses [Corrections -- Adult Corrections, Item #20]. Total community corrections purchase of services would be \$21,190,400 in 2005-06 and \$21,313,000 in 2006-07.

18. **COMMUNITY REINTEGRATION SERVICES -- COMMUNITY CORRECTIONS** [LFB Paper 228]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
Funding	Positions	Funding	Positions	Funding	Positions	Funding
GPR	\$3,300,400	15.50	-\$188,400	-0.50	\$3,112,000	15.00

Governor: Provide \$1,402,200 in 2005-06 and \$1,898,200 in 2006-07 and 15.5 positions annually (11.0 probation and parole agents, 1.0 field supervisor, 3.0 program assistants, and 0.5 program assistant supervisor) to provide reintegration services to adult inmates prior to their

release from prison. Funding and staffing would allow probation and parole staff to provide a more intensive release planning process in the maximum-security institutions and work with local law enforcement agencies on maximum-security inmates' release plans. Funding includes \$750,000 in 2005-06 and \$1,000,000 in 2006-07 to provide increased purchase of services funding for contracted community reintegration services to a total of 383 offenders with mental illnesses, female offenders, and male offenders in medium-security institutions prior to release. Reintegration/reentry services would emphasize communication, coordination, and information sharing between the Department, the offender, the offender's family, community support agencies, and mentoring groups. Services would include treatment, supervision, housing, employment, and social support.

Joint Finance/Legislature: Modify the Governor's recommendation by -\$74,700 in 2005-06 and -\$113,700 in 2006-07 and -0.50 position annually as follows: (a) delete \$10,200 in 2005-06 and \$27,600 in 2006-07 and 0.50 position to provide reintegration services to approximately 900 inmates prior to their release from maximum-security institutions; and (b) delete \$64,500 in 2005-06 and \$86,100 in 2006-07 to provide contracted community reintegration services to approximately 350 offenders with mental illnesses, female offenders, and male offenders in medium-security institutions prior to release.

Of the funding provided for contracted community reintegration services, specify that: (a) \$50,000 GPR annually be provided to the Madison Urban Ministry in Madison and to Project Return in Milwaukee (a total of \$100,000 annually); and (b) \$50,000 in 2006-07, on a one-time basis, be provided to the Word of Hope Ministries organization in Milwaukee.

[Act 25 Sections: 2203m and 9109(5f)]

19. SEX OFFENDER MANAGEMENT -- ANNUAL REGISTRATION FEE [LFB Paper 232]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR-REV	\$982,900	\$0	\$982,900
GPR	\$0	-\$582,900	-\$582,900
PR	0	982,900	982,900
Total	\$0	\$400,000	\$400,000

Governor: Authorize Corrections to establish by rule an annual sex offender registration fee not to exceed \$50 for individuals in its custody or under its supervision. Specify that the fee would be used to partially offset the costs of monitoring. Create a continuing program revenue appropriation to deposit revenues from the registration fee. No estimate of expenditures is identified in the bill. Estimated revenue is \$478,200 in 2005-06 and \$504,700 in 2006-07. The revenue was estimated based on: (a) an estimated 18,000 sex offender registrants in 2005-06 and 19,000 in 2006-07; (b) the assumption that 69% of that population would comply with registry requirements; and (c) the assumption that 77% of the complying offenders would pay the \$50 annual registration fee.

Joint Finance/Legislature: Provide \$478,200 PR in 2005-06 and \$504,700 PR in 2006-07 to offset the costs of probation, parole and extended supervision. Further, decrease GPR funding by \$278,200 GPR in 2005-06 and \$304,700 GPR in 2006-07. Modify the Governor's recommendation to create an annual rather than continuing appropriation.

[Act 25 Sections: 287 and 2223]

20. PROBATION FOR MISDEMEANORS -- STATUTORY MODIFICATION [LFB Paper 235]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
GPR	\$0	0.00	\$763,800	14.25	\$763,800	14.25

Governor: Modify current law to provide that, if a person is convicted of a misdemeanor, the following terms of probation would apply: (a) for a Class A misdemeanor, a term of not less than six months or more than one year; and (b) for all other misdemeanors, a term of not more than six months, with no minimum requirement. For all misdemeanors, the maximum term of probation would remain at the current law maximum of two years if one of the following applies: (a) the person committed a misdemeanor while possessing a firearm; (b) the misdemeanor is an act of domestic violence; (c) the misdemeanor was a Class A fourth degree sexual assault; (d) a violation of Chapter 948 of the statutes (Crimes Against Children); or (e) the intoxicated use of a motor vehicle.

Under current law, the lengths of terms of misdemeanor probation are as follows:

1. For one misdemeanor at any one time, not less than six months nor more than two years.
2. For not less than two nor more than four misdemeanors at the same time, the maximum original term of probation may be increased by one year.
3. For five or more misdemeanors at the same time, the maximum original term of probation may be increased by two years.

The table below identified probation terms under current law probation and under the bill.

<u>Current Law</u>		<u>Governor (AB 100)</u>	
One misdemeanor, Class A, B or C, or unclassified	Not less than six months nor more than two years probation	Misdemeanor involving domestic abuse, firearm possession, 4th degree sexual assault, crimes against children, or intoxicated use of a motor vehicle	Not less than six months nor more than two years probation
		One misdemeanor, Class A	Not less than six months nor more than one year probation
		One misdemeanor, Class B or C, or unclassified	Not more than six months probation
Not less than two nor more than four misdemeanors, at the same time	Maximum of an additional one year of probation	Not less than two nor more than four misdemeanors, at the same time	Maximum of an additional one year of probation
Five or more misdemeanors, at the same time	Maximum of an additional two years of probation	Five or more misdemeanors, at the same time	Maximum of an additional two years of probation

Joint Finance/Legislature: Modify the Governor's recommendation to specify that for all misdemeanors other than Class A, a maximum term of not more than 12 months (rather than not more than six months) would apply. In addition, provide \$763,800 GPR and 14.25 GPR positions in 2006-07 to address the anticipated increased community corrections workload.

The following table identifies the modifications to the Governor's recommendation.

<u>Current Law</u>		<u>Governor (AB 100)</u>		<u>Act 25</u>
One misdemeanor, Class A, B or C, or unclassified	Not less than six months nor more than two years probation	Misdemeanor involving domestic abuse, firearm possession, 4th degree sexual assault, crimes against children, or intoxicated use of a motor vehicle	Not less than six months nor more than two years probation	Same as AB 100
		One misdemeanor, Class A	Not less than six months nor more than one year probation	Same as AB 100
		One misdemeanor, Class B or C, or unclassified	Not more than six months probation	Not more than 12 months probation

[Act 25 Sections: 2473 thru 2475d]

21. STRATEGIC PLAN FOR CORRECTIONAL FACILITIES [LFB Paper 225]

Joint Finance/Legislature: Direct the State Building Commission and Corrections to prepare, or contract to prepare, a 10-year strategic plan for state correctional facilities. Direct that the plan be submitted to the Governor and Legislature no later than September 1, 2007. Specify that the plan:

a. Evaluate each existing institution's: (1) physical condition; (2) security, environmental, health and safety issues; and (3) housing, program and food service capacity;

b. Determine the system's operating capacity based on: (1) the mission of the Department; (2) space occupancy guidelines developed by the Commission and Corrections; (3) model operating capacities which account for inmate or resident security classification, gender, age, health condition, program need and length of incarceration; (4) a comparison of the guidelines and models with current conditions at the institutions; and (5) current prison design and operation;

c. Determine operating capacity shortfalls for the period covered by the report, based on projected inmate population; and

d. Recommend building projects and budgets, and the potential use of out-of-state and county jail bed contracts, to address identified deficiencies at existing institutions and operating capacity shortfalls.

Specify that the plan would be funded from the Building Trust Fund.

Veto by Governor [D-4]: Delete provision.

[Act 25 Vetoed Section: 9105(14x)]

**22. PILOT PROGRAM FOR INMATES WITH MENTAL ILLNESS
REENTERING THE COMMUNITY**

GPR	-\$43,700
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Joint Finance/Legislature: Create a pilot program to provide intensive case management, treatment and support services to Corrections' inmates with severe and persistent mental illness scheduled for release from DHFS' Wisconsin Resource Center. Transfer \$43,700 in 2006-07 from Corrections' purchase of services appropriation to DHFS' MA benefits appropriation to fund MA eligible intensive case management services. The pilot program would serve 12 offenders in 2006-07 for program participation.

Specify program goals to include: (a) creating programmatic continuity between institution, community corrections and community-based providers to enhance communication, coordination and planning for offenders with severe and persistent mental illness scheduled for release from prison; (b) ensuring that there is not an interruption in mental health services that are necessary for successful reintegration; (c) enhancing the availability and coordination of community-based

services; (d) increasing employment and residential stability; and (e) reducing reconviction and return-to-prison rates.

Specify the following for the design of the program: (a) participant offenders will be assigned a case manager six months prior to release; (b) a probation and parole agent will be assigned to the offender from the region where the offender will be released and will work with the case manager to develop a comprehensive treatment/supervision reentry plan; (c) institution social workers will apply for benefits six months prior to release date to maximize reimbursement upon entry into the community; (d) upon release from the institution, all services outlined in the treatment/reentry plan will be in place and ready for the offender's reintegration to the community; (e) progress notes will be completed every three months; (f) individualized treatment plans will be updated every six months, and more frequently if necessary; and (g) comprehensive program evaluation including data collection, analysis and annual reporting.

Specify that service components of the program include: (a) intensive case management; (b) safe, secure residence; (c) medication and medication monitoring; (d) mental health counseling and other mental health treatment interventions as appropriate; (e) alcohol and other drug abuse treatment; (f) vocational rehabilitation services; (g) social skills training; and (h) educational/skill-based training as appropriate.

Specify that supervision services be coordinated between the Department of Corrections and the Department of Health and Family Services.

[Act 25 Section: 9121(14x)]

23. GRANTS FOR COUNTY ALCOHOL AND OTHER DRUG ABUSE PROGRAMS

Joint Finance/Legislature: Create a grant program to enable counties to establish and operate programs, including suspended and deferred prosecution programs and programs based on principles of restorative justice, that provide alternatives to prosecution and incarceration for criminal offenders who abuse alcohol or other drugs. Direct that the grant program be administered by the Office of Justice Assistance (OJA), in collaboration with Corrections and the Department of Health and Family Services (DHFS).

Grant funding would be provided from program revenue generated from creating a \$10 drug offender diversion surcharge to be assessed for property crime convictions under Chapter 943 of the statutes. Specify that Corrections adopt rules requiring that money be used for reasonable support of an inmate's family or dependents before it is allocated for the drug offender diversion surcharge.

In addition, increase the drug abuse program improvement surcharge (DAPIS) from 50% to 75% of the sum of the fine and penalty surcharge. Specify that: (a) all of the first \$1,038,600 collected under DAPIS in 2005-06 and \$1,044,300 in 2006-07 plus two-thirds of all DAPIS revenues collected in excess of \$1,528,600 in 2005-06 and \$1,534,300 in 2006-07 would be allocated to DHFS; and (b) all of the revenues collected in excess of \$1,038,600 until the first

\$1,528,600 has been collected in 2005-06 and in excess of \$1,044,300 until the first \$1,534,300 has been collected in 2006-07 plus one-third of all moneys collected in excess of \$1,528,600 in 2005-06 and \$1,534,300 in 2006-07 would be allocated to OJA to support the grant program. Specify that beginning July 1, 2007, two-thirds of DAPIS revenues would be allocated to DHFS and one-third of the revenues would be allocated to OJA to support the grant program.

Direct DHFS to submit a report to the Legislature by December 31, 2006, on how DHFS determined what are the evidence-based practices in substance abuse and mental health treatment.

Direct OJA, in collaboration with DHFS and Corrections, to submit a report by December 31, 2011, to the Legislature regarding savings that have been generated through the implementation of the grant program. [See "Administration -- Office of Justice Assistance."]

Veto by Governor [C-23]: Delete provision requiring DHFS to submit a report to the Legislature by December 31, 2006, on evidence-based practices.

[Act 25 Sections: 90m, 327m, 414m, 416m, 841m, 2222, 2232 thru 2236m, 2241m, 2449m, 2450b, 2467c thru 2467x, 2472, 2475g thru 2475r, 9401(2r), and 9421(11q)]

[Act 25 Vetoed Section: 9121(13g)]

24. STUDY OF ALTERNATIVE CARE FUNDING

Joint Finance/Legislature: Direct the Department of Corrections to study and report to the Legislature by June 30, 2006, regarding the possibility of reducing its costs for the care of inmates who are not a threat to the community and who require extended nursing care. The study would examine the possibility of using other revenues to pay for the care of such inmates in a setting other than a conventional facility infirmary.

Veto by Governor [D-3]: Delete the reporting date of June 30, 2006.

[Act 25 Section: 9109(3q)]

[Act 25 Vetoed Section: 9109(3q)]

25. SALE OF INMATE PRODUCTS PRODUCED AS PART OF TECHNICAL COLLEGE COURSES

Joint Finance/Legislature: Authorize the Department of Corrections to sell in the open market, products produced in whole or in part by inmates in a state penal institution if the products are produced as part of a technical college course provided to inmates. Eliminate the requirement that products, manufactured in whole or in part by inmates in a state penal institution as part of vocational training, may only be offered for sale in the open market if: (a)

the purpose of the sale is to support the institution's or agency's mission or is for some other charitable purpose; and (b) the sale has been approved by the Prison Industries Board.

Veto by Governor [D-7]: Delete provision.

[Act 25 Vetoed Sections: 2239m, 2240g, and 2240r]

Juvenile Corrections

1. JUVENILE POPULATION ESTIMATES [LFB Papers 240 and 241]

Governor: Reestimate the juvenile secured correctional facility average daily population (ADP) from 800 in 2004-05 to 650 in both 2005-06 and 2006-07, as shown in the following table. (The actual ADP at the facilities in 2004-05 totaled 658 juveniles.) The population projections include juveniles funded under the serious juvenile offender (SJO) program. Under the bill, the 2005-06 and 2006-07 population projections in the table are used in the calculation of daily rates for each type of care, excluding alternate care.

	Average Daily Population		
	Governor		
	2004-05 <u>Actual Population</u>	<u>Projected ADP</u>	
		<u>2005-06</u>	<u>2006-07</u>
Secured Correctional Facilities	658	650	650
Other Placements			
Corrective Sanctions	143	136	136
Aftercare Services	<u>123</u>	<u>167</u>	<u>167</u>
Subtotal -- Other	266	303	303
Total ADP	924	953	953
Alternate Care	82	114	114

The secured facilities include Ethan Allen School, Lincoln Hills School, Southern Oaks Girls School, the SPRITE Program, and the Mendota Juvenile Treatment Center.

Under the corrective sanctions program, juveniles are placed in the community, following a period in a secured correctional facility, and are provided with intensive surveillance. In addition, for each corrective sanctions slot, an average of not more than \$3,000 annually is provided to purchase community-based treatment services.

Aftercare services include juveniles under state supervision following release from a juvenile correctional facility. Placement may be in an alternate care setting, a relative's home, or the juvenile's own home.

Alternate care includes residential care centers for children and youth, group homes, foster homes, and treatment foster homes. The average daily population for alternate care is a subset of aftercare services.

Joint Finance/Legislature: Reestimate the ADP for juvenile care in 2005-06 and 2006-07, as follows: (a) 660 juveniles annually at secured correctional facilities; (b) 125 juveniles annually under aftercare supervision; and (c) 80.5 juveniles annually for alternate care. Maintain the ADP estimates under the bill for the corrective sanctions program (136 juveniles annually). The following table shows the changes to the estimates made by Joint Finance and used under Act 25.

Average Daily Population Act 25						
	<u>Governor 2005-06</u>	<u>Act 25 2006-07</u>	<u>Net Change</u>	<u>Governor 2005-06</u>	<u>Act 25 2006-07</u>	<u>Net Change</u>
Secured Correctional Facilities	650	660	10	650	660	10
Other Placements						
Corrective Sanctions	136	136	0	136	136	0
Aftercare Services	<u>167</u>	<u>125</u>	<u>-42</u>	<u>167</u>	<u>125</u>	<u>-42</u>
Subtotal -- Other	303	261	-42	303	261	-42
Total ADP	953	921	-32	953	921	-32
Alternate Care	114	80.5	-33.5	114	80.5	-33.5

2. STATUTORY DAILY RATES [LFB Papers 220, 222, 240, 241, 242, 243, and 246]

Governor: Under current law, daily rates for juvenile care in a given biennium are specified in statute by fiscal year for secured correctional facilities, state aftercare supervision, the corrective sanctions program, and for each type of alternate care setting, including residential care centers for children and youth, group homes, treatment foster homes and foster homes.

Under the bill, the following statutory daily rates would be established for juvenile correctional services provided or purchased by the Department that would be charged to counties and paid through counties' youth aids allocations, or paid by the state through the serious juvenile offender appropriation.

Statutory Daily Rates -- Governor

	Statutory Rates		Governor	
	7-1-04 thru	7-1-05 thru	7-1-06 thru	
	<u>6-30-05</u>	<u>6-30-06</u>	<u>6-30-07</u>	
Secured Correctional Facilities*	\$187.00	\$218.00	\$224.00	
Corrective Sanctions	87.00	89.00	91.00	
Aftercare Supervision	26.00	27.00	27.00	
Residential Care Centers	239.00	227.00	235.00	
Group Homes	149.00	170.00	179.00	
Treatment Foster Homes	92.00	85.00	89.00	
Regular Foster Homes	49.00	51.00	54.00	

*Including transfers from a secured correctional facility to the Mendota Juvenile Treatment Center.

The proposed daily rates for secured correctional facilities, corrective sanctions, and aftercare supervision are calculated on the basis of budgeted funding levels, anticipated average daily populations, and the number of days in the year. Daily rates for alternate care settings (residential care centers, group homes, regular foster homes, and treatment foster homes) are determined by applying percentage adjustments to prior actual costs for each type of care (see the "Alternate Care" entry below).

Joint Finance/Legislature: Revise the daily rates for juvenile correctional services provided or purchased by the Department, as shown in the following table. The table reflects changes to the daily rates relating to Joint Finance actions on: (a) modifications of standard budget adjustments (Paper 220); (b) risk management costs (Paper 222); (c) revised population estimates and certain budget adjustments that affect the cost basis for calculating the daily rates (Paper 240); (d) reestimated alternate care ADP and daily rates (Paper 241); (e) population-related position reductions (Paper 242); (f) funding the Southern Oaks Girls School mental health unit (Paper 243); (g) adjustments relating to a program revenue deficit in the juvenile correctional services appropriation (Paper 246); and (h) action to eliminate unit supervisor positions at secured correctional facilities.

Statutory Daily Rates -- Act 25

Type of Care	Governor	Act 25	Net	Governor	Act 25	Net
	<u>2005-06</u>	<u>2005-06</u>	<u>Change</u>	<u>2006-07</u>	<u>2006-07</u>	<u>Change</u>
Secured Correctional Facilities*	\$218.00	\$203.00	-\$15.00	\$224.00	\$209.00	-\$15.00
Corrective Sanctions	89.00	81.00	-8.00	91.00	82.00	-9.00
Aftercare Supervision	27.00	32.00	5.00	27.00	33.00	6.00
Residential Care Centers	227.00	234.00	7.00	235.00	244.00	9.00
Group Homes	170.00	157.00	-13.00	179.00	163.00	-16.00
Treatment Foster Homes	85.00	83.00	-2.00	89.00	87.00	-2.00
Regular Foster Homes	51.00	47.00	-4.00	54.00	50.00	-4.00

*Including transfers from a secured correctional facility to the Mendota Juvenile Treatment Center.

[Act 25 Sections: 2209d and 2210d]

3. ALTERNATE CARE [LFB Paper 241]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	-\$10,549,300	-\$3,635,900	-\$14,185,200

Governor: Reduce base funding by \$5,395,100 in 2005-06 and \$5,154,200 in 2006-07 for juvenile residential aftercare (alternate care) to reflect decreasing population estimates. The residential aftercare appropriation funds the costs of care for juveniles placed in residential care centers for children and youth, foster care homes, treatment foster care homes, group homes, and certain other living arrangements. Base funding for the residential aftercare appropriation is \$11,871,500 (based on an estimated ADP of 159 juveniles in 2004-05). The actual ADP for alternate care totaled 121.3 in 2003-04 and 82.1 in 2004-05. Under the bill, the alternate care ADP is projected at 114 in both 2005-06 and 2006-07.

Of the total projection of 114 juveniles in alternate care, an ADP of 88 juveniles is estimated for placements in residential care centers for children and youth, group homes, treatment foster homes, and foster homes. Alternate care rates are estimated under the bill by taking the actual average rates paid for each type of care for the first six months in 2004, and applying annual percentage rates of increase (3.5% for residential care centers for children and youth and 5% for the other types of alternate care) to estimate 2004-05, 2005-06, and 2006-07 average rates. The estimated 2005-06 and 2006-07 average rates and projected ADP of 88 juveniles are then used to calculate the budget recommendation for alternate care.

The remainder of the alternate care ADP estimate of 114 juveniles (26 juveniles) relates to serious juvenile offenders that are placed in certain supplemental living arrangements. These settings are monitored living situations (dorm-style settings or small apartments) that the Department utilizes for serious juvenile offenders who are 18 to 21 years of age and still subject to a juvenile disposition, but who are too old to be placed in a juvenile facility. The costs for these supplemental placements are paid directly from the GPR appropriation for serious juvenile offenders and are not used to calculate the funding needs of the alternate care appropriation. Under the bill, these settings are estimated to have an average daily cost of \$103 in 2005-06 and \$108 in 2006-07.

While a single rate for each type of alternate care is established by statute, facilities providing each type of care vary in the daily rates that are charged. It is the Department's responsibility to manage these costs within the alternate care budget calculated on the basis of a single, average rate and estimated juvenile populations. The following table shows the statutory alternate care rates for 2004-05 and the average rates projected under the bill for 2005-06 and 2006-07.

Alternate Care Daily Rates -- Governor

	Statutory Rates <u>7-1-04 thru 6-30-05</u>	Governor	
		<u>7-1-05 thru 6-30-06</u>	<u>7-1-06 thru 6-30-07</u>
Residential Care Centers	\$239.00	\$227.00	\$235.00
Group Homes	149.00	170.00	179.00
Treatment Foster Homes	92.00	85.00	89.00
Regular Foster Homes	49.00	51.00	54.00

Joint Finance/Legislature: Delete \$1,788,400 in 2005-06 and \$1,847,500 in 2006-07 for juvenile residential aftercare (alternate care) to reflect modified population estimates (based on an annual ADP of 80.5 juveniles in alternate care in 2005-06 and in 2006-07) and reestimating average daily rates for each type of alternate care. Modify the statutory daily rate for alternate care settings as shown in the following table:

Alternate Care Daily Rates -- Act 25

Type of Care	Governor	Act 25	Net	Governor	Act 25	Net
	<u>2005-06</u>	<u>2005-06</u>	<u>Change</u>	<u>2006-07</u>	<u>2006-07</u>	<u>Change</u>
Residential Care Centers	\$227.00	\$234.00	\$7.00	\$235.00	\$244.00	\$9.00
Group Homes	170.00	157.00	-13.00	179.00	163.00	-16.00
Treatment Foster Homes	85.00	83.00	-2.00	89.00	87.00	-2.00
Regular Foster Homes	51.00	47.00	-4.00	54.00	50.00	-4.00

[Act 25 Sections: 2209d and 2210d]

4. POPULATION-RELATED POSITION REDUCTIONS AND REALLOCATIONS FOR JUVENILE CORRECTIONAL SERVICES [LFB Paper 242]

	Governor <u>(Chg. to Base)</u>		Jt. Finance/Leg. <u>(Chg. to Gov)</u>		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	-\$13,621,400	-144.24	-\$4,308,400	-25.00	-\$17,929,800	-169.24

Governor: Delete \$6,810,700 and 144.24 vacant positions annually to reflect a projected decrease in juvenile populations for the state's secured correctional facilities and related services. The position reductions would include the deletion of 130.74 positions for juvenile secured correctional facility operations, as follows: (a) 4.0 positions budgeted in the Division of Juvenile Corrections central office; (b) 62.5 positions at the Ethan Allen School; (c) 50.66 positions at the Lincoln Hills School; and (d) 13.58 positions at the Southern Oaks Girls School. In addition, 12.0 positions would be deleted from the appropriation for juvenile aftercare supervision, 7.0 of which would be reallocated to the corrective sanctions program. Finally, 8.5

other positions would be deleted from the corrective sanctions program (resulting in a net decrease for this program of 1.5 positions). The reallocation of positions from aftercare supervision to the corrective sanctions program is intended to maintain appropriate staffing levels for these respective programs.

Joint Finance/Legislature: Include the following additional reductions:

a. Delete \$1,613,800 annually from the juvenile correctional services appropriation account relating to facility care. [These reductions and associated decreases in compensation reserves (\$27,500 in 2005-06 and \$41,300 in 2006-07) would result in the removal of \$1,641,300 in 2005-06 and \$1,655,100 in 2006-07 from the cost basis for the calculation of daily rates for juveniles placed in secured correctional facilities.]

b. Delete \$138,800 annually from the juvenile correctional services appropriation account relating to aftercare services. [These reductions and associated decreases in compensation reserves (\$2,400 in 2005-06 and \$3,600 in 2006-07) would result in the removal of \$141,200 in 2005-06 and \$142,400 in 2006-07 from the cost basis for the calculation of daily rates for juveniles placed in aftercare services.]

c. Delete \$401,600 annually from the juvenile corrective sanctions program appropriation account. [These reductions and associated decreases in compensation reserves (\$7,100 in 2005-06 and \$10,700 in 2006-07) would result in the removal of \$408,700 in 2005-06 and \$412,300 in 2006-07 from the cost basis for the calculation of daily rates for juveniles placed in the corrective sanctions program.]

d. Delete 25.0 vacant positions annually for secured correctional facility care, aftercare services, or the corrective sanctions program. [The positions to be deleted would be determined by the Department of Corrections.]

5. TRANSFER THE COMMUNITY INTERVENTION PROGRAM TO THE OFFICE OF JUSTICE ASSISTANCE [LFB Paper 120]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$7,500,000	\$7,500,000	\$0

Governor: Delete \$3,750,000 annually and transfer the community intervention program from Corrections to the Office of Justice Assistance (OJA) in DOA. Provide that, on the effective date of the biennial budget act, agency assets and liabilities that are primarily related to the community intervention program, as determined by the Secretary of DOA, would be transferred from Corrections to DOA. Stipulate that all the tangible personal property, pending matters, contracts and any contract responsibilities relating to the program would also be transferred to DOA. Specify that all promulgated rules and issued orders relating to the

program would remain in effect until their specified expiration date or until modified or rescinded by DOA.

Under current law, base funding of \$3,750,000 GPR annually under the community intervention program supports grants for early intervention services for first-time juvenile offenders and for intensive community-based intervention services for seriously chronic juvenile offenders. Funding is distributed to eligible counties using a formula that calculates each county's allocation on the basis of data for the previous two years, as follows: (a) 33% of the funds are allocated on the basis of juvenile arrests for Part I violent crimes (murder, forcible rape, robbery and aggravated assault); (b) 34% of the funds are allocated on the basis of juvenile arrests for all Part I crimes (violent crime plus serious property crimes); and (c) 33% of the funds are allocated on the basis of juvenile correctional placements. In order to be eligible to receive community intervention program funds, a county must submit a plan to Corrections that ensures that the county targets the funding to appropriate programs.

Under the bill, the statutory provisions relating to the purpose of the grants, the formula for the calculation of each county's allocation, and the requirements that a county must submit a plan that ensures that the county targets the funding to appropriate programs would remain unchanged.

Joint Finance/Legislature: Delete provision.

6. CONVERT SOUTHERN OAKS GIRLS SCHOOL MENTAL HEALTH UNIT TO GPR FUNDING [LFB Paper 243]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
GPR	\$1,292,100	9.75	-\$1,292,100	-9.75	\$0	0.00
PR	<u>-1,154,000</u>	<u>-10.00</u>	<u>1,292,100</u>	<u>9.75</u>	<u>138,100</u>	<u>-0.25</u>
Total	\$138,100	-0.25	\$0	0.00	\$138,100	-0.25

Governor: Provide \$645,200 GPR and -\$577,000 PR in 2005-06 and \$646,900 GPR and -\$577,000 PR in 2006-07 and 9.75 GPR positions and -10.0 PR positions annually to convert the mental health unit at Southern Oaks Girls School (SOGS) from PR to GPR funding. The PR reductions are provided as a standard budget adjustment for the removal of noncontinuing elements from the base.

The mental health unit began operation in January, 2000, and has continued to operate under federal Juvenile Accountability Incentive Block Grant (JAIBG) funds provided to the Department by the Office of Justice Assistance. The unit provides mental health services to girls placed at SOGS with severe emotional disturbance. The Department indicates that the federal JAIBG funds for the unit are expected to end in March, 2005. Therefore, GPR funds are being provided to support the operation of the unit in the future. The current 10.0 PR positions would be replaced with 9.75 GPR positions. The reduction is a 0.25 psychiatrist position that the

Department indicates is not possible to hire. Under the bill, \$35,000 GPR annually would be provided to fund limited-term employee psychiatric services. The bill also includes \$11,300 GPR in 2005-06 and \$12,800 GPR in 2006-07 for psychotropic drugs for girls placed in the unit.

Joint Finance/Legislature: Delete provision. Instead, provide \$645,200 PR in 2005-06 and \$646,900 PR in 2006-07 and 9.75 PR positions annually for the mental health unit at the Southern Oaks Girls School.

7. BUDGET REDUCTIONS AND LAPSE TO GENERAL FUND -- JUVENILE CORRECTIONS [LFB Paper 244]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR-REV	\$641,200		-\$641,200		\$0	
PR	-\$641,200	- 7.00	\$0	0.00	-\$641,200	- 7.00

Governor: Delete \$320,600 and 7.0 positions annually from the juvenile correctional services PR appropriation. Require the Secretary of DOA to lapse these amounts to the general fund.

Under the bill, the funding would also be deleted from the cost basis for the calculation of daily rates for secured correctional facility care. This would have the effect of reducing daily rates for this type of care in 2005-06 and 2006-07 and would result in lower revenues credited to the appropriation account. The required lapse would then have to be made from the remaining daily-rate revenues received for secured correctional facility care.

Joint Finance/Legislature: Delete the requirement that the Secretary of DOA lapse \$320,600 annually to the general fund.

8. MENDOTA JUVENILE TREATMENT CENTER PR \$350,600

Governor/Legislature: Provide \$115,600 in 2005-06 and \$235,000 in 2006-07 for cost adjustments associated with the care and treatment of juveniles placed at the Mendota Juvenile Treatment Center (MJTC). The MJTC facility, operated by the Department of Health and Family Services (DHFS), provides evaluations for and mental health treatment of male juvenile offenders under state custody. Adjusted base funding for this purpose is \$3,534,900 annually (\$1,379,300 GPR and \$2,155,600 PR).

Under current law, DHFS may charge Corrections not more than the actual cost of providing those services. The statutes specify payments by Corrections to DHFS for the facility of \$3,466,000 in 2003-04 (\$1,379,300 GPR and \$2,086,700 PR) and \$3,534,900 in 2004-05 (\$1,379,300 GPR and \$2,155,600 PR). Under the bill, these payments would be set at \$3,650,500 in 2005-06

(\$1,379,300 GPR and \$2,271,200 PR) and \$3,769,900 in 2006-07 (\$1,379,300 GPR and \$2,390,600 PR), based on a projected average daily population (ADP) at MJTC of 29 juveniles. The facility had an ADP of 28.7 juveniles in 2003-04 and 28.5 juveniles in 2004-05.

[Act 25 Section: 839]

9. **SERIOUS JUVENILE OFFENDER FUNDING** [LFB Paper 245]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$208,700	-\$1,659,400	-\$1,868,100

Governor: Reduce funding by \$183,300 in 2005-06 and \$25,400 in 2006-07 to reflect decreased population estimates and cost changes associated with state-funded serious juvenile offenders (SJO).

The SJO appropriation reimburses juvenile correctional institutions, secured child caring institutions, alternate care providers, aftercare supervision providers and corrective sanctions supervision providers for costs incurred for juveniles who receive an SJO disposition. All components of the SJO disposition are state funded; counties have no financial responsibility for a juvenile placed in the SJO program. A juvenile is subject to an SJO placement for certain acts committed on or after July 1, 1996, as follows: (a) if the juvenile is 14 years of age or more and has been adjudicated delinquent for committing a delinquent act that is equivalent to certain Class A, Class B, or Class C felony offenses; or (b) the juvenile is 10 years of age or more and has been adjudicated delinquent for attempting or committing first-degree intentional homicide or for committing first-degree reckless homicide or second-degree intentional homicide. An SJO disposition may only be made for these juveniles if the judge finds that the only other disposition that would be appropriate is placement in a secured correctional facility.

For a juvenile receiving a disposition as a Serious Juvenile Offender, the court is required to make the order apply for a period of five years if the adjudicated act was equivalent to a Class B or Class C felony offense, or until the juvenile reaches 25 years of age if the adjudicated act was equivalent to a Class A felony offense. The disposition includes the concept of Type 2 status, which allows the Department to administratively transfer a juvenile through an array of component phases, including both secured correctional facility and community placements.

The adjusted base funding for the SJO appropriation is \$15,300,800 annually. The projected ADPs for the SJO appropriation (including SJO juveniles and extended jurisdiction juveniles) for the 2005-07 biennium, are shown in the table below.

Joint Finance/Legislature: Delete \$785,200 in 2005-06 and \$874,200 in 2006-07 to reflect a reestimate of the serious juvenile offender appropriation. The reduction results from revised daily rates for care reflecting all Joint Finance actions. Adopt the SJO ADP estimates under the

bill, including both SJO juveniles and extended jurisdiction juveniles, for the 2005-07 biennium, as follows:

**Average Daily Population
Governor/Act 25**

<u>Type of Care</u>	<u>Serious Juvenile Offenders</u>		<u>Extended Jurisdiction Juveniles</u>	
	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>
Secured Correctional Facilities	143	141	0	0
Corrective Sanctions Program	36	34	1	1
Aftercare Supervision	<u>54</u>	<u>51</u>	<u>1</u>	<u>1</u>
Total ADP	233	226	2	2
Alternate Care*	34	32	0	0

*A subset of aftercare supervision that includes residential care centers, group homes, treatment foster homes, and certain supplemental living arrangements.

10. POPULATION-RELATED COST ADJUSTMENTS [LFB Paper 240]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	-\$174,400	\$71,100	-\$103,300

Governor: Delete \$172,800 in 2005-06 and \$1,600 in 2006-07 to reflect population-related cost adjustments as follows: (a) -\$192,000 in 2005-06 and -\$180,500 in 2006-07 for food costs at juvenile correctional institutions; (b) -\$164,700 annually for variable non-food costs (such as laundry, clothing and personal items) for institutionalized juveniles; and (c) \$183,900 in 2005-06 and \$343,600 in 2006-07 to reflect juvenile health care cost increases.

Joint Finance/Legislature: Provide \$34,300 in 2005-06 and \$36,800 in 2006-07 (\$4,900 annually for food, \$11,000 annually for variable non-food costs, and \$18,400 in 2005-06 and \$20,900 in 2006-07 for juvenile health care) to reestimate the average daily population at secured correctional facilities at 660 juveniles in both 2005-06 and 2006-07.

11. CALENDAR YEAR ALLOCATION OF YOUTH AIDS FUNDING

Governor/Legislature: Revise the calendar year allocations of community youth and family aids (youth aids) funding to reflect distributions for the 2005-07 biennium. Continue to allocate additional funding provided under 1999 Wisconsin Act 9 according to a three-factor formula. Continue to allocate additional funding provided under 2001 Wisconsin Act 16 according to the same three-factor formula, but with an additional override factor.

Under current law, the calendar year allocations relate to the 2003-05 biennium. Statutory allocations are specified to reflect calendar year allocations in the following areas: (a) total GPR and PR youth aids funding appropriated in the biennium for distribution to counties; (b) the youth aids increases provided under 1999 Wisconsin Act 9, which are required to be distributed to counties according to a three-factor formula; (c) the youth aids increases provided under 2001 Wisconsin Act 16, which are required to be distributed to counties according to the three-factor formula and an additional override factor; (d) youth aids funding earmarked for emergency funding for small counties; (e) youth aids funding earmarked for counties participating in the corrective sanctions program; and (f) youth aids funding earmarked for alcohol and other drug abuse treatment programs.

Under Act 25, each of these statutory sections is amended to reflect the calendar years in the 2005-07 biennium. Adjusted base funding for youth aids totals \$88,290,200 annually (\$85,841,000 GPR and \$2,449,200 PR). No change to base funding for youth aids is provided under the act.

[Act 25 Sections: 2211 thru 2217]

12. TRANSFER OF PROGRAM REVENUE BALANCES TO ADDRESS A JUVENILE CORRECTIONAL FACILITIES DEFICIT [LFB Paper 246]

Governor: Transfer \$2,500,000 of PR balances to the Department's juvenile correctional services appropriation account under s. 20.410(3)(hm) in 2005-06, as follows: (a) \$90,000 from the available balance in the juvenile residential aftercare appropriation account under s. 20.410(3)(ho); and (b) \$2,410,000 from the available balance in the juvenile corrective sanctions appropriation account under s. 20.410(3)(hr).

The bill assumes that these transfers will not fully address a projected \$3.8 million deficit in 2004-05 in the juvenile correctional services appropriation account. Consequently, the calculation of daily rates for secured correctional facility care under the bill includes the addition of \$650,000 annually in 2005-06 and 2006-07 to the daily-rate cost basis to address the remaining \$1.3 million of this projected 2004-05 deficit carried forward into the 2005-07 biennium.

These proposed transfers are in response to a directive adopted by the Joint Committee on Finance at its June 30, 2004, meeting under s. 13.10 of the statutes. As part of the Committee's review of a PR deficit reduction plan submitted under s. 16.513 of the statutes to address a deficit in the juvenile correctional services appropriation account, the Departments of Administration and Corrections were directed to develop legislation for introduction in the 2005 Legislature to transfer PR account balances from the juvenile residential aftercare appropriation account and the juvenile corrective sanctions appropriation account in amounts sufficient to liquidate a projected deficit resulting from 2004-05 operations in the agency's juvenile correctional services PR appropriation account. At that time, the Committee also approved a one-time transfer of \$2,952,400 GPR in 2003-04 from the Department's serious

juvenile offenders biennial appropriation account to the agency's general program operations appropriation account for juvenile correctional services to offset a 2003-04 deficit in the juvenile correctional services PR appropriation account.

Joint Finance/Legislature: Delete provision. Instead, provide that that all available PR balances in the juvenile residential aftercare appropriation account under s. 20.410(3)(ho) and in the juvenile corrective sanctions appropriation account under s. 20.410(3)(hr) be transferred to the juvenile correctional services appropriation account under s. 20.410(3)(hm) up to the amount of any deficit in s. 20.410(3)(hm) following the close of the 2004-05 fiscal year. In addition, specify that if the deficit in s. 20.410(3)(hm) is less than the combined available PR balances in the juvenile residential aftercare appropriation account and in the juvenile corrective sanctions appropriation account, the amounts transferred from these appropriation accounts would equal the deficit, and would be proportional to the respective available balances in the two appropriation accounts.

Delete \$650,000 annually from the cost basis used to calculate the daily rates in 2005-06 and 2006-07 for juvenile care in a secured correctional facility and establish the following statutory procedure to address any future deficit in the s. 20.410(3)(hm) appropriation account.

Authorize Corrections and DOA, prior to the end of each odd-numbered year, to: (a) estimate the unexpended revenues, less encumbrances, that will remain in the s. 20.410(3)(hm) appropriation account on June 30 of that year; and (b) if the estimated balance is projected to be negative, include the amount of the estimated deficit in the cost basis for the calculation of the proposed secured correctional facilities daily rates for the subsequent biennium. Require that 50% of the deficit amount be added to the cost basis for the calculation of daily rates for the first year of the subsequent biennium and 50% of the deficit amount be added to the cost basis for the calculation of daily rates for the second year of the subsequent biennium. Require that the share of the daily rate revenue that is proportionate to the share of the increased cost basis associated with the estimated deficit be reserved for the purpose of retiring the deficit. Provide that any revenue reserved for this purpose that exceeds the amount of the deficit on June 30, of the odd-numbered year of the subsequent biennium, be reimbursed to the counties and the state, on before September 30, of that calendar year, in a manner proportionate to the total number of days of juvenile placements at the facilities for each county and the state.

Veto by Governor [D-9]: Delete provisions creating a statutory mechanism authorizing Corrections and DOA, prior to the end of each odd-numbered year, to: (a) estimate the unexpended revenues, less encumbrances, that will remain in the s. 20.410(3)(hm) appropriation account on June 30 of that year; (b) if a negative estimated balance is projected, include the amount of the estimated deficit in the cost basis for the calculation of the proposed secured correctional facilities daily rates for the subsequent biennium; (c) add the deficit amount to the cost basis for the calculation of daily rates for each year of the subsequent biennium; (d) reserve the share of the daily rate revenue that is proportionate to the share of the increased cost basis associated with the estimated deficit for the purpose of retiring the deficit; and (e) reimburse to

the counties and the state any revenue reserved for this purpose that exceeds the amount of the deficit.

[Act 25 Sections: 295g, 295i, 295k, 9209(1x), and 9409(1x)]

[Act 25 Vetoed Sections: 295g, 295h, 2210m, and 9409(1x)]

13. TRANSFER YOUTH DIVERSION PROGRAM TO THE DEPARTMENT OF CORRECTIONS [LFB Paper 120]

	Funding	Positions
GPR	\$760,000	0.00
PR	<u>2,236,800</u>	<u>0.50</u>
Total	\$2,996,800	0.50

Joint Finance/Legislature: Transfer the administration and grant funding of the youth diversion program from DOA's Office of Justice Assistance (OJA) to Corrections by: (a) transferring a 0.5 PR grant specialist position and its associated funding of \$23,500 PR annually to a new youth diversion administration appropriation under Corrections; (b) reallocating \$380,000 GPR and \$994,900 PR annually of base level grant funding, and renumbering associated GPR and PR annual appropriations to reflect the transfer of the program from OJA to Corrections; and (c) renumbering statutory sections to place the administration of the program under Corrections. [The action reverses provisions under 2001 Wisconsin Act 16, which transferred the youth diversion program from Corrections to OJA.]

Provide an additional statutory allocation of \$100,000 PR annually in penalty surcharge funding to permit Corrections to enter into an additional contract with an organization in Ward 3 of the City of Racine to provide services designed to divert juveniles from gang activities into productive activities.

Direct Corrections to proportionately reduce the statutory youth diversion allocation amounts to organizations in 2005-06 and 2006-07 to reflect the funding reductions to the youth diversion program penalty surcharge appropriation under Act 25, to address a projected penalty surcharge shortfall. With these adjustments, a total of \$1,474,900 annually would be provided for youth diversion grants.

Transition Provisions. On the general effective date of the biennial budget act, transfer the assets and liabilities, tangible personal property, and contracts of OJA primarily related to its youth diversion program, as determined by the Secretary of DOA, to Corrections. Specify that all incumbent employees of OJA having duties primarily related to its youth diversion program, as determined by the Secretary of DOA, would be transferred to Corrections. Provide that: (a) all transferred employees would retain the same rights and employee status in Corrections that they enjoyed in OJA immediately prior to the transfer; and (b) no transferred employee who had attained permanent status in his or her classified position would be required to serve a new probationary period. Specify that the pending matters, and rules and orders of OJA primarily related to its youth diversion program, as determined by the Secretary of DOA, would become the pending matters, rules and orders of Corrections. [For additional information, see "Administration--Office of Justice Assistance."]

Current Law. A total of \$1,396,400 (all funds) is provided to OJA in 2004-05 for youth diversion programming (\$380,000 GPR, \$716,400 PR from penalty surcharge revenue administered by OJA and \$300,000 PR from federal funds administered by the Department of Health and Family Services). Of this total, \$498,400 (combined GPR and PR from penalty surcharge funds) is distributed to an organization in Milwaukee County to provide services designed to divert juveniles from gang activities into productive activities. The \$300,000 provided from Health and Family Services federal funding is designated for the provision of substance abuse education and treatment services for juveniles participating in this organization's youth diversion program.

In addition, \$598,000 (combined GPR and PR from penalty surcharge funds) is budgeted for organizations in Brown, Kenosha, and Racine Counties and the City of Racine. These organizations provide gang diversion services, including substance abuse education and treatment services for program participants. OJA is required to distribute \$149,500 in 2004-05 to one organization in each site to provide or subcontract services for the youth diversion program.

Veto by Governor [D-10]: Delete the designation that the additional statutory allocation of \$100,000 be provided to an organization in Ward 3 of the City of Racine. Under the partial veto, the Department now has the discretion to award the funding to any organization for youth diversion activities.

Including the required proportionate reductions in 2005-06 and 2006-07 to the statutory youth diversion allocations supported from penalty surcharge funds, Act 25 will award grantee organizations the following annual amounts:

<u>Grantees</u>	<u>2005-06</u>	<u>2006-07</u>
Brown County	\$147,000	\$147,000
City of Racine (Ward 1)	147,000	147,000
Discretionary Awards	96,900	96,900
Kenosha County	147,000	147,000
Milwaukee County	790,000	790,000
Racine County	<u>147,000</u>	<u>147,000</u>
 Total	 \$1,474,900	 \$1,474,900

[Act 25 Sections: 81r, 88k thru 88p, 295m, 358p, 414t, 415r, 415wg thru 415x, 2221g, 9101(9k), and 9109(1p)]

[Act 25 Vetoed Section: 88p]

14. COST REDUCTION PLAN

Joint Finance/Legislature: Direct Corrections to submit a plan to the Joint Committee on Finance either to: (a) close one secured correctional facility for juveniles (Ethan Allen School,

Lincoln Hills School, or Southern Oaks Girls School); or (b) achieve operational savings sufficient to reduce the daily rate for secured correctional facility care in 2006-07 to \$187. Require that the plan include any proposed legislation that is necessary to implement the plan. Require that the plan be submitted to the Committee by March 1, 2006, subject to a 14-day passive review process.

Veto by Governor [D-8]: Delete both the March 1, 2006, submission date for the plan and the requirement that the plan achieve operational savings sufficient to reduce the daily rate for secured correctional facility care in 2006-07 to \$187. Under the veto, Corrections must now submit a plan to the Joint Committee on Finance under a 14-day passive review process either to: (a) close one secured correctional facility for juveniles; or (b) achieve operational savings in the costs of operating secured correctional facilities. The plan must still include any proposed legislation necessary to implement the plan. The Governor's veto message indicates that he will ask Corrections to provide the information to the Legislature by January, 2007.

[Act 25 Section: 9109(1e)]

[Act 25 Vetoed Section: 9109(1e)]

COURT OF APPEALS

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled Amount	Percent
GPR	\$16,760,400	\$17,048,600	\$17,048,600	\$16,653,800	\$16,653,800	-\$106,600	-0.6%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	75.50	75.50	75.50	75.50	75.50	0.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENT

GPR	\$288,200
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Governor/Legislature: Provide \$144,100 annually to adjust to the base budget for full funding of salaries and fringe benefits.

2. REQUIRED GPR LAPSE

Governor/Legislature: Specify that the Chief Justice of the Supreme Court, acting as the administrative head of the judicial system, take actions during the 2005-07 fiscal biennium to ensure that \$1,300,000 GPR is lapsed from GPR state operations appropriations for the Circuit Courts, Court of Appeals and Supreme Court, or is subtracted from expenditure estimates for any other type of appropriation, or both. The adjustment represents 0.9% of the adjusted base budget doubled for state operations of the Circuit Courts, Court of Appeals, and the Supreme Court [see "Supreme Court"].

[Act 25 Section: 9145(1)]

3. ACROSS-THE-BOARD GPR REDUCTIONS

GPR	- \$394,800
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Senate/Legislature: Reduce the Court of Appeals' appropriation for general program operations by \$195,900 in 2005-06 and \$198,900 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. [See "Budget Management and Compensation Reserves" and "Program Supplements."]

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) reestimate the expenditure level for the appropriation and transfer monies from the Committee's appropriation in any amount not to exceed the amount of the reduction indicated above for the Court of Appeals.

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

DISTRICT ATTORNEYS

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$77,809,400	\$78,609,000	\$78,707,000	\$76,884,300	\$76,884,300	-\$925,100	- 1.2%
PR	<u>4,116,800</u>	<u>3,531,900</u>	<u>3,531,900</u>	<u>3,531,900</u>	<u>3,531,900</u>	<u>- 584,900</u>	- 14.2
TOTAL	\$81,926,200	\$82,140,900	\$82,238,900	\$80,416,200	\$80,416,200	-\$1,510,000	- 1.8%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	375.40	375.40	376.40	376.40	376.40	1.00
PR	<u>40.10</u>	<u>13.50</u>	<u>32.25</u>	<u>32.25</u>	<u>32.25</u>	<u>- 7.85</u>
TOTAL	415.50	388.90	408.65	408.65	408.65	- 6.85

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 260]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$799,600	0.00	\$0	0.00	\$799,600	0.00
PR	<u>- 236,600</u>	<u>- 23.60</u>	<u>0</u>	<u>17.00</u>	<u>- 236,600</u>	<u>- 6.60</u>
Total	\$563,000	- 23.60	\$0	17.00	\$563,000	- 6.60

Governor: Provide standard adjustments to the base budget totaling \$399,800 GPR and -\$118,300 PR and -21.6 PR positions in 2005-06 and \$399,800 GPR and -\$118,300 PR and -23.6 PR positions in 2006-07. Adjustments are for: (a) turnover reduction (-\$206,000 GPR annually); (b) removal of noncontinuing elements from the base (-\$118,300 PR and -21.6 PR positions in 2005-06, and -\$118,300 PR and -23.6 PR positions in 2006-07); (c) full funding of continuing salaries and fringe benefits (\$505,800 GPR annually); and (d) night and weekend differential (\$100,000 GPR annually).

Joint Finance/Legislature: Restore 17.0 PR permanent prosecutor positions annually to the District Attorneys' gifts and grants appropriation. These positions are ongoing in nature and were removed in error as noncontinuing elements.

2. TRANSFER OF THE STATE ADMINISTRATION OF THE DISTRICT ATTORNEYS FUNCTION TO THE DEPARTMENT OF JUSTICE [LFB Paper 261]

Governor: Transfer the duties and responsibilities associated with the state administration of the District Attorneys function from the Department of Administration (DOA) to the Department of Justice (DOJ).

Delete DOA's responsibilities with respect to the following functions or activities and provide that: (a) state funding for district attorney prosecutor positions and certain PR funded clerks in the Milwaukee County District Attorney's office would be appropriated to DOJ; (b) DOJ would prepare and submit the budget of the state's district attorney offices; (c) the authority to request assistant district attorney positions would reside with DOJ; (d) subject to state statute, the state compensation plan, and collective bargaining agreements, DOJ would be assigned the authority to set salaries for deputy district attorneys and assistant district attorneys; (e) with respect to collective bargaining involving assistant district attorneys, the Director of the Office of State Employment Relations would have to maintain close liaison with DOJ; (f) a district attorney office of any prosecutorial unit having a population of 100,000 or more would be authorized to appoint temporary counsel as authorized by DOJ; (g) elected district attorneys would submit their vouchers for the payment of prosecutor salaries and fringe benefits to DOJ; (h) Milwaukee County's elected district attorney would submit his or her voucher for the payment of certain PR clerks salaries and fringe benefits to DOJ; (i) DOJ would be notified if a suspended district attorney is cleared of wrongdoing; (j) official oaths and bonds of elected district attorneys would be filed with DOJ; and (k) for purposes of the Code of Ethics for Public Officials and Employees involving a district attorney, "department" would mean DOJ, unless the context otherwise requires.

Provide that a county board would now have to notify DOJ rather than DOA if it reassigns responsibility from the county's district attorney office to the county's corporation counsel, or vice versa, for certain cases arising under Chapter 48 (the Children's Code). Similarly, specify that a county board would now have to notify DOJ if it reassigns responsibility from the county's district attorney office to the county's corporation counsel, or vice versa, for certain cases arising under Chapter 938 (the Juvenile Justice Code).

Specify that a district attorney (or in some cases, a court) requesting the appointment of a special prosecutor would now have to notify DOJ rather than DOA of the requestor's inability to obtain prosecutorial assistance from another district attorney office or from an assistant attorney general. Provide that DOJ would have to pay the compensation ordered by a court for a special prosecutor from amounts appropriated to DOJ under the District Attorneys function.

Repeal an obsolete statutory provision relating to DOA's payment of certain unfunded pension liabilities of Milwaukee County district attorneys who became state employees on January 1, 1990.

Current Law. In order to administer the state's responsibility as employer of district attorneys, deputy district attorneys and assistant district attorneys, 1989 Wisconsin Act 31 created a State Prosecutors Office in DOA. The State Prosecutors Office is responsible for coordinating DOA's administrative duties relating to district attorney offices.

The major responsibilities of the Office include: (a) payroll; (b) fringe benefits; (c) budgets; (d) billing counties for program revenue positions; (e) collective bargaining; (f) advising elected district attorneys on their rights and responsibilities under the assistant district attorney collective bargaining agreement; (g) producing fiscal notes and bill analyses for legislative proposals affecting district attorneys; and (h) serving as a central point of contact for all prosecutors.

Currently, the State Prosecutors Office is budgeted \$118,900 GPR and 1.0 GPR position in 2004-05. Under the Governor's recommendation, neither the funding nor the position authority for this Office would be transferred to DOJ. Further, as part of a base budget reduction under DOA, \$96,300 GPR and 1.0 GPR position annually associated with the Office would be deleted. The remaining \$22,600 GPR annually in base level funding associated with the Office would remain at DOA under the recommendation.

Any additional costs or workload incurred by DOJ associated with administering the District Attorneys function would have to be supported by that agency through a reallocation of base level resources.

Joint Finance/Legislature: Delete the transfer of the duties and responsibilities associated with the state administration of the District Attorneys function from DOA to DOJ, but retain the repeal of obsolete provisions relating to DOA's payment of certain unfunded pension liabilities of Milwaukee County district attorneys who became state employees on January 1, 1990. [See "Administration--General Agency Provisions" and "Justice" for additional information.]

[Act 25 Sections: 57 and 371]

3. MULTIJURISDICTIONAL ENFORCEMENT GROUP ASSISTANT DISTRICT ATTORNEY POSITIONS [LFB Paper 122]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	-\$373,400	-3.00	\$0	1.75	-\$373,400	-1.25

Governor: Delete \$186,700 and 3.0 positions annually associated with assistant district attorney staffing of multijurisdictional enforcement groups in four counties. These groups are

cooperative law enforcement efforts to prosecute criminal violations of Chapter 961 (the Uniform Controlled Substances Act). The funds supporting these positions are provided from federal Byrne anti-drug enforcement program grant money and matching penalty surcharge funds.

The following multijurisdictional enforcement group positions would be eliminated: (a) 1.5 prosecutor positions in Milwaukee County due to federal Byrne funding reductions; (b) 0.5 prosecutor position in Dane County due to federal Byrne funding reductions; (c) 0.5 prosecutor position in Outagamie County due to a decision by the Lake Winnebago multijurisdictional enforcement group to redirect its Byrne and penalty surcharge funding to other priorities; and (d) 0.5 prosecutor position in Winnebago County due to a decision by the Lake Winnebago multijurisdictional enforcement group to redirect its Byrne and penalty surcharge funding to other priorities.

Include a nonstatutory provision directing DOA's Office of Justice Assistance (OJA) to provide the following allocations from appropriated federal Byrne and penalty surcharge funds: (a) \$154,000 annually to support 1.5 existing prosecutor positions serving the multijurisdictional enforcement group supporting Milwaukee County; and (b) \$50,100 annually to support 0.5 existing prosecutor position serving such a group in Dane County. These funds and position authority are currently contained within the gifts and grants appropriation of the District Attorneys.

Joint Finance/Legislature: Restore 0.5 prosecutor position to Milwaukee County. Direct OJA to provide \$115,500 annually of federal Byrne base funding and direct DOJ to provide \$38,500 annually of penalty surcharge base funding (for total funding of \$154,000 annually) to support 2.0 prosecutor positions serving the multijurisdictional enforcement group supporting Milwaukee County.

Restore 0.25 prosecutor position to Dane County. Direct OJA to provide \$37,600 annually of federal Byrne base funding and direct DOJ to provide \$12,500 annually of penalty surcharge base funding (for total funding of \$50,100 annually) to support 0.75 prosecutor position serving the multijurisdictional enforcement group supporting Dane County.

Provide 1.0 prosecutor position to St. Croix County effective January 1, 2006. Direct DOJ to provide \$34,900 in 2005-06 and \$72,500 in 2006-07 of penalty surcharge base funding to support this 1.0 prosecutor position serving the multijurisdictional enforcement group supporting St. Croix County.

Since 2003, the St. Croix multijurisdictional enforcement group has provided a portion of its federal Byrne and associated penalty surcharge award to the St. Croix County District Attorney's Office to fund 1.0 prosecutor project position. This project position is currently authorized through December 31, 2005. This position would be converted to a permanent position utilizing penalty surcharge funding. [See "Administration--Office of Justice Assistance" and "Justice" for additional information.]

[Act 25 Sections: 9111(1c),(1d)&(1e)]

4. FULL FUNDING FOR MILWAUKEE COUNTY CLERKS

PR	\$25,100
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Governor/Legislature: Provide \$8,300 in 2005-06 and \$16,800 in 2006-07 to fully fund the salary and fringe benefits costs of 6.5 clerks in the Milwaukee County District Attorney's office that provide clerical services to prosecutors handling violent crime and felony drug violation cases in Milwaukee County's speedy drug and violent crime courts and unlawful possession or use of firearms cases.

Delete a GPR appropriation previously utilized to fund 2.0 of these clerk positions. Prior to 2003 Wisconsin Act 33, the clerks assisting with cases involving the unlawful possession or use of firearms were GPR funded. Under Act 33, these positions were converted to PR funding, supported by a \$3.50 special prosecution clerks surcharge which is only assessed in Milwaukee County.

[Act 25 Sections: 372, 2490, and 2491]

5. REPEAL OF SUNSETTING RESTORATIVE JUSTICE PROGRAM [LFB Paper 122]

Governor/Legislature: Repeal the statutory language specifying the duties and responsibilities of 2.0 PR existing restorative justice prosecutors whose four-year project positions terminate on June 30, 2005. Provisions of 2001 Wisconsin Act 16 originally created the restorative justice program and provided funding and position authority for these restorative justice prosecutors.

Under current law, the statutory language governing the duties of those assistant district attorney positions that perform restorative justice functions will no longer apply after June 30, 2005. The associated funding of \$118,300 PR annually and 2.0 PR prosecutor positions would be deleted as part of this agency's standard budget adjustments.

These prosecutors (1.0 FTE each in Milwaukee County and Outagamie County) are responsible for establishing restorative justice programs that provide support to the victim of a crime, help reintegrate the victim into community life, and provide a forum where an offender may meet with the victim or engage in other activities to do all of the following: (a) discuss the impact of the offender's crime on the victim or on the community; (b) explore potential restorative responses by the offender; and (c) provide methods for reintegrating the offender into community life.

[Act 25 Sections: 2479, 2481, and 2485]

6. CHIPPEWA COUNTY PROSECUTOR

	Funding	Positions
GPR	\$98,000	1.00

Joint Finance/Legislature: Authorize 1.0 prosecutor position for Chippewa County, effective October 1, 2005, and provide \$42,000 in 2005-06 and \$56,000 in 2006-07 to fund the position.

7. **ACROSS-THE-BOARD REDUCTIONS**

GPR	- \$1,822,700
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Senate/Legislature: Reduce the salaries and fringe benefits appropriation by \$904,300 in 2005-06 and by \$918,400 in 2006-07. This reduction amount is equal to approximately 2.3% of the amounts provided to this appropriation. Provide that DOA, on behalf of the District Attorneys function, may submit a request to the Joint Committee on Finance for restoration of the GPR funding reduction in an amount not to exceed the amount of reduction made to this appropriation. In the case of an appropriation restoration, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements."

Veto by Governor [E-2]: By partial veto, modify the language relating to the release of funds from the Committee's GPR supplemental appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for the District Attorneys function is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

EDUCATIONAL COMMUNICATIONS BOARD

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$14,257,600	\$15,042,600	\$15,057,700	\$14,852,800	\$14,852,800	\$595,200	4.2%
FED	2,343,600	2,343,600	2,343,600	2,343,600	2,343,600	0	0.0
PR	<u>17,987,600</u>	<u>17,585,400</u>	<u>17,585,400</u>	<u>17,585,400</u>	<u>17,585,400</u>	<u>-402,200</u>	-2.2
TOTAL	\$34,588,800	\$34,971,600	\$34,986,700	\$34,781,800	\$34,781,800	\$193,000	0.6%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	45.60	37.44	37.44	37.44	37.44	- 8.16
PR	<u>25.40</u>	<u>24.74</u>	<u>24.74</u>	<u>24.74</u>	<u>24.74</u>	<u>- 0.66</u>
TOTAL	71.00	62.18	62.18	62.18	62.18	- 8.82

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

GPR	\$757,600
PR	- 589,000
Total	\$168,600

Governor/Legislature: Adjust the base budget by \$378,800 GPR and -\$294,500 PR annually for the following: (a) removal of non-continuing items (-\$62,700 GPR); (b) full funding of salaries and fringe benefits (\$359,400 GPR and -\$337,500 PR); (c) reclassifications (\$6,300 GPR and \$29,000 PR); (d) overtime (\$66,400 GPR and \$11,000 PR); (e) night and weekend differential (\$7,900 GPR and \$3,000 PR); and (f) full funding of lease costs (\$1,500 GPR).

2. BUDGET REDUCTIONS

	Funding	Positions
GPR	- \$880,800	- 5.50

Governor/Legislature: Reduce state operations and program funding by \$440,400 and 5.5 positions annually. The

provision would reduce ECB's state operations appropriation by \$390,400 and 5.5 positions related to the following: (a) eliminate a division administrator position (\$76,400 annually and 1.0 position); (b) eliminate mail clerk position (\$14,100 annually and 0.5 position); (c) reduce supplies and services for administrative and maintenance operations (\$37,400 annually); (d) reduce contractual expenditures with the University of Wisconsin-Extension for Wisconsin Public Radio services (\$82,000 annually); and (e) eliminate electronic technician maintenance positions currently utilized to maintain broadcast equipment (\$180,500 annually and 4.0 positions). In addition delete \$50,000 annually for supplies and services from ECB's programming appropriation that is used to develop, acquire, and promote instructional programming.

3. ACROSS-THE-BOARD BUDGET REDUCTIONS

GPR	- \$204,900
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Senate/Legislature: Reduce the agency's GPR appropriation for general program operations by \$101,700 in 2005-06 and by \$103,200 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

4. REESTIMATE FUEL AND UTILITY EXPENSES

GPR	\$470,100
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Governor/Legislature: Provide \$219,100 in 2005-06 and \$251,000 in 2006-07 for fuel and utility expenses for the ECB over annual base level funding of \$423,000. Increased funding

reflects projected fuel and utility costs increases primarily related to the implementation of digital broadcasting.

5. DEBT SERVICE REESTIMATE [LFB Paper 184]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$438,100	\$15,100	\$453,200
PR	<u>26,200</u>	<u>0</u>	<u>26,200</u>
Total	\$464,300	\$15,100	\$479,400

Governor: Reestimate debt service costs by \$173,900 GPR and \$13,100 PR in 2005-06 and \$264,200 GPR and \$13,100 PR in 2006-07. Base level funding is \$1,969,800 GPR; no PR funding is currently in the base.

Joint Finance/Legislature: Delete \$16,500 GPR in 2005-06 and provide \$31,600 GPR in 2006-07 to reflect a reestimate of debt service costs.

6. EMERGENCY WEATHER SERVICE OPERATING COSTS

PR	\$160,600
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Governor/Legislature: Provide \$78,000 in 2005-06 and \$82,600 in 2006-07 for operating costs related to maintaining the emergency weather systems service throughout the state.

7. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions
GPR	- 1.16
PR	<u>- 0.36</u>
Total	- 1.52

Governor/Legislature: Reallocate \$108,800 (\$101,000 GPR and \$7,800 PR) from salaries and fringe benefits to unallotted reserve and delete 1.52 positions (1.16 GPR and 0.36 PR) in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

8. PROCUREMENT AND PURCHASING SERVICES CONSOLIDATION

	Positions
GPR	- 0.90
PR	<u>- 0.10</u>
Total	- 1.00

Governor/Legislature: Reallocate \$68,500 (\$61,600 GPR and \$6,900 PR) from salaries and fringe benefits to unallotted reserve and delete 1.0 position (0.9 GPR and 0.1 PR) in 2006-07 associated with the consolidation of procurement and purchasing services functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

9. HUMAN RESOURCES AND PAYROLL BENEFITS SERVICES CONSOLIDATION

	Positions
GPR	- 0.60
PR	<u>- 0.20</u>
Total	- 0.80

Governor/Legislature: Reallocate \$41,000 (\$30,800 GPR and \$10,200 PR) from salaries and fringe benefits to unallotted reserve and delete 0.8 positions (0.6 GPR and 0.2 PR) in 2006-07 associated with the consolidation of human resources and payroll benefits functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

10. FUNDING AND POSITION AUTHORITY TRANSFER

Governor/Legislature: Transfer \$19,500 GPR and 0.3 GPR position annually from the ECB's general program operations appropriation to the ECB's programming appropriation.

11. POSITION RECLASSIFICATION

Governor/Legislature: Reclassify 1.0 GPR position under ECB's programming appropriation from classified to unclassified as a correction to the base.

ELECTIONS BOARD

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$1,866,000	\$2,558,700	\$1,858,700	\$1,815,700	\$1,815,700	-\$50,300	- 2.7%
FED	2,800	258,400	393,600	393,600	393,600	390,800	13,957.1
PR	115,400	115,400	115,400	115,400	115,400	0	0.0
SEG	<u>1,400,200</u>	<u>850,200</u>	<u>850,200</u>	<u>850,200</u>	<u>850,200</u>	<u>-550,000</u>	<u>- 39.3</u>
TOTAL	\$3,384,400	\$3,782,700	\$3,217,900	\$3,174,900	\$3,174,900	-\$209,500	- 6.2%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	11.00	11.00	11.00	11.00	11.00	0.00
FED	<u>0.00</u>	<u>4.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>
TOTAL	11.00	15.00	16.00	16.00	16.00	5.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

GPR	-\$7,300
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Governor/Legislature: Provide standard adjustments to the base budget totaling -\$4,800 in 2005-06 and -\$2,500 in 2006-07. Adjustments are for: (a) full funding of continuing salaries and fringe benefits (-\$19,700 annually); and (b) reclassifications (\$14,900 in 2005-06 and \$17,200 in 2006-07).

2. ELECTIONS DATABASE CONVERSION [LFB Paper 270]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$700,000	-\$700,000	\$0

Governor: Provide \$350,000 annually to permit the Board to enter into a master lease agreement to resume its computer database conversion project. Assuming a five-year master lease agreement with a 5% interest rate, the funding recommended by the Governor, if continued each year over the life of the master lease, would ultimately be sufficient to fund \$1,531,600 in services, equipment and software and \$218,400 in interest payments.

Since the 1997-99 biennium, the Board has been provided approximately \$530,000 GPR for this project, which has consisted of two interrelated software development efforts. The first involves a conversion of the database used by Board staff to administer election activities and campaign finance reports. The second involves enhancements to allow the electronic filing and retrieval of campaign finance report information over the Internet. An independent contractor report prepared for the Board in mid-2001 estimated the five-year implementation costs of these database conversion efforts, including development and ongoing maintenance, at \$4.6 million.

Now, as a result of the state's required development of a statewide voter registration system under the federal Help America Vote Act, the recommended project will no longer include the conversion of the Board's elections administration database, which is being converted and funded as a component of the development of the statewide voter registration system.

Under 2003 Wisconsin Act 33, the Legislature reserved \$100,000 in 2004-05 under the Joint Committee on Finance GPR supplemental appropriation for possible release to the Board to retain an IT consultant to update the business system and technical requirements for the database conversion project, revise the cost estimates for the project, and identify a vendor to complete the conversion. At the time of introduction of the 2005-07 biennial budget bill, these funds were still reserved in the Committee's supplemental appropriation.

Joint Finance/Legislature: Delete provision. Instead, reserve \$450,000 in 2006-07 under the Joint Committee on Finance GPR supplemental appropriation for possible future release to the Board to: (a) retain an external IT consultant to update the business system and technical requirements for the agency's campaign finance database conversion and repeat the vendor selection process (\$100,000); and (b) make master lease payments to permit development work to begin (\$350,000).

Further, direct DOA to: (a) assist the Board in the vendor selection process for the computer database conversion project; and (b) designate a staff person in the Department's Division of Enterprise Technology to provide quality assurance of any development work completed on the campaign finance database.

[Act 25 Section: 9101(10q)]

3. WISCONSIN ELECTION CAMPAIGN FUND GRANTS

SEG	- \$550,000
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Governor/Legislature: Reestimate the amount of grant funding needed for the Wisconsin Election Campaign Fund by -\$600,000 in 2005-06 and \$50,000 in 2006-07. Total grant levels would be budgeted at \$100,000 in 2005-06 and \$750,000 in 2006-07.

4. HELP AMERICA VOTE ACT PROJECT POSITIONS [LFB Paper 271]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
FED	\$255,600	4.00	\$135,200	1.00	\$390,800	5.00

Governor: Provide \$127,800 and 4.0 project positions annually to the Board to carry out requirements imposed on the state under the federal Help America Vote Act (HAVA). The positions would be authorized through June 30, 2007. The fringe benefits funding for the positions is incorrectly budgeted as LTE salary amounts.

On October 29, 2002, HAVA was signed into law. HAVA establishes a series of new mandates applicable to the states, including: (a) the creation of an official centralized computerized statewide voter registration list system; and (b) the requirement that all polling stations be equipped with voting systems accessible to individuals with disabilities, including non-visual accessibility for the blind and visually impaired. HAVA includes federal funding that may be used to implement these requirements. These 4.0 HAVA-related project positions were initially authorized in the fall of 2003 and were filled in the spring of 2004. The Governor's funding and position recommendations would correct the omission of these positions from the Board's adjusted base budget.

The positions include: (a) 3.0 election specialists responsible for working with local officials to meet the statewide voter registration and disability access requirements under HAVA, and meeting the federal reporting requirements; and (b) 1.0 support specialist responsible for assisting the election specialists and responding to calls received by the Board on a toll-free voter information telephone number required by HAVA.

Joint Finance/Legislature: Shift \$37,200 annually budgeted for LTE salaries to the fringe benefits line to properly fund the project positions. Provide an additional \$67,600 and 1.0 project position annually to reflect the existence of an additional project position approved by DOA to carry out requirements imposed on the state under HAVA. This new position, an information systems technical services specialist, would oversee: (a) the development and modifications to the statewide voter registration system in accordance with Wisconsin's business requirements for the system; and (b) the ongoing operation of the system, including identifying problems and proofing any system fixes, enhancements or upgrades.

5. GIFTS AND GRANTS APPROPRIATION

Governor/Legislature: Create a PR continuing gifts and grants appropriation and authorize the Board to expend the amounts credited to the appropriation for the purposes for which the gifts and grants are made and received. Under a continuing appropriation, the Board would have the authority to expend the gifts and grants, subject to the Department of Administration allotment process.

[Act 25 Section: 431]

6. AUDIT OF INFORMATION TECHNOLOGY DEVELOPMENT PROJECTS

Joint Finance/Legislature: Request the Joint Legislative Audit Committee to direct the Legislative Audit Bureau to conduct a performance evaluation audit of the most recent IT development projects undertaken by the Board, including the Statewide Voter Registration System and the State of Wisconsin Elections Board Information System.

[Act 25 Section: 9130(2q)]

7. ACROSS-THE-BOARD REDUCTIONS

GPR	-\$43,000
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Senate/Legislature: Reduce the Board's general program operations appropriation by \$21,300 in 2005-06 and by \$21,700 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations. Provide that the Board may submit a request to the Joint Committee on Finance for restoration of the GPR funding reduction in an amount not to exceed the amount of reduction made to this appropriation. In the case of an appropriation restoration, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements."

Veto by Governor [E-2]: By partial veto, modify the language relating to the release of funds from the Committee's GPR supplemental appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for the Elections Board is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

EMPLOYEE TRUST FUNDS

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$4,720,800	\$3,458,200	\$3,481,000	\$3,481,000	\$3,481,000	-\$1,239,800	- 26.3%
SEG	<u>40,705,400</u>	<u>40,846,800</u>	<u>41,146,800</u>	<u>41,146,800</u>	<u>41,146,800</u>	<u>441,400</u>	1.1
TOTAL	\$45,426,200	\$44,305,000	\$44,627,800	\$44,627,800	\$44,627,800	-\$798,400	- 1.8%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	3.50	3.50	3.50	3.50	3.50	0.00
SEG	<u>194.85</u>	<u>192.10</u>	<u>193.10</u>	<u>193.10</u>	<u>193.10</u>	<u>- 1.75</u>
TOTAL	198.35	195.60	196.60	196.60	196.60	- 1.75

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

Governor/Legislature: Provide standard adjustments to the base budget totaling -\$283,900 in 2005-06, and -\$309,200 in 2006-07, and -3.5 project positions annually. Adjustments are for: (a) turnover reduction (-\$271,400 annually); (b) removal of noncontinuing elements from the base (-\$1,042,200 in 2005-06, -\$1,067,500 in 2006-07, and -3.5 positions annually); (c) full funding of continuing salaries and fringe benefits (\$905,300 annually); (d) overtime (\$48,100 annually); and (e) night and weekend differential (\$76,300 annually).

Funding Positions		
SEG	-\$593,100	- 3.50

2. PARTICIPANT SERVICES STAFFING INCREASES [LFB Papers 275 and 276]

Governor: Provide \$185,100 in 2005-06 and \$202,000 in

Funding Positions		
SEG	\$387,100	4.00

2006-07 and 4.0 positions annually to address an increasing volume of retirement-related inquiries from Wisconsin Retirement System (WRS) participants. The request would provide resources for the agency's customer service call center and the Member Services Bureau, as follows:

Customer Service Call Center. Provide \$64,300 in 2005-06 and \$85,700 in 2006-07 and 1.5 four-year project positions annually for the agency's customer service call center. The call center provides a single telecommunications point of contact between WRS participants, annuitants and employers and the appropriate member services and administrative staff in ETF.

Member Services Bureau. Provide \$120,800 in 2005-06 and \$116,300 in 2006-07 and 2.5 positions annually for the Member Services Bureau to reduce backlogs and improve response time relating to participant requests. The Member Services Bureau provides information in response to inquiries by participants concerning WRS benefits.

Joint Finance/Legislature: Provide 1.5 permanent positions instead of 1.5 four-year project positions annually for the agency's customer service call center.

3. AUDIT AND APPEALS COST INCREASES

SEG	\$328,000
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Governor/Legislature: Provide \$192,700 in 2005-06 and \$135,300 in 2006-07 for required auditing and hearings and appeals costs, as follows: (a) one-time funding of \$65,000 in 2005-06 to fund the Legislative Audit Bureau's costs of contracting for a required independent actuarial audit of the WRS that must be performed at least once every five years; (b) \$19,800 in 2005-06 and \$21,400 in 2006-07 to increase base funding for required annual financial audits performed by the Legislative Audit Bureau; and (c) \$107,900 in 2005-06 and \$113,900 in 2006-07 for increased contract costs with the Division of Hearings and Appeals in DOA for processing a backlog of ETF benefit appeals cases. The Department does not have base funding for the required actuarial audit. Base level funding for annual financial audits is \$62,200 annually and for contracted appeals services from the Division of Hearings and Appeals is \$88,600 annually.

4. BASE BUDGET REDUCTIONS

	Funding	Positions
SEG	-\$138,200	- 1.60

Governor/Legislature: Delete \$69,100 and 1.6 positions annually in the Department's appropriation for general program operations. The provision would reduce administrative staffing.

5. HEALTH INSURANCE INFORMATION PRIVACY AND SECURITY OFFICER

	Funding	Positions
SEG	\$110,800	1.00

Governor/Legislature: Provide \$36,900 in 2005-06 and \$73,900 in 2006-07 and 1.0 position annually in the Division of Management Services for a privacy and security officer position related to the Department's responsibilities under the

federal Health Insurance Portability and Accountability Act (HIPAA). The permanent position authorization would replace a project position that is scheduled to expire in December, 2005. The current project position is dedicated to HIPAA compliance issues. HIPAA requires ETF to designate an employee to be responsible for privacy and security functions relating to HIPAA regulations.

6. LIMITED-TERM EMPLOYEE FUNDING TO EVALUATE VALUE-BASED HEALTH CARE PURCHASING INITIATIVES [LFB Paper 277]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$46,800	\$300,000	\$346,800

Governor: Provide \$23,400 annually for LTE salary costs for analytical and evaluation assistance associated with the assessment of the long-term value, effectiveness, and quality of current and potential health care cost containment initiatives for state and local government employees and annuitants. The LTEs would assist in on-site data collection related to such projects. The Department anticipates undertaking two or three projects annually.

Joint Finance/Legislature: Provide one-time funding of \$150,000 annually under ETF's administrative general program operations appropriation to conduct ongoing evaluations of the long-term value, effectiveness, and quality of existing and proposed health care cost-containment initiatives.

7. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions
SEG	- 1.65

Governor/Legislature: Reallocate \$139,900 from salaries and fringe benefits to unallotted reserve and delete 1.65 positions in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

8. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	- 1.00	1.00	0.00

Governor: Delete 1.0 position annually to reflect the consolidation of the agency's attorney staff under DOA, effective January 1, 2006. Reallocate \$60,400 in 2005-06 and \$120,700 in 2006-07 from budgeted salaries and fringe benefits to the agency's supplies and services

budget to pay for legal services supplied by DOA. Under the Governor's recommendation, 1.0 SEG existing classified attorney position and associated base level funding would be retained in ETF. The Secretary of DOA would be authorized to designate this attorney position as ETF's lead attorney.

Specify that all transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006. [See "Administration -- Transfers to the Department."]

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add ETF and the Investment Board to the executive branch agencies that would be exempted from the attorney position deletion and lapse or transfer of funds requirements.

Vetoed by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

9. RETIRED EMPLOYEES BENEFIT SUPPLEMENT REESTIMATE [LFB Paper 278]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$1,262,600	\$22,800	-\$1,239,800

Governor: Reduce base level funding by \$451,400 in 2005-06 and \$811,200 in 2006-07 to reflect decreased amounts necessary to pay benefit supplements for retirees who first began

receiving annuities before October 1, 1974. These supplements were authorized primarily by Chapter 337, Laws of 1973, 1983 Wisconsin Act 394, and 1997 Wisconsin Act 26. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths. Current base level funding for the appropriation is \$2,360,200.

Joint Finance/Legislature: Provide \$12,500 in 2005-06 and \$10,300 in 2006-07 to reestimate the benefit supplements for retirees.

10. HEALTH INSURANCE COVERAGE FOR DOMESTIC PARTNERS OF STATE EMPLOYEES AND STATE ANNUITANTS [LFB Paper 281]

Governor: For the purpose of group health insurance coverage offered to state employees or to WRS annuitants who were employed by a state agency on the date of termination of covered employment, specify that the definition of "dependent" would include a domestic partner, a domestic partner's minor children dependent on the employee for support and maintenance, or the domestic partner's children (and stepchildren) of any age, if handicapped to an extent requiring continued dependence. The provision would permit state employees and state annuitants to purchase family health insurance coverage for their domestic partners. [As drafted, the intent of the provision would appear to also include coverage of a domestic partner's minor children dependent on an annuitant for support and maintenance; however, reference to "an annuitant" is not specifically included.]

Define "domestic partner" as an individual in a domestic partnership. Provide that a "domestic partnership" would mean a relationship between two individuals that satisfies all of the following: (a) each individual is at least 18 years old and otherwise competent to enter into a contract; (b) neither individual is married to, or in a domestic partnership with, another individual; (c) the two individuals are not related by blood in any way that would prohibit marriage under state law; (d) the two individuals consider themselves to be members of each other's immediate family; and (e) the two individuals agree to be responsible for each other's basic living expenses. Specify that these provisions would first apply to coverage under the group insurance plans offered by the Group Insurance Board on January 1, 2006.

Under current law, a dependent is defined as the spouse, minor child, including stepchildren of the current marriage dependent on the employee for support and maintenance, or child of any age, including stepchildren of the current marriage, if handicapped, to an extent requiring continued dependence. For group insurance purposes only, ETF may promulgate rules with a different definition of "dependent" than the one otherwise provided in statute for each group insurance plan.

To the extent that domestic partners of current state employees obtained health care coverage under the Governor's recommendation, the additional costs of that coverage would be funded from the amounts budgeted for agency fringe benefits. However, in the case of the University of Wisconsin System, the Governor has recommended providing an additional \$500,000 GPR annually to support the costs of extending domestic partner benefits to UW

faculty and staff. [See "University of Wisconsin System" for more information on this item.] For health care coverage of domestic partners of annuitants who were former state employees, the costs of coverage would be funded either from the available balances in amounts reserved in the annuitant's accumulated sick leave conversion credit account, or (if no such balances existed) out-of-pocket of the covered individual.

Under the Governor's recommendation, the state would also incur new fringe benefits costs due to federal tax provisions concerning this type of benefit. Under federal law, the value of employee health insurance, including family coverage for dependents of the employee, is excluded from taxable income. However, this exclusion would not apply to a domestic partner unless the domestic partner qualifies as a dependent of the employee under federal law. Therefore, the value of the health insurance premiums relating to domestic partners could be subject to federal taxation. In this case, the state, as employer, and the recipient of the benefit would both be subject to a rate of 7.65% of the premium value for FICA-related taxes. Also, the recipient of the domestic partner benefit could be required to include the value of the insurance as additional income subject to federal and state income taxes. Any administrative expense associated with tracking and reporting additional taxable benefits for state employees would also accrue to the state.

Joint Finance/Legislature: Delete provision.

11. PAYMENT OF LEGAL COUNSEL COSTS [LFB Paper 279]

Governor: Provide that the costs of any legal representation retained by the ETF Board under s. 40.03(1)(c) of the statutes for the administration of the Public Employee Trust Fund would be paid from an off-budget benefits and coverage payments account.

Under current law, the ETF Board may contract for legal counsel under s. 40.03(1)(c) of the statutes with the approval of the Governor. (Except under limited conditions, no state executive branch agency may contract for an attorney until the Governor has approved the action.) In some of these actions or proceedings, the Attorney General represents ETF. The costs for this legal work are paid from budgeted amounts under agency's annual administrative appropriation for general program operations. The Governor's recommendation would permit the payment of such costs without budget limitation from the investment income or reserve accounts of the appropriate benefit plan or of the Wisconsin Retirement System.

In cases where the Attorney General is in any way interested adversely to the ETF position, the Governor may employ special counsel under s. 14.11(2) of the statutes to act instead of the Attorney General, if the Governor believes that the public interest requires such action. Compensation of the special counsel appointed under s. 14.11(2) of the statutes is funded from a GPR sum sufficient appropriation under the Department of Justice. Under Governor's recommendation, if the appointment of special counsel would be made by the ETF Board with the Governor's approval under s. 40.03(1)(c) of the statutes, rather than by the Governor under s. 14.11(2) of the statutes, the costs of the special counsel would be paid

through the benefits and coverage payments account from the appropriate benefit plan or the Wisconsin Retirement System.

Joint Finance/Legislature: Delete provision.

12. REPEAL REQUIREMENT TO MAINTAIN A BRANCH OFFICE IN MILWAUKEE [LFB Paper 280]

Governor/Legislature: Delete the statutory requirement that the Department maintain at least a branch office in Milwaukee. The requirement that ETF maintain a branch office in Milwaukee was established in 1981 when the Milwaukee-based former Milwaukee Teachers Retirement System was merged with the former State Teachers Retirement System and the former Wisconsin Retirement Fund to create the current Wisconsin Retirement System. The Department currently has 6.4 FTE positions assigned to its Milwaukee office.

[Act 25 Sections: 52 and 737]

13. STATE HEALTH CARE COVERAGE FOR CERTAIN EMPLOYEES OF THE WISCONSIN HISTORICAL FOUNDATION, INC. [LFB Paper 445]

Governor: Stipulate that if the Wisconsin Historical Society (WHS) enters into a contract with the Wisconsin Historical Foundation, Inc., for certain statutorily authorized purposes, any employee of the Foundation who had previously worked for the WHS would be eligible for the health care coverage plans offered to state employees by ETF's Group Insurance Board. Specify that such eligibility would be subject to enrolling in the plans during any applicable enrollment period and to meeting any conditions established by contract or by rule. Authorize the Group Insurance Board to establish the procedures and provisions pertaining to the coverage of such Foundation employees by contract or by rule. Require the Foundation, if it enters into a contract with the WHS for any statutorily authorized purpose, to provide state health insurance coverage to its employees who were previously employed by the WHS. Create a PR continuing appropriation under ETF to which moneys from the Foundation would be credited for the payment of the health care coverage benefits provided to eligible Foundation employees and for ETF's costs of administering these benefits.

Under current law, the WHS may contract with the Foundation to administer the agency's membership program, solicit and accept contributions, gifts, grants, and bequests, market the agency's goods and services, provide support for the operation and management of the agency's programs, and perform other functions approved by the WHS Board of Curators. [See "Historical Society" for more information on this item.]

Joint Finance/Legislature: Delete provision.

14. CREATION OF GIFTS AND GRANTS AND FEDERAL AID APPROPRIATIONS

Governor/Legislature: Create the following appropriations under the agency: (a) a PR continuing gifts and grants appropriation to carry out the purposes for which the gifts and grants are made; (b) a FED continuing appropriation for federal aid received for departmental operations and for benefit programs under Chapter 40 of the statutes; and (c) a SEG continuing gifts and grants appropriation to carry out the purposes for which the gifts and grants are made if they are required to be deposited in the Public Employee Trust Fund.

[Act 25 Sections: 433, 434, and 436]

15. EXECUTIVE SALARY GROUP OF THE DEPARTMENTAL SECRETARY

Joint Finance/Legislature: Assign the Secretary of ETF to Executive Salary Group (ESG) 7.

The Secretary is currently assigned to ESG 5, with an annual salary range between \$73,744 and \$114,303, under the pay schedules of the 2003-2005 state compensation plan. The ESG 7 annual salary range is \$86,017 to \$133,327. The actual salary of the Secretary would be established by the ETF Board within the salary range associated with the position's assigned ESG level.

The Deputy Secretary of ETF is currently assigned to the executive salary group one group below that of the Secretary, and the Department's Executive Assistant is currently assigned to the executive salary group two groups below that of the Secretary. As a result of the Secretary's ESG reassignment, the Deputy Secretary would move from ESG 4 to ESG 6 (with an annual salary range of \$79,645 to \$123,451), and the Executive Assistant would move from ESG 3 to ESG 5.

[Act 25 Sections: 487e and 487r]

16. REQUIRED RETIREMENT CONTRIBUTIONS FOR NON-REPRESENTED STATE EMPLOYEES

GPR-Lapse	\$19,100,000
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Senate/Legislature: Provide that the state may not pay the first 1.5% of earnings that its nonrepresented classified and unclassified state employees, including University of Wisconsin faculty and academic staff, are required to pay as employee contributions to the WRS. The provision would first apply to earnings paid on September 1, 2005. State savings of budgeted fringe benefit amounts are estimated at \$19.2 million in 2005-06 (\$8.7 million GPR and \$10.5 million other funds) and \$23.0 million in 2006-07 (\$10.4 million GPR and \$12.6 million other funds).

Require that the GPR-funded fringe benefits amounts budgeted for such contributions but offset by these employee contributions would lapse to the general fund. Specify that

comparable program revenue funds offset by these employee contributions would lapse to the appropriate program revenue appropriation account and that comparable segregated funds offset by these employee contributions would lapse to the appropriate segregated fund.

Direct the Secretary of DOA to determine for each state agency the amount that the agency is not required to spend as a result of this provision during the period that begins on September 1, 2005, and ends on June 30, 2007, and the amount from each appropriation from which the moneys would have been expended during that period, other than for FED appropriations.

Under current law, statutory employee-required contribution rates for WRS participants, expressed as a percent of gross earnings, have been established but with different rates depending on the participant's employment classification. These classifications and the statutory employee-required contribution rates are as follows: (1) general employees [5.0% of gross earnings]; (2) elected officials and state executives [5.5%]; (3) protective employees under Social Security [6.0%]; and (4) protective employees not under Social Security [8.0%].

The ETF Board may adjust the statutory rates, on recommendation of the Board's consulting actuary, under certain circumstances. Over time, such adjustments have been made and the adjusted employee-required contribution rates in 2005 are as follows: (1) general employees [5.0% of gross earnings]; (2) elected officials and state executives [2.8%]; (3) protective employees under Social Security [4.9%]; and (4) protective employees not under social Security [3.3%].

The statutes also authorize an employer to pay on behalf of the employee all or a part of any employee-required contributions. Over time, state employee groups have negotiated, or have been provided under the compensation plan for nonrepresented employees, an employer "pickup" of almost all employee-required WRS contributions.

The provision would not affect state employees represented by a collective bargaining unit unless a similar required employee contribution provision was negotiated in future collective bargaining agreements.

Veto by Governor [E-13]: Delete provision. The Governor indicates in his veto message that he will request the DOA Secretary to use the allotment authority granted under s. 16.50 of the statutes "to prudently manage the allotment of funds in order to produce offsetting lapses during budget implementation."

[Act 25 Vetoed Sections: 737e, 737r, 9101(7k), and 9414(1k)]

EMPLOYMENT RELATIONS COMMISSION

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$4,459,600	\$5,191,000	\$4,715,400	\$4,606,200	\$4,606,200	\$146,600	3.3%
PR	<u>1,004,200</u>	<u>1,067,600</u>	<u>1,067,600</u>	<u>1,067,600</u>	<u>1,067,600</u>	<u>63,400</u>	6.3
TOTAL	\$5,463,800	\$6,258,600	\$5,783,000	\$5,673,800	\$5,673,800	\$210,000	3.8%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	18.50	20.50	18.50	18.50	18.50	0.00
PR	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>0.00</u>
TOTAL	23.50	25.50	23.50	23.50	23.50	0.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

GPR	\$255,800
PR	<u>107,400</u>
Total	\$363,200

Governor/Legislature: Provide standard budget adjustments to the base budget of \$127,900 GPR and \$53,700 PR annually. Adjustments are for: (a) full funding of salaries and fringe benefits (\$127,900 GPR and \$45,200 PR annually); and (b) position reclassifications (\$8,500 PR annually).

2. BASE BUDGET REDUCTIONS

PR	-\$50,000
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Governor/Legislature: Reduce by \$25,000 annually the Commission's base budget for supplies and services under its fees, collective bargaining training, and publications appropriation. Total base funding for this appropriation is \$502,100 and 5.0 positions annually, of which \$103,000 annually is allocated to supplies and services. Revenue is credited to the appropriation from fees charged by the Commission for mediation, arbitration and investigative services, training and publications.

3. STATE EMPLOYEE PERSONNEL APPEALS PROGRAM REVENUE

GPR-REV	-\$6,000
PR	\$6,000

Governor/Legislature: Provide \$3,000 PR annually in increased expenditure authority associated with state employee personnel appeals under the Commission's revised program revenue appropriation for fees, collective bargaining training, appeals, and publications. Specify that: (a) this PR appropriation could be used for costs related to conducting state employee personnel appeals; and (b) fees associated with such appeals would be credited to this PR appropriation rather than to the general fund as GPR-Earned. Reduce GPR-Earned by \$3,000 annually.

Under current law, the Commission hears appeals of state employee position classification decisions, examination scores, appointment decisions, and disciplinary actions taken against employees by their employer. The \$50 filing fees for these types of appeals are currently deposited in the general fund.

[Act 25 Sections: 296 and 2111]

4. INCREASED COMMISSION STAFFING

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$475,600	2.00	-\$475,600	-2.00	\$0	0.00

Governor: Provide \$237,800 and 2.0 attorney positions annually for increased staffing at the Commission. According to the Executive Budget Book, the funding and positions are associated with the Governor's recommendation to repeal current statutory provisions relating to the qualified economic offer for teaching employees of a school district.

Joint Finance/Legislature: Delete item in conjunction with the removal of provisions related to the repeal of the qualified economic offer. The repeal of the qualified economic offer is to be drafted as separate legislation. [See non-fiscal policy items.]

5. ACROSS-THE- BOARD REDUCTIONS

GPR	-\$109,200
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Senate/Legislature: Reduce the agency's GPR appropriation for general program operations by \$54,200 in 2005-06 and \$55,000 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 for restoration of the GPR funding reduction in an amount not to exceed the amount of reduction made to the agency's appropriation under the provision. In the case of an appropriation restoration, the funding amounts would come from total funding of \$96,000,000

GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's GPR supplemental appropriation to create alternative language specifying that the Secretary of DOA, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for the Commission is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

ENVIRONMENTAL IMPROVEMENT FUND

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$76,072,400	\$88,080,000	\$85,575,800	\$85,575,800	\$85,575,800	\$9,503,400	12.5%
SEG	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>0</u>	0.0
TOTAL	\$88,072,400	\$100,080,000	\$97,575,800	\$97,575,800	\$97,575,800	\$9,503,400	10.8%
BR		\$15,700,000	-\$9,600,000	-\$9,600,000	\$6,100,000		

FTE Position Summary
Positions for the Environmental Improvement Fund program are provided under the Departments of Administration and Natural Resources.

Budget Change Items

I. ENVIRONMENTAL IMPROVEMENT FUND DEBT SERVICE [LFB Paper 184]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$12,007,600	-\$2,504,200	\$9,503,400

Governor: Provide an increase of \$3,047,600 in 2005-06 and \$8,960,000 in 2006-07 for estimated increases in debt service costs for general obligation bonds. This would include: (a) an increase of \$2,638,600 in 2005-06 and \$8,118,200 in 2006-07 for clean water fund program debt service; and (b) \$409,000 in 2005-06 and \$841,800 in 2006-07 for safe drinking water loan program debt service.

GPR debt service payments from 2003-04 through 2006-07 are shown in the following table. General fund debt service is lower in the 2003-05 biennium than levels originally budgeted because: (a) principal payments were not made on certain environmental improvement fund bond issues in 2003-04, but rather were restructured as part of the State's issuance of \$175

million in refunding bonds under 2003 Wisconsin Act 129; and (b) clean water fund revenue obligation reserves were used to pay a portion of general fund debt service in 2003-04 and 2004-05. An additional \$6.0 million in general obligation bond debt service is paid in each year by loan repayments received from municipalities from loans that were originally provided from the proceeds of general obligation bonds. The land recycling loan program is funded through loan repayments of clean water fund loans made with the proceeds of federal grants to the clean water fund and does not have a separate debt service cost.

The clean water fund program provides low-interest loans to municipalities for planning, designing, constructing or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban stormwater runoff control projects. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction or modification of public water systems. The land recycling loan program provides financial assistance to certain local governments for the investigation and remediation of contaminated (brownfields) properties.

Joint Finance/Legislature: Reestimate the debt service costs of general obligation bonds as follows: (a) decrease by \$1,239,400 in 2005-06 and \$797,600 in 2006-07 the amount for clean water fund debt service, which would result in total general fund debt service of \$37,416,700 in 2005-06 and \$43,338,100 in 2006-07; and (b) decrease by \$314,800 in 2005-06 and \$152,400 in 2006-07 the amount for safe drinking water loan program debt service, which would result in total general fund debt service of \$2,112,900 in 2005-06 and \$2,708,100 in 2006-07.

Environmental Improvement Fund General Fund Debt Service Expenditures

	<u>Clean Water Fund Program</u>	<u>Safe Drinking Water Loan Program</u>	<u>Total</u>
2003-04 Actual	\$14,868,100	\$666,000	\$15,534,100
2004-05 Estimated	18,569,800	2,007,000	17,576,800
2004-05 Base Budget	36,017,500	2,018,700	38,036,200
2005-06 Jt. Finance	37,416,700	2,112,900	39,529,600
2006-07 Jt. Finance	43,338,100	2,708,100	46,046,200

2. GENERAL OBLIGATION BONDING AUTHORITY [LFB Paper 290]

	Governor (Chg. to Base)	Jt. Finance /Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
BR	\$15,700,000	-\$25,300,000	\$15,700,000	\$6,100,000

Governor: Provide an increase in general obligation bonding authority of \$15,700,000 for the environmental improvement fund, including: (a) an increase of \$9,600,000 for the clean water fund program, from \$637,743,200 to \$647,343,200; and (b) an increase of \$6,100,000 for the safe drinking water loan program, from \$26,210,000 to \$32,310,000. No change is being requested in revenue bonding authority for the clean water fund program, which is currently

authorized \$1,615,955,000.

Joint Finance/Legislature: Approve the Governor's recommendation to provide an increase of \$6,100,000 in general obligation bonding authority for the safe drinking water loan program. Decrease the amount of general obligation bonding authority currently authorized for the clean water fund program by \$15,700,000 (a decrease of \$25.3 million from the amounts recommended by the Governor for the clean water fund). Compared to current law, overall general obligation bonding for the environmental improvement fund would decline by \$9.6 million.

Veto by Governor [B-11]: Delete the decrease of \$15,700,000 in clean water fund program general obligation bonding authority, retaining general obligation bonding authority of \$637,743,200 for the clean water fund program.

[Act 25 Section: 462]

[Act 25 Vetoed Section: 461]

3. PRESENT VALUE SUBSIDY LIMIT [LFB Paper 290]

Governor: Provide a "present value subsidy limit" totaling \$153.4 million for the environmental improvement fund as follows: (a) \$136.6 million for the clean water fund program; (b) \$13.5 million for the safe drinking water loan program; and (c) \$3.3 million for the land recycling loan program. The subsidy limit represents the estimated state cost, in 2005 dollars, to provide 20 years of subsidy for the projects that would be funded in the 2005-07 biennium.

Joint Finance/Legislature: Based on an average market interest rate estimated at 5%, provide a present value subsidy limit totaling \$123.1 million as follows: (a) \$109.6 million for the clean water fund program; (b) \$10.8 million for the safe drinking water loan program; and (c) \$2.7 million for the land recycling loan program.

Veto by Governor [B-12]: Provide a present value subsidy limit of \$12.8 million for the safe drinking water loan program in the 2005-07 biennium. The increased present value subsidy limit is accomplished by vetoing the deletion of the \$12.8 million that had been provided for the 2003-05 biennium and by vetoing the \$10.8 million figure that would have been provided in 2005-07 under the bill.

[Act 25 Sections: 2157 thru 2159]

[Act 25 Vetoed Section: 2159]

4. CLEAN WATER FUND PROGRAM -- VARIABLE INTEREST RATE REVENUE OBLIGATIONS [LFB Paper 291]

Governor/Legislature: Change the way in which the market interest rate is calculated

under the clean water fund program to specify that if the state issues variable interest rate revenue obligations under the clean water fund program, the market interest rate would be determined by the Department of Administration as the interest rate that would have been paid if the state had sold the variable rate obligations at a fixed interest rate.

Currently, the market interest rate is the effective interest rate of a revenue obligation issued by the state to fund a project loan or a portion of a project loan and the interest rate for loans under the program is set at a percentage of the market interest rate. For example, compliance maintenance projects to prevent a significant violation of an effluent limitation by a municipal sewage treatment facility are provided financial assistance with a loan interest rate equaling 55% of the market interest rate.

The bill would also specify that the market interest rate under the safe drinking water loan program would continue to be calculated as the same rate as under the clean water fund program (no revenue obligations are authorized for the safe drinking water program).

[Act 25 Sections: 2151, 2156, and 2160]

5. CLEAN WATER FUND PROGRAM – REVIEW OF PLANS AND SPECIFICATIONS

Governor/Legislature: Eliminate certain requirements related to DNR approval of plans and specifications for construction of wastewater or sewerage systems prior to awarding financial assistance under the clean water fund program as follows:

a. Eliminate the requirement that municipalities seeking financial assistance under the clean water fund program receive approval from DNR of plans and specifications for wastewater or sewerage systems before DNR and DOA issue a notice of financial assistance commitment to the municipality.

b. Eliminate the requirement that DNR may not approve an application for financial assistance under the clean water fund program unless the application includes design plans and specifications that are "approvable" by the Department. Under the bill, DNR could not approve a municipality's application until the municipality submits design plans and specifications.

c. Eliminate the requirement that when DNR performs its current duty to periodically inspect clean water fund construction to determine project compliance with construction plans and specifications, the plans and specifications have to have been approved by DNR. (DNR would still have to perform periodic inspections of facility construction to determine project compliance with construction plans and specifications.)

Under the act, while DNR is no longer required to approve detailed construction plans and specifications before awarding financial assistance under the clean water fund program, general statutory provisions remain requiring approval of the plans and specifications "in scope and detail satisfactory to the Department" before construction begins.

[Act 25 Sections: 2152 thru 2155]

ETHICS BOARD

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$487,200	\$590,600	\$556,200	\$543,300	\$543,300	\$56,100	11.5%
PR	<u>771,200</u>	<u>795,400</u>	<u>795,400</u>	<u>795,400</u>	<u>795,400</u>	<u>24,200</u>	3.1
TOTAL	\$1,258,400	\$1,386,000	\$1,351,600	\$1,338,700	\$1,338,700	\$80,300	6.4%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	2.30	2.30	2.30	2.30	2.30	0.00
PR	<u>3.45</u>	<u>3.45</u>	<u>3.45</u>	<u>3.45</u>	<u>3.45</u>	<u>0.00</u>
TOTAL	5.75	5.75	5.75	5.75	5.75	0.00

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

GPR	\$16,800
PR	<u>24,200</u>
Total	\$41,000

Governor/Legislature: Provide standard adjustments to the base budget totaling \$8,400 GPR and \$12,100 PR annually. Adjustments are for: (a) full funding of continuing salaries and fringe benefits (\$2,800 GPR and \$6,500 PR annually); and (b) reclassifications (\$5,600 GPR and \$5,600 PR annually).

2. CODE OF ETHICS INVESTIGATIONS [LFB Paper 295]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$86,600	-\$34,400	\$52,200

Governor: Provide \$43,300 annually to the Board's Code of Ethics investigations biennial appropriation to finance the costs of investigations of violations of the Code of Ethics for state public officials and employees. Base level funding in the appropriation is \$6,700 annually.

Joint Finance/Legislature: Delete \$17,200 annually to provide total funding of \$32,800 annually under the Board's Code of Ethics investigations biennial appropriation. This revised funding level reflects the average annual investigation costs incurred in the 10 fiscal years since 1983 with the highest expenditures.

3. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

Governor: Reallocate \$19,600 (\$800 GPR and \$18,800 PR) from supplies and services to unallotted reserve in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

Joint Finance/Legislature: Delete provision.

4. ACROSS-THE-BOARD REDUCTIONS

GPR	-\$12,900
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Senate/Legislature: Reduce the Board's general program operations appropriation by \$6,400 in 2005-06 and by \$6,500 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations. Provide that the Board may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the Board's other sum certain GPR state operations appropriations. Provide further that the Board may submit a request to the Committee for restoration of the GPR funding reduction in an amount not to exceed the amount of reduction made to this appropriation. In the case of an appropriation restoration, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements."

Veto by Governor [E-2]: By partial veto, modify the language relating to the release of funds from the Committee's GPR supplemental appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for the Ethics Board is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

FINANCIAL INSTITUTIONS

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	<u>Act 25 Change Over Base Year Doubled</u>	
						Amount	Percent
PR	\$31,617,800	\$31,958,500	\$32,124,100	\$32,124,100	\$32,124,100	\$506,300	1.6%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	<u>Act 25 Change Over 2004-05 Base</u>
						- 14.96
PR	154.00	132.04	139.04	139.04	139.04	- 14.96

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 300]

	<u>Governor (Chg. to Base)</u>		<u>Jt. Finance/Leg. (Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR-REV	\$0		-\$165,600		-\$165,600	
PR	\$350,000	-1.00	\$165,600	1.00	\$516,100	0.00

Governor: Adjust the agency's base budget for: (a) turnover reduction (-\$203,000 annually); (b) nonrecurring costs (-\$82,800 and -1.00 position annually); (c) full funding of salaries and fringe benefits (\$422,100 annually); (d) reclassifications (\$26,900 in 2005-06 and \$41,800 in 2006-07); and (d) full funding of lease costs (\$4,600 annually).

Joint Finance/Legislature: Restore \$82,800 and 1.0 position annually to the agency's base budget that were mistakenly eliminated both as a nonrecurring cost under standard budget adjustments and as part of the agency's budget reductions.

At the end of each fiscal year, DFI lapses most unencumbered program revenue to the general fund as GPR-Earned. As a result of restoring expenditures of \$82,000 in each year to the

agency's budget, reduce the balances to be transferred to the general fund by \$82,800 in each year.

2. BUDGET REDUCTIONS

	Funding	Positions
PR	-\$1,787,400	- 8.00

Governor/Legislature: Reduce the Department's general program operations appropriation by \$705,600 and 8.0 positions in each year. In addition, reduce the general program operations appropriation of the Office of Credit Unions (which is attached to DFI for administrative purposes) by \$188,100 annually.

3. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions
PR	- 3.46

Governor/Legislature: Reallocate \$295,200 from salaries and fringe benefits to unallotted reserve and delete 3.46 PR positions in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

4. PROCUREMENT AND PURCHASING SERVICES CONSOLIDATION [LFB Paper 112]

	Positions
PR	- 0.50

Governor/Legislature: Reallocate \$33,600 from salaries and fringe benefits to unallotted reserve and delete 0.50 position in 2006-07 associated with the consolidation of procurement and purchasing services functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

5. HUMAN RESOURCES AND PAYROLL BENEFITS SERVICES CONSOLIDATION [LFB Paper 112]

	Positions
PR	- 3.00

Governor/Legislature: Reallocate \$234,000 from salaries and fringe benefits to unallotted reserve and delete 3.00 positions in 2006-07 associated with the consolidation of human resources and payroll benefits functions in the Department of Administration. [See "Administration -- Transfers to the Department."]

6. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	- 6.00	6.00	0.00

Governor: Delete 7.00 classified positions annually to reflect the consolidation of the agency's attorneys and legal staff under DOA, effective January 1, 2006. Reallocate \$290,900 in 2005-06 and \$581,700 in 2006-07 from budgeted salaries and fringe benefits to the agency's supplies and services budget to pay for legal services supplied by DOA. Authorize the Secretary of DOA to identify one attorney position in DFI as general counsel for the agency and authorize 1.00 unclassified position for this purpose. The general counsel position would be funded from base level salary and fringe benefits amounts associated with the position identified by the Secretary of DOA.

Specify that all transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006. [See "Administration – Transfers to the Department."]

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempted from the attorney position deletion and lapse or transfer of funds requirements.

Vetoed by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

7. MORTGAGE BANKING LOAN ORIGINATOR PROGRAM

PR	\$1,777,600
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Governor/Legislature: Provide \$888,800 in each year to administer the mortgage loan originator program that was created under 2003 Wisconsin Act 260. Act 260 requires, with exceptions, that individuals seeking to be registered as mortgage loan originators or solicitors must pass a competency examination in order to be licensed. The Act specifies that these exams must be in place by July 2, 2005. The Act also generally requires an individual seeking to renew a license to complete 16 hours of continuing education or to pass an examination, effective with renewals on July 1, 2007. However, loan examiners employed by an affiliate of a credit union, bank, trust company, savings bank, savings and loan association, insurance company, or a land mortgage or farm loan association are exempt from the examination and continuing education requirements.

The Division of Banking in the Department of Financial Institutions is responsible for administering the mortgage banking loan originator program and ensuring that the needed structures are in place by the specified effective dates. The competency examinations are to be sponsored by the Wisconsin Technical College System Board, a professional trade association whose members include loan originators, or any other person approved by the Division of Banking. The Division is also responsible for determining whether the continuing education requirement for a license renewal has been satisfied. The amount provided would be used for supplies and services to pay for test development, test management, administration of a continuing education approval and tracking program, and licensee management. Funding would come from new examination fees to be established by administrative rule.

8. FOREIGN CORPORATION ANNUAL FILING FEE [LFB Paper 301]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$0	\$800,000	\$800,000
PR-REV	\$3,957,800	\$800,000	\$4,757,800

Governor: Increase the foreign corporation fees for capital in excess of the amount of capital on which a fee has previously been paid from \$2 per \$1,000 to \$3 per \$1,000. The increase would apply with respect to annual reports as well as to certificates of withdrawal. The Department estimates additional program revenue from these provisions of \$1,978,900 annually.

A foreign corporation is a for-profit corporation incorporated under a law other than the laws of this state. However, a foreign corporation does not include a railroad corporation, an association created solely for religious or charitable purposes, an insurer, a motor club, a savings and loan association, a savings bank, or a common law trust. Under current law, a foreign corporation is required to file an annual report and remit of fee of \$65 plus an additional fee of \$2 per \$1,000 of capital in excess of the amount of capital on which a fee has previously

been paid. In addition, a foreign corporation that is withdrawing from doing business in this state is required to file an application for a certificate of withdrawal and remit a fee of \$40 plus \$2 per \$1,000 of excess capital. In both cases, the bill would increase the fee on excess capital to \$3 per \$1,000.

The increase in the foreign corporation filing fee for annual reports would first apply to such reports due on the day after publication of the bill. The increase in the fee for certificates of withdrawal would first apply to applications for such certificates filed on the day after publication.

Joint Finance/Legislature: Approve the Governor's proposal. In addition, increase the filing fee on capital representation of a foreign corporation paid at the time of applying for a certificate of authority from \$2 per \$1,000 of capital in excess of \$60,000 to \$3 per \$1,000 of capital in excess of \$60,000. As a result, estimate increased program revenues and lapses to the general fund of \$400,000 in each year.

[Act 25 Sections: 2094m thru 2096 and 9317(1),(2)&(2c)]

9. TRANSFER OF CASH BALANCE [LFB Paper 302]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$250,000	\$219,200	\$469,200

Governor: Provide that on June 30, 2006, and on June 30, 2007, \$125,000 PR of the cash balance in DFI's continuing appropriation for gifts, grants, settlements, and publications is to be lapsed to the general fund. Provide that the lapses are to occur notwithstanding statutory provisions related to balances in continuing appropriations.

State law specifies that the moneys received by DFI for gifts, grants, bequests, certain forfeitures and settlements, and fees or charges for photocopying and similar services are to be used for the purposes for which the moneys were received or collected. Currently, any unencumbered balance in the appropriation at the end of a fiscal year is retained in the appropriation and becomes the starting balance in the subsequent fiscal year. These provisions would reduce the cash balance in the appropriation by \$125,000 in each year.

Joint Finance/Legislature: Approve the Governor's proposal and also require the Department to lapse an additional \$219,200 to the general fund on June 30, 2006.

[Act 25 Section: 9217(1)]

10. ONE-TIME DELAY OF LAPSE TO GENERAL FUND

Joint Finance/Legislature: Specify that, on a one-time basis, the lesser of the unencumbered balance or \$25,000,000 from DFI's general program operations appropriation [s. 20.144(1)(g)] that would otherwise lapse to the general fund as GPR-Earned at the end of 2005-06 would, instead, be lapsed to the general fund on July 31, 2006, and be credited as GPR-Earned in the 2006-07 fiscal year. As the lapse delay would be for one month only and would not extend beyond the 2005-07 biennium, this provision would have no biennial fiscal effect, compared to the bill.

[Act 25 Section: 9117(1f)]

FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled Amount	Percent
SEG	\$61,400	\$61,400	\$61,400	\$61,400	\$61,400	\$0	0.0%

FTE Position Summary
There are no state authorized positions for the Fox River Navigational System Authority.

Budget Change Item

1. FOX RIVER NAVIGATIONAL SYSTEM FUNDING [LFB Paper 305]

Governor: Delete the Fox River Management Commission and associated obsolete statutory provisions. In addition, delete \$96,000 water resources SEG annually and the two Department of Natural Resources (DNR) appropriations that were used to fund seasonal operations of three locks.

Under current law, when the Fox River navigational system is transferred from the federal government to the state, the Fox River Navigational System Authority is required to assume responsibility for the rehabilitation, repair, replacement, operation, and maintenance of the system and the authority of the Fox River Management Commission expires. In addition, current law requires the state to enter into a lease with the Authority once the transfer from the federal government to the state has occurred. In September, 2004, the 17 locks and associated property were transferred from the United States Army Corps of Engineers to the state, and the Authority subsequently signed a lease with the state to assume responsibility for the locks.

The bill would continue \$30,700 in base water resources SEG for operations of the Authority, but would not transfer the \$96,000 SEG provided in 2004-05 for interim DNR operation of the locks to the Authority.

Joint Finance/Legislature: Adopt the Governor's recommendations. In addition, require the Authority to submit its 2007-09 budget request to the Governor as though \$126,700 SEG was provided to the Authority as base level funding in 2006-07. Further, if the Building Commission determines the land is not needed for navigational purposes, direct the deposit of net proceeds from the sale of any property that was transferred to the state by the U.S. Army Corps of Engineers to a new, continuing PR appropriation under the Fox River Navigational System Authority to be used for the administration of the Authority and the operation, repair and rehabilitation of the lock system. Specify that these lands would be sold at fair market value and any sale would be made under current procedures for the sale of surplus land, including a 14-day passive review procedure by the Joint Committee on Finance. DOA would be required to renegotiate the lease with the Authority to reflect any potential sale.

[Act 25 Sections: 40, 54, 272, 273, 273g, 273r, 678, 679, 680, 2119, 9101(10t), 9105(14q), and 9118(1q)]

GENERAL FUND TAXES

1. GENERAL FUND TAX CHANGES

The following table shows the general fund tax changes recommended by the Governor, Joint Committee on Finance, and Legislature along with the estimated fiscal effect in the 2005-07 biennium. The final column shows the tax changes under Act 25, which includes the impact of the Governor's partial vetoes. The table includes several enforcement provisions that are estimated to result in increased tax collections and does not include tax law changes that are estimated to have a minimal fiscal impact. The revenue generation positions under general sales tax are described under "Revenue -- Tax Administration" and the revenue generation positions in the Office of the Commissioner of Insurance (OCI) are described under "Insurance." The repayment of medical assistance (MA) revenue bonds is described under "Building Commission." It should be noted that the \$3.9 million revenue loss shown under Governor for repayment of MA revenue bonds does not represent a reduction in the amount of taxes paid to the state. However, this amount would have been deposited into the segregated excise tax fund rather than the general fund.

2005-07 General Fund Tax Changes -- Biennial Fiscal Effects (In Millions)

	<u>Governor</u>	<u>Jt. Finance</u>	<u>Legislature</u>	<u>Act 25</u>
Individual Income Tax				
Pass-Through Entity Withholding	\$12.50	\$12.50	\$12.50	\$12.50
Reestimate Property Tax/Rent Credit	12.50	19.00	19.00	19.00
Tuition Tax Deduction Increase	-10.20	-10.20	-10.20	-10.20
Disclosure of Information to DOR	5.00	3.50	3.50	3.50
Internet Posting of Delinquencies	3.00	3.00	3.00	3.00
Internal Revenue Code Update	2.90	2.90	2.90	2.90
Expand Dairy Modernization Credit	-1.46	-1.64	-1.64	-1.64
Revocation of Law Licenses	0.70	0.70	0.70	0.70
Exclusion for Social Security Benefits	0.00	-8.00	-12.00	0.00
Health Savings Accounts	0.00	-7.50	-7.50	0.00
Deductions for Health Insurance Premiums	0.00	-2.00	-2.00	-2.00
Increase Military Income Credit	0.00	-0.50	-0.50	-0.50
Adoption Credit	0.00	0.00	-5.30	0.00
General Sales Tax				
Voluntary Compliance with Streamlined Sales Tax	32.10	0.00	0.00	0.00
Conform to Streamlined Sales Tax Agreement	-5.70	0.00	0.00	0.00
Revenue Generation Positions	4.70	4.70	4.70	4.70
Taxation of Electronic Versions of Property	3.20	0.00	0.00	0.00
Retailer's Discount	0.00	7.30	0.00	0.00

	<u>Governor</u>	<u>Jt. Finance</u>	<u>Legislature</u>	<u>Act 25</u>
Corporate Income and Franchise Tax				
Internal Revenue Code Update	-1.17	-1.17	-1.17	-1.17
Expand Dairy Modernization Credit	-0.26	-0.26	-0.26	-0.26
HIRSP Assessment Credit	0.00	-1.50	-1.50	0.00
Utility Taxes				
Reduce Car Line Tax Rate	0.00	-0.27	-0.27	-0.27
Cigarette Tax				
Repayment of MA Bonds	-3.90	0.00	0.00	0.00
Direct Marketing	1.11	0.00	0.00	0.00
Bad Debt Deduction	0.00	-0.39	-0.39	-0.39
Insurance Company Taxes				
Revenue Generation Positions in OCI	0.00	4.70	4.70	4.70
HIRSP Assessment Credit	<u>0.00</u>	<u>-0.50</u>	<u>-0.50</u>	<u>0.00</u>
Total Change	\$55.02	\$24.37	\$7.77	\$34.57

Three additional points should be noted about the table shown above. First, the administration estimated that the Governor's proposal regarding direct marketing of cigarettes and tobacco products would generate additional tax revenues of \$1.11 million in 2006-07. However, in reviewing the Governor's recommendations, it was determined that the direct marketing provisions would likely not generate additional tax revenues. Later versions of the budget incorporate different direct marketing provisions, but estimate no fiscal impact.

Second, the \$4.7 million shown under insurance company taxes for revenue generation positions in OCI reflects a provision recommended by the Governor. However, the administration erroneously recorded the increased tax collections as program revenue in OCI.

Third, some of the tax provisions included in Act 25 have delayed effective dates and/or phase-in provisions, which will result in revenue losses in future years. In the 2005-07 biennium, the Act 25 provisions are estimated to result in increased tax revenues of \$14.9 million in 2005-06 and \$19.7 million in 2006-07. However, in future years, it is estimated that revenues will decrease by \$34.1 million in 2007-08, \$93.8 million in 2008-09, and \$99.6 million in 2009-10 and thereafter. These figures are in 2006-07 dollars.

Individual and Corporate Income Taxes

1. REQUIRE WITHHOLDING FROM NONRESIDENT MEMBERS OF PASS-THROUGH ENTITIES [LFB Paper 315]

GPR-REV \$12,500,000

Governor: For tax years beginning on or after January 1, 2005, require partnerships, limited liability companies (LLCs), tax-option corporations, and estates or trusts treated as pass-through entities for federal income tax purposes and that have Wisconsin income for the tax year that is allocable to a nonresident partner, nonresident member, nonresident shareholder, or nonresident beneficiary to pay withholding taxes. A nonresident would be: (a) an individual not domiciled in the state; or (b) a partnership, LLC, or corporation whose commercial domicile is outside the state; or (c) an estate or trust that is nonresident under state law. The amount of withholding would equal the partner's, member's, shareholder's, or beneficiary's share of income attributable to Wisconsin multiplied by: (a) the highest state individual income tax rate for the taxable year for a single individual (6.75%), if the recipient is an individual, estate, or trust; or (b) the highest corporate tax rate (7.9%) for the taxable year for a partnership, LLC, or tax-option corporation. Members of pass-through entities that are also pass-through entities would be subject to the same withholding requirements.

Withholding would not be required if the person was exempt from income taxation, was a joint venture not treated as a partnership under federal law, or if the person had no other source of Wisconsin income and the person's share of income from the pass-through entity was less than \$1,000. In the case of a person exempt from taxation, a pass-through entity would be permitted to rely on a written statement from the person claiming to be exempt, as long as the pass-through entity attached a copy of such statement to its tax return for the taxable year and the statement included the following: the name, address, federal employer identification number, and reason for claiming an exemption for each person claiming to be exempt from the income tax.

Each pass-through entity would be required to pay the amount withheld according to the following schedule: (a) for tax-option corporations, by the 15th day of the third month following the close of the tax year; and (b) for partnerships, LLCs, estates, and trusts, by the 15th day of the fourth month following the close of the tax year.

If the pass-through entity had an extension of time to file its tax return, then the tax withheld would be due on the unextended due date of the return. No penalty for underpayment of estimated tax would be imposed as long as one of the following amounts was paid by the unextended due date of the return: (a) 90% of the withholding tax due for the current taxable year; or (b) 100% of the withholding tax due for the prior taxable year if that taxable year was a period of 12 months and the entity paid withholding tax as required under these provisions. However, interest at 12% would apply to the unpaid amount of tax withheld during any extension period and interest at the rate of 18% would apply to the unpaid amount

of tax withheld for the period beginning with the extended due date and ending with the date of full payment of the withheld tax.

As under current law with respect to persons required to withhold income tax, any tax withheld under these provisions would be held in trust for the state, and the pass-through entity would be liable to the Department of Revenue (DOR) for payment of the tax withheld. No partner, member, shareholder, or beneficiary of a pass-through entity would have any right of action against the pass-through entity with respect to any amount withheld and paid in compliance with these provisions. In addition, if a pass-through entity failed to withhold tax as required under these provisions, the entity would be liable for any tax, interest, and penalties. If a nonresident partner, member, shareholder, or beneficiary of a pass-through entity filed a return and paid the tax due, the pass-through entity would not be liable for the tax but would be liable for any interest and penalties otherwise applicable to failure to withhold under general income and franchise tax provisions.

The pass-through entity would be required to annually notify each nonresident of the amount withheld on or before the extended due date of the pass-through entity's return and furnish a copy of the notice to DOR. The person could claim a credit for the amount withheld on the person's state income or franchise tax return.

The administration estimates that these provisions would increase state income and franchise tax revenues by \$7,500,000 in 2005-06, and \$5,000,000 in 2006-07.

Under current law, partnerships, and LLCs treated as partnerships are not subject to the state income or franchise tax. Instead, partners or members are required to individually file Wisconsin tax returns and pay tax based on their share of the income allocable to services performed, business transacted, or property located in Wisconsin. Shareholders of tax-option corporations are subject to Wisconsin income tax on their share of the corporation's Wisconsin income. Shareholders must file a Wisconsin return and pay the tax due on the taxpayer's share of the corporation's Wisconsin income. Nonresident beneficiaries of estates and trusts may also be subject to Wisconsin taxation.

Joint Finance/Legislature: Approve the Governor's recommendation with a modification to exempt publicly traded partnerships (PTPs) treated as partnerships under the federal Internal Revenue Code (IRC) from the withholding requirements if the entity agrees to file an annual information return reporting the name, address, taxpayer identification number, and other information requested by DOR for each unitholder with an income in the state from the PTP in excess of \$500. It is estimated that the modification would have a minimal fiscal effect. Therefore, there would be no change from the estimated fiscal effects under the bill.

Veto by Governor [F-7]: Make a technical correction to these provisions to clarify that the withholding requirements apply to all nonresidents who are members of pass-through entities.

[Act 25 Sections: 1431 and 9341(5)]

[Act 25 Vetoed Section: 1431]

2. INCREASE INDIVIDUAL INCOME TAX DEDUCTION FOR COLLEGE TUITION [LFB Paper 316]

GPR-REV	- \$10,200,000
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Governor: Increase the individual income tax deduction for higher education tuition expenses. Current law provides a deduction of up to \$3,000 per student for tuition paid on behalf of a claimant, the claimant's spouse, or the claimant's dependent. Eligible expenses include tuition paid to any university, college, technical college, or a school approved by the Educational Approval Board that is located in Wisconsin. The deduction also applies to tuition expenses for a public vocational school or public institution of higher education in Minnesota under the Minnesota-Wisconsin tuition reciprocity agreement. The maximum deduction is phased out in specified ranges of federal adjusted gross income (AGI) that vary with filing status. The phase-out ranges are as follows: (a) \$50,000 and \$60,000 for single and head-of-household tax filers; (b) \$80,000 to \$100,000 for married couples filing joint returns; and (c) \$40,000 and \$50,000 for married couples filing separate returns.

The bill would increase the maximum deduction from \$3,000 to the greater of \$5,100 or twice the average amount charged by the Board of Regents of the University of Wisconsin at four-year institutions for resident undergraduate academic fees for the most recent fall semester, as determined by the Board of Regents by September 1 of that semester. The provisions would first apply to taxable years beginning on January 1 of the year in which the bill takes effect, except that if the bill takes effect after July 31, the provisions would first apply to taxable years beginning on January 1 of the following year. The administration estimates that these provisions would reduce state individual income tax revenues by \$4,900,000 in 2005-06 and by \$5,300,000 in 2006-07. The administration's intent is for this provision to first apply to tax year 2005.

Joint Finance/Legislature: Approve the Governor's proposal, with a modification to eliminate the reference to a potential maximum deduction of \$5,100. Based on the modification, the maximum deduction would be twice the average amount charged by the Board of Regents of the University of Wisconsin at four-year institutions for resident undergraduate fees for the most recent fall semester. In addition, specify that the increased deduction would first apply to tax years beginning on January 1, 2005. The estimated costs would be the same as those included in the Governor's bill.

[Act 25 Sections: 1288 and 9341(15)]

3. REESTIMATE INDIVIDUAL INCOME TAX REVENUE BASED ON EXPECTED CHANGES IN THE PROPERTY TAX/RENT CREDIT [LFB Paper 685]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$12,500,000	\$6,500,000	\$19,000,000

Governor: Estimate increases in general fund revenues from the individual income tax of \$3,800,000 in 2005-06 and \$8,700,000 in 2006-07 as a result of corresponding decreases anticipated in the cost of the property tax/rent credit (PTRC).

The PTRC is a nonrefundable credit against the individual income tax that is equal to 12% of property taxes, or rent constituting property taxes, paid on a principal residence up to a maximum of \$2,500 in property taxes. The maximum credit is \$300. The administration anticipates lower residential property taxes under the bill, which would result in smaller PTRC claims and corresponding increases in tax revenues.

Joint Finance/Legislature: Compared to the Governor's bill, increase estimates of general fund revenues from the individual income tax by \$2,200,000 in 2005-06 and by \$4,300,000 in 2006-07 as a result of corresponding decreases anticipated in the cost of the PTRC. The reestimates of the PTRC are based on the following: (a) estimated reductions in the cost of the PTRC of \$1,800,000 in 2005-06 and \$3,900,000 in 2006-07 to reflect the effect of the Legislature's actions on property taxes, compared to the Governor; and (b) estimated reductions in the cost of the PTRC of \$400,000 in each year to reflect the effect of the individual income tax credit for veterans' property taxes approved by the Legislature (described below).

4. EARNED INCOME TAX CREDIT [LFB Paper 317]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	- \$9,126,400	\$12,000,000	\$8,600,000	\$11,473,600
SEG	- 473,600	0	0	- 473,600
Total	- \$9,600,000	\$12,000,000	\$8,600,000	\$11,000,000

Governor: Reduce funding for the earned income tax credit (EITC) as follows: (a) eliminate SEG funding of \$236,800 in each year; and (b) reduce GPR funding by \$4,863,200 in 2005-06 and \$4,263,200 in 2006-07. The net effect would be to decrease funding for the EITC by \$5,100,000 in the first year and by \$4,500,000 in the second year.

Currently, the EITC is funded with a combination of PR, SEG, and GPR funding. The program revenue is federal temporary assistance for needy families (TANF) funding transferred from the Department of Workforce Development to pay the refundable portion of the EITC. The SEG funding, which is being used for the EITC for the first time in 2004-05, is revenue from the segregated utility public benefits trust fund. The PR and SEG amounts are provided through sum-certain appropriations. The GPR portion is provided through a sum-sufficient appropriation and covers the balance of the cost of the credit.

The amounts requested to fund the EITC in the 2005-07 biennium are as follows: (a) \$59,532,000 PR in each year; and (b) \$14,168,000 GPR in 2005-06 and \$14,768,000 GPR in 2006-07. Total funding would be \$73,700,000 in 2005-06 and \$74,300,000 in 2006-07.

Joint Finance/Legislature: Reestimate total funding for the EITC at \$79,000,000 in 2005-06 and \$81,000,000 in 2006-07. The reestimates are \$5,300,000 and \$6,700,000 higher in 2005-06 and 2006-07, respectively, than the estimates under the bill. Increase estimated GPR funding by the same amounts, to \$19,468,000 in 2005-06 and \$21,468,000 in 2006-07 to cover the anticipated increases in the cost of the EITC.

Veto by Governor [A-24]: Reduce TANF funding for the EITC by \$4,300,000 in each year to \$55,232,000 PR annually from \$59,532,000 PR annually. As a result of the reduction in TANF funds for the EITC, GPR funding for the EITC is reestimated at \$19,468,000 GPR in 2005-06 and \$21,468,000 in 2006-07. These figures are \$4,300,000 more in each year than the estimated GPR funding under the budget as approved by the Legislature. [It should be noted, however, that while the partial veto reduced the amount of TANF that may be used to fund the EITC, the amount in the PR appropriation to which the TANF funds are transferred was not correspondingly reduced. Therefore, no PR fiscal effect is shown for the veto.]

[Act 25 Sections: 452, 452h, and 1106]

[Act 25 Vetoed Section: 1106]

5. MINNESOTA-WISCONSIN INCOME TAX RECIPROCITY

GPR	\$13,800,000
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Governor/Legislature: Provide increases of \$5,100,000 in 2005-06 and \$8,700,000 in 2006-07 to reflect the anticipated payments to Minnesota under the Minnesota-Wisconsin individual income tax reciprocity agreement. Total funding would be \$53,700,000 in 2005-06 and \$57,300,000 in 2006-07. The most recent payment to Minnesota, which was made in December, 2004, for tax year 2003, was \$49,850,000.

6. ILLINOIS-WISCONSIN INCOME TAX RECIPROCITY

GPR	-\$500,000
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Governor/Legislature: Reduce estimated expenditures through the sum sufficient appropriation for payments to Illinois under the Illinois-Wisconsin individual income tax reciprocity agreement by \$1,100,000 in 2005-06 and increase the estimated payment by \$600,000 in 2006-07. Total expenditures would be estimated at \$29,800,000 in 2005-06 and \$31,500,000 in 2006-07. The most recent payment to Illinois was \$28,042,000 and was made for tax year 2003.

7. INTERNAL REVENUE CODE UPDATE [LFB Paper 318]

GPR-REV	\$1,730,000
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Governor: Update state tax references to the federal Internal Revenue Code in order to conform to certain federal law changes enacted through December 31, 2004.

Under current law, references to the IRC generally refer to the code in effect on December 31, 2002. With exceptions, the bill would update state references to federal provisions enacted in 2003 and 2004 under the following federal laws: (a) the 2003 Jobs and Growth Tax Relief

Reconciliation Act (JGTRRA); (b) the 2003 Military Family Tax Relief Act (MFTRA); (c) the 2003 Medicare Prescription Drug, Improvement, and Modernization Act (MPDIMA); (d) the Working Families Tax Relief Act (WFTRA); (e) the American Job Creation Act (AJCA); and (f) 2004 Public Law 108-476, relating to the YMCA retirement fund. AJCA repeals certain provisions under prior federal law related to foreign sales corporations (Public Law 106-519), which the state did not adopt for state tax purposes. However, the bill would include conformance to such provisions under Public Law 106-510, effective with tax year 2005, in order to facilitate the update to the current federal provisions under AJCA.

The bill would conform to all of the provisions under the federal laws described above with the exception of the following: (a) increases in federal alternative minimum tax exemptions for tax years 2003 and 2004 under JGTRRA [although the increase in the alternative minimum tax exemptions for tax year 2005 (under WFTRA) would be included]; (b) federal bonus depreciation and small business expensing provisions under JGTRRA and AJCA, which modified prior federal provisions that were not adopted for state tax purposes; (c) health savings accounts (HSAs) in MPDIMA and provisions under WFTRA that would provide conformity between distributions from health savings accounts and Archer medical savings accounts; (d) the extension of expiring tax provisions that the state did not previously adopt, which augmented the deduction for donations of computer technology and equipment and provided immediate deductions of brownfield environmental remediation costs (under WFTRA); and (e) and federal provisions that would permit expensing of film and television production costs (under AJCA).

The bill would also include conformance of state statutes with the changes under two additional federal laws enacted in 2004, the 2004 Social Security Protection Act and the 2004 Pension Funding Equity Act. These two federal laws provided clarifications and technical corrections as well as adjusted rules relating to pensions funds. While these provisions would not have a substantive effect on state tax law, the bill would adopt the federal changes to remain consistent with federal law.

The federal law provisions to which the state would conform, under the bill, would generally apply for Wisconsin purposes at the same time as they apply for federal purposes, with the following exceptions: (a) a deduction for travel expenses of members of the National Guard and Reserves under MPDIMA would be adopted prospectively for tax years beginning after December 31, 2004, rather than retroactively to tax year 2003, when the federal deduction took effect; (b) an extension of a deduction for classroom expenses of educators would be adopted prospectively, for tax year 2005, and not retroactively to tax year 2004, when the federal extension of the expiring provision took effect (under WFTRA), and (c) the provisions of Public Law 106-519, related to foreign sales corporations, would be adopted for tax years beginning on or after January 1, 2005, as described above.

In addition to updating state tax references to the IRC, the bill would clarify and correct certain provisions related to the standard deduction and to innocent spouse relief under the individual income tax. Under current law, the standard deduction for a person claimed as a

dependent on another's return equals the lesser of: (a) the deduction for a single tax filer; or (b) \$800 (in 2005 – the amount is adjusted annually for inflation), but not more than the tax filer's earned income plus \$250. For nonresidents or part-year residents, if the deduction is the first amount, it is prorated by the ratio of Wisconsin adjusted gross income (WAGI) to federal adjusted gross income (FAGI); if the deduction is the second amount, it is not prorated. The bill would correct the statutes so that the standard deduction for nonresidents or part-year residents would be pro-rated by the ratio of WAGI to FAGI in all cases, effective with tax years beginning on or after January 1, 2005.

Wisconsin currently conforms to innocent spouse relief provisions of the Internal Revenue Code. However, Wisconsin statutes contain an incorrect reference to the IRC and fail to provide the two-year period allowed under federal law for applying for such relief. The bill would correct the IRC reference and provide the two-year period for innocent spouse relief as under federal law. These provisions would first apply to tax liability that arises on the bill's general effective date or that remains unpaid on that date.

The administration estimates that the IRC update under the bill would increase state tax revenues by \$620,000 in 2005-06 and by \$1,110,000 in 2006-07. The following table provides a list of the items that are projected to have an impact on state revenues, along with their estimated fiscal effects.

**Summary of Federal Law Changes with Substantive Fiscal Effects
(In Millions)**

	<u>2005-06</u>	<u>2006-07</u>
Individual Income Tax		
Charitable contributions of patents and similar property	\$2.30	\$1.40
Charitable contributions of motor vehicles, boats, and airplanes	0.90	1.10
Treatment of partnership loss transfers and partnership basis adjustments	0.20	0.15
Alternative minimum tax relief for individuals	None	-0.05
Deduction for costs incurred in civil rights suits	-0.10	-0.10
Military death benefit exclusion	-0.20	Minimal
Exclusion of gain from sale of residence for uniformed personnel	-0.30	Minimal
Deduction for travel expenses by Guard and Reserve members	-0.50	-0.50
Extension of the teachers' expense deduction	<u>None</u>	<u>-1.40</u>
Individual Income Tax Total	\$2.30	\$0.60
Corporate and Business Taxes		
Reform tax treatment of leasing arrangements to tax-exempt entities	\$3.30	\$3.30
Consistent amortization period for start-up and organizational expenditures	0.30	1.20
Limitation of employer deduction for certain entertainment expenses	0.80	0.50
Treatment of nonqualified deferred compensation plans	0.65	0.15
Expanded disallowance of deduction for interest on convertible debt	0.40	0.25
Limitation on transfer or importation of built-in losses	0.30	0.30
Depreciation of sports franchises	0.30	0.20
Prevention of mismatching between deductions and income inclusions	0.25	0.20
Denial of installment sale treatment for all readily tradable debt	0.20	0.05
Depreciation of utility grading costs	0.10	0.10
Modification of straddle rules	0.10	0.07
Treatment of certain income of rural electric cooperatives	-0.06	0.00
Depreciation of certain motor racetrack facilities	-0.07	-0.06

	<u>2005-06</u>	<u>2006-07</u>
Expand bank S corporation eligible shareholders to include IRAs	-\$0.10	-\$0.10
Increase the number of eligible S corporation shareholders to 100	-0.10	-0.15
Deduction for clean-fuel vehicles	-0.35	0.00
Method of accounting for naval shipbuilders	-0.20	-0.20
Modification of application of income forecast method of accounting	-0.20	-0.30
Election to expense qualified reforestation costs	-0.40	-0.15
Depreciation of certain leasehold improvement and restaurant property	-0.90	-0.55
Repeal exclusion for extraterritorial income	<u>-6.00</u>	<u>-4.30</u>
Corporate and Business Tax Total	-\$1.68	\$0.51
 IRC Update Total	 \$0.62	 \$1.11

Joint Finance/Legislature: Approve the Governor's recommendation. In addition, update state tax references to the IRC to include Public Law 108-375 in order to conform to the federal exclusion from gross income for members of the military for travel benefits donated to them. The fiscal effect of the modification to the Governor's recommendation is estimated to be minimal. Therefore, there would be no change to the estimates for the IRC update included in the Governor's bill.

[Act 25 Sections: 1263 thru 1271, 1289 thru 1291, 1314 thru 1318, 1323 thru 1340, 1355 thru 1363, 1387 thru 1404, 9141(1), and 9341(2)&(3)]

8. HEALTH SAVINGS ACCOUNTS

	Jt. Finance /Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR-REV	-\$7,500,000	\$7,500,000	\$0

Joint Finance/Legislature: Update state tax references to the IRC in order to conform to federal individual income tax exclusions and deductions for health savings accounts (HSAs) as provided under the 2003 Medicare Prescription Drug, Improvement, and Modernization Act (MPDIMA), effective with tax year 2005.

Under the federal HSA provisions, an eligible individual covered by a high-deductible health insurance plan may make pre-tax contributions to an HSA to cover qualified medical care expenses. The federal HSA provisions took effect on January 1, 2004.

To be an eligible individual and qualify for an HSA, an individual must: (a) have a high deductible health plan on the first day of the month; (b) with limited exceptions, have no other health coverage; (c) not be eligible for Medicare; and (d) not be claimed as a dependent on someone else's tax return.

A high-deductible health plan is defined as one that has at least a \$1,000 annual deductible for self-only coverage and a \$2,000 deductible for family coverage. These amounts are indexed

annually for inflation. In addition, to be qualified as a high-deductible health plan, the plan must limit annual out-of-pocket expenses paid under the plan to amounts that are also indexed for inflation. For 2005, the, out-of-pocket expenses must be limited to no more than \$5,100 for individuals and \$10,200 for families. Such expenses include deductibles, co-payments, and any other amounts paid for plan benefits.

Contributions to HSAs may be deducted from gross income in the determination of adjusted gross income, and are limited to the lesser of: (a) 100% of the annual deductible for the high-deductible health plan; or (b) the maximum deduction permitted under a Medical Savings Account (MSA). For 2005, the general limits are \$2,650 for individuals and \$5,250 for families. The limits are adjusted annually for inflation and are coordinated with those for Archer Medical Savings Accounts; contributions to an HSA or an MSA reduce the annual contribution limit for the other type of health account. Individuals who reach age 55 by the end of the tax year may increase their contributions by \$600 for 2005, \$700 for 2006, \$800 for 2007, \$900 for 2008, and \$1,000 for 2009 and thereafter. Contributions may not be made, however, after a participant becomes eligible for Medicare. Excess contributions are subject to a federal excise tax, generally equal to 6% of the cumulative amount of excess contributions that are not distributed from the health account to the contributor.

An individual's employer may also make contributions to an HSA on behalf of an eligible individual. If an employer makes such contributions, the employer must make available comparable contributions on behalf of all employees with comparable health insurance coverage during the same period. If employer contributions do not satisfy the comparability rule, then the employer is subject to a federal excise tax equal to 35% of the aggregate amount contributed by the employer to health accounts for that period. If an employer makes contributions to an HSA, the contribution limits described above apply to the aggregate amounts contributed on behalf of the employee. In such a case, the amount contributed by the employer would be excluded from the employee's gross income (and associated unemployment and withholding taxes), and the amount contributed by the employee would be deducted from income on the individual income tax return.

Earnings on HSAs accumulate on a tax-free basis. Distributions from an HSA are not subject to tax to the extent that they are used to pay for qualified medical expenses of the account beneficiary. HSA distributions may not be used to purchase health insurance. Any distributions not used to pay the qualified medical expenses of the account beneficiary are included in federal gross income. Federal law also imposes a penalty of 10% on such distributions. However, the federal penalty does not apply if the distributions are made after the account beneficiary becomes eligible for hospital insurance under Medicare or becomes disabled or dies.

Individual eligibility for an HSA is determined on a monthly basis. To be eligible, on the first of the month, the individual must be covered by a high-deductible health plan and must also not be covered by a plan that is not a high-deductible health plan.

MPDIMA allows taxpayers 60 days to roll over funds from an MSA to an HSA.

Similar to all HSA distributions, distributions after an account holder attains the age of 65 are tax-free if used to pay for qualified medical expenses and taxable if used for nonqualified purposes. However, an account holder who is 65 or over who uses an HSA distribution for nonqualified purposes is not subject to the 10% penalty that generally applies to nonqualified distributions from an HSA.

Under the Legislature's provisions, the federal HSA provisions enacted under MPDIMA would first apply for taxable years beginning on January 1, 2005. It is estimated that the provision would reduce state tax revenues from the individual income tax by \$3,500,000 in 2005-06 and by \$4,000,000 in 2006-07.

Veto by Governor [F-4]: Delete provisions.

Veto Override Consideration [F-4]: Sustain the Governor's veto. On September 27, 2005, the Assembly sustained the Governor's veto by a vote of 62 ayes and 35 nays.

[Act 25 Vetoed Sections: 1432m, 1450g, and 9341(5m)]

9. DEDUCTIONS FOR MEDICAL INSURANCE PREMIUMS

GPR-REV	-\$2,000,000
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Joint Finance/Legislature: Expand individual income tax deductions for certain medical care insurance premiums.

Under current law, there are two state individual income tax deductions for medical care insurance premiums. The first deduction is for medical care insurance paid for by self-employed individuals. Such individuals may deduct from income 100% of medical care insurance premiums paid that do not exceed net earnings from a trade or business. The second income tax deduction pertains to premiums paid by an employee whose employer did not contribute anything toward the cost of the medical care insurance. In such cases, Wisconsin law permits a deduction of 50% of the premiums paid by the employee. As with the deduction for self-employed individuals, the statutes specify that the amounts deductible under these provisions may not exceed net earnings from a trade or business. DOR has interpreted this provision to mean wages, salaries, tips, and other employee compensation. For purposes of these deductions, "medical care insurance" means a medical care insurance policy that covers a taxpayer, the taxpayer's spouse, and the taxpayer's dependents and provides surgical, medical, hospital, major medical, or other health service coverage. In addition, the deduction is limited to the person's aggregate net earnings from a trade or business that are taxable by this state.

Currently, certain medical care insurance premiums are also eligible to be included in the calculation of the state's itemized deduction credit. The itemized deduction credit is equal to 5% of the excess of allowable itemized deductions over the sliding scale standard deduction. Medical expenses that conform to those permitted as federal itemized deductions, which include medical expenses exceeding 7.5% of federal adjusted gross income, are generally allowable for calculating the state itemized deduction credit. However, medical care insurance

premiums that are allowable federal itemized deductions but are subtracted from Wisconsin income (under one of the income tax deductions described above) are disallowed for purposes of the state's itemized deduction credit.

The proposed modifications would: (a) increase the current individual income tax deduction for medical care premiums paid by an individual whose employer does not contribute toward the individual's medical care insurance from 50% to 100%; and (b) create a deduction for medical care insurance premiums paid by an individual with no employer and no self employment income. Medical insurance premiums deductions under these provisions would be disallowed for purposes of the state's itemized deduction credit. The increased deduction under (a) would first apply for tax years beginning on January 1, 2006, and the new deduction under (b) would be phased in over a three-year period beginning in tax year 2007 as follows: 33.4% of the cost of such premiums would be deductible in tax year 2007; 66.7% would be deductible in tax year 2008; and 100% of such premiums would be deductible in tax years 2009 and thereafter. It is estimated that, in the 2005-07 biennium, these provisions would reduce individual income tax collections by \$2,000,000 in 2006-07. In addition, it is projected that individual income tax revenues would be reduced in subsequent years by the following amounts: \$7,800,000 in 2007-08; \$13,700,000 in 2008-09; and \$19,500,000 in 2009-10 and annually thereafter. These estimates are provided in 2006-07 dollars.

[Act 25 Sections: 1286(e), 1288(e) thru 1288(h), 1311g, and 9341(2m)]

10. INDIVIDUAL INCOME TAX EXCLUSION FOR SOCIAL SECURITY BENEFITS

	Jt. Finance (Chg. to Base)	Assembly/Leg. (Chg. to JFC)	Veto (Chg. to Leg)	Net Change
GPR-REV	-\$8,000,000	-\$4,000,000	\$12,000,000	\$0

Joint Finance: Modify the current treatment of social security benefits, under which up to 50% of such benefits are taxable under the individual income tax, by phasing in a full income tax exclusion for social security benefits over five years.

Currently, Wisconsin follows pre-1994 federal law and taxes up to 50% of social security benefits for taxpayers with provisional income above the following thresholds: \$25,000 if single, \$32,000 if married-joint, and zero if married-separate. The taxable portion is the lesser of: (a) one-half of net social security benefits; or (b) one-half of the amount by which provisional income exceeds the threshold amount. Provisional income is defined as one-half of social security plus federal adjusted gross income (AGI), tax-exempt interest, and other specified amounts that are excluded from gross income. No benefits are taxed for taxpayers with provisional income below these threshold amounts.

The Joint Finance provision would phase in a full income tax exclusion for social security benefits over five years, starting with tax year 2007. The phase-in would be implemented by

reducing the currently taxable share of social security benefits by 20% in tax year 2007, 40% in tax year 2008, 60% in tax year 2009, 80% in tax year 2010, and 100% in 2011 and thereafter. It is estimated that, in the 2005-07 biennium, this provision would reduce state revenues from the individual income tax by \$8,000,000 in 2006-07. In addition, it is projected that individual income tax revenues would be reduced by the following amounts in subsequent years: \$27,900,000 in 2007-08; \$47,900,000 in 2008-09; \$67,300,000 in 2009-10; \$87,300,000 in 2010-11; and \$99,700,000 in 2011-12 and annually thereafter. The estimates are provided in 2006-07 dollars.

Assembly/Legislature: Provide that a full exclusion for social security benefits would be phased in over three years, instead of five years. The phase-in would be implemented by reducing the currently taxable share of social security benefits by 30% in tax year 2007, 60% in tax year 2008, and 100% in tax year 2009 and thereafter. It is estimated that, in the 2005-07 biennium, this provision would reduce state tax revenues from the individual income tax by \$12,000,000 in 2006-07. In addition, it is projected that individual income tax revenues would be reduced by the following amounts in subsequent years: \$41,800,000 in 2007-08, \$75,600,000 in 2008-09, and \$99,700,000 in 2009-10 and annually thereafter. The estimates are provided in 2006-07 dollars.

Compared to the Joint Finance provision, the Legislature's provision would reduce estimated individual income tax revenues in the 2005-07 biennium by \$4,000,000 in 2006-07. In subsequent years, it is estimated that the provision would reduce tax revenues, compared to the Joint Finance provision, by the following amounts: \$13,900,000 in 2007-08, \$27,700,000 in 2008-09, \$32,400,000 in 2009-10, and \$12,400,000 in 2011-12.

Veto by Governor [F-1]: Delete the three-year phase-in of a full exclusion for social security benefits starting in 2007 and provide, instead, a full exclusion for social security benefits starting in tax year 2008. Compared to the provisions in the enrolled bill, the partial veto is estimated to increase individual income tax revenues by \$12,000,000 in 2006-07, and to reduce income tax revenues by \$4,100,000 in 2007-08 and \$24,100,000 in 2008-09.

[Act 25 Sections: 1286gm thru 1286jm]

[Act 25 Vetoed Sections: 1286hm thru 1286jm]

11. INCOME TAX CREDIT FOR MILITARY INCOME

GPR-REV - \$500,000

Joint Finance/Legislature: Provide an increase in the tax credit for military income received as an active duty member of the U.S. Armed Forces while stationed outside of the U.S., effective with tax year 2006.

Current law provides a nonrefundable credit for up to \$200 of active duty military income earned while stationed outside of the U.S, or up to \$400 for a married couple if both spouses qualify. The credit can only be claimed to the extent that such income is included in Wisconsin adjusted gross income. This provision would increase the credit to \$300 for a single filer, and to

\$600 if both spouses qualify. It is estimated that the provision would reduce individual income tax revenues by \$500,000 annually, starting in 2006-07.

[Act 25 Sections: 1311m and 1311n]

12. ADOPTION CREDIT

	Senate/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR-REV	-\$5,300,000	\$5,300,000	\$0

Senate/Legislature: Eliminate the current state income tax deduction for adoption expenses for tax years that begin after December 31, 2005, and provide, instead, a nonrefundable state adoption expenses credit, beginning in tax year 2006.

Current state law allows an individual income tax deduction for adoption fees, court costs, or legal fees relating to the adoption of a child for whom a final order of adoption has been entered in a Wisconsin court during the taxable year. The maximum amount that may be deducted is \$5,000, and the deduction is available for amounts expended during the period that consists of the year to which the claim relates and the prior two taxable years. The deduction is only allowed for full-year residents who are adoptive parents. It is estimated that the deduction for adoption expenses reduces state individual income taxes by approximately \$200,000 per year.

For tax year 2005, federal law allows taxpayers to claim an individual income tax credit of up to \$10,630 for qualified adoption expenses for each eligible child. Taxpayers who adopt a child with special needs may claim an adoption credit of \$10,630 regardless of actual expenses paid or incurred in the year the adoption becomes final. The credit is phased out for taxpayers with modified adjusted gross income (AGI) over \$159,450, and no credit is allowed to taxpayers with a modified AGI of \$199,450 or more. The amount of qualified adoption expenses and the modified AGI amount for the purpose of phasing out the adoption credit are adjusted for inflation each year. The credit is not refundable, but unused credits may be carried forward for up to five years to offset future tax liabilities.

"Qualified adoption expenses" include reasonable and necessary adoption fees, court costs, attorney fees, and other expenses that are directly related to the legal adoption of an eligible child. Expenses incurred in violation of state or federal law or in connection with the adoption of a child of the taxpayer's spouse are not eligible for the credit. Costs associated with a surrogate parenting arrangement are also ineligible for the credit.

An "eligible child" is an individual who has not attained the age of 18 as of the time of the adoption or who is physically or mentally incapable of caring for himself. A child with special needs is any child who cannot or should not be returned to the home of his or her parents and a specific factor or condition makes it reasonable to conclude that the child cannot be placed with

adoptive parents unless assistance is provided, as determined by a state. Also, to qualify as a child with special needs, the child must be a citizen or resident of the U.S. The qualified adoption expense of a child, regardless of need, who is not a U.S. citizen or resident will not qualify for the adoption credit unless the adoption is final.

If adoption expenses are paid during a tax year prior to the tax year in which the adoption is finalized, the credit is allowed during the year the adoption is finalized. If adoption expenses are paid during or after the tax year in which the adoption is finalized, the credit is allowed for the tax year in which the expense is paid or incurred.

Taxpayers may not claim the credit for any expense for which another deduction or credit is allowed. This includes amounts excluded from gross income that are paid or incurred by an employer for the employee's qualified adoption expenses pursuant to an adoption assistance program. However, any adoption expenses incurred in excess of the amount provided under an employer's adoption assistance program may be used to claim the federal adoption credit.

The Legislature's provisions would create a state adoption tax credit that would be available to individuals who are eligible for, and claim, the federal tax credit for adoption expenses. The provisions would specify that the credit would be allowed for qualified adoption expenses to the extent that those expenses exceed the amount of the credit for which a claimant is eligible, and claims, under the federal credit in the year to which the claim relates. In addition, the provision would specify that the amount claimed for the state credit may not exceed \$5,000, but that unused credits may be carried forward for up to five years to offset future income tax liabilities.

Under the provisions, no credit would be allowed unless it is claimed within four years of the unextended due date of the tax return relating to the year for which the credit is claimed. The credit would be pro-rated for nonresidents and part-year residents based on the ratio of the taxpayer's Wisconsin AGI to federal AGI, and federal provisions relating to the adoption expenses credit would also apply to the state credit, unless state provisions explicitly provided otherwise.

The Department of Revenue would be authorized to enforce the state adoption credit and take any action, conduct any proceeding, and proceed as it is generally authorized in respect to income taxes. In addition, current income tax provisions relating to assessments, refunds, appeals, collection, interest, and penalties would also apply for purposes of the adoption credit.

It is estimated that these provisions would reduce individual income tax revenues by \$5,300,000 in 2006-07 and by \$7,500,000 in 2007-08 and annually thereafter. The estimates assume that 75% of the total allowable credits for 2006 would be claimed in that year and that the remaining 25% would be claimed in the following year. This pattern of usage of the credit would be expected in subsequent years as well. The estimates also account for elimination of the current deduction for adoption expenses.

Veto by Governor [F-3]: Delete provisions.

Veto Override Consideration [F-3]: Sustain the Governor's veto. On September 27, 2005, the Assembly sustained the Governor's veto by a vote of 62 ayes and 35 nays.

[Act 25 Vetoed Sections: 1286Lm, 1311ia, 1312o, and 9341(4k)]

13. VETERANS PROPERTY TAX CREDIT

GPR	\$5,400,000
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Joint Finance/Legislature: Create a refundable individual income tax credit for property taxes paid on a principal dwelling by certain veterans and unremarried surviving spouses of certain former service members, as follows:

a. The unremarried surviving spouse of a person who died while on active duty in the U.S. armed forces and who was a resident of this state at the time of entry into service and at the time of death.

b. The unremarried surviving spouse of a person who: (1) served on active duty in the U.S. armed forces; (2) was a resident of this state at the time of entry into active service; (3) was a resident of this state at the time of death; (4) was at least 65 years of age at the time of death (or would have been 65 at the close of the year in which the death occurred); and (5) had a service-connected disability of 100%, based on related federal provisions.

c. The unremarried surviving spouse of a person who served in the National Guard or Reserves, who was a resident of this state at the time of entry and at the time of death, and who died in the line of duty while on active or inactive duty.

d. A person who served on active duty in the U.S. armed forces and: (1) was a resident of this state at the time of entry into that service; (2) is a resident of the state for purposes of receiving veterans benefits under Chapter 45; (3) is at least 65 years old; and (4) has a service connected disability of 100% based on related federal provisions.

In the case of a person who is eligible for the veterans property tax credit based on the criteria under "d", if the principal dwelling on which the taxes were paid is owned by two or more persons or entities as joint tenants or tenants in common or is owned by spouses as marital property, then "property taxes," for purposes of the credit, is that part of property taxes paid that reflects the ownership percentage of the claimant.

Require the Department of Veterans Affairs to verify to DOR a claimant's eligibility for the credit. Specify that the proposed credit would not be allowed if the claimant filed a claim for the property tax/rent credit, the farmland tax relief credit, the homestead credit, or the farmland preservation credit. Specify that the credit would first apply to taxable years beginning on January 1 2005.

Create a sum sufficient, annual GPR appropriation to pay for the cost of the refundable credit, and estimate the cost at \$2,700,000 annually, starting in 2005-06.

The cost of the credit would be partially offset by estimated increases in general fund tax revenues of \$400,000 per year as a result of anticipated reductions in claims for the PTRC. The net effect of the provisions on the general fund, therefore, is estimated at \$2,300,000 in each year, starting in 2005-06. However, the estimated increase of \$400,000 annually in general fund tax revenues is reflected above under Item #3.

[Act 25 Sections: 451s, 745j, 1311j, 1312m, 1312u, and 9341(10m)]

14. PRIVATE SCHOOL AND HOMESCHOOL TAX CREDIT

	Senate/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR	\$14,600,000	-\$14,600,000	\$0

Senate/Legislature: Create a refundable individual income tax credit of \$100 per eligible pupil enrolled in kindergarten or grades one to twelve at an eligible private school (excluding a school funded by the Milwaukee Parental Choice program) or home-based private educational program if the pupil is a dependent of the claimant under the section of the Internal Revenue Code related to personal exemptions.

Specify that the credit would first apply to tax year 2006. Create a sum sufficient, annual GPR appropriation to pay for the cost of the refundable income tax credit, and estimate the cost at \$14,600,000 annually, starting in 2006-07.

Veto by Governor [F-2]: Delete provisions.

[Act 25 Vetoed Sections: 140 (as it relates to 20.835(2)(eo)), 451u, 1311p, 1312m, 1312u, and 9341(10p)]

15. LIVESTOCK FARM INVESTMENT TAX CREDIT [LFB Paper 319]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	-\$1,714,600	-\$185,400	-\$1,900,000

Governor: Modify provisions of the current dairy investment tax credit under the state individual and corporate income and franchise taxes to create a livestock farm investment tax credit. The new livestock farm investment tax credit would replace the dairy investment credit, and provide a tax credit for livestock farm modernization or expansion, rather than dairy farm modernization or expansion. The tax credit would continue to equal 10% of the amounts paid for investment activities. Current provisions specifying the types of eligible investment activities, tax credit carryforwards, the \$50,000 limit on aggregate credit claims, the treatment of

pass-through entities (partnerships, S corporations, and limited liability companies), the 2010 sunset, and administration would apply to the new tax credit.

"Livestock" would be defined as domestic animals used in the state in the production of food, fiber, or other animal products and would include bovine animals, swine, poultry, fish, sheep, and goats. "Livestock" would not include equine animals, deer, ratites (flightless birds such as ostrich or emu), camelidae (camels and llamas), or mink. Current definitions of dairy animals and farms would be deleted.

The new provisions would first apply to taxable years beginning on January 1 of the year in which the bill takes effect, except that if the bill takes effect after July 31, the provisions would first apply to taxable years beginning on January 1 of the following year. The estimated fiscal effect of these provisions would be a reduction in state income and franchise tax revenues of \$1,714,600 in 2006-07. The administration's intent is for the new provisions to first apply to tax year 2006.

The current dairy investment tax credit was created by 2003 Wisconsin Act 135. The Act created the tax credit for tax years that begin after December 31, 2003, and before January 1, 2010, under the state individual and corporate income and franchise taxes. The credit is equal to 10% of the amount paid during the tax year for dairy farm modernization or expansion related to the operation of the claimant's dairy farm. The aggregate amount of credits that a claimant may claim is \$50,000. The credit cannot be claimed for any amounts also claimed as business expense deductions. Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities.

Dairy farm modernization or expansion means the construction, improvement, or acquisition of buildings or facilities, or the acquisition of equipment for dairy animal housing, confinement, animal feeding, milk production, or waste management, including the following, if used exclusively related to dairy animals: (a) freestall barns; (b) fences; (c) watering facilities; (d) feed storage and handling equipment; (e) milking parlors; (f) robotic equipment; (g) scales; (h) milk storage and cooling facilities; (i) bulk tanks; (j) manure pumping and storage facilities; (k) digesters; and (l) equipment used to produce energy. Dairy animals include heifers raised as replacement dairy animals. Dairy farm includes a facility used to raise heifers as replacement to dairy animals.

Partnerships, LLCs, and S corporations cannot claim the tax credit, but eligibility for, and the amount of the credit is based on each entity's payment of eligible expenses. A partnership, LLC, or S corporation is required to compute the amount of credit that each of its partners, members, or shareholders may claim and provide that information to each of them. Partners, members of LLCs, and shareholders of S corporations claim the credit in proportion to their ownership interest.

DOR administers the tax credit and provisions related to change of business or ownership and timely claims apply to the dairy farm investment tax credit.

Joint Finance: Delete provisions and, instead, adopt the provisions of Assembly Substitute Amendment 1 to 2005 Assembly Bill 145 that would create a separate livestock investment tax credit, in addition to the current dairy investment tax credit. However, the livestock tax credit would apply to investments made during tax years after December 31, 2005, and before January 1, 2012.

The livestock investment tax credit would equal 10% of the amount paid by the claimant in the tax year for livestock modernization or expansion related to the operation of the claimant's livestock farm. The maximum aggregate amount of credits that a taxpayer could claim would be \$50,000. The credit could not be claimed for any amounts also claimed as business expense deductions. Unused credit amounts could be carried forward up to 15 years to offset future tax liabilities.

"Livestock modernization and expansion" would mean the construction, improvement, or acquisition of buildings or facilities, or the acquisition of equipment, for livestock housing, confinement, feeding, or waste management, including the following, if used exclusively related to livestock and if acquired and placed in service in the state during tax years that begin after December 31, 2005, and before January 1, 2012: (a) birthing structures; (b) rearing structures; (c) feedlot structures; (d) feed storage and handling equipment; (e) fences; (f) watering facilities; (g) scales; (h) manure pumping and storage facilities; (i) digesters; (j) equipment used to produce energy; (k) fish hatchery buildings; (l) fish processing buildings; and (m) fish rearing ponds. "Livestock" would mean cattle, not including dairy animals (eligible under the dairy credit); swine; poultry, not including farm-raised birds and ratites; fish that are raised in aquaculture facilities; sheep; and goats.

The provisions of the current dairy farm credit regarding pass-through entities would apply to the new credit. The bill would also specify that, if two or more persons owned and operated a dairy or livestock farm, each person could claim the dairy or livestock tax credit in proportion to his or her ownership interest, subject to the \$50,000 maximum limit on aggregate tax credit claims. In addition, the term "used exclusively" applied to equipment or structures for which both the dairy and livestock tax credits would be claimed would be defined to mean used to the exclusion of all other uses, except for use not exceeding 5% of total use.

DOR would administer the tax credit, and provisions related to change of business or ownership and timely claims would apply to the dairy farm investment tax credit.

On an annualized basis the livestock tax credit would reduce state individual and corporate income and franchise tax revenues by an estimated \$1.9 million. Compared to the provisions of AB 100, the credit would reduce estimated state income and franchise tax revenues by \$185,400 in 2006-07.

Senate/Legislature: Specify that the definition of "livestock" for purposes of the livestock farm investment tax credit would include farm-raised pheasants. Under the Joint Finance and Assembly versions of the bill, farm-raised game birds, including pheasants, would not be

included in the definition of livestock for purposes of the new credit. The fiscal effect of the modification is estimated to be a minimal revenue loss.

[Act 25 Sections: 1306 thru 1311e, 1377 thru 1382e, and 1420 thru 1425e]

16. INDIVIDUAL AND CORPORATE INCOME AND FRANCHISE TAXES -- DEVELOPMENT ZONE TAX CREDIT MODIFICATIONS [LFB Paper 320]

Governor/Legislature: Modify provisions governing the consolidated development zone environmental remediation and jobs tax credit under the state individual and corporate income and franchise taxes as follows:

a. Permit claimants of the development zones tax credit to use the credit to offset the entire amount of their income or franchise tax liability rather than only the amount of tax attributable to income from business operations in the zone or from directly-related business operations. This provision would first apply to credits claimed for tax years beginning on or after January 1, 2005, including unused credits carried forward from prior years. However, if the bill generally takes effect after July 31, the provisions would first apply to tax years beginning on January 1, of the year following the year in which the bill takes effect, including unused tax credits carried forward from prior years.

b. Modify the definition of member of a target group, for purposes of claiming the development zones jobs tax credit, to include a person who resides in an area designated by the federal government as an economic revitalization area. The modification reflects the designation of Milwaukee as a federal renewal community in 2002. Businesses that open, expand, or hire residents of these federally designated areas are eligible for certain federal tax benefits. Specific references to federally designated empowerment zones and enterprise communities would be deleted. This provision would first apply to tax years beginning on or after January 1, 2005.

Prior to 1997 Act 27, businesses in development zones, development opportunity zones, and enterprise development zones were eligible for any of seven development zone tax credits including: the jobs credit; investment credit; location credit; sales tax credit; research credit; day care credit; and environmental remediation credit. The jobs and sales tax credits were refundable.

Currently, a consolidated development zone tax credit can be claimed by businesses in development, enterprise development, development opportunity, and the agricultural development zone. The credit is based on amounts spent on environmental remediation and the number of full-time jobs created or retained. In general, the credit can only be used to offset income from the claimant's business activities in the zones and income from directly related business operations.

a. *Environmental Remediation Component.* A credit against income or franchise taxes due can be claimed for 50% of the amount expended for environmental remediation in a zone.

"Environmental remediation" is defined as removal or containment of environmental pollution, and restoration of soil or groundwater that is affected by environmental pollution in a brownfield, if removal, containment, or restoration began after the area that contains the site where the work was done was designated a zone. Investigation costs are eligible unless the investigation determines that remediation is required and remediation is not undertaken.

b. *Full-Time Jobs Component.* A credit of up to \$8,000 against income or franchise taxes can be claimed for: (1) each full-time job created in a zone and filled by member of targeted group; and (2) retaining a full-time job in an enterprise development zone if the Department of Commerce determines that a significant capital investment was made to retain the full-time job. In addition, a credit of up to \$6,000 can be claimed for each full-time job created or retained in a zone that is filled by an individual who is not a member of a targeted group. At least one-third of job credits claimed must be based on jobs created and filled by targeted group members. In addition, except for businesses that only claim credits for environmental remediation, 25% of all tax credits must be based on creating or retaining full-time jobs.

Members of a targeted group include food stamp recipients, dislocated workers, economically disadvantaged youths, economically disadvantaged ex-convicts, vocational rehabilitation referrals, economically disadvantaged veterans, general assistance recipients, supplemental security income (SSI) recipients, qualified summer youth employees, Wisconsin Works (W-2) participants, and residents of a federally designated enterprise community.

[Act 25 Sections; 451, 1293 thru 1297, 1299, 1300, 1365 thru 1371, 1408 thru 1414, and 9341(8)&(10)]

17. ENTERPRISE DEVELOPMENT ZONES MAXIMUM TAX CREDIT LIMIT [LFB Paper 211]

Governor: Delete the statutory limit of 79 on the number of enterprise development zones that can be created, and eliminate the requirement that Commerce must obtain approval from the Joint Committee on Finance to designate any zone that would exceed the limit. A total statewide maximum tax credit amount that could be claimed in all enterprise development zones that were created would be set at \$243 million.

The 1995-97 budget created the Enterprise Development Zones program. A business that conducts or that intends to conduct economic activity in an area of the state can apply to Commerce to have the area designated as an enterprise development zone by submitting an application and a project plan. The Department can designate the area as an enterprise development zone if the area meets certain criteria, and the Department approves the project plan. Commerce is authorized to establish the length of time an enterprise development zone can be designated, but the zone cannot be designated for more than seven years (84 months).

Originally, Commerce could not designate more than 50 enterprise development zones, unless it received approval from the Joint Committee on Finance. At the September, 1998,

meeting under s. 13.10, the Joint Committee on Finance increased the number of enterprise development zones that could be created from 50 to 64. In 1999 Wisconsin Act 9, the total number of enterprise development zones that could be created was increased from 64 to 79. Finally, at the January, 2005, meeting under s. 13.10 of the statutes, the Joint Committee on Finance increased the number of zones that could be created by 2, from 79 to 81. Ten of the zones are required to be for environmental remediation projects.

A business which conducts economic activity in an enterprise development zone and is certified by Commerce can claim the consolidated development zones tax credit. Only one business is eligible for tax benefits in an enterprise development zone. The maximum amount of credits that can be claimed by an eligible business in an enterprise development zone is established by Commerce, but cannot exceed \$3 million.

Joint Finance/Legislature: Delete provisions. Instead, current law would be modified as follows: (a) Commerce would be authorized to establish four additional enterprise development zones, for a total authorization of 85; (b) more than one business in an enterprise development zone would be eligible for tax credits; (c) one-half of the businesses that receive tax credits in the newly-authorized zones would be required to be small businesses, defined as businesses with fewer than 100 employees, and (d) Commerce would be authorized to create enterprise development zones in development zones.

Vetoed by Governor [B-4 and B-5]: Increase the allowable number of enterprise development zones that could be established by 17 to a total of 98. In addition, delete the requirement that one-half of the businesses that receive tax credits in newly-authorized zones would have to be businesses with fewer than 100 employees. Under the veto, up to \$39 million in additional tax credits could be authorized.

[Act 25 Sections: 2418m thru 2419L]

[Act 25 Vetoed Sections: 2419 and 2419m]

18. INDIVIDUAL INCOME AND CORPORATE INCOME AND FRANCHISE TAX CHECK-OFFS FOR DONATIONS TO VETERANS TRUST FUND [LFB Paper 803]

Governor: Create tax check-offs on the individual income and corporate income and franchise tax forms for donations to the veterans trust fund. Permit every individual or corporate taxpayer who has a tax liability or is entitled to a tax refund to designate on the return any amount of additional payment or any amount of a refund due that taxpayer as a donation to the veterans trust fund. The administration of the tax check-offs would operate in the same manner as the administration of tax check-offs provided under current law.

Currently, there are three individual income tax check-off procedures: one for endangered species; one for the operation and maintenance of Lambeau Field in Green Bay; and, starting with tax year 2004, one for breast cancer research. The endangered resources

check-off is also provided under the corporate income and franchise tax. These check-offs are for the purpose of indicating a donation that either reduces a taxpayer's refund or increases the amount owed. In addition, Wisconsin taxpayers may indicate on the individual income tax form that \$1 is to go to the State Election Campaign Fund. For a married couple filing a joint return, each spouse may designate \$1 to the fund. The election campaign fund check-off does not affect the amount of tax liability or tax refund.

Under the bill's provisions, if a taxpayer owed any tax, the taxpayer would remit in full the tax due and the amount designated on the return for the donation to the veterans trust fund when filing the tax return. If the taxpayer were owed a refund, after crediting for any attachments or overpayments, DOR would deduct the amount designated on the return for the donation from the amount of the refund.

If a taxpayer who owed taxes failed to remit an amount equal to or in excess of the total of the actual tax due, after error corrections, and the amount designated on the return for the veterans trust fund, then DOR would reduce the designation to reflect the balance available for the donation after subtracting for actual taxes due. However, if the taxpayer remitted an amount equal to or less than the actual tax due, after error corrections, then the designation for the veterans trust fund would be void.

If a taxpayer were owed a refund that did not equal or exceed the amount designated on the return for the veterans trust fund, after crediting for any attachments or overpayments and after error corrections, DOR would reduce the designation for the donation to reflect the actual amount of the refund that the taxpayer was otherwise owed, after crediting for any attachments or overpayments and after error corrections.

The provisions would specify that if a taxpayer placed any conditions on a designation for the veterans trust fund, then the designation would be void. In addition, if such a designation were void, DOR would disregard the designation and determine amounts due, owed, refunded, and received without regard to the void designation.

The Secretary of DOR would be directed to provide places for the designations on the tax returns. In addition, the Secretary would be required to certify annually, on or before September 15, to the Department of Veterans Affairs, the Department of Administration, and the State Treasurer: (a) the total amount of the administrative costs, including data processing costs, incurred by DOR in administering the tax check-offs for the veterans trust fund during the previous fiscal year; (b) the total amount received from all designations for the veterans trust fund by taxpayers during the previous fiscal year; and (c) the net amount remaining after the administrative costs are subtracted from the total.

From the moneys received from designations for the veterans trust fund, an amount equal to the sum of administrative expenses, including data processing costs, as certified by DOR, would be credited to the PR administration of endangered resources; professional football district; breast cancer research; and veterans trust fund voluntary payments appropriation in

DOR. The net amount remaining, as certified by DOR, would be deposited to the veterans trust fund and used for veterans programs.

Under these provisions, amounts designated for the veterans trust fund would not be subject to refund to the taxpayer unless the taxpayer submits information to the satisfaction of DOR, within 18 months after the date on which the taxes are due or the date on which the return is filed, whichever is later, that the amount designated is clearly in error. Any such refund granted by DOR would be deducted from the moneys received from designations for the veterans trust fund in the fiscal year for which the refund was certified.

These provisions would first apply to taxable years beginning on January 1 of the year in which the bill takes effect, except that if the bill takes effect after July 31, the provisions would first apply to taxable years beginning on January 1 of the following year.

Joint Finance/Legislature: Include provisions and specify that they would take effect on January 1, 2006 (for tax year 2005), unless the provisions become effective after August 31, 2005 [instead of July 31, 2005], in which case the provisions would become effective on January 1, 2007 (for tax year 2006).

[Act 25 Sections: 439, 1313, 1386, and 9341(9)]

19. CORPORATE INCOME AND FRANCHISE TAX -- TREATMENT OF CERTAIN SALES IN SALES FACTOR OF APPORTIONMENT FORMULA [LFB Paper 321]

Governor: Delete current law provisions for determining the location of non-tangible personal property sales used in computing the sales factor of the apportionment formula for apportioning the income of corporations, including insurance companies, and nonresident individuals, and estates and trusts engaged in business within and outside of Wisconsin. Instead, the treatment of certain types of sales, other than sales of tangible personal property, would be specified for determining the sales factor of the apportionment formula.

Rental or Licensing of Real Property. Gross receipts from the lease, rental, or licensing of real property owned by the taxpayer and the sublease of real property would be considered to be in Wisconsin if the real property was located in the state.

Rental or Licensing of Tangible Personal Property. With the exception of gross receipts from the lease, rental, or licensing of moving property, gross receipts from the lease, rental, or licensing of tangible personal property owned by the taxpayer and the sublease of tangible personal property would be treated as in the state, if the property was located in the state during the entire period of the lease, rental, licensing, sublease, or other use. If the property was used in and outside of Wisconsin during the period of the lease, rental, licensing, or sublease, gross receipts would be treated as in Wisconsin to the extent the property was used in the state. The proportion of use in Wisconsin would be determined by multiplying the gross receipts from the lease, rental, licensing, sublease, or other use of the property by a fraction

having the numerator be the total time the property was used in the state in the tax year, and having the denominator be the total time the property was used in all states having jurisdiction to impose an income tax on the taxpayer in the tax year.

Rental or Licensing of Moving Property. Gross receipts from the lease, rental, or licensing of moving property, including motor vehicles, rolling stock, aircraft, vessels, or mobile equipment, owned by the taxpayer, and the sublease of moving property would be considered in Wisconsin to the extent the property was used in the state. The proportion of moving property that would be considered in the state would be determined as follows:

a. The proportion of use of a motor vehicle or rolling stock in the state would be determined by multiplying the gross receipts from the lease, rental, licensing, or sublease of the motor vehicle or rolling stock by a fraction with the numerator equal to the number of miles traveled within the state by the motor vehicle or the rolling stock while leased, rented, licensed, or subleased in the tax year, and having the denominator equal the total number of miles traveled by the motor vehicle or rolling stock while leased, rented, licensed, or subleased in the tax year.

b. The proportion of use of an aircraft in Wisconsin would be determined by multiplying the gross receipts from the lease, rental, licensing, or sublease of the aircraft by a fraction with the numerator being the number of takeoffs and landings of the aircraft in the state in the tax year while leased, rented, licensed, or subleased, and with the denominator being the total number of takeoffs and landings of the aircraft in the tax year while leased, rented, licensed, or subleased.

c. The proportion of use of a vessel or mobile equipment in the state would be determined by multiplying the gross receipts from the lease, rental, licensing, or sublease of the vessel or mobile equipment by a fraction having a numerator equal to the number of days that the vessel or mobile equipment is in Wisconsin in the tax year while leased, rented, licensed, or subleased, and having a denominator equal to the number of days in the tax year that the vessel or mobile equipment was leased, rented, licensed, or subleased.

d. If the taxpayer is unable to determine the use of moving property in the tax year while the property is leased, rented, licensed, or subleased, the moving property would be conclusively deemed to be used in the state in which the property was located at the time the lessee, renter, licensee, or sublessee took possession of the property in the tax year.

Use of Computer Software. Gross receipts from the use of computer software would be considered in Wisconsin if the purchaser or licensee used the computer software at a location in the state. Computer software would be treated as being used at a location in the state if the purchaser or licensee uses the computer software in the regular course of business operations in the state, or if the purchaser or licensee is an individual whose domicile is in the state. If the purchaser or licensee used the computer software in more than one state, the gross receipts would be divided among the states having jurisdiction to impose an income tax on the taxpayer in proportion to the use of computer software in those states. To determine computer software

use in Wisconsin, DOR could consider the number of users in each state where the software was used, the number of site licenses or workstations in Wisconsin, and any other factors that reflect the use of computer software in Wisconsin. If a taxpayer was not subject to income tax in the state to which the gross receipts from the use of software were attributed, and the taxpayer's commercial domicile was in Wisconsin, 50% of those gross receipts would be included in the numerator of the sales factor of the state apportionment formula.

Sales, Licensing, or Use of Intangible Property. Gross receipts from the sale, licensing, or use of intangible property in the ordinary course of the taxpayer's trade or business would be defined as sales related to the production of business income and included in the sales factor of the apportionment formula. Gross royalties and other gross receipts received for the sale or use of intangible property, including, but not limited to, patents, copyrights, trademarks, trade names, service names, franchises, licenses, plans, specifications, blueprints, processes, techniques, formulas, designs, layouts, patterns, drawings, manuals, technical know-how, contracts, and customer lists, would be considered in Wisconsin if the user, purchaser, or licensee used the intangible property at a location in the state. Intangible property would be treated as used at a location in the state if the user, purchaser, or licensee uses the property in the operation of a trade or business at a location in the state, for personal use in the state, or if the user, purchaser, or licensee was an individual whose domicile was in the state. If the user, purchaser, or licensee used the intangible property in more than one state, the gross royalties and other gross receipts from the sale or use of intangible property would be divided among the states having jurisdiction to impose an income tax on the taxpayer in proportion to the use of intangible property in those states. In order to determine intangible property use in Wisconsin, DOR could consider the number of licensed sites in each state, the volume of property manufactured, produced, or sold at locations in the state, or any other factors that reflected the use of intangible property in Wisconsin. If the taxpayer was not subject to income tax in the state in which the gross royalties or other gross receipts were attributed, and the taxpayer's commercial domicile was in Wisconsin, 50% of those gross royalties or other gross receipts would be included in the numerator of the sales factor of the apportionment formula. Gross receipts and gain and loss from the exchange, as well as the sale, of securities would not be included in the definition of sales to be included in the sales factor of the state apportionment formula.

Services. Gross receipts from services would be considered in Wisconsin if the purchaser of the service received the benefit of the service in the state. The benefit of a service would be considered as received in Wisconsin if any of the following applied:

- a. The service relates to real property that is located in the state.
- b. The service relates to tangible personal property that is located in the state at the time that the service is received or tangible personal property that is delivered directly or indirectly to customers in the state.
- c. The service is provided to an individual who is physically present in the state at the time that the service is received.

d. The service is provided to a person engaged in a trade or business in the state and relates to that business.

If the purchaser of a service received a benefit of a service in more than one state, the gross receipts from the performance of the service would be included in the numerator of the sales factor of the apportionment formula according to the portion of the service received in the state. If the taxpayer was not subject to income tax in the state in which the benefit of the service was received, the benefit of the service would be considered received in Wisconsin, to the extent that the taxpayer's employees or representatives performed services from a location in Wisconsin. Fifty percent of the taxpayer's receipts that would be treated as received in the state would be included in the numerator of the sales factor of the apportionment formula.

DOR would be authorized to promulgate administrative rules that would specify how income should be apportioned, if the income from sales, other than sales of tangible personal property, could not be ascertained with reasonable certainty by the methods specified in the previous sections.

"Commercial domicile" would be defined as the location from which a trade or business is principally managed and directed, based on any factors DOR determined were appropriate, including the location where the greatest number of employees of the trade or business work, have their office or base of operations, or from which the employees are directed or controlled.

"Domicile" would mean an individual's true, fixed, and permanent home where the individual intends to remain permanently and indefinitely and to which, whenever absent, the individual intends to return, except that no individual could have more than one domicile at any time.

"State" would mean a state of the United States, the District of Columbia, the commonwealth of Puerto Rico, or any territory or possession of the United States, unless the context requires that state only means Wisconsin.

These provisions would first apply to tax years beginning on or after January 1, 2005.

Under Wisconsin law, formula apportionment is used if a corporation's Wisconsin activities are an integral part of a unitary business which operates both within and outside of the state. In these cases, the corporation adds its total gross income from its in-state and out-of-state unitary activities, subtracts its deductions, and multiplies the amount of net income by its apportionment ratio as determined by the Wisconsin apportionment formula. The apportionment ratio is used to approximate how much of a corporation's total net income is generated by activities in Wisconsin.

Under current law, for most corporations, the apportionment ratio or fraction is based on three factors: property, payroll, and sales. Specifically, the apportionment ratio is determined by adding three fractions--the corporation's property value in Wisconsin divided by its total property value, the corporation's payroll in Wisconsin divided by its total payroll, and the

corporation's sales in Wisconsin divided by its total sales -- double weighting the sales factor, and dividing the aggregate sum by four.

Under provisions included in 2003 Wisconsin Act 37, enacted in July, 2003, use of a single sales factor apportionment formula for most multistate corporations will be phased-in over three years, beginning in 2006. The phase-in will follow a similar pattern for most corporations. For tax years beginning before January 1, 2006, income will be apportioned using the current apportionment formula with the sales factor representing 50% of the apportionment ratio, the property factor representing 25%, and the payroll factor representing 25%. For tax years beginning after December 31, 2005, and before January 1, 2007, the apportionment ratio will be calculated with the sales factor representing 60% of the apportionment ratio, the property factor representing 20%, and the payroll factor representing 20%. For tax years beginning after December 31, 2006, and before January 1, 2008, the apportionment ratio will be calculated with the sales factor representing 80% of the apportionment ratio, the property factor representing 10%, and the payroll factor representing 10%. For tax years beginning after December 31, 2007, a single sales factor apportionment formula will be used to apportion income to Wisconsin. Financial institutions and insurance companies are governed by special provisions. Except for gas and electric utility companies, other public utilities will continue to apportion income under current law provisions.

The sales factor of the apportionment formula is the ratio of the total sales of the taxpayer in the state to total sales everywhere. Sales are generally all gross receipts from the course of the taxpayer's regular trade or business operations which produce apportionable business income. For the sales factor, sales of tangible personal property are generally considered to be in Wisconsin if the property is delivered or shipped to a purchaser within Wisconsin or if the property is shipped from Wisconsin and the taxpayer is not subject to the taxing jurisdiction of the state of destination. The latter type of sales are "throwbacks" and are single-weighted in the apportionment formula. In addition, sales of tangible personal property from an office in the state, but shipped from an out-of-state supplier to an out-of-state customer are considered throwback sales if neither the supplier nor the customer are subject to the taxing jurisdiction of the states in which they are located. Sales to the federal government are only considered to be in Wisconsin if they are shipped from a location within the state and are delivered to the federal government at a location within the state, or if they are "throwback" sales. Federal throwback sales are single-weighted in the apportionment formula.

Sales other than the sales of tangible personal property are usually considered to be in Wisconsin if the income-producing activity is performed wholly in Wisconsin. If the income-producing activity is performed both in and outside the state, the sales are divided between those states having jurisdiction to tax such businesses in proportion to the direct costs of performance in rendering the service in each state. Services performed in states that do not have jurisdiction to tax the business are deemed to have been performed in the state to which compensation is allocated under state law. Generally, sales of intangible assets are excluded from the sales factor. Sales that produce nonapportionable income are also excluded from the sales factor.

The new provisions could result in tax decreases for some firms and tax increases for others. The net fiscal impact is unknown.

Joint Finance/Legislature: Adopt the treatment of gross receipts from the use of computer software and services. Delete all other provisions, including authority for DOR to promulgate administrative rules that specify how income should be apportioned if the income from sales, other than sales of tangible personal property, cannot be ascertained with reasonable certainty. It is likely that there would be a significant decrease in income and franchise tax liabilities as a result of these provisions. However, data is not available to accurately estimate the fiscal effect.

[Act 25 Sections: 1261, 1262, 1272 thru 1281, 1298, 1305, 1312, 1319, 1320 thru 1322, 1341 thru 1349, 1376, 1383 thru 1385, 1405, 1406, 1419, 1426 thru 1428, 1429, 1430, and 9341(14v)]

20. INDIVIDUAL AND CORPORATE INCOME AND FRANCHISE AND INSURANCE PREMIUMS TAX CREDIT FOR HIRSP ASSESSMENTS

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR-REV	-\$2,000,000	\$2,000,000	\$0

Joint Finance/Legislature: Create a nonrefundable credit under the insurance premiums tax, the corporate and individual income and franchise taxes, and the tax on investment income paid by life insurance companies equal to a percentage of the amount of assessments paid by the insurer during the taxable year under the health insurance risk sharing plan (HIRSP). Require DOR, in consultation with the Office of the Commissioner of Insurance, to determine the credit percentage for each year so that the annual cost of the credit is as close as practicable to \$2 million in the 2006-07 fiscal year, and \$5 million in each fiscal year thereafter. Provide that unused credits could be carried forward fifteen years to offset future tax liabilities. Specify that the credit would first apply to tax years beginning on January 1, 2006.

Veto by Governor [F-6]: Delete provision.

[Act 25 Vetoed Sections: 1311i, 1312r, 1319m, 1354m, 1385h, 1385p, 1386m, 1406m, 1428k, 1428p, 1474q, 1474s, and 1686f]

General Sales and Use Tax

1. STREAMLINED SALES AND USE TAX [LFB Paper 325]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$26,400,000	-\$26,400,000	\$0

Governor: Modify Wisconsin's sales and use tax laws to conform to the provisions of the Streamlined Sales and Use Tax (SSUT) Agreement, as described below.

Background

Under current federal law and U.S. Supreme Court decisions, states may not require sellers to collect and remit sales and use taxes unless the seller has a sufficient business connection (or "nexus") with the state, which is established by the seller having a physical presence in the state. In Wisconsin, a seller has nexus if it does any of the following: (a) owns real property in this state; (b) leases or rents out tangible personal property located in this state; (c) maintains, occupies, or uses a place of business in this state; (d) has any representative or solicitor operating in this state under the authority of the retailer or its subsidiary for the purpose of selling, delivering, or taking orders for any tangible personal property or taxable services; (e) services, repairs, or installs equipment or other tangible personal property in Wisconsin; or (f) performs construction activities in this state.

Sellers that do not have nexus with Wisconsin can voluntarily agree to collect and remit the tax on their sales to Wisconsin residents. Such agreements also are permitted in other states. In Wisconsin and other states, if a seller does not have nexus and has not voluntarily agreed to collect the tax, the state imposes a use tax on taxable purchases from the seller by state residents. However, collecting the use tax from individual purchasers presents a very difficult enforcement issue. Multi-state retailers have long resisted efforts by the states, and legislation introduced in Congress, to compel use tax collection, citing the high costs and difficulty of complying with numerous, disparate state and local sales tax systems.

One of the principal aims of the SSUT Agreement is to make sales and use taxes more uniform across states and local taxing jurisdictions. In addition, in order to streamline administration of the tax, states participating in the Agreement would jointly certify sales tax service providers and automated systems. Retailers could contract with certified service providers (CSPs) to assume the seller's sales and use tax responsibilities or use certified automated systems (CASs) for tax calculation and record-keeping purposes. Participating states would also be required to maintain databases that retailers could use to determine whether a transaction is taxable and the appropriate tax rate. The Agreement also includes an "amnesty" provision that would forgive back taxes for sellers that agree to collect and remit taxes. It is hoped that these modifications will encourage additional sellers to voluntarily agree to collect

the tax or persuade Congress to pass legislation permitting states to require additional out-of-state sellers to collect and remit taxes. It is also believed that the provisions of the Agreement will improve administration of the tax for in-state sellers.

The SSUT Agreement is the product of the Streamlined Sales Tax Project, a multi-state effort begun by state revenue departments in March, 2000. Representatives of state legislatures, local governments, and business organizations have also been active participants in the Project. Currently 42 states (including Wisconsin) and the District of Columbia are voting members in the Project, which means that the legislatures of these states have enacted enabling legislation or their state executives have issued orders authorizing their participation. Wisconsin's participation was authorized under 2001 Wisconsin Act 16 (the 2001-03 biennial budget act). The SSUT Agreement was adopted by the Project's implementing states on November 12, 2002. The next step is for individual states to enact statutory modifications to bring their sales and use tax systems into conformance with the terms of the Agreement, which is the purpose of the provisions recommended by the Governor.

The Agreement will take effect and become binding when at least 10 states comprising at least 20% of the total population of all states imposing a state sales tax have petitioned for membership and have been found to be in compliance with the Agreement's requirements by the Agreement's governing board. As of the time of this writing, the following 18 states had passed legislation that is believed to be in conformance with the terms of the SSUT Agreement: Arkansas, Iowa, Indiana, Kansas, Kentucky, Michigan, Nebraska, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, Utah, Vermont, West Virginia, and Wyoming. According to DOR, these states represent 22.3% of the total population of states with a sales tax. In addition, four states (Maryland, Minnesota, Texas, and Washington) have passed legislation that is thought to be close to conformance with the Agreement. These states represent an additional 13.4% of the population. While it is anticipated that the certification process will show that the standards for the minimum number of states and minimum percentage of population in those states (as described above) have been met, no states have yet been certified to be in compliance with the Agreement. It is anticipated that the governing board will complete the certification process in mid-2005 and that the SSUT Agreement will become effective on October 1, 2005.

The following summary highlights the most significant changes to state law needed to conform state sales and use tax statutes to the provisions of the SSUT Agreement. The effective and initial applicability dates would be October 1, 2005. All of the proposed statutory changes would take effect on that date, regardless of when, or whether, the SSUT Agreement takes effect.

Duties and Responsibilities of the Department of Revenue

Under 2001 Act 16, the Department of Revenue was authorized to enter into the Streamlined Sales and Use Tax Agreement to simplify and modernize sales and use tax administration in order to reduce the tax compliance burden for all sellers and all types of commerce. DOR may promulgate rules to administer the SSUT provisions, procure goods and

services jointly with other states that are signatories to the Agreement in furtherance of the Agreement, and take other actions reasonably required to implement these provisions.

Current law also authorizes the Department to act jointly with other states that are signatories to the Agreement to establish standards for the certification of certified service providers and certified automated systems and to establish performance standards for multi-state sellers. A "certified service provider" is an agent that is certified by the signatory states to perform all of a seller's sales tax and use tax functions related to the seller's retail sales. A "certified automated system" is software that is certified by the signatory states and that is used to calculate state and local sales and use taxes on transactions by each appropriate jurisdiction, to determine the amount of tax to remit to the appropriate state, and to maintain a record of the transaction.

Current law provides that a certified service provider is the agent of the seller with whom the provider has contracted and is liable for the sales and use taxes that are due the state on all sales transactions that the CSP processes for a seller, except in cases of fraud or misrepresentation by the seller. A person that provides a certified automated system is responsible for the system's proper functioning and is liable to this state for tax underpayments that are attributable to errors in the system's functioning. A seller that uses a CAS is responsible and liable to this state for reporting and remitting sales and use tax. A seller that has a proprietary system for determining the amount of tax due and that has signed an agreement with the signatory states establishing a performance standard for the system is liable for the system's failure to meet the performance standard.

Current state law also provides that no law of this state, or the application of such law, may be declared invalid on the ground that the law, or the application of such law, is inconsistent with the SSUT Agreement. No provision of the Agreement in whole or in part invalidates or amends any law of this state and the state becoming a signatory to the Agreement does not amend or modify any law of this state.

Under the bill, DOR would be authorized to certify compliance with the SSUT Agreement and, pursuant to the Agreement, certify certified service providers and certified automated systems. The Department would also be authorized to maintain databases that indicate: (a) whether specific items are taxable or nontaxable; and (b) tax rates, taxing jurisdiction boundaries, and zip code or address assignments related to the administration of state and local taxes imposed in Wisconsin. These databases would have to be accessible to sellers and CSPs.

The bill would also specifically permit DOR to audit (or authorize others to audit) sellers and certified service providers who are registered with the Department pursuant to the SSUT Agreement.

Modifications to the Tax Base

The sales tax base is the array of goods, services, and transactions that are subject to the tax. The SSUT Agreement does not require participating states to have identical tax bases.

However, the Agreement does require states to use uniform definitions in establishing their tax bases. The bill includes the following changes to the current sales and use tax base in Wisconsin:

- Most types of food sales would be treated the same as under current law. However, some food sales that are now exempt would become taxable and certain sales that are now taxable would become exempt.

- The bill would expand the types of medical equipment that are exempt from tax to include items such as hospital beds, patient lifts, and I.V. stands that are purchased for in-home use.

- The bill would eliminate the current exemption for antiembolism elastic hose.

- The current exemptions for equipment used in the treatment of diabetes and equipment used to administer oxygen would be limited to equipment purchased for in-home use.

- The bill would repeal the current exemption for cloth diapers.

- Certain currently exempt sales of pre-written computer software that is customized for a specific purchaser would become taxable.

- The tax would be imposed on the entire sales price of products comprised of exempt items that are bundled with taxable items by the seller (such as a fruit basket that includes candy, or a cheese tray that includes a cutting board and knife). Currently, the seller is not required to pay tax on the value of the nontaxable items.

- Under the bill, if tangible personal property (such as a construction crane) is provided along with an operator, the transaction would be considered a service (which may or may not be taxable) rather than a lease (which generally is taxable) as long as the operator is necessary for the property to perform in the manner for which it is designed and the operator does more than maintain, inspect, or set up the property. Under current law, the determination of whether such transactions are a lease of property or a service depends upon the amount of control maintained by the operator and the degree of responsibility for completion of the work assumed by the operator.

- Purchases of items (such as catalogs, telephone directories, or candy) that are sold by an out-of-state seller to a Wisconsin purchaser and distributed directly by the seller by common carrier or U.S. mail to Wisconsin residents without the purchaser ever taking possession of the items would become taxable regardless of whether or not the out-of-state seller has nexus with Wisconsin. Under current law, as interpreted by the courts, such sales are not subject to the sales or use tax if the seller is located out-of-state and does not have nexus with Wisconsin.

According to DOR, all of these modifications are required in order to conform to the terms of the SSUT Agreement.

Non-Exempt Use of Property After Purchase

Currently, if a purchaser certifies that the items purchased will be used in a manner entitling the sale to be exempt from tax and the purchaser subsequently uses the property in some other manner, the purchaser is liable for payment of the sales tax. The tax is measured by the sales price of the property to the purchaser unless the taxable use first occurs more than six months after the sale. In that case, the purchaser may base the tax either on that sales price or on the fair market value of the property at the time the taxable use first occurs. The bill would eliminate the option to base the tax on fair market value if the taxable use first occurs more than six months after the purchase, so that the tax would always be based on the sales price to the purchaser.

Treatment of Drop-Shipments

A Wisconsin "drop-shipment" occurs when a purchaser located in Wisconsin orders an item from an out-of-state retailer not registered to collect Wisconsin sales or use tax and the product is delivered to the customer directly from a Wisconsin manufacturer, without the retailer taking possession. Under current law, the Wisconsin manufacturer is required to collect the sales tax from the purchaser on such transactions. Under the bill, Wisconsin manufacturers would no longer be liable for the sales tax on drop-shipments to Wisconsin purchasers. Instead, the purchaser would be liable for use tax.

Sourcing

The bill includes detailed provisions for determining the taxing jurisdiction in which a sale or lease of property or services occurs (sourcing). In general, the sourcing rules under these provisions are destination-based, which is consistent with the current sourcing provisions in Wisconsin. However, the Department of Revenue has identified several situations where the SSUT provisions would differ from current law and practice. The most significant change would be to relieve sellers (printers) of direct mail of the burden of determining the destination of each piece of mail for tax purposes if the purchaser does not provide this information. Other sourcing changes involve towing services, admissions, certain sales by florists, leases, software and services (such as cable television) delivered electronically, and post-paid telecommunications services.

Agreements With Direct Marketers; Retailer's Compensation

Under current law, sellers may deduct the retailer's discount from taxes due as compensation for administrative costs. The retailer's discount is equal to 0.5% of the tax liability per reporting period, with a \$10 minimum. Also, under current law, DOR may enter into agreements with out-of-state direct marketers to collect state and local sales and use taxes. An out-of-state direct marketer that collects such taxes may retain 5% of the first \$1 million of the taxes collected in a year and 6% of the taxes collected in excess of \$1 million in a year. This provision does not apply to direct marketers who are required to collect sales and use taxes in Wisconsin because they have nexus with this state. To date, no agreements have been entered into under this provision.

The bill would repeal the current provisions regarding agreements with direct marketers. Instead, under these provisions, the following persons could retain a portion of sales and use taxes collected on retail sales in an amount determined by DOR and by contracts that the Department enters into pursuant to the SSUT Agreement: (a) certified service providers; (b) sellers that use a certified automated system; and (c) large, multi-state sellers that have a proprietary system that calculates the amount of tax owed to each taxing jurisdiction. Under the bill, there would be no statutory limit on the amount of retailer compensation paid to such persons. Also, such compensation could be paid to in-state sellers, out-of-state sellers that have nexus with Wisconsin, and out-of-state sellers that do not have nexus. However, DOR indicates that, under the Agreement, only non-nexus sellers that voluntarily agree to collect taxes would receive additional compensation under item (c). Sellers that do not meet the above criteria would continue to receive the regular 0.5% retailer's discount.

"Amnesty" Provision

Under the bill, a seller would not be liable for uncollected and unpaid state and local sales and use taxes (including penalties and interest) on previous sales made to Wisconsin purchasers if the seller registers with DOR to collect and remit state and local sales and use taxes on such sales in accordance with the SSUT Agreement. In order to receive amnesty, the seller would have to: (a) register within one year after the effective date of this state's participation in the Agreement; and (b) collect and remit state and local sales and use taxes on sales to purchasers in this state for at least three consecutive years after the date on which the seller registers.

The amnesty would not be available to: (a) sellers that were already registered with DOR during the year immediately preceding the effective date of Wisconsin's participation in the Agreement; (b) sellers that are being audited by DOR; or (c) sellers that have committed or been involved in a fraud or an intentional misrepresentation of a material fact.

Erroneous Collection of Tax

The bill would establish a procedure to settle disputes between purchasers and sellers regarding erroneous collections of sales or use tax. Under this procedure, customers who believe that the amount of sales or use tax assessed on a sale is erroneous could send a written notice to the seller requesting that the alleged error be corrected. The seller would have to review its records within 60 days to determine the validity of the customer's claim. If the review indicates that there is no error as alleged, the seller would have to explain the findings of the review in writing to the customer. If the review indicates that there is an error as alleged, the seller would have to correct the error and refund the amount of any tax collected erroneously, along with the related interest. A customer could take no other action, or commence any action, to correct an alleged error in the amount of sales or use tax assessed unless the customer has exhausted his or her remedies through this review process.

Under current law, such disputes are handled through the court system. The procedure under the bill is intended to provide a more efficient dispute resolution process.

Rounding

The bill would modify the rounding rules used by retailers so that sellers would be allowed to compute the amount of tax to be collected based on each invoice (including numerous items) or on each item included in the sale. Under current law, the amount of tax collected must be calculated by multiplying the tax rate by the total transaction price, not by the prices of individual items. These provisions do not affect the amount of tax due to the state from the retailer, only how the retailer may calculate the amount of tax collected from purchasers.

SSUT Agreement Agents

The bill would authorize sellers to appoint an agent to represent the seller before the states that are signatories to the SSUT Agreement. Under these provisions, sellers could designate such agents to: (a) register with DOR for a business tax registration certificate; (b) file an application with DOR for a permit for each place of operations; and (c) remit taxes and file returns under the sales and use tax statutes.

Business Tax Registration

Under current law, any person who is not otherwise required to collect Wisconsin sales and use taxes (because of a lack of nexus) and who makes sales to persons within this state of taxable property or services may register with DOR to voluntarily collect the tax. Sellers who register with DOR must obtain a business tax registration certificate, which authorizes and requires the person to collect, report, and remit the state use tax. The bill would specify that registration with DOR under this provision could not be used as a factor in determining whether the seller has nexus with this state for any tax at any time.

In addition, the bill would specify that registration under the above provision would authorize and require the retailer to collect, report, and remit local use taxes, and local jurisdictions would be specifically authorized to impose the tax on such sellers. Under current law, voluntary registration only obligates out-of-state retailers to collect state use taxes, not local taxes.

The bill would also authorize DOR to waive the business tax registration fee for sellers that voluntarily register to collect sales and use taxes.

Exemption Certificates

Under current law, it is presumed that all of a seller's receipts are subject to the sales and use tax until the contrary is established. The burden of proving that a sale is not taxable is upon the seller unless the purchaser provides a certificate to the effect that the purchase is exempt. The exemption certificate must be taken by the seller in good faith. Under the bill, an exemption certificate would relieve the seller from the burden of proof as long as it is taken at the time of purchase. The "good faith" requirement would be deleted. However, an exemption certificate would not relieve the seller of the burden of proof if the sale is sourced to this state and the claimed exemption is for an item not exempted under the state's sales and use tax provisions or

if the seller fraudulently fails to collect sales tax or solicits the purchaser to claim an unlawful exemption.

Under current law, no certificate is required for certain types of tax-exempt livestock sales. The bill would repeal this provision so that an exemption certificate would be required for such sales.

Program for Children and Families

Under current law, the Department of Health and Family Services has a GPR appropriation for grants to counties for services for children and families. The amount of the appropriation is equal to one-eleventh of the amount of sales tax collected from out-of-state direct marketers who have entered into agreements with DOR, under which the sellers receive compensation over and above the normal 0.5% retailer's discount (described above). The bill would repeal this appropriation and the statutory language relating to the grants. The program was created in 1999 Wisconsin Act 9. To date, no funding has been provided for the program because no agreements with direct marketers have been entered into.

Other Provisions

The bill would eliminate specific requirements relating to the content of sales and use tax returns and, instead, provide that the return must show the amount of taxes due for the period covered by the return and such other information as DOR deems necessary. This modification is intended to provide DOR with flexibility to simplify sales tax returns and make the returns conform to standards required under the SSUT Agreement.

Under current law, in order to protect the revenue of the state, DOR may require sellers to provide security in an amount determined by the Department, but not more than \$15,000. The bill would authorize DOR to require a larger amount of security from certified service providers.

The bill would restrict the use of personally identifiable information obtained by certified service providers from purchasers, and require CSPs to provide consumers clear and conspicuous notice of their practices regarding such information. CSPs would also have to provide sufficient technical, physical, and administrative safeguards to protect personally identifiable information from unauthorized access and disclosure.

The bill would require additional notice (120 days) of repeal of a county sales tax or cessation of local baseball park or football stadium taxes.

Fiscal Effect

The administration estimates that the changes to the tax base under these provisions would reduce state sales tax revenues by \$3,100,000 in 2005-06 and by \$2,600,000 in 2006-07, primarily due to expanded exemptions relating to food and durable medical equipment. The administration expects these revenue losses to be offset by estimated increases of \$15,300,000 in

2005-06 and \$16,800,000 in 2006-07 from out-of-state sellers that would voluntarily agree to collect the use tax on sales to Wisconsin residents if these provisions are adopted. Based on these figures, the administration estimates a net revenue gain of \$12,200,000 in 2005-06 and \$14,200,000 in 2006-07.

In the aggregate, the administration estimates that county and stadium sales and use tax collections would increase, as a result of these provisions, by \$930,000 in 2005-06 and by \$1,080,000 in 2006-07, and that exposition district taxes would increase by an estimated \$250,000 each year. The sourcing provisions under the bill could also result in tax shifting across counties.

In addition, the component of these provisions that would allow a higher rate of retailer compensation to certain sellers would result in a state revenue decrease. At this time, it is not possible to reliably estimate the cost of the higher retailer's compensation, because the rate of compensation and the number and size of sellers that would qualify are not known. However, it is possible that the cost of this provision could be significant. It is also possible that the passage of the bill, along with similar laws in other states, could result in a significant increase in sales and use tax collections from remote sales in future years. This could occur if the provisions resulted in additional retailers voluntarily agreeing to collect and remit use taxes to Wisconsin or if Congress is persuaded to pass federal legislation allowing states to require out-of-state sellers to collect and remit the tax.

Under the bill, it is intended that any revenues in the 2005-07 biennium that are based on these provisions and are in excess of those estimated by DOR under the provisions would be used for a new supplemental general school aids appropriation. [See "Public Instruction -- General School Aids and Revenue Limits."]

Joint Finance/Legislature: Delete provision.

Veto by Governor [F-8]: Delete a provision that should have been deleted when the Legislature deleted the other SSUT provisions.

[Act 25 Vetoed Section: 1518m]

2. SALES AND USE TAX ON ELECTRONIC VERSIONS OF CERTAIN PERSONAL PROPERTY [LFB Paper 326]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$3,200,000	-\$3,200,000	\$0

Governor: Impose the state sales and use tax on selected products furnished to customers electronically that would be subject to the tax if furnished in tangible form, effective on the first day of the second month beginning after publication of the bill. Estimate increased sales tax

revenues under this provision of \$1,300,000 in 2005-06, assuming an effective date of August 1, 2005, and \$1,900,000 in 2006-07.

Under current law, the 5% state sales and use tax is generally imposed on the gross receipts from the sale and rental of tangible personal property. In addition, the sales and use tax is specifically imposed on the sale and use of selected services. There is no imposition of tax on sales of real property or intangible property, unless the item would fall within one of the services that are subject to Wisconsin sales tax.

With some exceptions, items transferred in electronic form through the internet are not taxable, even if the item would be taxable if transferred in tangible form (for example, a novel purchased via the internet in digital format and then printed would not be subject to the tax, whereas the same novel purchased as a paperback book would be subject to the tax). However, current law makes the following exceptions to this general approach:

a. Computer software, excluding custom software, is defined by state law to be tangible personal property for purposes of the sales and use tax, without regard to the form in which it is transferred.

b. Taking photographs, reproducing them in a digital format and delivering them electronically is a taxable service.

c. Pay-per-view movies, movie channels, and similar means of viewing motion pictures are cable television services that are specifically subject to tax. However, movies downloaded via the internet may not meet Wisconsin's current definition of cable television service, which requires amplification of the program.

As described above, current law generally imposes the sales and use tax on tangible personal property, and specifically imposes the tax on selected services. The bill would create new provisions specifically imposing the sales and use tax on four types of electronic products, including audio works, audiovisual works, finished artwork, and literary works. The bill would define these electronic products as follows:

a. "Audio works" would mean works that result from the fixation of a series of musical, spoken, or other sounds, including prerecorded or live music, prerecorded or live readings of books or other written materials, prerecorded or live speeches, and digitized sound files that are downloaded to a telephone handset. "Audio works" would not include broadcast radio services or sounds accompanying an audiovisual work.

b. "Audiovisual works" would mean a series of related images that, when shown in succession, impart an impression of motion, together with sound, including motion pictures, musical videos, and live events. "Audiovisual works" would not include broadcast television services or cable television system services.

c. "Finished artwork" would mean the final art used for actual reproduction by photomechanical or other processes or for display purposes. "Finished artwork" would also

include all of the following items, regardless of whether the items are reproduced: drawings; paintings; designs; photographs; lettering; paste-ups; mechanicals; assemblies; charts; graphs; and illustrative materials.

d. "Literary works" would mean works, not including audiovisual works, audio works, and computer software, that are expressed in words, numbers or other verbal or numerical symbols or indicia, including books and periodicals.

The bill would modify certain provisions under current law as they relate to the incidental transfer of tangible personal property with a service and the separate sale of such items apart from selected services. The bill would provide that transfers of the electronic products described above with a service would be treated consistently with the treatment of transfers of tangible personal property with a service under current law. In addition, the bill would provide an exemption from the sales and use tax for any of the electronic products described above that would be exempt from tax if transferred in a tangible form.

Joint Finance/Legislature: Delete provision.

3. CLARIFY THE DEFINITION OF NON-PROFIT RETAILERS AND INCREASE THE OCCASIONAL SALE THRESHOLDS

Governor/Legislature: Modify the state sales and use tax statutes to specify that a person who makes sales of tangible personal property or services on which the sales tax is imposed is a retailer, regardless of whether or not the transaction is mercantile in nature. In addition, provide increases in the occasional sale exemption standards for nonprofit organizations.

For purposes of the state sales and use taxes, current law defines a "retailer" without referencing the mercantile nature of the sales transaction. However, two court decisions have determined that a nonprofit organization engaging in "nonmercantile transactions" is not a retailer with respect to the sales and use tax statutes, and therefore not liable for the sales or use tax on otherwise taxable transactions (even if such a nonprofit organization has a seller's permit). According to the Department of Revenue, the courts looked at a number of factors in determining whether transactions were mercantile (profit motive, competition with private sector, purpose of activity, and advertising), but provided no clear guideline for determining what makes a transaction mercantile or nonmercantile. The Department has found that taxpayers are increasingly making claims that some of their otherwise taxable sales are nonmercantile in nature and therefore not subject to Wisconsin sales tax. The bill would specify that sales of tangible personal property or taxable services are subject to Wisconsin sales or use tax unless a specific exemption applies (for example, the exemption for occasional sales by a nonprofit organization, for which the bill would include expanded eligibility, as described below).

Under current law, nonprofit organizations making sales of tangible personal property or taxable services are required to register and collect sales tax on such sales unless they qualify for the occasional sale exemption. A nonprofit organization, including a governmental unit, will

generally meet the standards for the occasional sales exemption if: (a) it does not currently hold a seller's permit; (b) taxable sales or events occur on 20 days or fewer in a calendar year or gross receipts from taxable sales are \$15,000 or less during a calendar year; and (c) sales are not made at an admission event where entertainment is paid more than \$300. The bill would increase these occasional sale exemption standards for nonprofit organizations from \$15,000 to \$25,000 and from \$300 to \$500, to account for inflation since the exemption went into effect on January 1, 1989.

According to the Department, removing a mercantile standard from the definition of a retailer would result in additional sales tax being collected by retailers currently not collecting sales tax on certain transactions. However, increasing the occasional sales exemption standards would reduce the amount of sales tax collected by nonprofit organizations. While it is not possible to measure the impact from either of the proposed modifications, the Department anticipates that the overall fiscal impact would be a minimal revenue increase.

These provisions would take effect January 1, 2006.

[Act 25 Sections: 1503, 1579, and 9441(1)]

4. SALES TAX EXEMPTION FOR CLAY PIGEONS

Joint Finance/Legislature: Provide that a current sales and use tax exemption for the sale of live game birds and clay pigeons to certain bird hunting preserves would also apply to clay pigeons sold to a trapshooting facility if either of the following applies: (a) the trapshooting facility is required to pay sales tax on its gross receipts from charges for shooting at the facility; or (b) the trapshooting facility is a nonprofit organization whose gross receipts from charges for shooting at the facility are exempt from the sales tax as occasional sales. Specify that these provisions would first apply on January 1, 2003 and would take effect retroactively to the same date.

[These changes would make a current exemption conform to the intent of the legislation that created it (2003 Act 128), and to the way the exemption is administered by DOR. Therefore, there would be no fiscal effect estimated as a result of the provisions.]

[Act 25 Sections: 1631m, 1631p, 9341(17n), and 9441(6n)]

5. SALES TAX ON TRANSACTIONS BETWEEN AFFILIATED BUSINESSES

Joint Finance/Legislature: Create a sales and use tax exemption for the gross receipts from the sale of and the storage, use, or other consumption of taxable services and tangible personal property that is physically transferred to the purchaser as a necessary part of certain taxable services if the seller and the purchaser are members of the same affiliated group and are eligible to file a single consolidated return for federal tax purposes. For purposes of these provisions, provide that members of an affiliated group of business entities would include

organizations affiliated through stock ownership of a common parent organization that owns directly or indirectly 80% or more of the total stock of each of the other organizations, as specified under section 1504 of the IRC. Also, provide that if a seller purchases a taxable service or tangible personal property to be sold to a member of the seller's affiliated group and that sale is exempt from sales taxes under these provisions, then the original purchase of the taxable service or property by the seller is not considered a sale for resale or exempt under these provisions. Specify that the provisions would take effect on the first day of the second month beginning after publication of the budget bill. Estimate the fiscal effect of the provisions to be minimal.

[Act 25 Section: 1632m and 9441(7v)]

6. SALES TAX ON SERVICES PROVIDED BY TEMPORARY HELP COMPANIES

Joint Finance/Legislature: Create an exemption from the sales and use tax for charges for services provided by a temporary help company if the client for whom the services are provided controls the means of performing the services and is responsible for the satisfactory completion of the services. Define "temporary help company" as under section 108.02(24m), which means an entity that contracts with a client to supply individuals to perform services for the client on a temporary basis to support or supplement the workforce of the client in situations such as personnel absences, temporary personnel shortages, and workload changes resulting from seasonal demands or special assignments or projects, and which, both under contract and in fact:

- a. Negotiates with clients for such matters as time, place, type of work, working conditions, quality, and price of the services;
- b. Determines assignments or reassignments of individuals to its clients, even if the individuals retain the right to refuse specific assignments;
- c. Sets the rate of pay of the individuals, whether or not through negotiation;
- d. Pays the individuals from its account or accounts; and
- e. Hires and terminates individuals who perform services for the clients.

Specify that these provisions would take effect on July 1, 2007. Based on the effective date, there would be no fiscal effect of the provision in the 2005-07 biennium. It is estimated that the provision would reduce estimated sales and use tax revenues by \$4,200,000 annually in 2007-08 and thereafter. This estimate is provided in 2006-07 dollars.

Veto by Governor [F-5]: Delete provisions.

[Act 25 Vetoed Sections: 1632n and 9441(7w)]

7. SALES TAX RETAILER'S DISCOUNT

	Jt. Finance (Chg. to Base)	Senate/Leg. (Chg. to JFC)	Net Change
GPR-REV	\$7,300,000	-\$7,300,000	\$0

Joint Finance: Modify the current retailer's discount under the sales and use tax, which is 0.5% of the amount of tax due per reporting period, to instead provide a discount equal to 0.5% of the first \$50,000 of tax due per reporting period and 0.2% of any amount exceeding \$50,000. As under current law, specify that the discount could not be less than \$10 or more than the amount of tax due. The provisions would first apply to taxes imposed and collected on January 1, 2006, and would result in estimated increased sales tax revenues of \$2,300,000 in 2005-06 and \$5,000,000 in 2006-07 and thereafter.

Senate/Legislature: Delete provision.

Excise Taxes and Regulation of Tobacco and Alcohol

1. DIRECT MARKETING OF CIGARETTES AND TOBACCO PRODUCTS [LFB Paper 330]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$1,266,500	-\$1,266,500	\$0

Governor: Create statutory provisions and change existing statutes to permit and regulate the sale of cigarettes and other tobacco products through direct marketing activities.

Current state law prohibits direct market sales of cigarettes to Wisconsin consumers for sellers that do not hold a valid municipal retail permit for the municipality into which each sale is made. In addition, federal law, under provisions referred to as the Jenkins Act, requires a person who sells and ships cigarettes into another state to anyone other than a licensed distributor to file reports to the state on such sales. Compliance with the federal law is intended to enable states to collect cigarette excise taxes from consumers associated with remote sales, such as sales through the internet. Federal law provides that a person who violates these provisions is guilty of a misdemeanor and is to be fined not more than \$1,000, or imprisoned for not more than six months, or both. States, however, lack the authority to enforce the Jenkins Act, and, according to a report by the General Accounting Office in May, 2003, the federal government has had limited involvement with the Jenkins Act concerning internet cigarette sales. The bill would create state permits and associated reporting requirements and

enforcement provisions for the direct marketing of cigarettes and tobacco products to Wisconsin consumers.

MODIFICATIONS RELATED TO RETAIL LICENSES AND RESTRICTIONS ON CIGARETTE AND TOBACCO PRODUCTS SALES OR GIFTS

The following section describes proposed changes to provisions related to municipal retail licenses to sell cigarettes and tobacco products as well as restrictions on sales and gifts of such products.

Cigarette and Tobacco Products Municipal Retail Licenses

Under current law, as provided in the statutes relating to cigarette and tobacco products retailer licenses under Chapter 134, "Miscellaneous Trade Regulations", no person may sell, expose for sale, possess with intent to sell, exchange, barter, dispose of, or give away any cigarettes or tobacco products to any person not holding a license or permit for the sale of cigarettes or tobacco products without first obtaining a license from the clerk of the city, village, or town where such products are to be sold or otherwise disposed of. Under this provision, a direct marketer is not allowed to sell to consumers in Wisconsin without holding a municipal retail license in each municipality into which a sale is made. The bill would provide that a person holding a permit from the Department of Revenue as a direct marketer of cigarettes or tobacco products and who sells such products solely as a direct marketer could sell the products in Wisconsin without obtaining a municipal retailer's license.

Current law prohibits a city, village, or town clerk whose duty it is to issue licenses or permits to engage in a business involving retail sales subject to the sales and use tax from issuing such licenses or permits without proof that the applicant holds a seller's permit or has been informed by DOR that a seller's permit will be issued to the applicant. The bill would modify this provision to permit a municipality to also issue municipal licenses and permits if the applicant is registered to collect, report, and remit use tax or has been informed by DOR that the Department will register the applicant to do so. (However, the administration has indicated that the intention was to require a person with a permit to sell cigarettes or tobacco products as a direct marketer to either hold a seller's permit or to be registered to collect, report, and remit use tax under the sales and use tax statutes. The bill would have to be amended to accomplish this intent.)

The bill would require DOR to prepare an application form for cigarette and tobacco products retailers' licenses. In addition to providing information required under current law with respect to whether the cigarettes or tobacco products are to be sold over the counter, or in a vending machine, or both, the application form would have to require all of the following information: (a) the applicant's history relevant to the applicant's fitness to hold a license; (b) the kind of license for which the applicant is applying; (c) the premises where cigarettes or tobacco products will be sold or stored; (d) if the applicant is a corporation, the identity of the corporate officers and agent; (e) if the applicant is an LLC, the identity of the company members or managers and agent; (f) the applicant's trade name, if any; and (g) any other information required by the Department.

Each applicant for a cigarette and tobacco products retailer license would be required to use the application form prepared by DOR, to swear to the application, and to submit the application with the clerk of every city, village, or town where the intended place of sale is located. The Department would be required to provide a copy of the application to each city, village, and town. Within 10 days of any change in any fact set forth in an application, the applicant or license holder would have to file a written description of the change with the clerk of the city, village, or town where the application was submitted.

The bill would authorize any person to inspect an application for a cigarette or tobacco products retailer license. The clerk of each city, village, or town where such applications are submitted would be required to retain all applications submitted for five years.

The bill would prohibit a municipality from issuing a cigarette or tobacco products retailer's license to any person who: (a) has an arrest record or conviction record (subject to nondiscrimination provisions); (b) has been convicted of a felony, or as a repeat or habitual offender, unless pardoned (also subject to nondiscrimination provisions); (c) or has not submitted proof that the person holds a sales tax seller's permit or that DOR will issue a seller's permit to the person. These requirements would apply to all partners of a partnership, all members and agents of an LLC, and all agents and officers of a corporation. Subject to nondiscrimination provisions, if a business entity has been convicted of a crime, the entity could not be issued a license unless the entity had terminated its relationship with the individuals whose actions directly contributed to the conviction.

Under current law, any person violating the cigarette and tobacco products retailer license provisions is subject to a fine of \$25 to \$100 for a first offense and a fine of \$25 to \$200 for a second or subsequent offense. If, upon such a second or subsequent violation, the person was personally guilty of a failure to exercise due care to prevent the violation, the person is subject to a fine of \$25 to \$300, imprisonment for up to 50 days, or both. Technically, these penalties currently apply in the case of a direct marketer selling without a municipal retail license. However, the administration indicates that it is not practical to enforce such penalties with respect to direct marketers.

The bill would modify this provision by increasing the penalty for a first offense to a fine of \$500 to \$1,000 and by increasing the penalty for a second or subsequent offense to a fine of \$1,000 to \$5,000, imprisonment for up to 180 days, or both. The current provision imposing additional fines and/or imprisonment for individuals who are guilty of failing to exercise due care to avoid a second or subsequent violation would be deleted. Under the bill, a direct marketer holding a permit from DOR as a direct marketer (as provided under the bill) would not be subject to the penalties described above but would be subject to specific penalties provided under the bill, as described below.

Current law also provides that the municipality must terminate the license of any person who is convicted of being personally guilty of a failure to exercise due care to prevent the violation for a period of five years, during which the person may not act as the servant or agent of a licensed

cigarette or tobacco products retailer for the performance of acts authorized by the license. The proposal would make this provision apply only to second or subsequent convictions.

Restrictions on Sales or Gifts of Cigarettes or Tobacco Products

The bill would add a definition for a "direct marketer" through a reference to a proposed definition of the term in Chapter 139 (described below).

Under current law, with certain exceptions, none of the following persons may sell, or provide for nominal or no consideration, cigarettes or tobacco products to any person under the age of 18: (a) a retailer, manufacturer, distributor, jobber, or subjobber; (b) an agent, employee, or independent contractor of a retailer, manufacturer, distributor, jobber, or subjobber; or (c) an agent or employee of an independent contractor. However, a vending machine operator is not liable for the purchase of cigarettes or tobacco products from his or her vending machine by a person under the age of 18 if the vending machine operator was unaware of the purchase. Current law also prohibits the persons described above from selling, or providing for nominal or no consideration, cigarettes or tobacco products to any person except in a place where no person younger than 18 years of age is present or permitted to enter unless that person is accompanied by his or her parent or guardian or by his or her spouse who has attained the age of 18 years. The bill would add the term "direct marketer" to the list of persons to whom these provisions would apply.

Current law prohibits a retailer from selling cigarettes in a form other than as a package or container on which a cigarette tax stamp is affixed. Under the bill, this provision would also apply in the case of a direct marketer.

The bill would create a new provision specifying that proof of all of the following facts by a direct marketer who sells cigarettes or tobacco products to a person under the age of 18 would be a defense to any prosecution for a violation of the restrictions on such sales: (a) that the direct marketer used a mechanism, approved by DOR, for verifying the age of the purchaser; (b) that the purchaser falsely represented that he or she had attained the age of 18 and presented a copy or facsimile of an identification card; (c) that the name and birth date of the purchaser, as indicated by the purchaser, matched the name and birth date on the identification card; and (d) that the sale was made in good faith, in reasonable reliance on the mechanism approved by DOR and the representation of identification as required above, and in the belief that the purchaser had attained the age of 18. Similar provisions currently exist for persons who sell cigarettes directly to consumers.

MODIFICATIONS TO THE CIGARETTE TAX STATUTES

The following section describes proposed changes to the cigarette tax statutes under Chapter 139 to permit and regulate direct marketing of cigarettes.

Definitions

The bill would create the following new definitions:

a. "Bonded direct marketer" would mean any person who acquires unstamped cigarettes from the manufacturer thereof, affixes stamps to the packages or other containers, stores them and sells them by direct marketing to consumers for their own personal use, and who may also acquire stamped cigarettes from manufacturers or distributors for such sales;

b. "Consumer" would mean any individual who receives cigarettes for his or her personal use or consumption or any individual who has title to or possession of cigarettes for any purpose other than for sale or resale;

c. "Direct marketer" would mean a bonded direct marketer or a nonbonded direct marketer;

d. "Direct marketing" would mean publishing or making accessible an offer for the sale of cigarettes to consumers in this state, or selling cigarettes to consumers in this state, using any means by which the consumer is not physically present at the time of sale on a premise that sells cigarettes.

e. "Identification card" would have the meaning provided in Ch. 134, which defines the term to mean either a Wisconsin driver's license containing a photograph, an alternative approved for state residents who do not have a driver's license, or certain cards that had been approved under 1987 law related to identification cards for alcohol beverages;

f. "Nonbonded direct marketer" would mean any person who acquires stamped cigarettes from manufacturers or distributors, stores them, and sells them by direct marketing to consumers for their own personal use; and

g. "Person" would mean any individual, sole proprietorship, partnership, LLC, corporation, or association or any owner of a single-owner entity that is disregarded as a separate entity under the income and franchise tax statutes.

The bill would also modify certain current law definitions in the cigarette tax statutes. Currently, a "distributor" means any person who: (a) acquires unstamped cigarettes from the manufacturer, affixes stamps to the packages or other containers, stores them, and sells for resale; or (b) who acquires stamped cigarettes from another permittee for such sales. The bill would modify the definition so that "a" (which is the acquisition of unstamped cigarettes from a manufacturer) would be the key component of the definition, rather than one of two possibilities. Under the bill, a person who bought unstamped cigarettes from a manufacturer could also buy stamped cigarettes and still be a distributor. But a person who bought only stamped cigarettes would not be a distributor. (Such a person would qualify for a jobber's permit, as under current law.) This modification would make the definition of "distributor" more consistent with other provisions related to distributors under current law.

The bill would also change part "b" of the current definition of distributor to specify that the stamped cigarettes that a distributor could purchase would have to be from a manufacturer or distributor, rather than a permittee. This modification would prohibit a distributor from purchasing stamped cigarettes from jobbers, multiple retailers, or vending machine operators,

which is possible under current law, and would reflect the intended pattern of wholesale cigarette sales.

The bill would strike the current law definition in the cigarette tax statutes of "retailer" as a person who sells, exposes for sale, or possesses with intent to sell cigarettes to consumers. Instead "retailer" would be defined through a reference to a definition of the term under Chapter 134 (where a retailer means a person with a municipal retail license to sell cigarettes and tobacco products). The current law definition of a "retailer" could include a direct marketer. However, under these modifications, "retailer" would only include a direct marketer who also held a municipal cigarette or tobacco products retailer license.

The current law definition of a manufacturer as any person who manufactures cigarettes for the purpose of sale, including the authorized agent of such a person, would be modified to refer to a person who directly manufactures cigarettes for the purpose of sale.

Payment of Cigarette Tax

The cigarette tax is paid through the purchase of tax stamps from DOR, generally by a manufacturer or distributor. The tax stamp must be affixed to each pack of cigarettes prior to its first sale in the state. Under current law, "first sale" excludes a sale by a manufacturer to a distributor or by a distributor to certain permittees who are allowed to possess unstamped cigarettes (for example, cigarettes sold to post exchanges of the armed forces of the United States and cigarettes sold for shipment outside this state in interstate commerce). The bill would also permit a manufacturer to sell unstamped cigarettes to a bonded direct marketer.

The bill would permit the Secretary of DOR to authorize the use of impressions applied by the use of machines in lieu of tax stamps. Current law allows authorization of meter machines in lieu of stamps.

The bill would extend the following provisions that apply to manufacturers and distributors with a permit from DOR under current law to apply to manufacturers, authorized distributors, and bonded direct marketers: (a) the availability of a discount of 1.6% of the tax paid on stamp purchases; (b) the requirement to pay DOR for the cost of printing and shipping stamps purchased; and (c) permission to purchase stamps on credit under conditions prescribed by DOR by rule.

Unlawful Possession of Cigarettes

Under current law, with exceptions, it is unlawful for any person to possess in excess of 400 cigarettes (two cartons) unless the required stamps are properly affixed. These provisions do not apply to manufacturers, distributors, or warehouse operators possessing valid permits issued by DOR. The bill would delete the allowance of up to 400 unstamped cigarettes and add bonded direct marketers to the list of persons to whom the provision does not apply.

Use Tax on Cigarettes

Currently, only licensed distributors may import more than 400 cigarettes on which the

excise tax has not been paid into this state. Such cigarettes must be declared and the tax on them paid within 15 days. However, members of the armed forces are exempt from these requirements if the cigarettes have been issued by the government or purchased in military post exchanges or service stores. A penalty of \$25 per 200 cigarettes is imposed if the tax is not paid when due, and interest on the delinquent tax and penalty accrues at the rate of 1.5% per month, or fraction thereof, from the date the tax became due until paid. The bill would modify these requirements to: (a) delete the current allowance of 400 unstamped cigarettes; (b) provide that a bonded direct marketer authorized by DOR to purchase and affix tax stamps is also excluded from the restriction on importing unstamped cigarettes; and (c) provide that the exclusion for members of the armed forces applies only with respect to cigarettes for their personal use or consumption.

Permit Requirements for Cigarette Manufacturers and Distributors

Under current law, no person may manufacture cigarettes in this state or sell cigarettes in this state as a distributor, jobber, vending machine operator, or multiple retailer and no person may operate a warehouse in this state for the storage of cigarettes for another person without first filing an application for and obtaining the proper permit to perform such operations from DOR. This provision applies to all officers, directors, agents and stockholders holding 5% or more of the stock of any corporation applying for a permit. The proposal would apply the permit requirement to direct marketers, and would also clarify that an out-of-state manufacturer selling in this state would be required to have a permit. [This provision is needed to assist Wisconsin in complying a requirement under the Master Settlement Agreement (MSA) between 46 states and certain tobacco companies with respect to reporting of cigarette sales.] In addition, the provision regarding corporate officers, directors, agents, and stockholders would be repealed.

Under current law, subject to nondiscrimination provisions, a permit to manufacture or sell cigarettes may not be granted to any person to whom any of the following applies: (a) the person has been convicted of a misdemeanor not involving Chapters 340 to 349 (relating to motor vehicles) at least three times; (b) the person has been convicted of a felony, unless pardoned; (c) the person is addicted to the use of a controlled substance or controlled substance analog; (d) the person has income that comes principally from gambling or has been convicted of two or more gambling offenses; (e) the person has been guilty of crimes relating to prostitution; (f) the person has been guilty of crimes relating to loaning money or anything of value to persons holding licenses or permits pursuant to the provisions regarding the regulation of alcohol beverages; or (g) the person does not hold a sales tax seller's permit, if the person is a retailer.

The proposal would repeal items (a) through (f) and, instead, provide that no permit could be granted to any person who: (a) has an arrest record or a conviction record (subject to nondiscrimination provisions); (b) has been convicted of a felony, or as a repeat or habitual offender, unless pardoned (also subject to nondiscrimination provisions); or (c) has not submitted proof that the person holds a sales tax seller's permit or that DOR will issue a seller's permit to the person. The proposal would also specify that these provisions apply to: all partners of a partnership; all members of an LLC; all agents, directors, or shareholders of an LLC or corporation; and all officers of a corporation. In addition, subject to nondiscrimination provisions, if a business entity had been convicted of a crime, the entity could not be issued a permit unless the entity had

terminated its relationship with the individuals whose actions directly contributed to the conviction.

Prior to affixing tax stamps to cigarettes, current law requires a distributor of cigarettes to certify to DOR, in a manner prescribed by DOR, that the cigarettes to which it will attach the tax stamps required under these provisions were purchased directly from a manufacturer. The bill would apply this requirement to a bonded direct marketer as well as a distributor.

Currently, a separate permit is required for each class of permittee under the cigarette tax statutes, and the holder of any permit may only perform the operations thereby authorized. Such a permit is not transferable among persons or premises. A separate permit is required for each place where cigarettes are stored for sale at wholesale, through vending machines, or multiple retail outlets. Under the bill, a separate permit would also be required for each place where cigarettes are stored for sale by direct marketing.

Current law authorizes a vending machine operator or a multiple retailer to acquire unstamped cigarettes from manufacturers thereof and affix the stamps to packages or other containers only if the vending machine operator or multiple retailer also holds a permit as a distributor. Under the bill, a vending machine operator or multiple retailer could also satisfy these requirements by holding a permit as a bonded direct marketer.

The law also currently provides that the holder of a warehouse permit is entitled to store cigarettes on the premises described in the permit. The warehouse permit does not authorize the holder to sell cigarettes. Unstamped cigarettes stored in a warehouse for a manufacturer or distributor may be delivered only to a person holding a permit as a manufacturer or distributor. The bill would provide that a bonded direct marketer authorized by DOR to purchase and affix tax stamps would also be permitted to receive deliveries of unstamped cigarettes stored in a warehouse.

Direct Marketing of Cigarettes

The proposal would specify that no person could sell cigarettes to consumers in this state as a direct marketer or solicit sales of cigarettes to consumers in this state by direct marketing unless the person has obtained a permit from DOR to make such sales or solicitations. The person would have to file an application for a permit with DOR, in the manner prescribed by the Department, and submit the following fee with the application: (a) \$500 if the person sells fewer than 600,000 cigarettes annually; or (b) \$1,000 if the person sells 600,000 or more cigarettes annually. A permit issued under this provision would expire on December 31 of each year.

DOR would be prohibited from issuing a permit to a person unless the person certifies to the Department, in the manner prescribed by the Department, that the person will: (a) acquire unstamped cigarettes from the manufacturer, pay the state cigarette tax, affix tax stamps to the cigarette packages or containers, store such packages or containers, and sell only such packages or containers to consumers in this state by direct marketing; or (b) purchase stamped cigarettes from a licensed distributor and sell only such packages or containers to consumers in this state by direct marketing.

No person could be issued a direct marketer's permit unless the person certifies to DOR, in the manner prescribed by the Department, that all cigarette sales to consumers in this state will be credit card transactions; that the invoices and all means of solicitation for all shipments of cigarette sales from the person will bear the person's name, address, and permit number; and that the person will provide DOR any information the Department considers necessary to administer this provision.

No direct marketer could purchase tax stamps or sell cigarettes in excess of the number of cigarette sales specified in his or her permit unless the person pays the applicable, higher permit fee. Any person who sells cigarettes in excess of the number of cigarette sales specified in his or her permit would have to pay a penalty to DOR of the greater of \$1,000 or an amount equal to \$50 for every 200 cigarettes or fraction thereof.

No person could sell cigarettes to consumers in this state by direct marketing unless the cigarette tax is paid on such cigarettes and tax stamps are affixed to the cigarette packages or containers. No person could sell cigarettes to consumers in this state by direct marketing unless the sales or use tax is paid on the sale of such cigarettes.

No person could sell cigarettes to consumers in this state by direct marketing unless the person verifies that the cigarette brands are approved by DOR and listed in the directory of certified tobacco product manufacturers and brands as provided under the MSA. In addition, to sell cigarettes to a consumer in this state by direct marketing, a person would be required to verify the consumer's identity and that the consumer is at least 18 years old by either: (a) using a data base, approved by DOR, that includes information based on public records; or (b) obtaining a notarized copy of an identification card, on which the name matches the name of the consumer and the birth date verifies that the purchaser is at least 18 years of age; or (c) a different mechanism, if approved by DOR.

Any person who, without having a valid permit, sells or solicits sales of cigarettes to consumers in this state by direct marketing would have to pay a penalty to DOR of the greater of \$5,000 or an amount equal to \$50 for every 200 cigarettes, or fraction thereof, sold to consumers in this state by direct marketing

No sale of cigarettes to a consumer in this state by direct marketing could exceed 10 cartons for each invoice or 20 cartons in a 30-day period for each purchaser or address. Any person who sells cigarettes that exceed these maximum amounts would have to pay a penalty to DOR of the greater of \$5,000 or an amount equal to \$50 for every 200 cigarettes, or fraction thereof, sold above the maximum amounts. Any person who purchases cigarettes that exceed the maximum amount permissible for direct marketers to sell to a consumer in this state would have to pay a penalty to DOR of \$25 per carton. In addition, the person would have to apply for a wholesale cigarette permit with DOR. (While it is unlikely that the person would subsequently qualify to obtain a wholesaler's permit, the provision is intended to make it clear that a consumer could not purchase quantities of cigarettes from a direct marketer without acting in a wholesaler capacity and satisfying associated requirements.)

No cigarettes could be shipped to a person who is under 18 years of age or to a post-office box. Every package used to ship cigarettes from a direct marketer and delivered to a person in this state would have to be clearly labeled to indicate that the package contains cigarettes and could not be delivered to a person under 18 years of age.

Cigarette Tax -- Administrative Procedures

The following modifications related to administrative procedures would also be provided:

Transfers. A current law provision requiring all sales and transfers of tax stamps to be made only by DOR to permit-holding manufacturers and distributors would be modified to also permit sales and transfers of tax stamps by DOR to bonded direct marketers who have been authorized to purchase and affix tax stamps.

Records. Under current law, every distributor is required to keep records of purchases and sales of cigarettes. Every manufacturer and distributor holding a permit from DOR with the right to purchase and apply stamps must also keep records of purchases and distributions of stamps. These provisions would be modified to also require every direct marketer to keep records of purchases and sales of cigarettes. In addition, the requirement to keep records of purchases and disposition of stamps mentioned above would apply for every manufacturer, bonded direct marketer, and distributor authorized by DOR to purchase and apply stamps.

In general, cigarette permittees currently must render a true and correct invoice of every sale of cigarettes at wholesale and, on or before the 15th day of each calendar month, file a verified report of all cigarettes purchased, sold, received, warehoused, or withdrawn during the preceding calendar month. However, certain permittees may be allowed to file the reports quarterly rather than monthly. The bill would also apply these provisions to direct marketers, and would allow a nonbonded direct marketer who only sells cigarettes taxed under these provisions to file on a quarterly basis.

Under the bill, the records of purchases and sales of cigarettes that direct marketers are required to keep must indicate the following: the invoice date and number; the quantity of cigarettes shipped; the brand name of the cigarettes shipped; the manufacturer of the cigarettes shipped and the point of origin; the purchaser's name, address, and birth date; the name of the person to whom the cigarettes were shipped; the address to which the cigarettes were shipped; and any other information DOR requires. This information would be required for each shipment of cigarettes into the state in the month preceding the verified report described above.

Personal Liability. The bill would provide that any officer, employee, fiduciary, or agent who is responsible for paying taxes, interest, penalties, or other charges incurred by another person is personally liable for those taxes, interest, penalties or other charges. Certain provisions related to appeals of income or franchise tax assessments would apply to appeals of assessments related to the administration and enforcement of cigarette taxes.

Theft of Tax Moneys. Current law provides that all cigarette tax moneys received by a distributor or manufacturer for the sale of cigarettes on which the cigarette tax has become due and

has not been paid are trust funds in the hands of the distributor or manufacturer and are the property of this state. In addition, any distributor or manufacturer who fraudulently withholds, appropriates, or otherwise uses cigarette tax moneys that are the property of the state is guilty of theft, regardless of whether or not the person has or claims to have an interest in the moneys. These provisions would be modified to also apply with respect to bonded direct marketers.

Seizures. Current law provides that all cigarettes acquired, owned, imported, possessed, kept, stored, made, sold, distributed, or transported in violation of the cigarette tax statutes, and all personal property used in connection therewith is unlawful property and subject to seizure by the Secretary of DOR or any peace officer. If cigarettes that do not bear the proper tax stamps or on which the tax has not been paid are seized under these provisions, they may be given to law enforcement officers for use in criminal investigations or sold to qualified buyers by DOR, without notice. If the cigarettes are sold, the proceeds of the sale, after deducting for costs of the sale and the keeping of the property, are to be paid into the state treasury. The Secretary of DOR may also order the cigarettes to be destroyed or given to a charitable or penal institution for free distribution to patients or inmates. Under the bill, these provisions would apply to any cigarettes that have been seized as a result of violations of the cigarette tax statutes (not just those that do not bear a tax stamp or on which the tax has not been paid).

Class I Felony. The bill would provide that any person who manufactures or sells cigarettes in this state without holding the proper permit under the cigarette tax statutes is guilty of a Class I felony. The penalty for a Class I felony is a fine, not to exceed \$10,000, or imprisonment, not to exceed three years and six months, or both. Under current law, any person who manufactures or sells cigarettes in this state without holding the proper permit would be subject to the general penalty for violations of the cigarette and tobacco products tax statutes for which no other penalty is provided, which includes a fine of \$100 to \$1,000, imprisonment for 10 to 90 days, or both.

Prosecutions by Attorney General. Under current law, upon request by the Secretary of DOR, the Attorney General may represent this state or assist a district attorney in prosecuting any case arising under the cigarette tax statutes. The bill would extend this authority to violations of Chapter 134 involving cigarette and tobacco products retail licenses and restrictions on sales and gifts of such products.

MODIFICATIONS TO TOBACCO PRODUCTS TAX STATUTES

In order to permit and regulate the direct marketing of tobacco products, the bill would make the following modifications to the tobacco products tax statutes under Chapter 139:

Definitions

The bill would create the following definitions:

a. "Direct marketer" would mean any person who solicits or sells tobacco products to consumers in this state by direct marketing;

b. "Direct marketing" would mean publishing or making accessible an offer for the sale of tobacco products to consumers in this state, or selling tobacco products to consumers in this state, using any means by which the consumer is not physically present on a premise that sells tobacco products;

c. "Person" would mean any individual, sole proprietorship, partnership, LLC, corporation, association, or any owner of a single-owner entity that is disregarded as a separate entity under the income tax statutes; and

d. "Identification card" would reference the meaning provided under Chapter 134, as described above with respect to the cigarette tax.

The bill would also modify a number of definitions under the current tobacco products tax statutes. Currently, a "consumer" means any person who has title to, or possession of, tobacco products in storage for use or other consumption in this state. The bill would change the definition to mean any individual who receives tobacco products for his or her own personal use or consumption or any individual who has title to, or possession of, tobacco products for any purposes other than sale or resale.

Under current law, a tobacco products "distributor" means, among other things, any person engaged in the business of selling tobacco products in this state who brings, or causes to be brought, into this state from outside the state any tobacco products for sale. The bill would change this definition to specify that "distributor" would mean, among other things, any person in this state engaged in the business of selling tobacco products who brings, or causes to be brought, into this state from outside the state any tobacco products for sale (underline added to emphasize the location of the phrase "in this state"). These modifications would clarify current law and reflect current practice.

The current definition of "distributor" also includes any person engaged in the business of selling tobacco products outside this state who ships or transports tobacco products to retailers in this state to be sold by those retailers. The proposal would modify this definition to refer to any person outside this state engaged in the business of selling tobacco products who ships or transports tobacco products to retailers in this state to be sold by those retailers (underline added to emphasize location of the phrase "outside of this state"). These modifications would clarify current law and reflect current practice.

The definition of "distributor" would also be expanded to include any person outside this state engaged in the business of selling tobacco products who ships or transports tobacco products to consumers in this state. Under this provision, a person outside this state that sells tobacco products to consumers in the state through direct marketing would be defined as a distributor (in addition to a direct marketer) and would be required to obtain a permit as a distributor (in addition to a permit as a direct marketer). The modification is intended to make it clear that a direct marketer would be responsible for collecting and remitting the excise tax on tobacco products and also for submitting to DOR required reports on any wholesale sales of tobacco products made by the direct marketer.

"Retail outlet" is currently defined to mean each place of business from which tobacco products are sold to consumers. The bill would clarify that the definition applies to such products sold to consumers by a retailer.

A "retailer" is currently defined to mean any person engaged in the business of selling tobacco products to ultimate consumers. The bill would delete this definition and replace it with a reference to the definition under Chapter 134, which means any person with a municipal cigarette or tobacco products retailer license.

Tobacco Products Tax and Associated Permits

With certain exceptions, the bill would specify that no person could possess tobacco products in this state unless the excise tax on tobacco products is paid on such products, and that no person other than a distributor with a valid permit under these provisions could import into this state tobacco products for which the tobacco products tax has not been paid.

Currently, no person may engage in the business of a distributor or subjobber of tobacco products at any place of business unless that person has filed an application for and obtained a permit from DOR to engage in that business at such place. The bill would similarly prohibit a person from engaging in the business of a direct marketer of tobacco products without a proper permit.

Direct Marketing of Tobacco Products

The bill would prohibit a person from selling tobacco products by direct marketing to consumers in this state as a direct marketer or soliciting sales of tobacco products to consumers in this state by direct marketing unless the person has obtained a permit from DOR to make such sales or solicitations. The person would have to file an application for a permit with DOR, in the manner prescribed by the Department, and submit a \$500 fee with the application.

No person could be issued a direct marketing permit unless the person holds a valid tobacco products distributor's permit.

Under current law, the following provisions that apply with respect to cigarette permits also apply in the case of tobacco products wholesaler permits: (a) the provisions requiring denial of a permit by DOR to persons who have been convicted of certain crimes; (b) requirements related to certification from the Department of Financial Institutions before a foreign corporation or a foreign LLC may be granted a permit; and (c) the requirement that: a separate permit be issued for each class of permittee; that the holder of any permit could only perform the operations thereby authorized; that such a permit could not be transferred among persons or premises; and that a separate permit would be needed for each place where tobacco products are stored for sale at wholesale, through vending machines, through direct marketing, or through multiple retail outlets. The bill would also provide that these requirements apply in the case of a permit for direct marketing of tobacco products. (It should be noted, however, that the reference under these provisions in the bill to the requirement described under "c" is incorrect, and refers, instead, to a

provision related to cigarette tax stamps. The administration has indicated that the reference should be corrected to accomplish the intent of the bill.)

No person could be issued a permit under these provisions unless the person certifies to DOR, in the manner prescribed by the Department, that all tobacco product sales to consumers in this state will be credit card transactions; that the invoice for all shipments of tobacco product sales from the person will bear the person's name, address, and permit number; and that the person will provide DOR any information the Department considers necessary to administer these provisions.

No person could sell tobacco products by direct marketing to consumers in this state unless the tobacco products tax and sales and use tax have been paid with regard to such products.

No person could sell tobacco products to consumers in this state by direct marketing unless the person: (a) verifies the consumer's age, using a mechanism approved by DOR; (b) receives from the consumer, at the time of purchase, a copy or facsimile of an identification card and the name specified on the card matches the name of the consumer; or (c) uses another mechanism approved by DOR to verifying that age and identify of a consumer.

Any person who, without having a valid direct marketing permit, sells or solicits sales of tobacco products to consumers in this state by direct marketing would have to pay a penalty to DOR of the greater of \$5,000 or an amount that is equal to 50% of the tax due on the tobacco products the person sold, without having a valid permit, to consumers in this state by direct marketing.

No tobacco products could be shipped to a person who is under 18 years of age or to a post-office box. Every package used to ship tobacco products that are sold as provided under these provisions and delivered to a person in this state would have to be clearly labeled to indicate that the package contains tobacco products and may not be delivered to a person who is under 18 years of age.

ADDITIONAL PROVISIONS

Provisions Affecting Both Cigarette and Tobacco Products Tax Statutes

The following modifications apply to both the cigarette and tobacco products tax provisions.

Salespersons of Cigarettes and Tobacco Products. Current law provides that no person may sell or take orders for cigarettes or tobacco products for resale in Wisconsin for a manufacturer or permittee without first obtaining a salesperson's permit from DOR. Further, under current law no manufacturer or permittee can authorize a person to sell or take orders for cigarettes or tobacco products without that person having secured a salesperson's permit. Currently, DOR must issue the required number of permits to manufacturers and permittees who hold a valid business tax registration certificate. Each application for a permit must disclose the name and address of the employer, and the permit will remain effective only while the salesperson represents that employer. If the salesperson is later employed by another manufacturer or permittee, the

salesperson must obtain a new salesperson's permit. Each manufacturer or permittee is required to notify DOR within 10 days after the resignation or dismissal of a salesperson holding a permit.

The bill would modify these requirements to provide that: (a) no person in this state could sell or solicit sales of cigarettes or tobacco products unless the person has filed for and obtained a valid Wisconsin business tax registration certificate and a salesperson's permit; (b) no permittee could authorize a person to sell or take orders for cigarettes or tobacco products without that person having secured a valid Wisconsin business tax registration certificate and a salesperson's permit; (c) no person could authorize the sale or solicitation of cigarettes or tobacco products in this state unless that person had a valid business tax registration certificate and a valid permit under the cigarette or tobacco products tax statutes; and (d) soliciting sales of cigarettes or tobacco products would be covered under these provisions in addition to actual sales. References to employers of salespersons would be modified so that brokers soliciting sales on behalf of a person other than an employer would be subject to the same requirements as those applicable to a salesperson of an employer. In addition, certain references to a "manufacturer and a permittee" would be changed to a "permittee." (Under the bill, a "permittee" would include any manufacturer manufacturing or selling in this state.)

Penalties for Failure to Keep Required Records or to Allow Inspection. Under current law, any cigarette or tobacco products permittee who fails to keep the records required under the cigarette or tobacco products tax statutes may be fined not less than \$100 nor more than \$500 or imprisoned not more than six months or both. The proposal would, instead, specify that the penalty for a first offense would be a fine of \$500 to \$1,000. For a second or subsequent offense, the penalty would be a fine of \$1,000 to \$5,000, imprisonment for up to 180 days, or both.

Currently, any person who refuses to permit any examination or inspection of its premises or records authorized under the cigarette or tobacco products tax statutes may be fined not more than \$500 or imprisoned not more than 90 days or both. The proposal would increase the penalty to a fine of \$500 to \$1,000, imprisonment for up to 180 days, or both.

Other Penalties. Under current law, in addition to the penalties imposed for violation of the cigarette or tobacco products tax statutes or any of the rules of DOR, the permit of any person convicted must be automatically revoked and he or she may not be granted another permit for a period of two years following the revocation. Under the bill, revocation of the permit would automatically occur after a second or subsequent conviction and would be for a period of five years, during which the person could not act as the employee or agent of a cigarette permittee to perform acts authorized by any permit issued under the cigarette tax provisions.

Effective Date and Estimated Fiscal Effect

These provisions would take effect on July 1, 2006. The administration estimates that these provisions would result in additional cigarette and tobacco products tax revenues of \$1,105,000 in 2006-07 and additional revenue from permit fees in 2006-07 of \$161,500.

Joint Finance/Legislature: Delete the Governor's provisions and adopt, instead, the following provisions related to direct marketing of cigarettes (most of which are included in 2005 Assembly Bill 411).

MODIFICATION TO CHAPTER 100

Specify that it is an unfair method of competition or an unfair trade practice for any person to sell cigarettes to consumers in this state in violation of the new provisions on direct marketing of cigarettes.

MODIFICATION TO CHAPTER 134

Under current law, with certain exceptions, none of the following persons may sell, or provide for nominal or no consideration, cigarettes or tobacco products to any person under the age of 18: (a) a retailer, manufacturer, distributor, jobber, or subjobber; (b) an agent, employee, or independent contractor of a retailer, manufacturer, distributor, jobber, or subjobber; or (c) an agent or employee of an independent contractor. Current law also prohibits the persons described above from selling, or providing for nominal or no consideration, cigarettes or tobacco products to any person except in a place where no person younger than 18 years of age is present or permitted to enter unless that person is accompanied by his or her parent or guardian or by his or her spouse who has attained the age of 18 years. The Joint Finance provisions would specify that these restrictions also apply to direct marketers of cigarettes.

Current law prohibits a retailer from selling cigarettes in a form other than as a package or container on which a cigarette tax stamp is affixed. Under the Joint Finance provisions, this prohibition would also apply to direct marketers.

MODIFICATIONS TO THE CIGARETTE TAX STATUTES

The following section describes proposed changes to the cigarette tax statutes under Chapter 139 related to direct marketing of cigarettes.

Definitions

The Joint Finance provisions would create the following new definitions:

a. "Bonded direct marketer" would mean any person who acquires unstamped cigarettes from the manufacturer thereof, affixes tax stamps to the packages or other containers, stores them and sells them by direct marketing to consumers for their own personal use, and who may also acquire stamped (taxed) cigarettes from manufacturers or distributors for such sales;

b. "Consumer" would mean any individual who receives cigarettes for his or her personal use or consumption or any individual who has title to or possession of cigarettes for any purpose other than for sale or resale;

c. "Direct marketer" would mean a bonded direct marketer or a nonbonded direct marketer;

d. "Direct marketing" would mean publishing or making accessible an offer for the sale of cigarettes to consumers in this state, or selling cigarettes to consumers in this state, using any means by which the consumer is not physically present at the time of sale on a premise that sells cigarettes;

e. "Government issued identification" would include a valid driver's license, state identification card, passport, or military identification; and

f. "Nonbonded direct marketer" would mean any person who acquires stamped cigarettes from manufacturers or distributors, stores them, and sells them by direct marketing to consumers for their own personal use.

The Joint Finance provisions would delete the current law definition in the cigarette tax statutes of "retailer" as a person who sells, exposes for sale, or possesses with intent to sell cigarettes to consumers. Instead "retailer" would be defined through a reference to a definition of the term under Chapter 134 (where a retailer means a person with a municipal retail license to sell cigarettes and tobacco products).

Payment of Cigarette Tax

The cigarette tax is paid through the purchase of tax stamps from DOR, generally by a manufacturer or distributor. The tax stamp must be affixed to each pack of cigarettes prior to its first sale in the state. Under current law, "first sale" excludes a sale by a manufacturer to a distributor or by a distributor to certain permittees who are allowed to possess unstamped cigarettes (for example, cigarettes sold to post exchanges of the armed forces of the United States and cigarettes sold for shipment outside this state in interstate commerce). The Joint Finance provisions would also permit a manufacturer to sell unstamped cigarettes to a bonded direct marketer.

The Joint Finance action would extend the following provisions that apply to cigarette manufacturers and distributors with a permit from DOR under current law to apply to manufacturers, distributors, and bonded direct marketers authorized by DOR to purchase tax stamps: (a) the availability of a discount of 1.6% of the tax paid on stamp purchases; (b) the requirement to pay DOR for the cost of printing and shipping stamps purchased; and (c) permission to purchase stamps on credit under conditions prescribed by DOR by rule.

Unlawful Possession of Cigarettes

Under current law, with exceptions, it is unlawful for any person to possess in excess of 400 cigarettes (two cartons) unless the required tax stamps are properly affixed. These provisions do not apply to manufacturers, distributors, or warehouse operators possessing valid permits issued by DOR. The Joint Finance provisions would delete the allowance of up to

400 unstamped cigarettes and add bonded direct marketers to the list of persons to whom the provision does not apply.

Use Tax on Cigarettes

Currently, only licensed distributors may import into this state more than 400 cigarettes on which the excise tax has not been paid. Such cigarettes must be declared and the tax on them paid within 15 days. However, members of the armed forces are exempt from these requirements if the cigarettes have been issued by the government or purchased in military post exchanges or service stores. A penalty of \$25 per 200 cigarettes is imposed if the tax is not paid when due, and interest on the delinquent tax and penalty accrues at the rate of 1.5% per month, or fraction thereof, from the date the tax became due until paid. The Joint Finance provisions would modify these requirements to: (a) delete the current allowance of 400 unstamped cigarettes; (b) provide that a bonded direct marketer authorized by DOR to purchase and affix tax stamps is also excluded from the restriction on importing unstamped cigarettes; and (c) provide that the exclusion for members of the armed forces applies only with respect to cigarettes for their personal use or consumption.

Prior to affixing tax stamps to cigarettes, current law requires a distributor of cigarettes to certify to DOR, in a manner prescribed by DOR, that the cigarettes to which it will attach the required tax stamps were purchased directly from a manufacturer. The Joint Finance provision would apply this requirement to a bonded direct marketer as well as a distributor.

Direct Marketing of Cigarettes

The Joint Finance provisions would specify that no person could sell cigarettes to consumers in this state as a direct marketer unless the person submits to DOR the person's name, trade name, address of the person's principal place of business, phone number, e-mail address, and Web site address.

No person could sell cigarettes under the direct marketing provisions unless the person certifies to DOR, in the manner prescribed by the Department, that the person will: (a) acquire unstamped cigarettes from the manufacturer, pay the state cigarette tax, affix tax stamps to the cigarette packages or containers, store such packages or containers, and sell only such packages or containers to consumers in this state by direct marketing; or (b) purchase stamped cigarettes from a licensed distributor and sell only such packages or containers to consumers in this state by direct marketing.

No person could sell cigarettes under the direct marketing provisions unless the person certifies to DOR, in the manner prescribed by the Department, that the person will register with credit card and debit card companies; that the invoices and all means of solicitation for all shipments of cigarette sales from the person will bear the person's name and address; and that the person will provide DOR any information the Department considers necessary to administer this provision.

No person could sell cigarettes to consumers in this state by direct marketing unless the state sales or use tax is paid on the sale of such cigarettes.

No person could sell cigarettes to consumers in this state by direct marketing unless the person verifies the consumer's name and address and that the consumer is at least 18 years old by any of the following methods: (a) using a database that includes information based on public records; (b) receiving from the consumer, at the time of purchase, a copy of a government issued identification; or (c) using a different mechanism approved by DOR.

In addition, no person could sell cigarettes to consumers in this state by direct marketing without obtaining from the consumer, at the time of purchase, a statement signed by the consumer confirming all of the following: (a) the consumer's name, address, and birth date; (b) that the consumer understands that no person who is under 18 years of age may purchase or possess cigarettes or falsely represent his or her age for the purpose of receiving cigarettes; and (c) that the consumer understands that any person who, for the purpose of obtaining credit, goods, or services, intentionally uses, attempts to use, or possesses with intent to use, any personal identifying information or personal identification document of an individual, including a deceased individual, without the authorization or consent of the individual and by representing that he or she is the individual, that he or she is acting with the authorization or consent of the individual, or that the information or document belongs to him or her, is guilty of a Class H felony. (The punishment for a Class H felony is a fine not to exceed \$10,000, or imprisonment not to exceed six years, or both.)

Under the Joint Finance provisions, any person making a sale of cigarettes by means of the Internet would be required, at the time of purchase, to obtain the purchaser's electronic mail address and receive payment for the sale by credit card, debit card, or check prior to shipping. The invoice for any shipment of cigarettes sold to consumers in this state by direct marketing would have to specify the name and address of the seller and any valid permit issued under s. the cigarette tax statutes that is held by the seller. All packages of cigarettes shipped to consumers in this state would have to clearly be labeled "CIGARETTES" on the outside of such packages.

The provisions would specify that no person could deliver a package of cigarettes sold by direct marketing to a consumer in this state unless the person making the delivery receives a government issued identification card from the person receiving the package and verifies that the person receiving the package is at least 18 years of age. If the person receiving the package is not the person to whom the package is addressed, the person delivering the package would be required to have the person receiving the package sign a statement affirming that the person to whom the package is addressed is at least 18 years of age.

No person would be permitted to deliver a package of cigarettes to a consumer in this state unless the seller of the cigarettes provides proof to the person making the deliver that the seller has complied with all requirements under the cigarette tax statutes. A seller would have no course of action against any person who refuses to deliver cigarettes as provided under this provision.

Cigarette Tax -- Administrative Procedures

The following modifications related to administrative procedures would also be provided:

Transfers. A current law provision requiring all sales and transfers of cigarette tax stamps to be made only by DOR to permit-holding manufacturers and distributors would be modified to also permit sales and transfers of tax stamps to bonded direct marketers who have been authorized to purchase and affix tax stamps.

Records. Under current law, every distributor is required to keep records of purchases and sales of cigarettes. Every manufacturer and distributor holding a permit from DOR with the right to purchase and apply tax stamps must also keep records of purchases and distributions of stamps. These provisions would be modified to also require every direct marketer to keep records of purchases and sales of cigarettes. In addition, the requirement to keep records of purchases and disposition of stamps mentioned above would apply for every manufacturer, bonded direct marketer, and distributor authorized by DOR to purchase and apply stamps.

In general, cigarette permittees currently must render a true and correct invoice of every sale of cigarettes at wholesale and, on or before the 15th day of each calendar month, file a verified report of all cigarettes purchased, sold, received, warehoused, or withdrawn during the preceding calendar month. However, certain permittees may be allowed to file the reports quarterly rather than monthly. The Joint Finance provisions would also apply these provisions to direct marketers, and would allow a nonbonded direct marketer who only sells cigarettes taxed under these provisions to file on a quarterly basis.

Under the Joint Finance provisions, the records of purchases and sales of cigarettes that direct marketers are required to keep would have to indicate the following: the invoice date and number; the quantity of cigarettes shipped; the brand name of the cigarettes shipped; the manufacturer of the cigarettes shipped and the point of origin; the purchaser's name, address, and birth date; the name of the person to whom the cigarettes were shipped; the address to which the cigarettes were shipped; and any other information DOR requires. This information would be required for each shipment of cigarettes into the state in the month preceding the verified report described above.

Theft of Tax Moneys. Current law provides that all cigarette tax moneys received by a distributor or manufacturer for the sale of cigarettes on which the cigarette tax has become due and has not been paid are trust funds in the hands of the distributor or manufacturer and are the property of this state. In addition, any distributor or manufacturer who fraudulently withholds, appropriates, or otherwise uses cigarette tax moneys that are the property of the state is guilty of theft, regardless of whether or not the person has or claims to have an interest in the moneys. These provisions would be modified to also apply with respect to bonded direct marketers.

Prosecutions by Attorney General. Under current law, upon request by the Secretary of DOR, the Attorney General may represent this state or assist a district attorney in prosecuting any case arising under the cigarette tax statutes. The Joint Finance provisions would also

provide that the Attorney General may take any action necessary to enforce the provisions related to direct marketing of cigarettes.

Lists of Direct Marketers. The Joint Finance provisions would require DOR to compile and maintain a list of direct marketers who have complied with the requirements of the proposed section on direct marketing and a list of direct marketers who DOR knows have not complied with such requirements. DOR would have to provide copies of the lists to the Attorney General and to each person delivering cigarettes to consumers in the state sold by direct marketing.

MODIFICATIONS TO CHAPTER 254

Under Chapter 254 of the statutes, pertaining to environmental health, the Joint Finance provisions would specify that no person could purchase cigarettes on behalf of, or to provide to, any person who is under 18 years of age, and that any person who violated this provision could be: (a) required to forfeit not more than \$500 if the person has not committed a previous violation within 30 months of the violation; (b) fined not more than \$500 or imprisoned for not more than 30 days or both if the person has committed a previous violation within 30 months of the violation; (c) fined not more than \$1,000 or imprisoned for not more than 90 days or both if the person has committed two previous violations within 30 months of the violation; or (d) fined not more than \$10,000 or imprisoned for not more than nine months or both if the person has committed three or more previous violations within 30 months of the violation.

EFFECTIVE DATE AND ESTIMATED FISCAL EFFECT

These provisions would take effect on the general effective date of the budget bill.

The administration had estimated increased cigarette and tobacco products tax revenues under the direct marketing provisions in AB 100 of \$1,105,000 in 2006-07. In addition, the administration estimated \$161,500 in GPR-Earned from fees for direct marketing permits. However, it appears unlikely that the Governor's direct marketing provisions would have resulted in increased revenues to the state. The same is true of the Joint Finance provisions. Therefore, estimated general fund revenues have been reduced by \$1,266,500 in 2006-07 to reflect the expectation that there will not be significant increases in revenues from the direct marketing provisions.

[Act 25 Sections: 1779t, 1930 thru 1935, 1948 thru 1980, 1982 thru 2003, 2145, and 2145g]

2. CIGARETTE AND TOBACCO PRODUCTS TAX REFUNDS

GPR	\$3,400,000
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Governor/Legislature: Increase funding for cigarette and tobacco products tax refunds by \$1,700,000 in each year to reflect higher estimates of the amount required to reimburse Native American tribes under present law. Currently, for sales that occur on reservations or trust lands, the tribes receive a refund of 100% of the excise tax on cigarettes sold to Native Americans and 70% of the tax on sales to non-Native Americans. For tobacco products sold on reservations or

trust lands, the tribes receive a refund of 100% of the tax on products sold to tribal members and 50% of the tax on products sold to non-Native Americans. Accounting for the increases identified, total funding would be \$13,200,000 in each year.

3. THREE-TIER LIQUOR DISTRIBUTION SYSTEM [LFB Paper 331]

Governor: Modify current law with respect to the three-tier liquor distribution system as it relates to wholesale sales of intoxicating liquor (wine and distilled spirits).

Under current law, alcohol beverages are generally distributed to consumers under a three-tier distribution system: the manufacturer may sell only to a wholesaler or rectifier; the wholesaler or rectifier may sell only to a wholesaler or to a retailer; and the retailer may sell only to the consumer. With specific exceptions, no person may sell outside of the three-tier system. DOR issues intoxicating liquor wholesalers' permits authorizing the sale of intoxicating liquor at wholesale from the premises described in the permit to intoxicating liquor retailers and to other wholesalers. With limited exceptions, a manufacturer may not hold any direct or indirect interest in a wholesaler and a manufacturer or wholesaler may not hold any direct or indirect interest in a retailer.

The bill would create new provisions related to intoxicating liquor wholesale permits. Specifically, the bill would provide that any intoxicating liquor sold by a wholesaler must be physically unloaded at the wholesaler's premises prior to being delivered to a retailer or to another wholesaler and that the wholesaler's premises must be capable of warehousing intoxicating liquor. In addition, a wholesaler would be required to annually sell and deliver intoxicating liquor to at least 10 retailers that do not have any direct or indirect interest in each other or in the wholesaler. DOR would be prohibited from issuing a wholesaler's permit to an applicant unless the applicant represented an intention to satisfy this minimum sales and delivery requirement. DOR would also be prohibited from renewing a wholesaler's permit unless the permittee demonstrated that it had satisfied the requirement.

The bill would prohibit an intoxicating liquor retail licensee or permittee from receiving a benefit from a violation of these provisions with knowledge of the circumstances giving rise to the violation. A retailer in violation of this provision would be subject to the general penalties provided under state law with respect to alcohol beverage regulation, including a fine of up to \$1,000, or imprisonment for not more than 90 days, or both. In addition, a court could order a retail licensee or permittee who violates these provisions to forfeit an amount equal to any profit gained by the violation. As under current law, a court could order that the retail license or permit be revoked.

A wholesaler who violated the new wholesale provisions would be subject to a fine of up to \$1,000, or imprisonment for not more than 90 days, or both. A court could also order the wholesaler to forfeit profits gained by the wholesaler or by a retail licensee or permittee from the violation. As under current law, a court would generally have the option to order the wholesaler's permit to be revoked. However, in the case of a wholesaler that violated the

requirement to annually sell and deliver intoxicating liquor to at least 10 retail licensees or permittees that do not have any direct or indirect interest in each other or in the wholesaler, the bill would require that the wholesaler's permit be revoked.

The penalties for wholesalers and retailers described above would not affect the authority under current law or under the bill, as described below, of DOR or a municipality to revoke, suspend, or refuse to renew or issue an intoxicating liquor license or permit

The bill would require DOR to promulgate rules to ensure coordination between the issuance and renewal of intoxicating liquor wholesalers' permits and the enforcement of the requirements described above. The rules would have to require that all applications for issuance or renewal of intoxicating liquor wholesaler permits must be processed by DOR personnel generally familiar with activities of intoxicating liquor wholesalers. DOR would also be required to establish by rule minimum requirements for warehouse facilities on premises described in wholesaler permits and for periodic site inspections of such facilities.

Under current law, DOR may suspend or revoke any alcohol beverages permit issued by DOR for violating any legal requirement. The bill would create a new, similar mechanism that applied specifically to suspension or revocation of wholesalers' permits based upon written allegations, including allegations of third parties, without a hearing. Under this mechanism, any person could file a sworn written complaint with DOR alleging that an intoxicating liquor wholesaler had violated the requirements related to warehousing of intoxicating liquor prior to a sale and the minimum number of required sales to retail licensees or permittees. The complaint would have to identify the specific legal basis and sufficient facts for DOR to determine whether there was cause to find that a violation had occurred. DOR would be required to provide a copy of the complaint to any wholesaler against whom allegations were made, along with a notice of the time available to such a wholesaler to show cause as to why the wholesaler's permit should not be revoked or suspended. Under the bill, a wholesaler against whom allegations were made could file a sworn written response within 30 days of receiving a copy of the complaint.

Generally, within 60 days of receiving any response from a wholesaler notified of a complaint under these provisions, or, if no response were made, within 60 days of the date on which a response was due, DOR would have to make a written decision as to whether a violation has occurred and either dismiss the complaint or take action as provided under the bill. However, DOR could extend the time period for making a decision by an additional 60 days as long as, prior to the original due date for the decision, the Department provided notice that an additional 60 days was needed for the investigation. Any decision would have to include findings of fact and conclusions of law and state all reasons for the decision. DOR would have to provide a copy of the decision to the complainant and to any wholesaler against whom allegations were made.

If DOR found the allegations true and sufficient, the Department would be required to either suspend -- for not less than 10 days nor more than 90 days -- or revoke the wholesaler's permit and give notice of the suspension or revocation to the wholesaler. The bill would specify

that such a revocation or suspension would be a contested case under state laws governing administrative procedure and review.

Under current law, upon request by the Secretary of Revenue, the attorney general may represent this state or assist a district attorney in prosecuting any alcohol beverages violation, but DOR is not authorized to prosecute such violations. The bill would authorize DOR to represent the state in prosecuting violations of the wholesaler requirements created by the bill, and specify that such action would be brought to the Circuit Court in Dane County. The bill would also create a private cause of action on behalf of wholesalers, retailers, and trade associations allowing them to bring an action to enforce the new provisions if a complaint were made to DOR and DOR failed to render a decision on the complaint within the time required under these provisions. The bill would specify that the complainant would be entitled to recover reasonable attorney fees if found to be the prevailing party.

These provisions would take effect the day after publication of the bill.

Joint Finance/Legislature: Approve the Governor's provisions with the following modifications:

Response to Allegations of Violations of the Bona Fide Wholesaler Requirements

In response to the filing of a sworn written complaint with DOR alleging that an intoxicating liquor wholesaler had violated the bona fide wholesaler requirements:

a. Allow a wholesaler against whom allegations of such a violation had been made to either provide a sworn written response to DOR or to file a written request for an evidentiary hearing before the Department under s. 227.44 of the statutes (relating to contested cases), within 30 days of receiving a copy of the complaint from the Department. (The Governor's provisions would only allow the sworn written response.)

b. Require DOR to make a written decision as to whether a violation had occurred within 60 days of receiving the sworn written response or, within 60 days of the date on which such a response was due, only if no request for an evidentiary hearing had been made by the wholesaler against whom a complaint had been made within 30 days of the wholesaler having received a copy of the complaint. Specify that, if such a wholesaler had made a request for an evidentiary hearing within the allotted time, the hearing would have to be conducted as provided under the contested case provisions of Chapter 227 except that the hearing would also have to be conducted within 45 days of DOR's receipt of the request. In addition, require DOR to make its written decision following the evidentiary hearing (including whether a violation had occurred and whether the complaint was dismissed or whether DOR had suspended or revoked the wholesaler's license) within 15 days of the hearing. In addition require DOR to provide a copy of such decision to the complainant.

c. Specify that the Governor's provisions allowing DOR to extend the time for issuing a written decision in response to a complaint under these provisions would only apply if the wholesaler against whom the complaint had been made had not requested an evidentiary

hearing under the process described above. Provide that in the event that such a hearing had been requested, DOR could extend the time period for conducting the hearing for an additional 45 days if DOR provided notice within 45 days of receiving the request for the hearing the additional time was necessary for the investigation.

d. Provide that, within 45 days of DOR's receipt of a request for a hearing, or, if no response or request for a hearing had been made, within 45 days of the date on which a written response or request for a hearing had been due, DOR could elect to file a complaint in circuit court under current law provisions related to suspension or revocation of licenses on complaint of the Department. Provide that DOR's complaint would have to include all allegations of the sworn written complaint for which DOR had determined there to be cause to find that a violation of the bona fide wholesaler provisions had occurred. Specify that if DOR filed a complaint in circuit court, then it could not conduct its own hearing or issue a written decision without a hearing

e. Clarify that if DOR found the allegations of the bona fide wholesaler violations to be true and sufficient, the Department would be required to either suspend -- for not less than 10 days nor more than 90 days -- or revoke the wholesaler's permit and give notice of the suspension or revocation to the wholesaler. (The Governor's provisions would not clearly identify which allegations DOR must find to be true and sufficient for the suspension or revocation requirements to apply.)

f. Specify that a revocation or suspension proceeding under these provisions is a contested case under Chapter 227. However, provide that the provisions under Chapter 227 specific to contested case hearings before the Department, rather than the Circuit Court, would only apply if the wholesaler against whom the complaint had been made had requested an evidentiary hearing within the allotted time. (Under this provision, a wholesaler against whom a complaint had been made would only receive an evidentiary hearing if the wholesaler had requested it in lieu of filing a sworn written response to the complaint.)

Actions Against Intoxicating Liquor Wholesalers

Allow an intoxicating liquor wholesaler, an intoxicating liquor retail licensee or permittee, or an intoxicating liquor trade association that had made a sworn written complaint in relation to certain bona fide wholesaler requirements to bring an action to enforce the bona fide wholesaler provisions if DOR had determined that a violation had occurred and no action had been subsequently brought to a circuit court by DOR, the Attorney General, or a district attorney to prosecute the violation. Provide that the complaining party would be entitled to recover reasonable attorney fees if found to be the prevailing party.

"At Rest" Provisions

Specify that intoxicating liquor sold by a wholesaler must be physically unloaded at either the wholesaler's premises or at an alcohol beverage warehouse for which the wholesaler also has a permit prior to being delivered to a retailer or another wholesaler (the underlined language represents the change from the Governor's provisions).

Penalties That a Court May Order for Violations of the Proposed Bona Fide Wholesaler Provisions

Delete the Governor's provisions providing that, in addition to certain penalties under current law for violations of Chapter 125 of the Wisconsin statutes (which regulates alcohol beverages), a court: (a) could also order a wholesaler in violation of the proposed bona fide wholesaler requirements to forfeit profits gained by the wholesaler or by a retail licensee or permittee from the violation; (b) must revoke the wholesaler's permit in the case of a wholesaler that violated the requirement to annually sell and deliver intoxicating liquor to at least 10 retail licensees or permittees that do not have any direct or indirect interest in each other or in the wholesaler, and (c) could revoke a wholesaler's permit for other violations of the bona fide wholesaler provisions. Instead, require a court to: (a) order a wholesaler in violation of the bona fide wholesaler requirements to forfeit profits gained by the wholesaler or by a retail licensee or permittee from the violation; (b) revoke the permit of a wholesaler in violation of any of the bona fide wholesaler requirements; and (c) impose a fine on such a wholesaler of up to \$10,000.

Delete the Governor's provisions that would provide, in addition to certain penalties under current law for violations of Chapter 125, that a court could: (a) order a retail licensee or permittee who received a benefit from a violation of these provisions with knowledge of the circumstances giving rise to the violation to forfeit an amount equal to any profit gained by the violation; and (b) order that the retail license or permit be revoked. Instead, delete the reference to current law penalties and provide that the court must order the forfeiture of any profit gained by a retailer by the violation and revoke the retail license or permit.

[Act 25 Sections: 1921 thru 1924]

4. BAD DEBT DEDUCTIONS AGAINST CIGARETTE AND TOBACCO PRODUCTS TAXES

GPR-REV - \$390,000

Joint Finance/Legislature: Provide that a person who sells cigarettes or other tobacco products at wholesale may claim as a deduction against the cigarette and tobacco products taxes imposed an amount equal to such taxes that are attributable to bad debt that the person writes off as uncollectible.

Define "bad debt" to mean an amount equal to the purchase price of cigarettes or tobacco products, if the amount may be claimed as a deduction under section 166 of the Internal Revenue Code (governing the deductibility of worthless and partially worthless debts). "Bad debt" would not include financing charges, interest on the wholesale price of the products, uncollectible amounts on property that remains in the seller's possession until the full purchase price is paid, expenses incurred in attempting to collect any debt, debts sold or assigned to third parties for collection, and repossessed property.

Require a person who claims a deduction under these provisions to submit the claim on a form and in a manner prescribed by DOR and to submit with the form all of the following:

- a. A copy of the original invoice for the sale of the cigarettes or tobacco products that represent bad debt;
- b. Evidence that the products described in the invoice under (a) were delivered to the person who ordered them;
- c. Evidence that the person who ordered and received the products did not pay the person who claims the deduction for the products; and
- d. Evidence that the person claiming the deduction used reasonable collection practices in attempting to collect the amount owed.

Provide that, if a person subsequently collects, in whole or in part, any bad debt for which a deduction is claimed under this provision, the person would have to submit to the Department the portion of the deduction related to the amount collected, in the manner prescribed by the Department and for the period in which the amount is collected. Specify that these provisions would take effect on the first day of the second month beginning after publication of the budget bill.

Require any person who possesses cigarettes or tobacco products on which the cigarette or tobacco products taxes have not been paid and have been claimed as bad debt deductions under these provisions to file a report (as prescribed with DOR), pay the cigarette or tobacco products taxes, and be subject to cigarette or tobacco products taxes in the same manner as would a person holding a valid permit under the cigarette or tobacco products tax statutes.

Specify that if the property of any purchaser of cigarettes or tobacco products from any cigarette or tobacco products permittee is seized upon any intermediate or final process of any court in this state, or if the business of any purchaser of such products from any such permittee is suspended by the action of creditors or put into the hands of any assignee, receiver, or trustee, then: (a) all amounts that are due from the purchaser to the permittee for cigarette or tobacco products taxes that the permittee has paid to the state for such items purchased from the permittee will be considered preferred claims and paid in full; and (b) the permittee will be a preferred creditor.

Specify that these provisions would take effect on the first day of the second month beginning after publication of the budget bill. Estimate the fiscal effect to be a decrease in state tax revenues of \$180,000 in 2005-06 and \$210,000 in 2006-07.

[Act 25 Sections: 1980m, 1980n, 2009m, 2009n, and 9441(1k)]

5. RECIPROCAL WINE AGREEMENTS

Joint Finance/Legislature: Increase the amount of wine that can be shipped under wine reciprocity agreements from nine liters per year to 27 liters per year.

Under current law, DOR is authorized to enter into agreements with other states that allow a winery in one state to ship to individuals in the other state up to nine liters of wine per year. The wine tax is paid by the wine shipper to the state from which the wine is shipped. Out-of-state wineries shipping into Wisconsin under reciprocity agreements are required to submit annual reports to the state detailing such sales. Currently, Wisconsin has reciprocal agreements with the States of California, Oregon, and Washington. The motion would increase the amount of liquor that could be shipped to an individual under these provisions to 27 liters per year. It is estimated that there would be a minimal fiscal effect.

[Act 25 Section: 1924m]

Utility and Miscellaneous Taxes

1. TERMINAL TAX PAYMENTS FOR OIL PIPELINE TERMINAL FACILITIES [LFB Paper 335]

GPR	\$652,100
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Governor/Legislature: Create a GPR sum sufficient appropriation to distribute oil pipeline terminal taxes to towns, villages, and cities. Require DOR to calculate the value of the ad valorem tax paid by a pipeline company derived from, or apportionable to, oil pipeline terminal facilities and to certify the amount annually no later than November 1. Provide that the amount certified would be distributed annually from the sum sufficient appropriation for this purpose. Specify that these provisions would take effect on January 1, 2006. However, limit the distribution in fiscal year 2006-07 to a maximum of \$652,100 (which the administration estimates to be approximately 50% of the amount that would otherwise be distributed in the absence of the limit).

Provide that if the state were compelled to refund in whole or in part any of the proposed oil pipeline terminal tax that had been distributed to municipalities under these provisions, the municipalities would be required to repay the state such amounts for deposit in the general fund. The Department of Administration would be required to certify the amounts to be repaid to the state to county clerks of the counties in which the municipalities were located for levy and collection from municipalities as other state taxes were levied and collected.

With the exception of the limit on the size of the distribution in 2006-07, the provisions related to the oil pipeline terminal tax distribution mirror those under current law with respect to railroad company terminal tax distributions.

[Act 25 Sections: 454, 456, 1470 thru 1473, and 9441(4)]

2. UTILITY TAX ON CAR LINE COMPANIES

GPR-REV - \$270,000

Joint Finance/Legislature: Repeal the current utility tax on car line companies, which is equal to 3% of the company's gross earnings in this state. Instead, impose a tax on car line companies equal to the amount of the company's gross earnings in this state multiplied by the average net rate of taxation, as determined by DOR. Specify that the average net rate of taxation would be determined by subtracting the total state property tax credits paid in the year from the total of all general property taxes paid in this state in the year, and dividing the result by the state assessment of all general property in this state. Specify that these modifications would take effect with tax payments that are due on September 10, 2005. It is estimated that the provisions would reduce utility tax revenues by \$135,000 annually, starting in 2005-06.

[Act 25 Sections: 1474m, 1474n, and 9341(18x)]

Tax Administration

1. AUTHORITY FOR STATE AGENCIES TO DISCLOSE INFORMATION FOR TAX ADMINISTRATION [LFB Paper 340]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$5,000,000	-\$1,500,000	\$3,500,000

Governor: Authorize state agencies, including DOA, Commerce, DRL, DFI, DHFS, DNR, DPI, DWD, OCL, and DOT, to disclose information such as social security numbers, addresses, drivers license numbers, and signatures related to participation in public assistance programs, and from state licenses, certificates, permits, registrations, and similar items, to DOR for the administration of state tax laws. In addition, state agencies and municipalities and countries could provide DOR with information from occupational licenses for tax administration, including for administering the tax refund setoff programs. The administration estimates that information provided under this provision would be used in tax administration activities to increase state income tax revenue by \$2,500,000 annually.

Joint Finance/Legislature: Modify the provision to specify that information about recipients of public assistance or child support enforcement services could be disclosed to DOR only by the Department of Workforce Development. As drafted, AB 100 would have allowed such information to be disclosed by "the Department", but "Department" was not defined. The Joint Finance change reflects the administration's intent.

In addition, reestimate the fiscal effect to be a revenue increase of \$1,750,000 annually, which is lower than the amount estimated by the administration by \$750,000 per year. The

administration included \$750,000 per year in local revenue increases as part of the state fiscal effect.

[Act 25 Sections: 1194, 1446, 1464, 1733, 2252, 2253, 2261 thru 2263, and 2284]

2. **INTERNET POSTING OF DELINQUENT TAX ACCOUNTS** [LFB

GPR-REV \$3,000,000

Paper 341]

Governor: Authorize the Department to publish on the internet, the identities of taxpayers who owe in excess of \$25,000 in delinquent taxes of any type administered by DOR, including interest, penalties, fees, and costs. The Department could list the name, address, types of tax, and total amount due, including interest, penalties, fees, and costs, for each person on the list. Accounts would be included on the list if they remain unpaid more than 90 days after the date on which the taxpayer's appeal rights expired. The listing for corporate taxpayers would include the names of corporate officers. The internet site would be updated on a quarterly basis. The Secretary of Revenue and DOR employees would be given specific statutory authority to examine income and franchise, utility, sales and use, liquor, and tobacco products tax returns for the purpose of maintaining the internet site. Persons excluded from the internet delinquent tax listing would include: (a) persons in compliance under an installment agreement with the Department; (b) persons on whose accounts the Department has entered an order compromising the amount due; or (c) persons protected by an automatic stay in effect under the U. S. bankruptcy code. The internet site would have to be updated each business day to account for these cases. These changes would take effect on the first day of the sixth month after the bill's general effective date. It is estimated that the provisions would increase general fund tax revenues by \$1,500,000 annually.

Joint Finance/Legislature: Delete provision and substitute provisions of 2005 Assembly Bill 330 that would also establish an Internet posting of delinquent tax accounts. However, the AB 330 provisions would be modified to limit the posting to taxpayers who owe in excess of \$25,000. Changes to provisions in AB 100 would be the following:

- a. DOR would be required, rather than authorized, to post the list of delinquent taxpayers on the Internet.
- b. The Internet site would have to include a separate page for the taxpayers with the 100 largest delinquent accounts.
- c. Delinquent taxpayer information from the Internet posting program would be included with information provided on public requests for net tax information.
- d. For corporate tax delinquencies, the Internet posting would not have to include the names and addresses of corporate officers.

[Act 25 Sections; 1431s, 1432c, 1456c, 1474c, 1657c, 2012c, 2013c, and 9441(3)]

3. **REVOCAION OR DENIAL OF LAW LICENSE BASED ON TAX DELINQUENCY** [LFB Paper 342]

GPR-REV	\$700,000
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Governor: Modify current law provisions related to revocation, non-renewal, or denial of occupational licenses due to tax delinquency to require that the hearing process for a law license applicant or attorney owing delinquent taxes be concluded prior to DOR certification to the Supreme Court that such an individual is delinquent. DOR would be required to mail a notice of revocation, suspension, or denial that indicated that the license holder or applicant could request a hearing and that DOR could not submit a certificate of delinquency to suspend, revoke, or deny a license to practice law to the Supreme Court until the license holder or applicant had exhausted remedies under the hearing process, or failed to make use of the remedies. The notice would also have to indicate that DOR would not send a certificate of delinquency to the Supreme Court if the license holder or applicant paid the entire delinquent tax amount or entered into an agreement with DOR to satisfy the delinquency. If the hearing process affirmed the certification or determination of tax delinquency, the applicant or license holder could seek judicial review in the Circuit Court of Dane County. The Supreme Court would be required to decide whether to suspend, revoke, or deny a license to practice law after receiving notification from DOR that the Department affirmed a certification of tax delinquency after any requested hearings were completed. These provisions would first apply to hearings that commence on the bill's general effective date. The administration estimates that including attorneys in the occupational license denial, non-renewal, or revocation program would increase general fund revenues by \$350,000 annually.

Under current law, occupational licenses may be denied, revoked, or not renewed when the licensee or applicant owes delinquent taxes. When DOR discovers a delinquency, it sends a certificate of delinquency to the occupational licensing agency indicating that the individual's license should be revoked or not renewed or an application for a license denied. The individual licensee or applicant can request an administrative hearing with DOR. If the DOR hearing examiner affirms the certificate of tax delinquency, the licensing agency must affirm the DOR hearing examiner's finding. The licensing agency's affirmation of the license denial or revocation can be appealed to the Circuit Court. DOR has entered into a number of memoranda of understanding (MOUs) with licensing agencies to administer these provisions.

The application of the duties and powers on licensing agencies, with respect to the Supreme Court, is subject to the Supreme Court's agreement. The denial or revocation procedure that requires affirmation of DOR's certificate of delinquency and related license denial, non-renewal, or revocation before the entire hearing process is completed is inconsistent with the Supreme Court's authority over attorney licensure. As a result, DOR and the Supreme Court have not entered into an MOU to apply the license revocation or denial procedure to attorneys. The proposed modification would not require affirmation of license denial, revocation, or non-renewal for attorneys or law license applicants by the Supreme Court before the entire hearing process was completed. At that time, the Supreme Court would decide what action to take.

Joint Finance/Legislature: Clarify that the new provisions would apply to license suspensions, as well as revocations or denials. As drafted, one of the provisions in AB 100 did not include the word "suspension."

[Act 25 Sections: 1460 thru 1463, 1465 thru 1467, and 9341(1)]

4. STATE AGENCY SETOFF REQUIREMENTS

Governor/Legislature: Authorize state agencies to refer certain amounts owed to the Department of Revenue for offset against state tax refunds if the debt has been reduced to a judgment, or if the state agency has afforded the debtors a due process opportunity to contest the debt.

Under current law, DOR is authorized to offset against state tax refunds amounts owed for state taxes, debts to state agencies, specified amounts owed such as delinquent child and spousal support payments, and municipal and county fines, fees, and forfeitures. Generally, debts owed state agencies must be reduced to a judgment before they can be referred to DOR for setoff. This provision would allow state agencies to also refer these debts to DOR if the debtors were given a due process opportunity to contest the debt (reasonable notice and an opportunity for a hearing). This procedure is provided for municipal debts.

The administrative costs of collecting debts owed to state agencies, municipalities, and counties are funded through the program revenue debt collection appropriation. The source of revenue for the appropriation is an administrative charge imposed on state agencies and local units of government. The Department is generally authorized to charge for administrative services, but must annually review the administrative charge and adjust it to reflect costs incurred. Currently DOR retains 2% of the amount of debt for administrative costs. The Department indicates that the current fee should be sufficient to cover any additional costs associated with the modified referral provision. No additional expenditure authority is provided for the debt collection appropriation.

[Act 25 Section: 1434]

5. DISBURSEMENT OFFSET PROGRAM

Governor/Legislature: Authorize the Department of Administration to reduce a disbursement (other than entitlements or student aid payments) by the amount of debt owed to a state agency or municipal or county government that would qualify for offset under the tax refund offset program administered by the Department of Revenue. Before reducing any disbursement, DOA would be required to contact DOR to verify whether the certified debt that was the basis of the disbursement reduction had been collected by other means, or in the case of a parking citation, whether the citation was contested within 20 days after notification of a debt offset action. DOR would have to provide DOA with information obtained in certifying a debt for offset. If the certified debt was uncollected, or in the case of a parking citation, not contested

20 days after notice, DOA would be required to reduce the disbursement by the amount of the debt, notify DOR of the reduction and disbursement, and remit the amount of the reduction to DOR in a manner prescribed by DOR. If more than one debt existed for any debtor, the disbursement would first be reduced by any debts certified under the DOA vendor setoff program, and then by the earliest debt certified. The bill specifies that any legal action contesting a tax refund setoff or a disbursement reduction must be brought against the state agency, municipality, or county that certified the debt.

DOR would settle with each state agency, municipality, or county that had a debt within 30 days of the close of a calendar quarter, in the same manner as it settles for tax refund setoffs. Similarly, DOR could charge the state agency, municipality, or county for costs incurred in administering disbursement reductions. If a disbursement was adjusted after a reduction, DOR could adjust any erroneous settlement.

The bill would eliminate the specific requirement that the value of a contract must be at least \$500 for DOR to request DOA to offset vendor payments for taxes owed.

[Act 25 Sections: 1437 thru 1445, 1447 thru 1450, and 1468]

GOVERNOR

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled Amount	Act 25 Change Over Base Year Doubled Percent
GPR	\$7,767,600	\$7,560,600	\$7,560,600	\$7,386,700	\$7,386,700	-\$380,900	- 4.9%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change Over 2004-05 Base
GPR	39.75	37.25	37.25	37.25	37.25	- 2.50

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

GPR	\$368,600
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Governor/Legislature: Provide standard adjustments to the base budget of \$184,300 annually for full funding of continuing positions salaries and fringe benefits.

2. BUDGET REDUCTIONS

	Funding	Positions
GPR	-\$575,600	- 2.50

Governor/Legislature: Reduce the base budget for the Executive Office appropriation by \$267,800 annually and 2.5 positions and reduce the base budget for the separate appropriation for payment of national associations membership dues by \$20,000 annually. The annual total dollar reduction is equal to 7.4% of the total adjusted base budget for the Governor and the position reduction is equal to 6.3% of the total adjusted base authorized positions for the Governor.

3. ACROSS-THE- BOARD REDUCTIONS

GPR	-\$173,900
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Senate/Legislature: Reduce the agency's GPR appropriation for general program operations of the Governor's Office by \$86,300 in 2005-06 and by \$87,600 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements".

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above). In the case of the sum sufficient appropriation that was reduced for this agency, the Secretary would be required to re-estimate the expenditure level for that appropriation.

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

HEALTH AND FAMILY SERVICES

Budget Summary							
Fund	2004-05 Base Year Doubled	2005-07 Governor	2005-07 Jt. Finance	2005-07 Legislature	2005-07 Act 25	Act 25 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$4,769,349,600	\$4,921,312,200	\$5,313,291,400	\$5,035,389,500	\$5,001,988,200	\$232,638,600	4.9%
FED	6,506,487,000	6,722,163,800	6,810,431,700	6,810,431,700	6,766,128,600	259,641,600	4.0
PR	860,946,400	815,671,200	819,273,200	819,273,200	819,140,100	- 41,806,300	- 4.9
SEG	<u>592,637,800</u>	<u>977,034,200</u>	<u>308,435,600</u>	<u>576,493,700</u>	<u>576,493,700</u>	<u>- 16,144,100</u>	<u>- 2.7</u>
TOTAL	\$12,729,420,800	\$13,436,181,400	\$13,251,431,900	\$13,241,588,100	\$13,163,750,600	\$434,329,800	3.4%

FTE Position Summary						
Fund	2004-05 Base	2006-07 Governor	2006-07 Jt. Finance	2006-07 Legislature	2006-07 Act 25	Act 25 Change
						Over 2004-05 Base
GPR	2,142.10	2,122.20	2,115.57	2,115.57	2,115.57	- 26.53
FED	1,086.49	1,052.39	1,065.56	1,065.56	1,065.56	- 20.93
PR	2,974.86	2,513.61	2,552.32	2,552.32	2,552.32	- 422.54
SEG	<u>7.40</u>	<u>6.83</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>- 5.40</u>
TOTAL	6,210.85	5,695.03	5,735.45	5,735.45	5,735.45	- 475.40

Budget Change Items

Departmentwide

1. STANDARD BUDGET ADJUSTMENTS

Governor/Legislature: Provide \$20,983,700 (\$5,475,100 GPR, \$4,428,500 FED, \$11,121,500 PR, and -\$41,400 SEG) in 2005-06 and \$20,828,800 (\$5,405,700 GPR, \$4,343,000 FED, \$11,121,500 PR, and -\$41,400 SEG) in 2006-07, and a decrease of

	Funding	Positions
GPR	\$10,880,800	- 2.20
FED	8,771,500	- 2.80
PR	22,243,000	0.00
SEG	<u>- 82,800</u>	<u>0.00</u>
Total	\$41,812,500	- 5.00

5.0 positions (-2.2 GPR positions and -2.8 FED positions), beginning in 2005-06, to adjust the Department's base budget for: (a) turnover reduction (-\$2,018,900 GPR, -\$1,025,300 FED, and

-\$2,351,100 PR annually); (b) removal of noncontinuing items (-\$95,800 GPR, -\$3,200,100 FED, \$736,600 PR in 2005-06 and -\$165,200 GPR, -\$3,285,600 FED, and -\$736,600 PR in 2006-07, and -2.2 GPR positions and -2.8 FED positions, beginning in 2005-06); (c) full funding of salaries and fringe benefits (\$4,254,300 GPR, \$8,585,400 FED, \$8,323,900 PR, and -\$41,400 SEG annually); (d) overtime (\$2,181,900 GPR and \$3,394,200 PR annually); (e) night and weekend salary differentials (\$1,153,600 GPR, \$68,500 FED, and \$2,491,100 PR annually); and (f) minor funding and position transfers within appropriations.

2. DEPARTMENTWIDE REDUCTIONS [LFB Paper 410]

	Funding	Positions
GPR	-\$16,802,100	- 72.92
FED	- 1,497,200	- 26.36
PR	- 2,632,200	- 165.29
Total	-\$20,931,500	- 264.57

Governor/Legislature: Reduce funding by \$9,660,500 (-\$7,728,700 GPR, -\$749,800 FED, and -\$1,182,000 PR) and delete 87.44 positions (-56.12 GPR positions, -10.53 FED positions, and -20.79 PR positions) in 2005-06 and by \$11,271,000 (-\$9,073,400 GPR, -\$747,400 FED, and -\$1,450,200 PR) and delete 264.57 positions (-72.92 GPR positions, -26.36 FED positions, and -165.29 PR positions) in 2006-07 to reflect the following:

Make 2004-05 Reductions Permanent. Reduce funding by \$2,277,800 (-\$2,592,600 GPR, -\$408,000 FED, and -\$93,200 PR) and delete 27.54 positions (-26.78 GPR positions, 3.6 FED positions, and -4.36 PR positions) annually to make permanent previously approved 2004-05 funding and position reductions.

Move Southern Regional Office to Central DHFS Office. Reduce funding by \$19,000 (-\$15,300 GPR and -\$3,700 FED) in 2005-06 and by \$60,300 (-\$56,600 GPR and -\$3,700 FED) in 2006-07 and delete 0.5 position (-0.4 GPR position and -0.1 FED position) in 2005-06 and delete 1.0 position (-0.6 GPR position and -0.4 FED position) in 2006-07 to reflect the consolidation of the DHFS southern regional office into the DHFS central office.

Division of Public Health. Reduce funding by \$14,400 PR and increase funding by \$14,400 FED annually and delete 4.0 positions (-3.78 FED positions and -0.22 PR position) in 2005-06 and 12.05 positions (-11.83 FED positions and -0.22 PR position) in 2006-07 to reflect: (a) a funding transfer and position reductions in the agency's AIDS/HIV program; and (b) position reductions in the women, infants, and children (WIC) supplemental nutrition program.

Division of Children and Families. Reduce funding by \$81,700 GPR in 2005-06 and by \$175,100 (-\$107,000 GPR and -\$68,100 FED) in 2006-07 and delete 1.0 GPR position in 2005-06 and 6.0 positions (-2.5 GPR positions and -3.5 FED positions) in 2006-07 to reflect staff and rent savings from moving two regional offices into one, smaller office space.

Division of Health Care Financing. Reduce funding by \$2,249,200 (-\$1,196,500 GPR, -\$1,014,600 FED, and -\$38,100 PR) in 2005-06 and by \$2,189,500 (-\$1,245,500 GPR, -\$905,900 FED, and -\$38,100 PR) in 2006-07 and delete 14.8 positions (-6.9 GPR positions, -7.5 FED positions, and -0.4 PR position) in 2005-06 and 16.3 positions (-7.65 GPR positions, -8.25 FED positions, and -0.4 PR position) in 2006-07 to reflect the elimination of positions, reductions in services and positions supported under MA contracts, and reductions in the funding provided to support a

contract with the University of Wisconsin Oshkosh to provide client education curriculum for MA and FoodShare Wisconsin (formerly, the food stamps program).

Division of Disability and Elder Services. Reduce funding by \$3,099,700 (-\$3,108,400 GPR, -\$153,900 FED, and \$162,600 PR) in 2005-06 and by \$4,635,900 (-\$4,338,200 GPR, -\$192,100 FED, and -\$105,600 PR) in 2006-07 and delete 11.0 positions (-10.44 GPR positions, -2.75 FED positions, and 2.19 PR positions) in 2005-06 and 168.08 positions (-24.79 GPR positions, -5.98 FED positions, and -137.31 PR positions) in 2006-07 to reflect the elimination of positions, the correction of budgeting errors, a reduction in disability employment services, and a reduction in costs as a result of permitting surveyors to telework.

Division of Management and Technology. Reduce funding by \$1,933,100 (-\$734,200 GPR and -\$1,198,900 PR) in 2005-06 and by \$1,932,400 (-\$733,500 GPR and -\$1,198,900 PR) in 2006-07 and delete 28.60 (-10.6 GPR positions and -18.00 PR positions) in 2005-06 and delete 33.6 positions (-10.6 GPR positions and -23.0 PR positions) in 2006-07, to reflect: (a) the elimination of vacant positions; (b) position reductions in the Office of Strategic Finance and Office of Legal Council; (c) eliminating the position in the state's Washington, D.C. office; and (d) a reduction in supplies and services funding for the Office of Strategic Finance.

3. DEBT SERVICE REESTIMATE [LFB Paper 184]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$1,055,000	\$408,700	\$1,463,700

Governor: Provide \$733,000 in 2005-06 and \$322,000 in 2006-07 to reflect anticipated changes in debt service costs associated with facilities operated by the Division of Disability and Elder Services (\$730,000 in 2005-06 and \$319,300 in 2006-07) and the workshop for the blind (\$3,000 in 2005-06 and \$2,700 in 2006-07).

Joint Finance/Legislature: Provide an additional \$170,800 in 2005-06 and \$237,900 in 2006-07 to reflect reestimates of debt service costs associated with facilities operated by the Division of Disability and Elder Services (\$170,100 in 2005-06 and \$236,500 in 2006-07) and the workshop for the blind (\$700 in 2005-06 and \$1,400 in 2006-07).

4. PROGRAM REVENUE LAPSES

GPR-REV	\$930,100
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Governor/Legislature: Require the Secretary of DOA to lapse \$401,800 in 2005-06 and \$528,300 in 2006-07 in program revenues to the general fund from the following appropriations.

Division of Disability and Elder Services -- Licensing and Support Services. Lapse \$250,000 annually from the appropriation that supports licensing and support services provided by the Division of Disability and Elder Services. Health care licensing fees, certification fees, plan review fees, fees for background checks, workshop fees, and fees assessed for inspecting,

licensing, and approving facilities, and revenue from the annual licensing and approval fees assessed to inpatient health care facilities, are credited to this appropriation.

Division of Management and Technology -- Interagency and Intra-agency Programs. Lapse \$151,800 in 2005-06 and \$278,300 in 2006-07 from the appropriation that supports the administration of project and programs within the Division of Management and Technology. Funds transferred from other programs or departments are credited to this appropriation.

Specify that the Secretary may not make the proposed lapse or transfer to the general fund if the lapse or transfer would violate the federal or state constitution.

Veto by Governor [E-1]: Delete the specific lapse amount for this agency as required under the bill as passed by the Legislature. Instead, by partial veto, create a general non-statutory provision directing the Secretary of Administration to make lapses from unspecified appropriation accounts to the general fund that total \$71,234,800. The Governor's veto message indicates his intent that the Secretary is to achieve this overall lapse amount by including a lapse of monies from this agency to the general fund in an amount equal to the lapse amounts as specified for this agency in the budget bill as passed by the Legislature.

[Act 25 Sections: 9255(1)(a)&(b)]

[Act 25 Vetoed Sections: 9255(1) title and (1)(a)&(b)]

5. RENT COSTS

Governor/Legislature: Provide \$108,700 (\$524,700 FED, -\$420,100 PR, and \$4,100 SEG) in 2005-06 and \$143,700 (\$548,300 FED, -\$408,900 PR, and \$4,300 SEG) in 2006-07 to reflect projected increases in the cost of space rental for state-owned space, increases in rental rates of leased space, and for space rent costs not reimbursed by the federal government.

FED	\$1,073,000
PR	- 829,000
SEG	8,400
Total	\$252,400

6. PROGRAM REVENUE REESTIMATES

PR	-\$29,163,300
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Governor/Legislature: Reduce funding by \$15,299,300 in 2005-06 and by \$13,864,000 in 2006-07 to reflect reestimates of program revenues that would be budgeted to support DHFS programs in the 2005-07 biennium.

The most significant items include reestimates of funding budgeted in other agencies and DHFS divisions that will be transferred to: (a) the Division of Public Health (DPH) to support aids to individuals and organizations (-\$9,193,400 in 2005-06 and -\$9,207,300 in 2006-07); (b) the Division of Disability and Elder Services (DDES) to provide local assistance (-\$2,400,900 annually); (c) DPH to support public health programs (-\$2,281,800 in 2005-06 and -\$2,287,500 in 2006-07); (d) the Division of Children and Family Services (\$902,000 annually); and (e) the Division of Health Care Financing (DHCF) to support aids to individuals and organizations (\$716,800 in 2005-06 and \$764,100 in 2006-07).

Other major items include: (a) reduced funding for services provided by the Bureau of Information Systems, including information technology infrastructure costs, which are supported by other DHFS programs (-\$3,289,900 in 2005-06 and -\$2,025,300 in 2006-07); (b) increased funding from gifts and grants administered by DHCF (\$2,939,000 in 2005-06 and \$2,863,400 in 2006-07); (c) reduced funding to support health care information operations (-\$1,188,500 in 2005-06 and -\$1,187,800 in 2006-07); (d) reduced estimates of revenue the state will received under the medical assistance (MA) estate recovery program (-\$761,300 in 2005-06 and -\$870,800 in 2006-07); (e) increased funding available from driver improvement surcharge revenue to support local prevention and treatment strategies (\$450,000 annually); and (f) increased funding for the state centers for the developmentally disabled to reflect that transportation costs associated with day programming and other nonmedical services would be included in the centers' daily rates, rather than billed separately to the MA appropriation (\$600,000 annually).

7. FEDERAL REVENUE REESTIMATES

FED	\$24,127,600
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Governor/Legislature: Provide \$11,635,400 in 2005-06 and \$12,492,200 in 2006-07 to reflect reestimates of federal revenues that will be available to support DHFS programs in the 2005-07 biennium.

The major items in this item include increased funding to support: (a) benefits under the women, infants and children (WIC) supplemental food program (\$7,347,700 in 2005-06 and \$7,745,900 in 2006-07); (b) county income maintenance activities (\$4,700,000 in 2005-06 and \$5,700,000 in 2006-07); (c) aids for federal projects distributed by the Division of Health Care Financing (\$4,064,200 in 2005-06 and \$2,865,200 in 2006-07); and (d) aids funded from the community services block grant. Significant funding reductions include support for: (a) local assistance distributed by the Division of Disability and Elder Services (-\$2,947,400 annually); (b) aids and local assistance funded from the preventive health services block grant (-\$1,292,800 annually) and the maternal and child health (MCH) block grant (-\$1,153,600 in 2005-06 and -\$893,800 in 2006-07); and (c) the Division of Public Health general program operations that is funded from the MCH block grant (-\$745,200 in 2005-06 and -\$744,200 in 2006-07).

8. ADMINISTRATIVE TRANSFERS

Governor/Legislature: Provide \$342,200 (\$2,252,500 FED and -\$1,910,300 PR) in 2005-06 and \$341,700 (\$2,251,900 FED and -\$1,910,200 PR) in 2006-07, and a decrease of 0.08 positions (7.5 GPR positions, 21.0 FED positions, and -28.58 PR positions), beginning in 2005-06, to reflect the: (a) transfer of positions from one DHFS program to another and changes in funding sources for positions that occurred in the 2003-05 biennium; and (b) transfer of two programs from the Division of Children and Family Services (DCFS) to the Division of Public Health (DPH).

	Funding	Positions
GPR	\$0	7.50
FED	4,504,500	21.00
PR	-3,820,500	-28.58
Total	\$683,900	-0.08

This item includes: (a) converting 19.0 PR positions at the state centers for the developmentally disabled that help families, counties, and service providers in developing and implementing community placement plans to 7.5 GPR and 11.5 FED positions in the Division of Disability and Elder Services (DDES) Bureau of Long-Term Support; (b) transferring 3.0 positions that administer the state incentive grant program, which supports science-based substance abuse prevention, from DCFS to DDES; (c) converting 3.0 PR positions that are currently funded from the drug abuse program improvement surcharge to 3.0 FED positions supported by the federal substance abuse prevention and treatment block grant; (d) transferring 2.09 PR positions from the budget for the centers to the budget that supports alternative services provided by the mental health institutes and centers; (e) transferring 3.81 positions in the Centers for Delivery Systems Development from the Office of Strategic Finance to DDES; (f) transferring 2.95 PR positions in DPH to new PR and FED funding sources (2.95 FED positions); and (g) transferring positions to properly align positions with programs and funding sources (3.55 FED positions and -3.63 PR positions).

In addition, transfer from DCFS to DPH: (a) the administration and funding of grants to food distribution programs to operate the emergency food assistance program and modify statutory references to reflect this change; and (b) the administration and funding for grants and technical assistance for the prevention of child abuse and neglect (POCAN) program.

Finally, replace references to the Division of Care and Treatment Facilities and the Division of Supportive Living, with references to the Division of Disability and Elder Services in the DHFS appropriation schedule.

[Act 25 Sections: 300, 304 thru 306, 326, 329, 889, 896, and 897]

9. TRANSFER HELP DESK AND DESKTOP SUPPORT POSITIONS TO DOA [LFB Paper 114]

	Funding	Positions
PR	-\$3,298,200	- 20.30

Governor/Legislature: Reduce funding by \$1,649,100 annually and delete 20.3 positions, beginning in 2005-06, to reflect the transfer of information technology help desk and desktop support positions to the Department of Administration (DOA). Specify that, on the bill's general effective date, all incumbent employees holding positions in DHFS performing duties primarily related to information technology assistance services, as determined by the DHFS Secretary, would be transferred to DOA and retain the employee rights they enjoyed at DHFS immediately before the transfer. The PR funds are payments made by DHFS divisions and program to the DHFS Division of Management and Technology for administrative and support services and products. [See also entry under "Administration -- Transfers to the Department."]

[Act 25 Section: 9121(12)]

10. CONSOLIDATION OF EXECUTIVE BRANCH ATTORNEYS AND LEGAL STAFF UNDER DOA [LFB Paper 110]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-14.21	14.21	0.00
FED	-7.74	7.74	0.00
Total	-21.95	21.95	0.00

Governor: Delete 21.95 positions (-14.21 GPR positions and -7.74 FED positions) annually to reflect the consolidation of the agency's attorneys and legal staff under DOA, effective January 1, 2006. Reallocate \$1,125,400 (\$799,000 GPR and \$326,400 FED) in 2005-06 and \$2,250,400 (\$1,597,800 GPR and \$652,600 FED) in 2006-07 from budgeted salaries and fringe benefits to the agency's supplies and services budget to pay for legal services supplied by DOA. Authorize the Secretary of DOA to identify one attorney position in DHFS as general counsel for the agency and authorize 1.0 GPR unclassified position for this purpose. The general counsel position would be funded from base level salary and fringe benefits amounts associated with the position identified by the Secretary of DOA.

Specify that all transferred attorneys and legal staff would have the same rights and status as in the agency in which they originated. Specify that attorneys and legal staff that have obtained permanent status would not have to undergo a probationary period in DOA. Provide that all equipment, supplies, and furniture related to the duties of the transferred employees, as specified by the Secretary of DOA, must be transferred to DOA on January 1, 2006. [See "Administration -- Transfers to the Department."]

Joint Finance: Delete provision. Direct the Secretary of DOA to delete 13.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that become vacant before June 30, 2007, and lapse or transfer at least \$724,900 from associated non-FED salary and fringe benefits amounts to the general fund in 2006-07. If fewer than 13.0 FTE agency attorney positions are vacant on June 30, 2007, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 13.0 FTE state agency attorney positions.

Senate/Legislature: Add the Department of Employee Trust Funds and the Investment Board to the executive branch agencies that would be exempted from the attorney position deletion and lapse or transfer of funds requirements.

Vetoed by Governor [A-4, E-1, and E-5]: Delete: (a) the specific requirement that the Secretary of DOA lapse or transfer \$724,900 from non-FED salary and fringe benefits amounts related to the net reduction of 13.0 FTE executive branch attorney positions in 2006-07; and (b) the University of Wisconsin System from the enumeration of executive branch state agencies that would be exempt from any reduction of attorney positions. The Governor's veto message

indicates that the Secretary of DOA would lapse \$724,900 as part of a larger lapse or transfer requirement totaling \$71,234,500.

[Act 25 Sections: 9155(1w)&(2)]

[Act 25 Vetoed Sections: 9155(1w)&(2)]

11. INFORMATION TECHNOLOGY SERVER AND NETWORK CONSOLIDATION [LFB Paper 111]

	Positions
PR	- 21.55

Governor/Legislature: Reallocate \$2,155,100 from salaries, fringe benefits, and supplies and services to unallotted reserve and delete 21.55 positions in 2006-07 associated with the consolidation of information technology server and network infrastructure support in the Department of Administration. [See "Administration -- Transfers to the Department."]

12. ACROSS-THE- BOARD REDUCTIONS

GPR	-\$9,843,800
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Senate/Legislature: Reduce the agency's GPR appropriation for care and treatment facilities, general program operations by \$4,904,300 in 2005-06 and by \$4,939,500 in 2006-07. This reduction amount is equal to approximately 2.3% of the agency's total GPR state operations appropriations, excluding appropriations for energy costs and debt service payments, in each fiscal year. Provide that the agency may submit a request to the Joint Committee on Finance under s. 13.10 to reallocate the reduction to any of the agency's other sum certain GPR state operations appropriations. Provide further that the agency may submit a request to the Committee for restoration of the GPR funding reduction, or in the case of a sum sufficient appropriation, to re-estimate expenditure level under the appropriation, in either case in an amount not to exceed the amount of reduction made to the agency's appropriation under this provision. In the case of an appropriation restoration or sum sufficient re-estimate, the funding amounts would come from total funding of \$96,000,000 GPR placed in reserve in the Committee's biennial appropriation for this purpose. See also "Budget Management and Compensation Reserves" and "Program Supplements."

Veto by Governor [E-2]: By partial veto, modify the language relating to release of funds from the Committee's supplemental GPR appropriation to create alternative language specifying that the Secretary of Administration, not the Joint Finance Committee, shall (not may) transfer monies from the Committee's appropriation to state agencies in any amount not to exceed the amount of the reduction indicated for that agency (which for this agency is the amount of the reduction indicated above).

[Act 25 Section: 9155(5dv)]

[Act 25 Vetoed Sections: 9155(4)(c)&(5dv)]

Medical Assistance, BadgerCare, and SeniorCare Base Reestimates and Funding

1. OVERVIEW OF MEDICAL ASSISTANCE, BADGERCARE, AND SENIORCARE BENEFITS

This section provides several tables that provide an overview of the budgets for services and benefits provided under the state's medical assistance (MA), BadgerCare, and SeniorCare programs.

Table 1 identifies 2004-05 base funding, by source, for benefits provided under each of these programs, and the total funding budgeted for these programs under the Governor's budget recommendations, the budget approved by the Joint Committee on Finance, the budget approved by the Legislature, and Act 25 (which reflects the Governor's partial vetoes that relate to the program).

Table 2 shows the change to base funding for each of these programs under Act 25, by fund source, expressed by amounts and percentages.

Table 3 lists all of the changes to the base funding for these programs, by fund source, under Act 25.

Table 4 provides two fund condition statements for the segregated medical assistance trust fund. The first half of the table shows a condition statement, based on the budget passed by the Legislature (Enrolled AB 100). The second half of the table shows a condition statement, based on the final Act 25, which incorporates the Governor's partial vetoes.

TABLE 1

Total MA, BadgerCare, and SeniorCare Benefits Funding

By Source

	2004-05 Base	Governor 2005-06	2006-07	Joint Finance 2005-06	2006-07	Senate/Legislature 2005-06	2006-07	Act 25 (With Vetoes) 2005-06	2006-07
Medical Assistance									
GPR	\$1,434,593,800	\$1,450,883,500	\$1,534,098,100	\$1,639,381,000	\$1,732,997,800	\$1,371,322,900	\$1,732,997,800	\$1,360,797,800	\$1,716,083,000
FED	2,515,867,500	2,508,965,200	2,609,143,400	2,570,377,600	2,671,714,200	2,570,377,600	2,671,714,200	2,555,951,400	2,648,850,600
SEG	103,463,600	313,550,800	320,248,600	116,341,200	110,338,200	384,399,300	110,338,200	384,399,300	110,338,200
Total	\$4,053,924,900	\$4,273,399,500	\$4,463,490,100	\$4,326,099,800	\$4,515,050,200	\$4,326,099,800	\$4,515,050,200	\$4,301,148,500	\$4,475,271,800
BadgerCare									
GPR	\$68,336,800	\$62,368,000	\$77,416,900	\$62,731,000	\$78,606,600	\$62,731,000	\$78,606,600	\$62,439,100	\$78,131,000
FED	139,268,400	123,737,500	136,010,900	122,017,200	131,983,600	122,017,200	131,983,600	121,320,300	130,861,100
PR	8,954,300	7,011,000	7,439,500	6,864,700	7,250,900	6,864,700	7,250,900	6,864,700	7,250,900
SEG	0	988,900	1,794,200	0	0	0	0	0	0
Total	\$216,559,500	\$194,105,400	\$222,661,500	\$191,612,900	\$217,841,100	\$191,612,900	\$217,841,100	\$190,624,100	\$216,243,000
SeniorCare									
GPR	\$39,324,400	\$51,746,700	\$56,758,400	\$54,156,700	\$60,688,800	\$54,156,700	\$60,688,800	\$52,090,900	\$57,560,700
FED	36,251,900	49,231,400	51,644,000	52,587,100	56,752,200	52,587,100	56,752,200	50,521,300	53,624,100
PR	38,142,100	41,107,300	45,305,500	40,104,100	44,146,000	40,104,100	44,146,000	40,104,100	44,146,000
Total	\$113,718,400	\$142,085,400	\$153,707,900	\$146,847,900	\$161,587,000	\$146,847,900	\$161,587,000	\$142,716,300	\$155,330,800

TABLE 2

**Act 25
Total MA Benefits Funding
(\$ in millions)**

	2004-05 Base	2005-06			2006-07		
		Change to Base		Total	Change to Base		Total
		Amount	Percent		Amount	Percent	
GPR	\$1,434.6	-\$73.8	-5.1%	\$1,360.8	\$281.5	19.6%	\$1,716.1
SEG	<u>103.5</u>	<u>280.9</u>	<u>271.4</u>	<u>384.4</u>	<u>6.8</u>	<u>6.6</u>	<u>110.3</u>
Subtotal	\$1,538.1	\$207.1	13.5%	\$1,745.2	\$288.3	18.7%	\$1,826.4
FED	\$2,515.8	\$40.2	1.6%	\$2,556.0	\$133.1	5.3%	\$2,648.9
Total	\$4,053.9	\$247.3	6.1%	\$4,301.2	\$421.4	10.4%	\$4,475.3

**Total BadgerCare Benefits Funding
(\$ in millions)**

	2004-05 Base	2005-06			2006-07		
		Change to Base		Total	Change to Base		Total
		Amount	Percent		Amount	Percent	
GPR	\$68.3	-\$5.9	-8.6%	\$62.4	\$9.8	14.3%	\$78.1
FED	139.3	-18.0	-12.9	121.3	-8.4	-6.0	130.9
PR	<u>8.9</u>	<u>-2.0</u>	<u>-22.5</u>	<u>6.9</u>	<u>-1.6</u>	<u>-18.0</u>	<u>7.3</u>
Total	\$216.5	-\$25.9	-12.0%	\$190.6	-\$0.2	-0.1%	\$216.3

**Total SeniorCare Benefits Funding
(\$ in millions)**

	2004-05 Base	2005-06			2006-07		
		Change to Base		Total	Change to Base		Total
		Amount	Percent		Amount	Percent	
GPR	\$39.3	\$12.8	32.6%	\$52.1	\$18.3	46.6%	\$57.6
FED	36.3	14.2	39.1	50.5	17.3	47.7	53.6
PR	<u>38.1</u>	<u>2.0</u>	<u>5.2</u>	<u>40.1</u>	<u>6.0</u>	<u>15.7</u>	<u>44.1</u>
Total	\$113.7	\$29.0	25.5%	\$142.7	\$41.6	36.6%	\$155.3

TABLE 3

Act 25
Medical Assistance Benefits Funding

	2005-06				2006-07			
	GPR	FED	SEG	Total	GPR	FED	SEG	Total
Cost-to-Continue								
Base Funding	\$1,434,593,800	\$2,515,867,500	\$103,463,600	\$4,053,924,900	\$1,434,593,800	\$2,515,867,500	\$103,463,600	\$4,053,924,900
MA Base Reestimate	260,999,200	54,864,900	-24,763,600	291,100,500	355,792,800	153,310,900	-30,763,600	478,340,100
Modify Treatment of Nursing Home Assessment Revenue	-13,800,000	0	13,800,000	0	-13,800,000	0	13,800,000	0
Subtotal	\$1,681,793,000	\$2,570,732,400	\$92,500,000	\$4,345,025,400	\$1,776,586,600	\$2,669,178,400	\$86,500,000	\$4,532,265,000
Base Funding Change								
Replace GPR with SEG Revenue	-\$268,058,100	\$0	\$268,058,100	\$0	\$0	\$0	\$0	\$0
Service Changes								
Children's Long-Term Care Support Waiver	\$74,400	\$101,900	\$0	\$176,300	\$261,500	\$356,400	\$0	\$617,900
Case Management for former WRC Inmates	0	0	0	0	43,700	60,300	0	104,000
Dental Services -- Technical Colleges	31,100	42,600	0	73,700	31,400	42,300	0	73,700
Dental Services -- Seal a Smile	7,600	10,400	0	18,000	7,700	10,300	0	18,000
Mental Health and AODA Services for Child Welfare Families	0	0	0	0	0	0	0	0
Community Opportunities and Recovery Waiver	-12,300	-16,700	0	-29,000	-57,300	-77,400	0	-134,700
Case Management for Young Adults with Special Needs	-56,400	-77,300	0	-133,700	-113,200	-154,200	0	-267,400
Eliminate Coverage of Bariatric Surgery (Item Vetoed)	-381,600	-523,000	0	-904,600	-384,700	-519,900	0	-904,600
Reduce Use of Emergency Room Services	-396,800	-595,200	0	-992,000	-396,800	-595,200	0	-992,000
Increase Copayment for Generic Drugs (Item Vetoed)	-762,500	-1,045,100	0	-1,807,600	-1,076,100	-1,454,500	0	-2,530,600
Increase Enrollment of Low-Income Families in HMOs	-1,029,000	-1,409,400	0	-2,438,400	-931,600	-1,254,300	0	-2,185,900
Management of Care and Nursing Services	-2,390,700	-3,276,800	0	-5,667,500	-4,781,500	-6,455,200	0	-11,236,700
Reduce Nonemergency Transportation Services	-1,500,000	-2,056,000	0	-3,556,000	-1,500,000	-2,027,500	0	-3,527,500
Community Relocations under CIP II	-822,800	-1,127,900	0	-1,950,700	-3,081,700	-4,152,300	0	-7,234,000
Increase Enrollment of SSI Recipients in HMOs	-1,359,100	-1,861,400	0	-3,220,500	-3,957,500	-5,328,000	0	-9,285,500
Services for Children in Residential Care Facilities	-23,424,300	0	23,424,300	0	-23,424,300	0	23,424,300	0
Subtotal	-\$32,022,400	-\$11,833,900	\$23,424,300	-\$20,432,000	-\$39,360,400	-\$21,549,200	\$23,424,300	-\$37,485,300
Eligibility Changes								
Eliminate the MA "Grace Month" Policy	-\$1,335,400	-\$1,829,000	\$0	-\$3,164,400	-\$1,348,700	-\$1,815,700	\$0	-\$3,164,400
Prenatal Care Coverage for Certain Immigrants	-1,074,100	-1,472,200	0	-2,546,300	-2,167,000	-2,925,600	0	-5,092,600
Subtotal	-\$2,409,500	-\$3,301,200	\$0	-\$5,710,700	-\$3,515,700	-\$4,741,300	\$0	-\$8,257,000

TABLE 3 (continued)

Act 25

Medical Assistance Benefits Funding

	2005-06				2006-07			
	GPR	FED	SEG	Total	GPR	FED	SEG	Total
Provider Reimbursement								
Reduce Brand-Name Prescription Drug Rates to AWP-16%	-\$2,270,300	-\$3,111,800	\$0	-\$5,382,100	-\$3,430,900	-\$4,637,500	\$0	-\$8,068,400
Reduce Dispensing fee by \$.50 to \$3.88 per prescription	-613,100	-840,300	0	-1,453,400	-865,900	-1,170,400	0	-2,036,300
Reduce Inpatient Hospital Payments for ESRD	-51,000	-69,800	0	-120,800	-102,300	-139,200	0	-241,500
Reduce Reimbursement for Drugs Administered by Physicians	-679,500	-931,400	0	-1,610,900	-830,500	-1,138,500	0	-1,969,000
Reduce Outpatient Hospital Payments for Therapy Services	-2,014,400	-2,761,300	0	-4,775,700	-2,022,500	-2,753,200	0	-4,775,700
Adjust Payments to State Institutions	-413,200	-566,200	0	-979,400	526,600	705,700	0	1,232,300
Increase Nursing Home Rates (Item Vetoed)	0	-100	0	-100	0	-100	0	-100
Subtotal	-\$6,041,500	-\$8,280,900	\$0	-\$14,322,400	-\$6,725,500	-\$9,133,200	\$0	-\$15,858,700
Administrative and Systems Changes								
Increase Recoveries from Responsible Third Parties	-\$1,716,100	-\$2,283,900	\$0	-\$4,000,000	-\$1,731,400	-\$2,268,600	\$0	-\$4,000,000
Milwaukee County Mental Health Complex -								
IMD Classification	968,100	1,779,300	416,900	3,164,300	1,024,600	1,936,600	413,900	3,375,100
Transfers of Positions and Funding	-502,300	0	0	-502,300	-507,600	0	0	-507,600
Increase Fraud Prevention Activities	-801,800	-1,098,200	0	-1,900,000	-1,619,600	-2,180,400	0	-3,800,000
Make Permanent the Wisconsin MA Cost Reporting Program	-7,574,400	14,136,600	0	6,562,200	0	28,785,000	0	28,785,000
Eligibility Systems Changes	-2,837,200	-3,898,800	0	-6,736,000	-8,068,000	-11,176,700	0	-19,244,700
Subtotal	-\$12,463,700	\$8,635,000	\$416,900	-\$3,411,800	-\$10,902,000	\$15,095,900	\$413,900	\$4,607,800
Total MA Benefits Funding	\$1,360,797,800	\$2,555,951,400	\$384,399,300	\$4,301,148,500	\$1,716,083,000	\$2,648,850,600	\$110,338,200	\$4,475,271,800
Total Change to Base	-\$73,796,000	\$40,083,900	\$280,935,700	\$247,223,600	\$281,489,200	\$132,983,100	\$6,874,600	\$421,346,900

TABLE 3 (continued)

Act 25

BadgerCare Benefits Funding

	2005-06			2006-07				
	GPR	FED	PR	Total	GPR	FED	PR	Total
Program Changes								
Base Funding	\$68,336,800	\$139,268,400	\$8,954,300	\$216,559,500	\$68,336,800	\$139,268,400	\$8,954,300	\$216,559,500
BadgerCare Base Reestimate	-5,830,500	-18,130,900	-2,089,600	-26,051,000	9,399,600	-9,699,700	-1,703,400	-2,003,500
Subtotal	\$62,506,300	\$121,137,500	\$6,864,700	\$190,508,500	\$77,736,400	\$129,568,700	\$7,250,900	\$214,556,000
Program Changes								
Prenatal Care Coverage for Certain Immigrants	\$980,400	\$2,340,500	\$0	\$3,320,900	\$1,740,600	\$4,110,600	\$0	\$5,851,200
Reduce Reimbursement for Drugs	-60,900	-127,500	0	-\$188,400	-74,500	-155,700	0	-\$230,200
Administered by Physicians	-94,700	-182,200	0	-276,900	-225,400	-455,300	0	-680,700
Eligibility Systems Changes	-175,200	-355,700	0	-530,900	-175,200	-355,700	0	-530,900
Eliminate the BadgerCare "Grace Period"	-424,900	-795,400	0	-1,220,300	-395,300	-729,000	0	-1,124,300
Increase Enrollment of Low-Income Families in HMOs	-234,100	-558,900	0	-793,000	-386,400	-912,000	0	-1,298,400
Reduce Brand-Name Prescription Drug Rates to AWP-16%	-57,800	-138,000	0	-195,800	-89,200	-210,500	0	-299,700
Reduce Dispensing fee by \$.50 to \$3.88 per prescription	-\$67,200	\$182,800	\$0	\$115,600	\$394,600	\$1,292,400	\$0	\$1,687,000
Total BadgerCare Benefits Funding	\$62,439,100	\$121,320,300	\$6,864,700	\$190,624,100	\$78,131,000	\$130,861,100	\$7,250,900	\$216,243,000
Total Change to Base	-\$5,897,700	-\$17,948,100	-\$2,089,600	-\$25,935,400	\$9,794,200	-\$8,407,300	-\$1,703,400	-\$316,500

Act 25

SeniorCare Benefits Funding

	2005-06			2006-07				
	GPR	FED	PR	Total	GPR	FED	PR	Total
Cost-to-Continue								
Base Funding	\$39,324,400	\$36,251,900	\$38,142,100	\$113,718,400	\$39,324,400	\$36,251,900	\$38,142,100	\$113,718,400
SeniorCare Base Reestimate	14,856,500	16,356,100	1,962,000	\$33,174,600	21,593,500	20,693,900	6,003,900	\$48,291,300
Subtotal	\$54,180,900	\$52,608,000	\$40,104,100	\$146,893,000	\$60,917,900	\$56,945,800	\$44,146,000	\$162,009,700
Program Changes								
Eligibility Systems Changes	-\$24,200	-\$20,900	\$0	-\$45,100	-\$229,100	-\$193,600	\$0	-\$422,700
Reduce Brand-Name Prescription Drug Rates to AWP-16%	-1,416,900	-1,416,900	0	-2,833,800	-2,202,700	-2,202,700	0	-4,405,400
Reduce Dispensing fee by \$.50 to \$3.88 per prescription	-648,900	-648,900	0	-1,297,800	-925,400	-925,400	0	-1,850,800
Subtotal	-\$2,090,000	-\$2,086,700	\$0	-\$4,176,700	-\$3,357,200	-\$3,321,700	\$0	-\$6,678,900
Total SeniorCare Benefits Funding	\$52,090,900	\$50,521,300	\$40,104,100	\$142,716,300	\$57,560,700	\$53,624,100	\$44,146,000	\$155,330,800
Total Change to Base	\$12,766,500	\$14,269,400	\$1,962,000	\$28,997,900	\$18,236,300	\$17,372,200	\$6,003,900	\$41,612,400

TABLE 4

Medical Assistance Trust Fund Condition Statements

Enrolled AB 100

	<u>2005-06</u>	<u>2006-07</u>
Opening Balance	\$0	\$0
Revenues		
Nursing Home Bed Assessment	\$45,500,000	\$43,500,000
Nursing Home Certified Public Expenditure Program	47,000,000	43,000,000
Transfer from Transportation Fund	268,058,100	0
Residential Care Centers Initiative	23,424,300	23,424,300
Milwaukee Mental Health Complex Initiative	<u>416,900</u>	<u>413,900</u>
Total Revenues	\$384,399,300	\$110,338,200
Total Available	\$384,399,300	\$110,338,200
Expenditures		
MA Benefits	\$384,399,300	\$110,338,200
Closing Balance	\$0	\$0

Act 25

	<u>2005-06</u>	<u>2006-07</u>
Opening Balance	\$0	-\$46,409,100
Revenues		
Nursing Home Bed Assessment	\$31,700,000	\$29,700,000
Nursing Home Certified Public Expenditure Program	47,000,000	43,000,000
Transfer from Transportation Fund	235,449,000	0
Residential Care Centers Initiative	23,424,300	23,424,300
Milwaukee Mental Health Complex Initiative	<u>416,900</u>	<u>413,900</u>
Total Revenues	\$337,990,200	\$96,538,200
Total Available	\$337,990,200	\$50,129,100
Expenditures		
MA Benefits	\$384,399,300	\$110,338,200
Closing Balance	-\$46,409,100	-\$60,209,100

2. MEDICAL ASSISTANCE BASE REESTIMATE [LFB Paper 360]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$578,585,500	\$38,206,500	\$616,792,000
FED	42,014,100	166,161,700	208,175,800
SEG	-57,833,000	2,305,800	-55,527,200
Total	\$562,766,600	\$206,674,000	\$769,440,600

Governor: Provide \$194,881,600 (\$245,034,000 GPR, -\$25,388,800 FED, and -\$24,763,600 SEG) in 2005-06 and \$367,885,000 (\$333,551,500 GPR, \$67,402,900 FED, and -\$33,069,400 SEG) in 2006-07 to reflect reestimates of the amount of funding needed to support MA in the 2005-07 biennium, based on current law. Several of the administration's assumptions and cost components are described below.

Fee-for-Service Costs. Projected increases in the average costs of fee-for-service benefits to recipients who are not enrolled in managed care also contribute to the overall increase in projected MA costs. Among the service categories, one of the largest projected percentage increases over the biennium is for drugs, the average cost of which is expected to increase by 9.1% in 2005-06 and by 8.5% in 2006-07.

The projected increase in total average fee-for-service costs varies by eligibility group. These costs are projected to increase most rapidly for elderly recipients -- approximately 8.0% in 2004-05, 7.5% in 2005-06, and 7.1% in 2006-07. The average fee for service costs are expected to increase the least for enrollees who are included in the "other" category -- 2.3% in 2004-05, 1.9% in 2005-06, and 1.2% in 2006-07, and the AFDC-related group -- 2.8% in 2004-05, 2.7% in 2005-06, and 2.6% in 2006-07.

Rate Increases for Managed Care Providers. Although this item does not include rate increases for fee-for-service providers, it includes funding to support increases in average capitation rates for managed care organizations to reflect projected increases in utilization and to ensure that actuarially sound rates are provided. The following table identifies, for each MA managed care program, the percentage increase in the capitation rate that would be budgeted under this item, and the (all funds) increase in total funding from the previous year that would be budgeted to support increases in capitation payments.

Managed Care Capitation Payments -- Funding for Increases

Program	2005-06		2006-07	
	Percent Increase	Amount (All Funds)	Percent Increase	Amount (All Funds)
AFDC/Healthy Start HMOs	3.3%	\$20,633,400	3.3%	\$26,932,600
I-Care	4.8	2,604,800	4.8	3,686,500
Wraparound Milwaukee and Children Come First	1.0	136,600	1.0	854,300
PACE/Partnership	4.8	2,885,600	4.1	2,980,000
Family Care CMOs	4.0	7,234,000	4.0	10,316,200

Federal Financial Participation Rate. The administration projects that Wisconsin's federal matching rate for MA benefits, or federal financial participation (FFP) rate, will decrease from 58.34% in 2004-05, to 57.82% in 2005-06 and to 57.65% in 2006-07. Each state's FFP is based on a formula that compares the state's per capita income to national per capita income. It is estimated that this change will increase GPR costs for MA program benefits by approximately \$21.5 million in 2005-06 and by \$28.9 million in 2006-07 and reduce FED funding by corresponding amounts.

Waiver Services. This item includes: (a) funding to support 250 new autism waiver participants in each year and to increase the rate the MA program would pay for autism service, from \$96 per day to \$101.47 per day, beginning in 2005-06; and (b) funding to support 25 additional ICF-MR diversion slots, beginning in 2005-06.

Joint Finance/Legislature: Increase funding in the bill by \$96,218,900 (\$15,965,200 GPR and \$80,253,700 FED) in 2005-06 and by \$110,455,100 (\$22,241,300 GPR, \$85,908,000 FED, and \$2,305,800 SEG) in 2006-07 to reflect: (a) the projected cost-to-continue MA benefits in the next biennium, based on current law; and (b) increased funding for the autism waiver and ICF-MR diversion programs.

FFP Rate. The FFP rate is reestimated to be 57.82% in 2005-06 and 57.48% in 2006-07.

Average Monthly Enrollment. The following table identifies, by major eligibility group, the actual average monthly MA enrollment in 2003-04 and projections for 2004-05, 2005-06, and 2006-07.

Actual and Projected Average Monthly Enrollment, by Major Eligibility Group*
Fiscal Years 2003-04 Through 2006-07

	2003-04	2004-05	2005-06	2006-07	<u>% Change from Previous Year</u>		
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Elderly	41,600	40,900	40,100	39,200	-1.7%	-2.0%	-2.2%
Blind and Disabled	106,500	110,400	114,100	118,000	3.7	3.4	3.4
AFDC-Related	230,000	256,500	274,100	276,900	11.5	6.9	1.0
Other**	<u>165,700</u>	<u>175,700</u>	<u>187,400</u>	<u>198,200</u>	<u>6.0</u>	<u>6.7</u>	<u>5.8</u>
Total	543,800	583,500	615,700	632,300	7.3%	5.5%	2.7%

*Numbers rounded to nearest 100.

**Includes children and pregnant women eligible for MA under the Healthy Start criteria and individuals participating in the state's community-based long-term care waiver programs.

3. BADGERCARE BASE REESTIMATE [LFB Paper 361]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$2,219,200	\$1,349,900	\$3,569,100
FED	-27,503,300	-327,300	-27,830,600
PR	<u>-3,458,100</u>	<u>-334,900</u>	<u>-3,793,000</u>
Total	-\$28,742,200	\$687,700	-\$28,054,500

Governor: Reduce funding by \$26,463,300 (-\$6,132,100 GPR, -\$18,387,900 FED, and -\$1,943,300 PR) in 2005-06 and by \$2,278,900 (\$8,351,300 GPR, -\$9,115,400 FED, and -\$1,514,800 PR) to fund projected costs of BadgerCare benefits in the 2005-07 biennium, based on current law.

Average Cost Assumptions. The administration estimates that average costs of providing services to children and adults who are not enrolled in health maintenance organizations (HMOs) will increase by 2.5% and 5.2% in 2005-06 and 2006-07, respectively. In addition, this item includes funding to support the administration's projection of annual calendar year increases in capitation payments to HMOs of 3.4% in calendar year 2006, and an additional 3.4% in calendar year 2007.

Federal Penalty. This item includes \$9.3 million GPR in 2006-07 that would enable DHFS to pay a federal penalty because the state violated a requirement that the first BadgerCare five-year waiver be cost neutral.

Joint Finance/Legislature: Increase funding in the bill by \$412,300 (\$301,600 GPR, \$257,000 FED, and -\$146,300 PR) in 2005-06 and \$275,400 (\$1,048,300 GPR, -\$584,300 FED, and -\$188,600 PR) in 2006-07 to reflect a reestimate of the costs to fully fund BadgerCare benefits in the next biennium, based on current law.

Enrollment. The following table identifies the actual monthly average number of adults and children enrolled in the program and projections for 2004-05, 2005-06, and 2006-07.

Actual and Projected Average Monthly Enrollment by Eligibility Group*
Fiscal Years 2003-04 Through 2006-07

	2003-04	2004-05	2005-06	2006-07	% Change from Previous Year		
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Adults	76,100	63,700	62,500	64,700	-16.3	-1.9	3.5%
Children	<u>36,900</u>	<u>31,000</u>	<u>29,900</u>	<u>31,000</u>	<u>-16.0</u>	<u>-3.5</u>	<u>3.7</u>
Total	113,000	94,700	92,400	95,700	-16.2%	-2.4%	3.6%

*Numbers rounded to nearest 100.

4. SENIORCARE BASE REESTIMATE [LFB Papers 362 and 377]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$39,564,100	-\$3,114,100	\$36,450,000
FED	39,888,300	-2,838,300	37,050,000
PR	<u>10,128,600</u>	<u>-2,162,700</u>	<u>7,965,900</u>
Total	\$89,581,000	-\$8,115,100	\$81,465,900

Governor: Provide \$36,936,900 (\$16,465,100 GPR, \$17,506,600 FED and \$2,965,200 PR) in 2005-06 and \$52,644,100 (\$23,099,000 GPR, \$22,381,700 FED, and \$7,163,400 PR) in 2006-07 to reflect the administration's estimates of the amount of funding needed to support SeniorCare in the 2005-07 biennium, based on current law.

Average Cost and Utilization Projections. The administration projects that the average cost per prescription will increase from \$42.32 in 2003-04 to \$45.04 in 2004-05 (6.4%), \$47.82 in 2005-06 (6.2%), and \$50.76 (6.2%) in 2006-07. Further, the administration projects that the average number of prescriptions per enrollee per week will increase from the actual average of 0.86 in 2003-04 to 0.91 in 2004-05, to 0.94 in 2005-06, and to 0.98 in 2006-07.

Joint Finance/Legislature: Decrease funding in the bill by \$3,762,300 (-\$1,608,600 GPR, -\$1,150,500 FED, and -\$1,003,200 PR) in 2005-06 and by \$4,352,800 (-\$1,505,500 GPR, -\$1,687,800 FED, and -\$1,159,500 PR) in 2006-07 to reflect a reestimate of the costs to fully fund SeniorCare benefits in the next biennium, based on current law.

Enrollment. Average weekly enrollment is projected to decrease by approximately 0.6% to approximately 88,600 in 2004-05 from the comparable 2003-04 number (89,100), increase by 0.8% to approximately 89,300 recipients in 2005-06, and decrease by 2.0% to approximately 87,500 recipients in 2006-07. The projected decrease in enrollment in 2006-07 reflects an assumption that approximately 6,000 SeniorCare enrollees with income below 135% of the federal poverty level (FPL) will choose to enroll in Medicare Part D (the new prescription drug benefit under Medicare), beginning January 1, 2006, because these enrollees' copayments will be lower under the Medicare plan than under SeniorCare. The following table identifies the actual weekly average number of adults enrolled in the program in 2003-04, and projections for 2004-05, 2005-06, and 2006-07.

**Actual and Projected Average Weekly Enrollment, by Eligibility Group
Fiscal Years 2003-04 Through 2006-07**

	2003-04	2004-05		2005-06		2006-07	
	Actual	Estimate	Change	Estimate	Change	Estimate	Change
0 to 160% of FPL	48,100	50,900	5.8%	51,600	1.4%	49,100	-4.8%
160 to 200% of FPL	20,300	21,000	3.4	21,400	1.9	21,800	1.9
200 to 240% of FPL	15,300	12,800	-16.3	12,600	-1.6	12,800	1.6
>240% of FPL	<u>5,400</u>	<u>3,900</u>	-27.8	<u>3,700</u>	-5.1	<u>3,800</u>	2.7
Total	89,100	88,600	-0.6%	89,300	0.8%	87,500	-2.0%

5. HEALTH CARE QUALITY IMPROVEMENT FUND [LFB Papers 364 and 365]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$280,000,000	\$280,000,000	\$0
SEG	<u>280,000,000</u>	<u>-280,000,000</u>	0
Total	\$0	\$0	\$0

Governor: Reduce base GPR funding for MA benefits by \$150,000,000 in 2005-06 and by \$130,000,000 in 2006-07 and replace this funding with SEG funding from the health care quality improvement fund (HCQIF), which would be created in the bill.

Create Fund. Create a separate, nonlapsible trust fund designated as the health care quality improvement fund (HCQIF), which would consist of: (a) \$169,703,400 in 2005-06 and \$9,714,000 in 2006-07 that would be transferred from the injured patients and families compensation fund; (b) \$130,000,000 from the net proceeds of revenue obligation bonds backed by the state's excise taxes on alcoholic beverage, cigarette, and tobacco products; (c) \$250,000 annually from program revenues DHFS collects from health care providers; (d) repayment of loans provided by the Health Care Quality and Patient Safety Board; and (e) unanticipated general fund revenues received in the 2005-07 biennium, in an amount determined by the DOA Secretary, that would otherwise be transferred to the budget stabilization fund.

Create Three SEG MA Benefits Appropriations. Create three SEG appropriations from the HCQIF to support MA benefits costs. First, create a continuing appropriation, budgeted with \$150,000,000 SEG in 2005-06 and \$130,000,000 SEG in 2006-07, to support MA benefits costs. Second, create a sum sufficient appropriation, to which unanticipated general fund revenues received in the 2005-06 biennium, as described above, would be credited. Third, create an annual appropriation, budgeted with \$9,703,400 in 2005-06 and \$9,714,000 in 2006-07, to provide payments for direct graduate medical education, a major managed care supplement, a pediatric services supplement, rural hospital supplements, and an essential access city hospital supplement. (The fiscal effect of the Governor's proposals regarding these supplemental payments to hospitals are described under other items in this section.) Repeal the sum sufficient appropriation and all of the statutory references to this appropriation on June 30, 2007.

Purpose of the Injured Patients and Families Compensation Fund. Expand the purposes of the injured patients and families compensation fund (IPFCF) to include: (a) ensuring the availability of health care providers in the state; (b) enabling the deployment of health care information systems technology for health care quality, safety and efficiency, as referenced in the sections of the bill that would authorize the new Health Care Quality and Patient Safety Board to make grants and loans; and (c) the deployment of health care information systems technology for health care quality, safety and efficiency by the Board. The current purposes of the IPFCF are: (a) to curb the rising costs of health care by financing part of the liability incurred by health care providers as a result of medical malpractice claims and to ensure that proper claims are satisfied.

The IPFCF provides excess medical malpractice coverage for medical malpractice claims that exceed the provider liability limits of \$1 million per claim and \$3 million per policy year in the aggregate. Health care providers must obtain primary medical malpractice insurance up to the liability limits. The IPFCF is funded through annual assessments paid by providers and through investment income. Annual assessments are determined based on actuarial estimates of the IPFCF's loss liabilities. The State of Wisconsin Investment Board makes long-term investments for the IPFCF. As of June 30, 2004, the Investment Board reported net assets of the fund to be approximately \$695.6 million.

Joint Finance/Legislature: Delete provision.

6. SUPPLEMENTAL HOSPITAL PAYMENTS FUNDING CHANGE [LFB Papers 364 and 365]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$18,136,000	\$18,136,000	\$0
SEG	<u>18,136,000</u>	<u>-18,136,000</u>	<u>0</u>
Total	\$0	\$0	\$0

Governor: Reduce funding by \$9,068,000 GPR annually and increase SEG funding by corresponding amounts to fund the state's share of the following annual supplemental hospital payments from the health care quality improvement fund, rather than from GPR: (a) direct graduate medical education (\$5,200,000); (b) rural hospital adjustment (\$860,000); (c) major managed care supplement (\$108,000); (d) pediatric supplement (\$900,000); and (e) essential access city hospital supplement (\$2,000,000). [See Item #5.]

Joint Finance/Legislature: Delete provision.

7. CONTINUE MA PAYMENT ADJUSTMENTS UNDER THE WISCONSIN MA COST REPORTING PROGRAM (WIMCR) [LFB Paper 363]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$20,020,800	-\$1,329,800	-\$21,350,600
FED	<u>41,592,000</u>	<u>1,329,600</u>	<u>42,921,600</u>
Total	\$21,571,200	-\$200	\$21,571,000

Governor: Provide \$2,250,100 (-\$11,684,600 GPR and \$13,934,700 FED) in 2005-06 and \$19,321,100 (-\$8,336,200 GPR and \$27,657,300 FED) in 2006-07 to reflect the net effect of: (a) eliminating the sunset date of January 1, 2006, on making MA payments adjustments to counties and local health departments for certain MA-covered services; and (b) eliminating the community services deficit reduction benefit (CSDRB) program and the requirement that DHFS make CSDRB payments in 2006 from the MA trust fund.

The funding in this item reflects: (a) the GPR reduction in community aids funding for calendar years 2006 and the first half of 2007 (-\$21,841,700 in 2005-06 and -\$28,862,400 in 2006-07) after crediting the \$2,250,000 increase in the CSDRB hold-harmless payment in 2005-06 and the full CSDRB payment of \$19,321,100 in 2006-07; (b) funding for the MA payment adjustments (\$16,425,100 GPR and \$13,934,700 FED in 2005-06 and \$20,526,200 GPR and \$27,657,300 FED in 2006-07); and (c) a decrease in GPR funding for MA benefits (-\$6,268,000 in 2005-06). Funding for the MA payment adjustments to counties and local health departments for the last six months of calendar year 2005 and the CSDRB hold-harmless adjustment for calendar year 2005 are included in the MA base reestimate item. Combined with the funding in that item, the annual MA payment adjustment is estimated to be \$48,183,500 (all funds).

2003 Act 318 - Creation of WIMCR. 2003 Wisconsin Act 318 made one-time changes to the MA and community aids programs and: (a) authorized DHFS to make MA payment adjustments to counties and local health departments for certain MA-covered services that would be funded with GPR and federal MA matching funds; (b) reduced community aids funding in calendar years 2004 and 2005 to support the GPR share of the MA payment adjustments to counties and local health departments; (c) increased GPR funding for MA benefits; and (d) repealed several provisions included in 2003 Wisconsin Act 33 (the 2003-05 biennial budget act) that created a new intergovernmental transfer (IGT) program for certain MA-covered services previously provided by local governments as a method for increasing federal support for the state's MA program. Act 318 authorized DHFS to decrease a county's community aids allocation by the amount a county receives as MA payment adjustments. In addition, Act 318 specified that a county's community aids reduction cannot exceed the GPR share of that county's basic county allocation.

CSDRB Program. Under the CSDRB program, counties and local health departments can claim federal MA matching funds to support their costs of providing certain MA-covered services that are not fully reimbursed under the rates established in the MA maximum fee schedule. Under WIMCR, counties and local health departments are unable to claim federal MA matching funds under the CSDRB provision. Counties are held harmless from elimination of CSDRB because the funding for MA payment adjustments includes sufficient funding to hold counties harmless from both the reduction in community aids and the elimination of the CSDRB program.

Joint Finance/Legislature: Reduce funding by \$202,000 GPR and provide \$201,900 FED in 2005-06 and reduce funding by \$1,127,800 GPR and provide \$1,127,700 FED in 2006-07 to reflect reestimates of the Governor's provision. These changes include: (a) reducing MA benefits funding by \$1,306,400 GPR in 2005-06 and increasing MA benefits funding by \$201,900 FED in 2005-06 and by \$1,127,700 FED in 2006-07; (b) reducing funding for community aids by \$446,700 GPR in 2005-06 and by \$1,874,900 GPR in 2006-07; and (c) increasing funding for supplemental payments by \$1,551,100 GPR in 2005-06 and \$747,100 GPR in 2006-07. In addition, transfer \$13,934,700 FED in 2005-06 and \$27,657,300 FED in 2006-07 from the federal MA contracts administration appropriation to the federal MA benefits appropriation, to correctly budget these federal funds.

[Act 25 Sections: 330, 884, 1133, 2498 thru 2510, and 9121(4)]

8. MA CLAIMING FOR CERTAIN TREATMENT SERVICES RESIDENTIAL CARE CENTERS PROVIDE TO CHILDREN

SEG-REV	\$46,848,600
GPR	-\$46,848,600
FED	12,643,800
SEG	46,848,600
Total	\$12,643,800

Governor/Legislature: Provide \$7,586,300 (-\$23,424,300 GPR, \$7,586,300 FED, and \$23,424,300 SEG) in 2005-06 and \$5,057,500 (-\$23,424,300 GPR, \$5,057,500 FED, and \$23,424,300 SEG) in 2006-07 to reflect the net effect of: (a) making MA claims for certain treatment services residential care centers (RCCs) currently provide to children who are not eligible under Title IV-E; (b) providing additional funding to counties and the Bureau of Milwaukee Child Welfare (BMCW) to support increased costs RCCs would incur to submit MA claims for these services; (c) depositing the additional federal MA matching funds the state receives under this initiative to the MA trust fund; and (d) substituting these funds for base GPR funding budgeted for MA benefits.

DHFS expects to begin claiming additional MA funds for treatment services provided to MA eligible children in RCCs in 2004-05 by claiming these services under the early periodic screening, diagnosis, and treatment (HealthCheck) benefit. These services include comprehensive psychosocial assessments, development of behavioral health treatment plans and therapeutic intervention programs, and behavioral counseling. DHFS is not required to submit an MA state plan amendment to begin making these claims.

The Governor estimates that DHFS will receive \$63,292,100 in additional federal MA funds for three years of claims under this item. DHFS would pay the contractor that will implement this initiative 9% of the total increase in federal MA funds the state claims for the first six quarters of the initiative, an amount estimated to be \$3,799,700 in the three-year period. RCCs would incur additional costs to document MA claims, but would be reimbursed for these costs with a portion of the projected federal MA revenues budgeted in the DHFS FED income augmentation appropriation (\$7,586,300 in 2005-06 and \$5,057,500 in 2006-07), which DHFS would allocate to counties and BMCW. The amounts in the bill for 2005-06 include funding to support estimated costs RCCs will incur in 2004-05 (\$2,528,800), in addition to the costs incurred in 2005-06 (\$5,057,500). The remaining projected federal MA revenues (\$46,848,600 for the three years through June 30, 2007) would be deposited in the MA trust fund to substitute for base GPR funds budgeted for MA benefits (\$23,424,300 in both 2005-06 and 2006-07).

9. MANAGED CARE FOR LOW-INCOME FAMILIES

GPR	-\$2,780,800
FED	-4,188,100
Total	-\$6,968,900

Governor/Legislature: Reduce funding by \$3,658,700 (-\$1,453,900 GPR and -\$2,204,800 FED) in 2005-06 and by \$3,310,200 (-\$1,326,900 GPR and -\$1,983,300 FED) in 2006-07 to reflect projected savings in MA and BadgerCare benefits costs that will result in the 2005-07 biennium due to initiatives DHFS is currently conducting, and intends to conduct, to increase the proportion of low-income MA and BadgerCare recipients that receive services through managed care, rather than on a fee-for-service basis. These projected savings result due to: (a) the difference between average fee-for-service costs and HMO capitation payments; and (b) differences between the timing of payments to fee-for-service providers and HMOs. MA benefits funding is reduced by \$1,029,000 GPR and

\$1,409,400 FED in 2005-06 and by \$931,600 GPR and \$1,254,300 FED in 2006-07; BadgerCare benefits funding is reduced by \$424,900 GPR and \$795,400 FED in 2005-06 and by \$395,300 GPR and \$729,000 FED in 2006-07.

10. MA SUPPLEMENTAL PAYMENTS FOR SCHOOL-BASED SERVICES

Governor/Legislature: Repeal provisions enacted in 2003 Wisconsin Act 33 that: (a) authorize DHFS to make supplementary payments from the MA benefits appropriations for school medical services; (b) reduce the amount of GPR-funded aids the Department of Public Instruction (DPI) distributes to school districts, cooperative education service agencies (CESAs) and DPI facilities for special education and school age parents programs by the amount of the MA-funded supplementary payments; and (c) require DPI to lapse to the general fund from this DPI appropriation an amount equal to the supplemental MA payments on dates determined by the DOA Secretary. The state did not receive federal approval to make these supplementary payments.

[Act 25 Sections: 177, 1147 thru 1149, and 1180]

11. SUBSTITUTE MA TRUST FUND REVENUES FOR GPR TO SUPPORT MA BENEFITS IN 2005-06

GPR	-\$268,058,100
SEG	268,058,100
Total	\$0

Senate/Legislature: Reduce funding by \$268,058,100 GPR and increase funding by \$268,058,100 SEG from the MA trust fund to support MA benefits costs in 2005-06. The provision in the bill that transfers this amount from the transportation fund to the MA trust fund is summarized under "Miscellaneous Appropriations."

Vetoes by Governor [B-35 and C-2]: Include provision. However, the Governor's partial vetoes relating to the transfer of funds from the transportation fund to the MA trust fund (B-35), and the intent expressed in the Governor's veto message as it relates to the authority to transfer from the general fund to other funds (C-2), would: (a) authorize a transfer from the general fund, rather than the MA trust fund; and (b) reduce the amount of the transfer, from \$268,058,100 to \$235,449,000 (a reduction in the amount of the transfer of \$32,609,100). The provision in the bill that transfers this amount from the general fund to the MA trust fund is summarized under "Miscellaneous Appropriations."

Medical Assistance, BadgerCare, and SeniorCare Eligibility, Payments, and Services

1. HMO ASSESSMENT AND RATE INCREASE [LFB Paper 370]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG-REV	\$88,213,600	-\$88,213,600	\$0
GPR	-\$42,528,200	\$42,528,200	\$0
FED	71,588,300	-71,588,300	0
SEG	<u>88,213,600</u>	<u>-88,213,600</u>	<u>0</u>
Total	<u>\$117,273,700</u>	<u>-\$117,273,700</u>	<u>\$0</u>

Governor: Provide \$36,114,600 (-\$14,787,200 GPR, \$21,868,500 FED and \$29,033,300 SEG) in 2005-06 and \$81,159,100 (-\$27,741,000 GPR, \$49,719,800 FED and \$59,180,300 SEG) in 2006-07 to reflect the net fiscal effect of the Governor's proposal to: (a) create an assessment on the gross revenues of health maintenance organizations (HMOs); (b) deposit all revenue from the assessment to the MA trust fund to fund a rate increase and to pay HMOs back for the assessments they pay; and (c) to replace base GPR funding for MA benefits with SEG revenues from the MA trust fund.

Statutory Provisions

Impose on each HMO that has a contract with DHFS to provide health care to MA and BadgerCare recipients, for the privilege of doing business in the state, an annual assessment of 6% of the HMO's gross revenues for the current calendar year. Require that all assessment revenue be deposited into the MA trust fund.

HMO Filings with OCI. Require each of these HMOs to file with the Office of the Commissioner of Insurance (OCI) annually, by March 1, a statement of the gross revenues for the HMO for the immediately preceding calendar year. Specify that this provision would first apply to annual statements for 2006 that are due on March 1, 2007. Provide that if an HMO fails to file a report by March 1, DHFS may withhold MA payments until the report is filed. Require DHFS to determine the amount of each HMO's assessment, based on the statement that the HMO files with OCI. Require each HMO to pay one-fourth of the total assessment quarterly.

Assessment Payments -- 2006. Provide that payments of assessments on HMOs that have contracts to provide health care to MA and BadgerCare recipients in 2006 would be made as follows: (a) on March 31, 2006, payment based on the HMO's estimated gross revenues for the period January 1, 2006 to March 31, 2006; (b) on June 30, 2006, payment based on the HMO's actual gross revenues for the period of January 1, 2006 to March 31, 2006; (c) on September 30, 2006, payment based on the HMO's actual gross revenues for the period of April 1, 2006, to June

30, 2006; and (d) on December 31, 2006, payment based on the HMO's actual gross revenues for the period of July 1, 2006, to September 30, 2006.

Assessment Payments -- 2007 and Subsequent Years. Provide that, for 2007 and every year thereafter: (a) on March 31, payment is due based on estimated gross revenues for the HMO for the period January 1 to March 31 of that year, and permit DHFS to adjust the payment amount to ensure that payments made for the previous calendar year equaled an assessment of six percent of the HMO's actual gross revenues for the immediately preceding calendar year; (b) on June 30, payment is due based on actual gross revenues for the HMO for the period January 1 to March 31 of that year; (c) on September 30, payment is due based on actual gross revenues for the HMO for the period April 1 to June 30 of that year; and (d) on December 31 payment is due based on actual gross revenues for the HMO for the period July 1 to September 30 of that year. Specify that certain current law provisions in Chapter 77 relating to tax deficiency and refund determinations, interest and penalties for late taxes, refunds of less than \$2, testimony and disclosure, timely mailings, and the collection of delinquent sales and use taxes, apply to the HMO assessment, except that the assessment revenue would be deposited to the MA trust fund. Direct DHFS to levy, enforce, and collect the assessment and develop and distribute forms necessary for levying and collection, and to establish procedures and requirements for levying the assessment.

Permit an affected HMO to contest an action by DHFS by submitting a written request for a hearing to the Division of Hearings and Appeals in the Department of Administration within 30 days after the date of the action by DHFS. Provide that any order or determination made by the Division is subject to judicial review, as prescribed under Chapter 227 of the statutes.

Funding and Revenue

Assessment Revenue. Estimate that \$29,033,300 in 2005-06 and \$59,180,300 in 2006-07 would be collected in assessment revenue for deposit to the MA trust fund.

Pay Back Assessment. Provide \$32,742,000 (\$12,903,000 SEG and \$19,839,000 FED) in 2005-06 and \$69,098,100 (\$26,618,300 SEG and \$42,479,800 FED) in 2006-07 to pay HMOs the amount they would pay in assessments.

Rate Increases. Provide \$3,372,500 (\$1,343,000 GPR and \$2,029,500 FED) in 2005-06 and \$12,061,00 (\$4,821,000 GPR and \$7,240,000 FED) in 2006-07 to provide a 1.1% annual capitation rate increase for MA and BadgerCare recipients.

Replace Base GPR Funding with SEG. Provide \$16,130,200 SEG in 2005-06 and \$32,562,000 SEG in 2006-07 and decrease GPR funding by corresponding amounts to replace GPR funding currently budgeted for MA benefits with SEG revenues from the MA trust fund.

Joint Finance/Legislature: Delete provision. In addition, require the MA and BadgerCare programs to pay HMOs that serve MA or BadgerCare recipients actuarially sound capitation rates.

Veto by Governor [C-17]: Delete the provision that requires the MA and BadgerCare

programs to pay HMOs that serve MA and BadgerCare recipients actuarially sound capitation rates.

[Act 25 Vetoes Section: 1124g]

2. PHARMACY REIMBURSEMENT [LFB Paper 371]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	-\$17,386,900	\$17,386,900	-\$13,141,600	-\$13,141,600
FED	<u>-22,428,100</u>	<u>22,428,100</u>	<u>-16,773,000</u>	<u>-16,773,000</u>
Total	-\$39,815,000	\$39,815,000	-\$29,914,600	-\$29,914,600

Governor: Reduce MA, BadgerCare, and SeniorCare funding by \$16,217,900 (-\$7,201,800 GPR and -\$9,016,100 FED) in 2005-06 and by \$23,597,100 (-\$10,185,100 GPR and -\$13,412,000 FED) in 2006-07 to reflect the administration's estimates of the savings that would be realized by reducing rates paid to pharmacies for the drugs pharmacies dispense to recipients under these programs. The bill would: (a) reduce, from the average wholesale price (AWP) minus 13%, to the AWP minus 16%, reimbursement to pharmacies for brand name drugs; (b) reduce the dispensing fee from \$4.38 to \$3.88 per prescription; and (c) eliminate the 5% enhancement the state pays to pharmacies for drugs dispensed under SeniorCare, a statutory change that would first apply to reimbursement for prescription drugs purchased on October 1, 2005. All of the projected savings assume an October 1, 2005, effective date.

The following table summarizes the projected cost savings of each of these three items.

Summary of Projected Cost Savings of Reducing Pharmacy Reimbursement Rates

Item	2005-06			2006-07		
	GPR	FED	Total	GPR	FED	Total
Reduce MA Reimbursement to AWP -16%	-\$4,017,500	-\$5,248,700	-\$9,266,200	-\$5,692,400	-\$7,662,100	-\$13,354,500
Reduce Dispensing Fee to \$3.88	-1,275,400	-1,626,800	-2,902,200	-1,746,500	-2,316,600	-4,063,100
Eliminate SeniorCare Enhanced Rate	<u>-1,908,900</u>	<u>-2,140,600</u>	<u>-4,049,500</u>	<u>-2,746,200</u>	<u>-3,433,300</u>	<u>-6,179,500</u>
Total	-\$7,201,800	-\$9,016,100	-\$16,217,900	-\$10,185,100	-\$13,412,000	-\$23,597,100

In the Executive Budget Book, the Governor indicates that he has directed DHFS to research alternatives to the AWP methodology to reform pharmacy reimbursement for drugs dispensed under these programs.

Joint Finance/Legislature: Delete provision.

Veto by Governor [C-8 and C-9]: Reduce MA, BadgerCare, and SeniorCare benefits funding by a total of \$11,955,600 (-\$5,241,100 GPR and -\$6,714,500 FED) in 2005-06 and by a total of \$17,959,000 (-\$7,900,500 GPR and -\$10,058,500 FED) in 2006-07 to reflect projected savings of: (a) reducing the pharmacy reimbursement rate from AWP-13% to AWP-16%, beginning in 2005-06 [C-8]; and (b) reducing the dispensing fee from \$4.38 to \$3.88 per prescription, beginning in 2005-06 [C-9].

The following table identifies the funding reductions associated with these partial vetoes, by program.

Fiscal Effect of the Governor's Partial Vetoes -- Pharmacy Reimbursement Rates

	2005-06			2006-07		
	GPR	FED	Total	GPR	FED	Total
Discount to AWP -16%						
MA	-\$2,270,300	-\$3,111,800	-\$5,382,100	-\$3,430,900	-\$4,637,500	-\$8,068,400
BadgerCare	-234,100	-558,900	-793,000	-386,400	-912,000	-1,298,400
SeniorCare	<u>-1,416,900</u>	<u>-1,416,900</u>	<u>-2,833,800</u>	<u>-2,202,700</u>	<u>-2,202,700</u>	<u>-4,405,400</u>
Subtotal	-\$3,921,300	-\$5,087,600	-\$9,008,900	-\$6,020,000	-\$7,752,200	-\$13,772,200
Dispensing Fee to \$3.88						
MA	-\$613,100	-\$840,000	-\$1,453,100	-\$865,900	-\$1,170,400	-\$2,036,300
BadgerCare	-57,800	-138,000	-195,800	-89,200	-210,500	-299,700
SeniorCare	<u>-648,900</u>	<u>-648,900</u>	<u>-1,297,800</u>	<u>-925,400</u>	<u>-925,400</u>	<u>-1,850,800</u>
Subtotal	-\$1,319,800	-\$1,626,900	-\$2,946,700	-\$1,880,500	-\$2,306,300	-\$4,186,800
Grand Total	-\$5,241,100	-\$6,714,500	-\$11,955,600	-\$7,900,500	-\$10,058,500	-\$17,959,000

Veto Override Consideration [C-8 and C-9]: Sustain the Governor's partial vetoes. On September 27, 2005, the Assembly sustained the Governor's partial vetoes of both changes by a vote of 64 ayes and 33 nays.

[Act 25 Vetoed Section: 140 (as it relates to s. 20.435(4)(b),(bc),&(bv))]

3. REIMBURSEMENT FOR MEDICATIONS ADMINISTERED BY PHYSICIANS

GPR	-\$1,645,400
FED	<u>-2,353,100</u>
Total	-\$3,998,500

Governor/Legislature: Reduce MA and BadgerCare benefits funding by \$1,799,300 (-\$740,400 GPR and -\$1,058,900 FED) in 2005-06 and \$2,199,200 (-\$905,000 GPR and -\$1,294,200 FED) in 2006-07 to reflect the administration's estimates of the cost savings of implementing a new reimbursement methodology for prescription drugs administered by physicians in clinics (physician-injected medications and physician-administered oral drugs). Currently, the MA program pays physicians for these drugs at the same rate as brand name drugs dispensed in pharmacies, using an average wholesale price (AWP) methodology. A drug's AWP represents the package price reported by the manufacturer, based on surveys of drug wholesalers and drug manufacturer-supplied information. The new reimbursement

methodology would be based a wholesale acquisition cost (WAC)-based methodology. A drug's WAC represents the price per package of a drug product that a manufacturer charges a retailer.

In addition, DHFS would apply: (a) maximum allowable cost (MAC) pricing to physician-administered drugs in cases where generic drugs are readily available; and (b) diagnosis restrictions for these drugs using indications approved by the U.S. Food and Drug Administration. DHFS currently uses MAC pricing, which is intended to represent prices that providers actually pay for a drug, to reimburse pharmacies for readily available generic drugs.

4. TRANSPORTATION SERVICES [LFB Paper 372]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$3,057,700	\$57,700	-\$3,000,000
FED	-3,548,000	-535,500	-4,083,500
Total	-\$6,605,700	-\$477,800	-\$7,083,500

Governor: Provide \$52,400 (\$26,200 GPR and \$26,200 FED) in 2005-06 and reduce funding by \$6,658,100 (-\$3,083,900 GPR and -\$3,574,200 FED) in 2006-07 to implement a transportation management (broker) program for MA recipients. Authorize DHFS to audit and pay allowable charges on behalf of MA recipients to obtain appropriate, nonemergency medical services provided through an entity with which DHFS has contracted to manage transportation services for the MA program. Delete current references to the Department's authority to pay for transportation services by specialized medical vehicle and transportation by common carrier or private motor vehicles to obtain medical care. Authorize DHFS to pay for transportation to obtain nonemergency medical care by emergency medical vehicle if transportation by other means is contraindicated.

Under this item, DHFS would seek a freedom-of-choice transportation waiver from the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), to enable the Department to contract with a broker that would provide a single point of contact for recipients in need of transportation to non-emergency medical services. Brokers typically provide centralized vehicle dispatch, record keeping, vehicle maintenance, and other services under contractual arrangements with agencies, municipalities, and other organizations. This item includes two components.

Projected MA Benefits Savings. Reduce MA benefits funding by \$6,719,000 (-\$3,114,400 GPR and -\$3,604,600 FED) in 2006-07 to reflect projected savings that would result from this initiative due to increased use of ride sharing, improved provider dispatching, and a reduction of administrative costs and fraud. The projected savings equals 20% of the projected total costs of providing MA-funded specialized medical transportation services (\$16,064,500) and county transportation services (\$17,530,600) in 2006-07.

Program Manager. Provide \$52,400 (\$26,200 GPR and \$26,200 FED) in 2005-06 and \$60,800 (\$30,400 GPR and \$30,400 FED) in 2006-07 for DHFS to contract for a program manager,

who would meet with stakeholders, obtain federal waiver approval, issue a request-for-proposal, negotiate the contract, and notify providers and MA recipients.

Joint Finance/Legislature: Delete provision. Instead, reduce MA benefits funding by \$3,556,000 (-\$1,500,000 GPR and -\$2,056,000 FED) in 2005-06 and \$3,527,500 (-\$1,500,000 GPR and -\$2,027,500 FED) in 2006-07 and direct DHFS to modify current policies to generate these savings in nonemergency transportation services.

Governor's Veto Message [page xxix of the veto message]: In his veto message, the Governor indicates that he is directing DHFS to continue the development of the Governor's transportation broker proposal.

5. ELIMINATE THE MA AND BADGERCARE "GRACE MONTH" POLICY

GPR	- \$2,799,500
FED	- 4,121,100
Total	- \$6,920,600

Governor/Legislature: Reduce funding by \$3,225,300 (-\$1,275,600 GPR and -\$1,949,700 FED) in 2005-06 and \$3,695,300 (-\$1,523,900 GPR and -\$2,171,400 FED) in 2006-07 to reflect the administration's estimate of the net projected savings of eliminating the MA and BadgerCare "grace month" policy.

Currently, MA recipients are notified on the first Friday of the 11th month of their 12-month certification period that they must have their MA eligibility reviewed. If the review is not completed by last day of the 12th month of their 12-month eligibility period, the recipient's benefits are terminated at the end of the 13th month of the period. Under this item, the recipient's eligibility would end at the end of the 12th month of the certification period.

This item includes: (a) reducing MA and BadgerCare benefits funding by \$1,510,600 GPR and \$2,184,700 FED in 2005-06 and by \$1,523,900 GPR and \$2,171,400 FED in 2006-07 to reflect projected savings in benefits costs; and (b) providing \$235,000 GPR and \$235,000 FED in 2005-06 to support information system changes in the client assistance for re-employment and economic support system (CARES) and the Medicaid management information system (MMIS) and to develop a review form that would be automatically generated and sent to MA and BadgerCare recipients with a notification indicating that an eligibility redetermination is due.

6. OUTPATIENT HOSPITAL SERVICES BILLING AND PRIOR AUTHORIZATION

GPR	- \$4,036,900
FED	- 5,514,500
Total	- \$9,551,400

Governor/Legislature: Reduce funding by \$4,775,700 (-\$2,014,400 GPR and -\$2,761,300 FED) in 2005-06 and by \$4,775,700 (-\$2,022,500 GPR and -\$2,753,200 FED) in 2006-07 to reflect the administration's estimates of cost savings that would result by: (a) limiting reimbursement for therapy services provided by hospitals in an outpatient setting to the rate paid for regular therapy services; and (b) expanding the use of prior authorization (PA) to therapy services provided in an outpatient setting.

By rule, PA is required for therapy services provided in an outpatient hospital setting, but the current hospital billing format form does not allow DHFS to systematically implement PA for these services. As a result, hospital outpatient claims are paid regardless of compliance with PA requirements.

Under this item, DHFS would disallow therapy revenue codes for outpatient hospital provider billing and reimburse hospitals that provide these outpatient services under the specific benefit areas of speech and language pathology, occupational therapy, and physical therapy. Hospitals may be certified as therapy providers, and many maintain dual certification.

7. ESSENTIAL ACCESS CITY HOSPITAL SUPPLEMENT [LFB Paper 373]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$1,281,400	-\$1,281,400	\$0
FED	<u>1,750,400</u>	<u>-1,750,400</u>	<u>0</u>
Total	\$3,031,800	-\$3,031,800	\$0

Governor: Provide \$1,506,400 (\$635,400 SEG and \$871,000 FED) in 2005-06 and \$1,525,400 (\$646,000 SEG and \$879,400 FED) in 2006-07 to increase funding for the essential access city hospital (EACH) supplement. Modify the statutory allocation amount to increase, from \$4,748,000 to \$6,248,000, the maximum amount DHFS distributes for this MA supplemental hospital payment. The SEG funding increase would be supported from the health care quality improvement fund, which would be created in the bill.

An EACH is defined in the current MA state plan as an acute care general hospital with medical and surgical, neonatal intensive care, emergency and obstetrical services, located in the inner City of Milwaukee, as defined by certain zip codes. It must have 30% or more of its total inpatient days attributable to MA patients, including MA patients enrolled in HMOs, and at least 30% of its MA inpatient stays must be for MA recipients who reside in the inner City of Milwaukee. Since the creation of the MA supplemental payment in 1991, the only hospital that has met the criteria for this supplemental payment is Sinai-Samaritan Medical Center.

Joint Finance/Legislature: Delete provision. In addition, permit more than one hospital to qualify for an EACH supplement after July 1, 2007. Direct DHFS to establish criteria, effective July 1, 2007, for designation as an EACH such that the criteria may not include reference to criteria that were required to have been met during July 1, 1995, to June 30, 1996, but specify that the criteria would include the requirement that: (a) more than 30 percent of a hospital's total inpatient days are reimbursable under MA; and (b) no hospital that qualifies for an MA pediatric inpatient supplement would be eligible for an EACH supplement.

Veto by Governor [C-15]: Delete all of the Joint Finance provisions relating to changes in eligibility for the EACH supplement.

[Act 25 Vetoed Sections: 1135c thru 1135e]

8. DISEASE MANAGEMENT TO REDUCE USE OF EMERGENCY ROOMS

GPR	- \$597,700
FED	- 994,500
Total	- \$1,592,200

Governor/Legislature: Reduce funding by \$799,600 (-\$300,600 GPR and -\$499,000 FED) in 2005-06 and by \$792,600 (-\$297,100 GPR and -\$495,500 FED) in 2006-07 to implement a disease management program to address overuse of emergency room (ER) services by MA recipients. This item has two components.

Projected MA Benefits Savings. Reduce MA benefits funding by \$992,000 (-\$396,800 GPR and -\$595,200 FED) in 2005-06 and 2006-07, which represents the projected net savings in MA benefits costs. Based on an analysis of MA services used by 209 MA recipients who received ER care 25 or more times in 2002-03, DHFS estimates that implementing this proposal could reduce, by 20%, the costs of inpatient hospital, transportation, x-ray and other services provided to this population, which would be partially offset by a 10% increase in the cost of physician visits.

Operational Costs. Provide \$192,400 (\$96,200 GPR and \$96,200 FED) in 2005-06 and \$199,400 (\$99,700 GPR and \$99,700 FED) in 2006-07 to contract with the MA fiscal agent for an ER care coordinator, who would establish a database to provide ER providers with timely information on MA recipients who overuse ERs, work with providers to develop disease and care management plans for high ER users, develop an educational program to educate MA recipients, and seek grant money from public and private sources to implement these and other recommendations from a recent HMO/ER workgroup.

9. REIMBURSEMENT TO CERTAIN HOSPITALS FOR END STAGE RENAL DIALYSIS

GPR	- \$153,300
FED	- 209,000
Total	- \$362,300

Governor/Legislature: Reduce MA benefits funding by \$120,800 (-\$51,000 GPR and -\$69,800 FED) in 2005-06 and by \$241,500 (-\$102,300 GPR and -\$139,200 FED) in 2006-07 to reflect projected savings of reducing the reimbursement rate for end stage renal dialysis services provided by 11 hospitals to the rate the MA program currently pays free-standing facilities that provide these services. These 11 hospitals are currently paid rates that equal between 90% and 100% of their charges. Under this item, these hospitals would be reimbursed at the rates Medicare pays for these services. Other hospitals would continue to be reimbursed at their outpatient rate per visit. The savings projection assumes that the rate change would take effect January, 2006.

10. REHABILITATION AGENCY THERAPY RATES [LFB Paper 374]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$1,272,500	\$1,272,500	\$0
FED	- 1,736,100	1,736,100	0
Total	- \$3,008,600	\$3,008,600	\$0

Governor: Reduce funding for MA benefits by \$1,002,900 (-\$423,100 GPR and -\$579,800 FED in 2005-06 and by \$2,005,700 (-\$849,400 GPR and -\$1,156,300 FED) in 2006-07 to reflect projected savings of restructuring reimbursement rates for therapy services provided by rehabilitation agencies. MA currently covers medically necessary physical therapy, occupational therapy, and speech and language pathology services with certain requirements and limitations. Therapy providers are reimbursed for evaluations, modalities, and procedures at the lesser of their usual and customary charges or amounts prescribed under a provider/agency specific fee schedule developed by DHFS. Under this item, the rates for therapy services provided by rehabilitation agencies would be five percent greater than the rates MA currently pays to independent providers for these therapy services.

Joint Finance/Legislature: Delete provision.

11. PRENATAL CARE FOR NON-QUALIFIED IMMIGRANTS [LFB Paper 375]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$715,400	\$195,300	-\$520,100
FED	<u>1,490,100</u>	<u>563,200</u>	<u>2,053,300</u>
Total	\$774,400	\$758,500	\$1,533,200

Governor: Provide \$332,000 (-\$306,600 GPR and \$638,600 FED) in 2005-06 and \$442,700 (-\$408,800 GPR and \$851,500 FED) in 2006-07 to reflect the administration's estimates of the net cost to provide prenatal care for non-qualified immigrants under the state's BadgerCare program.

Expand eligibility for BadgerCare, limited to coverage for prenatal care, to include an unborn child whose mother is not eligible for BadgerCare or for MA (except if she qualifies due to her alien status) if all of the following requirements are met.

First, the income of the unborn child's mother, mother and her spouse, or mother and her family, whichever is applicable, does not exceed 185% of the federal poverty level (FPL), and except that, if an unborn child is already receiving prenatal care services under this provision, the applicable specified person or persons may have an income that does not exceed 200% of the FPL. Require DHFS to establish by rule the criteria to be used to determine income.

Second, each of the following applicable persons who is employed provides verification from his or her employer, in manner specified by DHFS, of his or her earnings: (a) the unborn child's mother; (b) the spouse of the unborn child's mother; and (c) members of the unborn child's mother's family.

Third, the unborn child's mother provides medical verification of her pregnancy, in a manner specified by the department.

Fourth, the unborn child and the mother of the unborn child meet all other requirements established by DHFS by rule except for the following: (a) the mother is not a U.S. citizen or an alien qualifying for MA under 8 USC 1612; (b) the mother is an inmate of a public institution; and (c) the mother does not provide a social security number but only if she is not a U.S. citizen or an alien qualifying for MA.

Define, under the BadgerCare statutes, an "unborn child" as a person from the time of conception until it is born alive, and modify the current definition of "child" to specify that it means a person who is born.

Provide that an unborn child's eligibility for coverage does not begin before the first day of the month in which the unborn child's mother provides the necessary medical verification. Modify the Department's authority to purchase family coverage under BadgerCare, in cases where DHFS determines that purchasing that coverage would not be more costly than providing BadgerCare coverage, to specify that the coverage may be offered by an employer of a member of an eligible family or of a member of an eligible unborn child's mother or her spouse.

Specify that all of these changes would take effect on January 1, 2006. However, prohibit DHFS from implementing these provisions unless a state plan amendment authorizing this coverage is approved by the U.S. Department of Health and Human Services.

Finally, retitle the appropriations that currently support BadgerCare benefits costs to reference BadgerCare, rather than "health care for low-income families."

Federal law prohibits state MA programs from providing full MA coverage to an individual unless the individual is a citizen, a permanent legal resident for at least five years, or a refugee. However, federal law requires states to cover emergency services (which include labor and delivery services) to non-qualifying pregnant women, including documented and undocumented immigrants. In October, 2002, the Centers for Medicare and Medicaid Services issued rules that provided states the option to cover, under their state children's health care program (SCHIP, which, in Wisconsin, is BadgerCare), medical services for a fetus, beginning from the moment of conception. This change enabled states to expand coverage of prenatal care services to pregnant women who are not eligible for MA.

Under this item, the labor and delivery costs for this population would no longer be covered under MA. Instead, these costs, together with prenatal care provided to these women, would be funded under BadgerCare. Consequently, the state would receive an enhanced federal matching rate (29% GPR/71% FED) for these services, rather than the MA matching rate (42% GPR/58% FED) the state currently receives for labor and delivery services for this population.

The funding changes include: (a) a reduction in estimated MA costs for labor and delivery services to the nonqualified immigrant population (-\$1,338,800 GPR and -\$1,875,000 FED in 2005-06 and -\$1,785,000 GPR and -\$2,500,000 FED in 2006-07); and (b) an increase in estimated BadgerCare costs for prenatal care, labor and delivery services to the nonqualified immigrant

population (\$1,032,200 GPR and \$2,513,600 FED in 2005-06 and \$1,376,200 GPR and \$3,351,500 FED in 2006-07).

Joint Finance/Legislature: Increase funding by \$442,600 (\$212,900 GPR and \$229,700 FED) in 2005-06 and \$315,900 (-\$17,600 GPR and \$333,500 FED) in 2006-07 to reflect a reestimate of savings associated with this item.

[Act 25 Sections: 311, 316, 321, 1174 thru 1184, 1185, 1186, 1193, and 9421(1)]

12. TRANSITIONS FOR YOUNG ADULTS WITH SPECIAL NEEDS

GPR	-\$169,600
FED	- 231,500
Total	-\$401,100

Governor/Legislature: Reduce funding for medical assistance benefits by \$133,700 (-\$56,400 GPR and -\$77,300 FED) in 2005-06 and \$267,400 (-\$113,200 GPR and -\$154,200 FED) in 2006-07 to reflect anticipated savings from extending case management services to recipients identified as high-cost and at an age or development level appropriate to begin the transition from child-centered care to adult health services. This reduction in funding reflects expected savings from a reduction in the number of emergency room visits and an expansion of access to preventive health care services that would either avoid the need for a hospital visit or reduce the length of a hospital visit.

This item reflects savings anticipated from replicating care coordination infrastructure that is currently in place at Children's Hospital in Milwaukee for a group of children with high medical costs. This care coordination would be continued as these children transition into adulthood. This care coordination would also be available at other hospitals with multi-specialty capabilities that can demonstrate the ability to provide medically based comprehensive transition services.

13. BADGERCARE WAIVER

Governor/Legislature: Require DHFS to request one or more waivers from the Secretary of the U.S. Department of Health and Human Services that would permit DHFS to implement cost-saving measures under BadgerCare, which include any of the following: (a) establishing a three-tiered prescription drug copayment requirement that does not exceed the maximum copayment amount established by the Group Insurance Board for state employees; (b) establishing a benchmark plan, which is described in federal regulations as health care coverage that is substantially equal to the health care coverage offered to federal or state employees or to a health insurance plan offered by a health maintenance organization that has the largest commercial enrollment in the state of persons who do not have coverage under MA; and (c) establishing mandatory copayments for benefits, in addition to the copayments for prescription drugs. Require DHFS to seek enactment of statutory language to implement cost-saving measures authorized under the waiver.

[Act 25 Section: 9121(10)]

14. ELIMINATE SECOND OPINION PROVISION FOR ELECTIVE SURGERY [LFB Paper 376]

Governor/Legislature: Repeal a provision that prohibits DHFS from reimbursing a provider for certain elective surgical procedures without a second opinion from another provider under the state's MA program. The current provision requires second opinions for selective elective surgical procedures for which second opinions disagree with the original opinions at demonstrably high rates, and that DHFS notify the providers of the surgical procedure for which a second opinion is required.

[Act 25 Section: 1124]

15. PROHIBIT DHFS FROM PLACING NEW LIMITATIONS ON REIMBURSEMENT FOR PSYCHOTROPIC MEDICATIONS

Joint Finance/Legislature: Prohibit DHFS from placing any new limitations on reimbursement for psychotropic medications, other than selective serotonin reuptake inhibitors and stimulants and related agents, that are prescribed to treat mental illness, under the state's MA, BadgerCare and SeniorCare programs in the 2005-07 biennium.

Veto by Governor [C-10]: Delete provision.

[Act 25 Vetoed Section: 9121(14k)]

16. REPORT ON PRESCRIBING HABITS OF PHYSICIANS

Joint Finance/Legislature: Require DHFS to prepare a report that provides information on the prescriptions physicians wrote for MA and BadgerCare recipients in 2004-05. Specify that the report would include, for each physician: (a) the percentage of the prescriptions each physician wrote for generic drugs and the percentage written for nongeneric drugs; (b) the number of prescriptions each physician wrote that required prior authorization, and the percentage these prescriptions represented of the total number of prescriptions each physician wrote; and (c) of the prescriptions written for drugs for which a generic drug was available, the number and percentage that specified a nongeneric drug. Require DHFS to submit the report by January 1, 2006, to the Joint Committee on Finance and the appropriate standing committees of the Legislature.

Veto by Governor [C-11]: Delete provision.

[Act 25 Vetoed Section: 9121(14p)]

17. INCREASE COPAYMENTS FOR GENERIC DRUGS

Joint Finance/Legislature: Increase, from \$1 to \$3, the copayment

GPR	-\$1,838,600
FED	-2,499,600
Total	-\$4,338,200

for generic drugs dispensed to MA and BadgerCare recipients, effective October 1, 2005. Decrease funding in the bill by \$1,807,600 (-\$762,500 GPR and -\$1,045,100 FED) in 2005-06 and \$2,530,600 (-\$1,076,100 GPR and -\$1,454,500 FED) in 2006-07.

Veto by Governor [C-13]: Delete provision. Because the Governor's partial veto does not restore MA benefits funding that was deleted to reflect the estimated savings of increasing the copayment, this partial veto results in MA projected costs exceeding amounts budgeted for the program.

[Act 25 Vetoed Sections: 1144p, 1184c, 9321(9w), and 9421(11w)]

18. REPORT ON LIMITING BRAND NAME PRESCRIPTIONS

Joint Finance/Legislature: Require DHFS to submit a report to the Joint Committee on Finance and the appropriate legislative standing committees by July 1, 2006, which would: (a) identify the potential savings to the MA, BadgerCare and SeniorCare programs of limiting the number of brand name prescription drugs recipients could receive in any month to five, after which any additional brand name prescription drugs would be subject to prior authorization procedures; and (b) identify costs DHFS and providers would incur if such a proposal were implemented.

Veto by Governor [C-12]: Delete provision.

[Act 25 Vetoed Section: 9121(13n)]

19. OUTPATIENT HOSPITAL SERVICES RATE INCREASE

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
GPR	\$5,000,000	-\$5,000,000	\$0
FED	<u>6,805,800</u>	<u>-6,805,800</u>	<u>0</u>
Total	\$11,805,800	-\$11,805,800	\$0

Joint Finance/Legislature: Increase funding by \$5,926,600 (\$2,500,000 GPR and \$3,426,600 FED) in 2005-06 and \$5,879,200 (\$2,500,000 GPR and \$3,379,200 FED) in 2006-07, to fund an across-the-board rate increase for outpatient hospital services, beginning in 2005-06.

Veto by Governor [C-14]: Delete provision.

Veto Override Consideration [C-14]: Sustain the Governor's partial veto. On September 27, 2005, the Assembly sustained the Governor's partial veto by a vote of 60 ayes and 37 nays.

[Act 25 Vetoed Section: 140 (as it relates to s. 20.435(4)(b))]

20. ELIMINATE COVERAGE OF BARIATRIC SURGERY

GPR	-\$766,300
FED	-1,042,900
Total	-\$1,809,200

Joint Finance/Legislature: Prohibit the MA and BadgerCare programs from paying for gastric bypass surgery or gastric stapling surgery unless the procedure is required to be covered under federal MA law, as interpreted by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. Decrease funding for MA benefits by \$904,600 (-\$381,600 GPR and -\$523,000 FED) and \$904,600 (-\$384,700 GPR and -\$519,900 FED) in 2006-07.

Veto by Governor [C-16]: Delete provision. Because the Governor's partial veto does not restore MA benefits funding that was deleted to reflect the estimated savings of eliminating coverage of gastric bypass or gastric stapling surgery, this partial veto results in MA projected costs exceeding amounts budgeted for the program.

Veto Override Consideration [C-16]: Sustain the Governor's partial veto. On September 27, 2005, the Assembly sustained the Governor's partial veto by a vote of 59 ayes and 38 nays.

[Act 25 Vetoed Sections: 1146j, 1157j, and 9321(9q)]

21. AUTHORIZATION FOR OCCUPATIONAL AND PHYSICAL THERAPY SERVICES

Joint Finance/Legislature: Provide that if, in authorizing the provision of physical and occupational therapy services, DHFS authorizes a reduced duration of services from the duration that the provider specifies in the authorization request, DHFS would be required to substantiate the reduction made in the duration of services if the provider of the services requests any additional authorizations for the provision of physical or occupational therapy services to the same individual. Specify that this change would first apply to durational reductions made with respect to authorization requests that are received by DHFS on the bill's general effective date. In addition, require DHCF to work in concert with representatives of the Wisconsin Physical Therapy Association, and the Wisconsin Occupational Therapy Association to monitor compliance.

[Act 25 Sections: 1149f and 9321(9k)]

Medical Assistance -- Long-Term Care

1. NURSING HOME RATES AND BED ASSESSMENT INCREASE [LFB Paper 385]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR-REV	\$0	-\$27,600,000	\$27,600,000	\$0
SEG-REV	52,178,000	-24,578,000	-27,600,000	0
GPR	-\$15,023,600	\$2,683,300	-\$15,259,700	-\$27,600,000
FED	50,391,700	-29,667,900	-20,744,000	-200
PR	1,304,700	-1,304,700	0	0
SEG	<u>52,177,900</u>	<u>-24,577,900</u>	<u>0</u>	<u>27,600,000</u>
Total	\$88,850,700	-\$52,866,900	-\$35,983,500	-\$200

Governor: Provide \$38,021,600 (-\$7,401,000 GPR, \$21,724,000 FED, \$436,800 PR, and \$23,261,800 SEG) in 2005-06 and \$50,829,100 (-\$7,622,600 GPR, \$28,667,700 FED, \$867,900 PR, and \$28,916,100 SEG) in 2006-07 to reflect the net effect of increasing the nursing home bed assessment and budgeting these additional revenues, together with federal MA matching funds, to: (a) increase MA rates paid to nursing homes; (b) reimburse facilities, through higher MA payments, for their costs in paying the increased assessments; and (c) substitute GPR MA base funding with SEG funding from a portion of the additional revenues DHFS would receive from the assessment increase.

Funding Changes

Revenue Effect. Increase estimates of revenue that would be deposited to the MA trust fund by \$25,609,100 in 2005-06 and by \$26,568,900 in 2006-07.

Nursing Home Rate Increase. Provide \$11,975,600 (\$5,053,700 SEG and \$6,921,900 FED) in 2005-06 and \$23,392,300 (\$9,969,800 SEG and \$13,422,500 FED) in 2006-07 to increase nursing home rates by approximately 1.4% in 2005-06 and by an additional 1.4% in 2006-07.

Pay Back Facilities for Assessment Increase. Provide \$25,609,200 (\$10,807,100 SEG and \$14,802,100 FED) in 2005-06 and \$26,568,900 (\$11,323,700 SEG and \$15,245,200 FED) in 2006-07 to increase reimbursement to facilities, to offset the additional costs they would incur to pay the assessments that would not be paid by private-pay residents.

Increase Funding for State Centers. Provide \$436,800 PR in 2005-06 and \$867,900 PR in 2006-07 to increase funding for the state centers for the developmentally disabled to pay the proposed increase in the bed assessment.

Substitute GPR MA Base Funding with SEG Funding. Reduce MA base funding by \$7,401,000 GPR and increase MA base funding by \$7,401,000 SEG in 2005-06 and reduce MA base funding by \$7,622,600 GPR and increase MA base funding by \$7,622,600 SEG in 2006-07 to apply approximately half of the additional revenue that would result by increasing the bed

assessment to reduce GPR-funded MA benefits costs.

Statutory Changes

Increase Bed Assessment Revenue. Increase the current assessment on all licensed beds of nursing homes and facilities from \$75 per month to \$125 per month and on intermediate care facilities for the mentally retarded (ICFs-MR) from \$445 per month to \$523 per month in 2005-06 and to \$587 per month in 2006-07.

Deposit Assessment Revenue to the MA Trust Fund. Provide that all revenue collected from the assessment in excess of \$13,800,000, in each fiscal year, would be deposited to the MA trust fund. Under current law, any revenues collected from the assessment in excess of \$13,800,000 in 2004-05 are deposited to the MA trust fund and, beginning in 2005-06, any revenues collected in excess of 45% of the total revenue collected would be deposited to the MA trust fund.

All of these provisions would first apply on the general effective date of this bill. The revenue estimates assume that DHFS will collect the increased assessment amounts beginning in July, 2005.

Joint Finance/Legislature: Delete provision. Instead, provide \$12,189,100 (\$5,141,700 GPR and \$7,047,400 FED) in 2005-06 and \$23,794,400 FED (\$10,118,000 GPR and \$13,676,400 FED) in 2006-07 to increase rates for nursing homes by approximately 1.4% in 2005-06 and an additional 1.4% in 2006-07.

In addition, specify that all revenue from the current bed assessment be deposited to the MA trust fund. Reduce MA benefits funding by \$13,800,000 GPR annually and increase MA benefits funding by \$13,800,000 SEG annually. Reduce estimated GPR revenues by \$13,800,000 annually and increase estimates of revenue deposited to the MA trust fund by \$13,800,000 annually.

Vetoed by Governor [C-3 and C-4]: Delete the Joint Finance provisions that would have: (a) provided funding to increase nursing home rates (-\$5,141,700 GPR and -\$7,047,500 FED in 2005-06 and -\$10,118,000 GPR and -\$13,676,500 FED in 2006-07); and (b) specified that all revenue from the bed assessment be deposited to the MA trust fund (\$13,800,000 GPR-REV and -\$13,800,000 SEG-REV annually).

Veto Override Consideration [C-4]: Sustain the Governor's partial veto. On September 20, 2005, the Assembly voted to restore the provision that would provide funding to increase nursing home rates (\$5,141,700 GPR and \$7,047,500 FED in 2005-06 and \$10,118,000 GPR and \$13,676,500 FED in 2006-07) by a vote of 64 ayes and 32 nays. On September 27, 2005, the Senate failed to override the Governor's partial veto by a vote of 20 ayes and 13 nays.

[Act 25 Sections: 537, 1222m, and 1223]

[Act 25 Vetoed Sections: 140 (as it relates to 20.435(4)(b)), 537, 1222m, and 1223]

2. NURSING HOME REIMBURSEMENT METHODS [LFB Paper 387]

GPR	\$759,100
FED	1,022,900
Total	\$1,782,000

Governor: Provide \$759,100 GPR and \$1,022,900 FED in 2006-07 to fund acuity-based rate adjustments to nursing home reimbursement rates. In addition, make the following statutory changes to the methods DHFS uses to reimburse nursing homes for the care they provide to MA recipients.

Pay Nursing Homes on a Flat-Rate Basis for Certain Costs. Beginning July 1, 2006, require DHFS to make a flat-rate payment for the non-billable services of registered nurses, licensed practical nurses, and nurse's assistants.

Calculation of Payment Rates for Direct Care Costs. Eliminate the following requirements: (a) that DHFS establish separate standards for payment of allowable direct care costs for facilities that primarily serve the developmentally disabled and for facilities that do not primarily serve the developmentally disabled; and (b) that DHFS establish the direct care component of each facility's rate by comparing inflated, actual allowable direct care cost information to allowable direct care cost payment standards. Continue to permit DHFS to provide a rate supplement to facilities that have an approved program to provide services to developmentally disabled or ventilator-dependent residents or to individuals with complex medical needs, but delete the requirement that the supplement be made to the direct care cost component of a facility's reimbursement rate. These provisions would become effective on July 1, 2006.

The statutory changes are intended to simplify the nursing home formula and to reflect a transition from a cost-based system to a flat-rate system for certain costs. DHFS currently considers four cost centers when developing facility-specific rates including: (a) direct care; (b) support services; (c) property tax and municipal services; and (d) property. A flat rate is currently established for direct care supplies and services, excluding direct care services provided by nurses, and for support services, such as dietary and environmental services, administrative and general services, and fuel and utilities.

Joint Finance/Legislature: Delete the Governor's statutory changes relating to: (a) paying nursing homes on a flat-rate basis for the nonbillable services of registered nurses, licensed practical nurses, and nurse's assistants; and (b) the method DHFS uses to calculate payment rates for direct care costs. Retain the funding the Governor recommends to support acuity-based rate adjustments. In addition, include the following:

Method for Developing the Acuity-Based Rate Payment System. Direct DHFS to develop an acuity-based rate payment system that: (a) incorporates acuity measurements under the most recent Resource Utilization Group III (RUGS III) resident classification methodology adopted by the Centers for Medicare and Medicaid Services to determine case-mix adjustment factors; (b) determines the average case-mix index, as described above, for each Medicaid-supported nursing facility four times per year for residents who are primarily supported by MA on the last day of each calendar quarter; (c) incorporates payment adjustments for dementia, behavioral needs, or other complex medical conditions; (d) may include incentives for providing high

quality of care; and (e) identifies the extent to which facilities are reimbursed for their MA-allowable direct care nursing costs under the acuity-based reimbursement system.

Use of Long-Term Care Functional Screen. Prohibit DHFS from requiring nursing homes to use the long-term care functional screen to determine resident levels of care and from using the long-term care functional screen to determine nursing home reimbursement rates.

The long-term care functional screen was developed to assist the Family Care counties in determining level of care needs among participants and functional eligibility for elderly individuals and adults with physical and developmental disabilities. The functional screen was developed to provide a consistent and objective method of determining functional eligibility for MA benefits, to serve as a reliable source of data for management of long-term care programs. In December, 2003, DHFS indicated that all counties would be required to begin to use the long-term care functional screen by the end of calendar year 2004 and that, beginning in 2005, counties would be required to use the long-term care functional screen to determine functional eligibility for the MA home- and community-based waiver and community options programs.

Vetoed by Governor [C-6 and C-7]: Delete the provision that would have prohibited DHFS from using the long-term care functional screen to determine levels of care for nursing home residents and to set MA reimbursement rates for nursing homes [C-6]. Delete the provision relating to the method for developing the acuity-based rate payment system that would have required that the system identify the extent to which the MA program pays facilities' direct care nursing costs that are allowable under MA [C-7].

[Act 35 Sections: 1125s and 1128m]

[Act 25 Vetoed Sections: 1128m, 1132f, and 1217r]

3. SSI MANAGED CARE EXPANSION [LFB Paper 386]

GPR	- \$5,316,600
FED	- 7,189,400
Total	- \$12,506,000

Governor: Reduce funding by \$3,220,500 (-\$1,359,100 GPR and -\$1,861,400 FED) in 2005-06 and reduce funding by \$9,285,500 (-\$3,957,500 GPR and -\$5,328,000 FED) in 2006-07 to reflect the administration's estimates of the projected savings in MA benefits costs as a result of: (a) expanding the SSI managed care program in Milwaukee and Dane Counties, beginning in April, 2005; (b) implementing a modified care management program at the Marshfield Clinic to serve approximately 28 surrounding counties, beginning in July, 2005; and (c) expanding the SSI managed care program to southeastern Wisconsin and La Crosse County beginning in January, 2006, and to the Fox River Valley area beginning in April, 2006.

Joint Finance/Legislature: Adopt the Governor's provision. In addition, require DHFS to submit a report to the Joint Committee on Finance by January 1, 2007, that identifies: (a) the status of the SSI managed care initiative and the Governor's initiative to expand managed care for low-income families, including information that compares the Governor's budget assumptions regarding enrollment and cost savings with the enrollment and savings DHFS

realized through June 30, 2006, and projections through 2006-07; and (b) other initiatives DHFS has implemented to realize savings in the MA program that were assumed under this initiative in AB 100.

Veto by Governor [C-25]: Delete the report requirement that was added by the Joint Committee on Finance.

[Act 25 Vetoed Section: 9121(13w)]

4. CIP II RELOCATIONS [LFB Paper 387]

GPR	- \$4,663,600
FED	- 6,303,100
Total	- \$10,966,700

Governor: Reduce funding by \$1,950,700 (-\$822,800 GPR and -\$1,127,900 FED) in 2005-06 and by \$9,016,000 (-\$3,840,800 GPR and -\$5,175,200 FED) in 2006-07 to reflect the administration's estimates of the projected savings in MA benefits costs that would result from relocating nursing home residents to the community under the community integration program II (CIP II) waiver. Authorize DHFS to pay counties an enhanced rate for services provided to individuals relocated under CIP II, provided that the number of individuals relocated under this provision does not exceed the number of nursing home beds that are delicensed as part of plans submitted by nursing homes and approved by DHFS. Define "delicensed" as deducted from the number of beds stated on a facility's license.

The funding reductions for this item represent the net effect of the following: (a) the cost of providing community-based services to CIP II participants (\$1,471,500 GPR and \$2,017,000 FED in 2005-06 and \$7,388,500 GPR and \$9,955,400 FED in 2006-07); (b) the cost of providing MA card services to CIP II participants (\$981,600 GPR and \$1,345,600 FED in 2005-06 and \$4,928,900 GPR and \$6,641,300 FED in 2006-07); and (c) a reduction in the costs of supporting nursing home care for MA-eligible individuals (-\$3,275,900 GPR and -\$4,490,500 FED in 2005-06 and -\$16,158,200 GPR and -\$21,771,900 FED in 2006-07). The estimated savings assumes that 81,795 patient days of care in 2005-06 and 371,028 patient days of care in 2006-07 would be transferred from nursing homes to the community under CIP II, with an average savings to the MA program of approximately \$24 per person per day (\$95 per day for nursing home care minus \$71 per day for community-based care).

Currently, a CIP II "slot" may be created after a nursing facility bed is permanently delicensed or when the Legislature provides funding to support additional slots (without the closure of a nursing home bed). The Legislature may create additional slots without the closure of a nursing home bed as long as the total number of relocations that occur under CIP II does not exceed the total number of nursing home beds that have been delicensed.

Joint Finance/Legislature: Adopt the Governor's provision, with the following two modifications. First, specify that all CIP II relocation funding provided under this initiative only be used to support MA-eligible individuals who have resided in a nursing home for a minimum of 100 consecutive days.

Second, require DHFS to submit a report to the Joint Committee on Finance by January 1,

2007, that identifies: (a) the administrative, housing, and services expenditures associated with any relocations, including the average individual expenditures and the collective expenditures; (b) the nature and duration of the community placements; (c) the impact of the relocations on resident health and safety, utilization of MA-allowable services, and the costs of providing MA services per person; and (d) the savings generated as a result of the CIP II relocations initiative, including the average savings generated per relocation and the savings generated in total. Specify that this report would include information collected through at least June 30, 2006.

Veto by Governor [C-5]: Delete the Joint Finance provisions that would have: (a) limited participation in the program to individuals who have resided in nursing homes for at least 100 days; and (b) required DHFS to submit a report to the Joint Committee on Finance that includes specified information on the initiative.

[Act 25 Sections: 868 and 869]

[Act 25 Vetoed Sections: 869 and 9121(12r)]

5. MANAGEMENT OF CARE AND NURSING SERVICES [LFB Paper 388]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$3,000,000	-\$4,172,200	-\$7,172,200
FED	<u>-7,056,400</u>	<u>-2,675,600</u>	<u>-9,732,000</u>
Total	-\$10,056,400	-\$6,847,800	-\$16,904,200

Governor: Reduce MA benefits funding by \$2,047,400 (-\$607,400 GPR and -\$1,440,000 FED) in 2005-06 and by \$8,009,000 (-\$2,392,600 GPR and -\$5,616,400 FED) in 2006-07 to reflect the administration's estimates of savings that would result by reducing home health care, personal care, and private duty nursing services by MA recipients.

Authorize DHFS, upon the request of a county board, to provide assistance in recruiting and training people to provide personal care services. Define "personal care services" as medically oriented activities related to assisting a person with activities of daily living to maintain the person in his or her place of residence in the community.

Joint Finance/Legislature: Modify the Governor's recommendation by deleting an additional \$3,620,100 (-\$1,783,300 GPR and -\$1,836,800 FED) in 2005-06 and \$3,227,700 (-\$2,388,900 GPR and -\$838,800 FED) in 2006-07 to: (a) establish a savings target equal to 5% of the projected personal care benefits costs in the 2005-07 biennium; and (b) reflect the projected federal financial participation rates in 2005-06 and 2006-07.

In addition, delete the Governor's statutory changes relating to the authority for DHFS to provide assistance in recruiting and training people to provide personal care services and the definition of "personal care services."

Governor's Veto Message [page xxix of the veto message]: In his veto message, the Governor indicates that he is directing the DHFS Secretary to manage the additional reduction adopted by the Joint Committee on Finance across the entire MA program.

6. COMMUNITY OPPORTUNITIES RECOVERY WAIVER [LFB Paper 389]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$77,000	-\$39,000	-\$38,000
FED	<u>-134,700</u>	<u>72,200</u>	<u>-62,500</u>
Total	-\$211,700	\$111,200	-\$100,500

Governor: Reduce funding by \$18,800 (-\$1,200 GPR and -\$17,600 FED) in 2005-06 and by \$192,900 (-\$75,800 GPR and -\$117,100 FED) in 2006-07 to support an initiative to implement a new MA home- and community-based waiver program that would provide services to individuals dually-diagnosed as having mental health and physical health conditions who are relocated from nursing homes to the community. Under the new waiver, DHFS would provide community-based services that are specific to the needs of persons with a mental health diagnosis that is severe, persistent, and that may require periods of intense supervision and support to remain in the community.

Funding. This item would: (a) reduce MA benefits funding by \$48,200 (-\$15,900 GPR and -\$32,300 FED) in 2005-06 and by \$226,700 (-\$92,700 GPR and -\$134,000 FED) in 2006-07 to reflect projected cost savings of providing community-based services to support 25 individuals in 2005-06 and 100 individuals in 2006-07 with a dual-diagnosis of mental health and physical health conditions in the community, rather than continuing to provide care for these individuals in nursing homes; (b) provide \$5,700 GPR and \$5,700 FED in 2005-06 and \$16,900 GPR and \$16,900 FED in 2006-07 to fund ongoing quality assurance reviews; and (c) provide \$18,000 (\$9,000 GPR and \$9,000 FED) in 2005-06 to fund one-time database revision costs.

Statutory Changes. Authorize DHFS to seek a waiver, and if approved, seek an extension of the waiver, from the Secretary of the U.S. Department of Health and Human Services to provide services under a new home- and community-based MA waiver program for persons with a dual diagnosis of mental health and physical health conditions. Authorize DHFS to contract with a county or a private agency to administer the program, if doing so is consistent with the waiver, and specify that a private agency with which DHFS contracts would have the powers and duties of a county under these provisions.

Provide that any MA recipient who has a serious mental illness and who meets nursing home level of care requirements would be eligible to participate in the program, and that funding for services would be paid from the GPR and FED MA benefits appropriations. Authorize DHFS to reimburse a county, from the FED MA benefits appropriation, for providing, or contracting to provide, services that cost more than the average annual per person

rates established by DHFS, but less than the average amount approved by the federal government for the waiver program.

Delete the definition of "physically disabled" as it applies to the community options-waiver program. Define "nursing facility" and "serious mental illness" by cross-referencing federal law.

Add references to the new waiver program in current sections that reference other community-based waiver programs with respect to: (a) delegating authority to collect patient fees to counties and local providers; (b) requiring counties to act as a fiscal agent or contract with a fiscal intermediary to serve as a fiscal agent for clients; (c) counties' use of COP (GPR) funds to support individuals for whom waiver services are available; (d) Family Care functional eligibility requirements; (e) coordination of services under the family support program; (f) MA eligibility and services; and (g) the definition of an "employer," as it relates to Chapter 108 ("Unemployment Insurance") provisions for counties and entities that serve as fiscal agents for waiver clients.

Joint Finance/Legislature: Adopt the Governor's recommendation, but increase funding by \$19,200 (\$3,600 GPR and \$15,600 FED) in 2005-06 and by \$92,000 (\$35,400 GPR and \$56,600 FED) in 2006-07 to reflect a reestimate of the net savings that would be realized under this provision.

[Act 25 Sections: 845, 856, 857, 862, 872, 877, 917, 1153, 1157 thru 1159, and 1840]

7. CHILDREN'S LONG-TERM CARE WAIVER EXPANSION [LFB Paper 390]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$450,000	-\$114,100	\$335,900
FED	<u>608,800</u>	<u>- 150,500</u>	<u>458,300</u>
Total	\$1,058,800	-\$264,600	\$794,200

Governor: Provide \$176,300 (\$74,400 GPR and \$101,900 FED) in 2005-06 and \$882,500 (\$375,600 GPR and \$506,900 FED) in 2006-07 to increase the number of slots available under the children's long-term care waiver program.

The funding would support 10 waiver slots in pilot counties and 10 statewide slots for children in crisis situations in 2005-06 and an additional 35 waiver slots in pilot counties and 25 statewide slots for crisis situations in 2006-07. The children's long-term care waiver program was created under 2003 Wisconsin Act 33 to provide children with developmental disabilities and other long-term care needs family-centered services and a single entry point for eligibility determinations and information in each county. Act 33 provided funding to support 93 waiver slots under the program, beginning in 2004-05.

Joint Finance/Legislature: Modify the Governor's recommendation by: (a) reducing, from 60 slots to 30 slots, the number of additional slots that would be provided in January, 2007, so that a total of 20 slots would be created in 2005-06 and 30 slots would be created in 2006-07; and (b) reestimating federal MA funding available to support these slots, based on revised estimates of federal MA matching rates in the 2005-07 biennium. Reduce funding by \$264,600 (-\$114,100 GPR and -\$150,500 FED) in 2006-07 to reflect these changes.

8. MILWAUKEE MENTAL HEALTH COMPLEX

SEG-REV	\$830,800
GPR	-\$1,507,700
FED	3,715,900
SEG	830,800
Total	\$3,039,000

Governor/Legislature: Provide \$1,414,100 (-\$782,100 GPR, \$1,779,300 FED and \$416,900 SEG) in 2005-06 and \$1,624,900 (-\$725,600 GPR, \$1,936,600 FED and \$413,900 SEG) in 2006-07 to reflect the net fiscal effect of changing the designation of the Milwaukee Mental Health Complex (MMHC) from an institution for mental disease (IMD) to a nursing home. This item reflects the net effect of: (a) increasing MA benefits funding to support services for individuals at MMHC that were previously ineligible for MA-funded services; (b) reducing state supplemental funding that supports services for persons in IMDs; and (c) increasing SEG funding to reflect increased claims the state will make under the nursing home intergovernmental transfer (IGT) program and reducing GPR support for MA benefits by a corresponding amount.

MA Payments for Newly-Eligible Populations at MMHC. Provide \$3,164,300 (\$1,385,000 GPR and \$1,779,300 FED) in 2005-06 and \$3,375,100 (\$1,438,500 GPR and \$1,936,600 FED in 2006-07) to fund MA-eligible services for residents of the MMHC, including: (a) nursing home payments; (b) card costs; and (c) specialized psychiatric rehabilitation services.

Under federal law, residents of IMDs who are 22 years of age or older but have not reached the age of 65 are ineligible for MA-supported inpatient psychiatric services. A nursing home is designated as an IMD if more than 50% of individuals in this age range have a mental illness or developmental disability and require specialized services. In 2003-04, DHFS submitted a state plan amendment to add less-intensive specialized psychiatric rehabilitative services as a benefit under MA. DHFS determined that, because most MMHC residents require the less-intensive psychiatric rehabilitative services, the facility could be reclassified as a nursing home.

Supplemental Funding. Reduce funding currently budgeted for supplemental payments to MMHC by \$1,750,200 GPR annually. The state currently provides a GPR supplement of \$9 per person per day to support the care of individuals who receive specialized mental health services in an institutional setting. The state also provides \$10,914,700 GPR in each fiscal year to assist counties in supporting IMD residents and individuals who are relocated from IMDs or a MA-certified nursing facility to community-based treatment programs.

Nursing Home IGT Revenues. Reduce MA base funding by \$416,900 GPR in 2005-06 and \$413,900 GPR in 2006-07 and increase SEG funding by corresponding amounts to budget

additional federal funds (\$416,900 in 2005-06 and \$413,900 in 2006-07) the state will receive under the nursing home intergovernmental transfer program, which are deposited to the MA trust fund, with this change in designation.

9. CONSTRUCTION COSTS UNDER CIP IA AND CIP IB

Governor: Permit counties to use MA home- and community-based waiver funding under CIP IA and CIP IB to support the costs of construction or the purchase of land if DHFS determines that the purchase of land or construction would be necessary.

Currently, counties are prohibited from using CIP IA and CIP IB funding to do any of the following: (a) purchase land or construct buildings; (b) reduce federal, state, or county matching expenditures for long-term community support services provided to CIP IA participants from certain funds allocated to counties under other programs, such as the retired senior volunteer program; (c) provide room and board, except for respite care; (d) provide services, except respite care that is approved by DHFS, within an institutional facility; (e) provide residential services in a community-based residential facility or group home that has more than four beds; (f) provide services to a recipient that are not specified in the recipient's written plan of care; or (g) provide services in community-based residential facilities unless the county or DHFS uses the approved model service contract or a contract that includes all of the provisions included in the model contract.

Joint Finance/Legislature: Delete provision.

10. FAMILY CARE -- ENTITLEMENT FOR NON-MA ELIGIBLE APPLICANTS

Governor/Legislature: Extend, from January 1, 2006, to January 1, 2008, the latest date on which applicants who meet the functional eligibility requirements of Family Care but are not eligible for MA would be entitled to receive the Family Care benefit by enrolling in a care management organization in participating counties (Fond du Lac, La Crosse, Milwaukee, Portage, and Richland Counties).

Under current law, DHFS is required to determine a date that is before January 1, 2006, after which individuals who are not eligible for MA but who meet Family Care's functional eligibility requirements would be entitled to receive the Family Care benefit in participating counties. Before that date, individuals who are not eligible for MA may receive the Family Care benefit within the limits of state funds budgeted for the program and available federal funds. Effective May 1, 2003, DHFS implemented an enrollment freeze for most new non-MA Family Care eligible persons. As of June 30, 2004, approximately 1.9% of the 8,900 Family Care enrollees were not eligible for MA.

[Act 25 Section: 878]

11. FAMILY CARE -- AUTHORIZE RESOURCE CENTER EXPANSION

Joint Finance/Legislature: Delete the current law provision that prevents DHFS from creating a new Family Care aging and disability resource center unless a local long-term care council developed the initial plan and the Legislature authorized the expansion and the necessary funding to support the expansion. Approve the creation of nine new aging and disability resource centers serving 13 counties in 2005-07. Establish a 14-day passive review requirement, under which DHFS could seek legislative approval for future resource center expansions. Require DHFS to submit, as part of its 2007-09 biennial budget request, a plan to support any costs to continue the operations of all of the aging and disability resource center above the 2006-07 budgeted funding by reallocating funds within the DHFS base appropriations.

Under Family Care, the state supports resource centers and care management organizations. Resource centers provide information, assessments, eligibility determinations, and other preliminary services, while care management organizations manage and provide the Family Care benefit to every person enrolled in the program under a capitated, risk-based payment system. Currently, nine counties operate resource centers (Fond du Lac, Jackson, Kenosha, La Crosse, Marathon, Milwaukee, Portage, Richland, and Trempealeau), while five counties operate care management organizations (Fond du Lac, La Crosse, Milwaukee, Portage, and Richland).

On April 26, 2005, the Governor announced that federal and state funding is available to support the creation of nine aging and disability resource centers, beginning between July, 2005, and October, 2006, in the following areas: (1) Brown County; (2) Barron County; (3) Green County; (4) Wood County (as an expansion to the existing Marathon County resource center); (5) Manitowoc County; (6) Outagamie, Calumet, and Waupaca Counties; (7) Sheboygan County; (8) Waushara, Green Lake, and Marquette Counties; and (9) Forest County.

[Act 25 Sections: 872m thru 872s, 878m, 9121(12k), and (12L)]

12. ICF-MR CONTRACT WITH JEFFERSON COUNTY

Joint Finance/Legislature: Require DHFS and a county with a population of less than 100,000 in which two intermediate care facilities that are licensed as nonprofit organizations and are exempt from federal income taxation are located, to negotiate a rider to the contract between DHFS and each county containing the intermediate care facilities for the mentally retarded (ICFs-MR) funding allocation. Specify that the rider would require DHFS to provide funding for the costs of implementing a community placement plan for an individual who moved to that specified county for the purpose of being admitted to a facility located in that county. Further, specify that the rider may provide for the negotiation of a memorandum of understanding identifying the functions and duties of DHFS and the specified county relative to implementing the community placement plans for residents of the ICF-MR facilities in this county.

Under 2003 Wisconsin Act 33, counties were prohibited from placing individuals with developmental disabilities in ICFs-MR, except under specified circumstances. In addition, Act 33 transferred responsibility for the non-federal share of costs for permissible services provided in ICFs-MR and nursing homes from the state to counties. Beginning in calendar year 2005, DHFS determines an allocation for each county that the county may use to either continue to pay for institutional care or community-based care under the community integration program (CIP) IB. Approximately \$98.8 million (all funds) is budgeted in 2005-06 to support these county allocations.

This provision would apply to Jefferson County. A high percentage of the residents of the Jefferson County facilities, including residents of the Bethesda and St. Coletta facilities, are considered out-of-state residents. Since the Act 33 provisions have the most significant effect on Jefferson County, statutory changes were included in Act 33 to assist Jefferson County in making this transition.

[Act 25 Section: 872g]

13. USE OF CIP FUNDING IN CBRFS

Joint Finance/Legislature: Permit counties to use funding DHFS distributes to provide community-based services to individuals with developmental disabilities under the community integration program (CIP IA and CIP IB) to support residential services in any community-based residential facility (CBRF) or group home that has up to eight beds, without requiring approval from DHFS to provide services in the CBRF or group home.

Under current law, counties may not use MA funding provided under CIP IA or CIP IB to provide residential services to residents of CBRFs or group homes that have more than four beds, unless DHFS approves the provision of services in that setting and the CBRF or home includes five to eight beds. This provision would change the prohibition to apply to CBRFs and group homes that have more than eight beds.

[Act 25 Section: 865m]

Medical Assistance, BadgerCare, and SeniorCare Administration

1. MA CONTRACTS AND CARES FUNDING [LFB Paper 395]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$3,713,200	-\$78,800	\$3,634,400
FED	<u>24,043,900</u>	<u>- 78,800</u>	<u>23,965,100</u>
Total	\$27,757,100	-\$157,600	\$27,599,500

Governor: Provide \$16,687,900 (\$2,690,700 GPR and \$13,997,200 FED) in 2005-06 and \$11,069,200 (\$1,022,500 GPR and \$10,046,700 FED) in 2006-07 to reflect: (a) the administration's estimates of the costs of supporting current MA-related contractual services, including funding DHFS provides to the MA fiscal agent, support for the client assistance for re-employment and economic support system (CARES), and the costs associated with the electronic benefit transfer (EBT) contract for the FoodShare Wisconsin program (formerly, the food stamps program); (b) costs to procure and implement a new MA fiscal agent contract; and (c) several cost saving measures. Total base funding to support these costs is \$86,278,300 (\$34,778,600 GPR and \$51,499,700 FED). Under this item, DHFS would be provided a total of \$102,966,200 (\$37,469,300 GPR and \$65,496,900 FED) in 2005-06 and \$97,347,500 (\$35,801,100 GPR and \$61,546,400 FED) in 2006-07 to support these costs.

Administration Contracts. DHFS would be budgeted \$54,959,600 (\$19,455,000 GPR and \$35,504,600 FED) in 2005-06 and \$55,131,200 (\$19,540,800 GPR and \$35,590,400 FED) in 2006-07 to support costs of the current MA-related contracts, as reestimated by the administration.

CARES. DHFS would be budgeted \$34,457,900 (\$16,578,900 GPR and \$17,879,000 FED) in 2005-06 and \$35,039,900 (\$16,836,100 GPR and \$18,203,800 FED) in 2006-07 to support costs of the share of CARES costs that would be allocated to MA-related programs, as reestimated by the administration. In addition, the bill would transfer \$5,813,700 GPR and \$5,813,700 FED annually from the Division of Health Care Financing's general program operations appropriation to the MA contracts appropriation to consolidate the funding for CARES. CARES is used to determine eligibility for the MA, BadgerCare, SSI caretaker supplement, Family Care, SeniorCare, W-2, and child care programs. CARES costs are comprised of direct and cost-allocated charges, the latter of which DHFS allocates among the supported programs based on the number of recipients enrolled in each program.

FoodShare Wisconsin Electronic Benefits Transfer (EBT). DHFS would be budgeted \$3,116,800 (\$1,558,400 GPR and \$1,558,400 FED) in 2005-06 and \$3,240,600 (\$1,620,300 GPR and \$1,620,300 FED) in 2006-07 to support the EBT contract for the program.

New Fiscal Agent Procurement and Implementation. The bill would provide \$12,750,000 (\$1,275,000 GPR and \$11,475,000 FED) annually to procure and implement a new Medicaid management information system (MMIS) and fiscal agent contract. The fiscal agent contract represents the largest component of the non-CARES MA administration costs. The current fiscal agent, Electronic Data Systems, Inc. (EDS) provides a variety of services, including processing claims, distributing MA eligibility cards, reviewing prior authorization requests, managing pharmacy point-of-sale systems, collecting BadgerCare premiums, coordinating benefits, and maintaining the MMIS. DHFS has contracted with EDS since 1991, and will award the new contract to EDS.

Cost Savings Measures. The bill would reduce base funding by \$2,318,100 (-\$1,398,000 GPR and -\$920,100 FED) in 2005-06 and by \$8,814,200 (-\$3,471,100 GPR and -\$5,343,100 FED) in 2006-07 to reflect: (a) reduced contract costs because the fiscal agent will process fewer drug claims with the enactment of the Medicare Part D drug benefit; (b) reduced fiscal agent contract costs due to renegotiations and the implementation of a new contract; and (c) funding fiscal agent implementation costs with a master lease.

Joint Finance/Legislature: Reduce funding by \$58,600 (-\$29,300 GPR and -\$29,300 FED) in 2005-06 and by \$99,000 (-\$49,500 GPR and -\$49,500 FED) in 2006-07 to reflect reestimates of the costs of the FoodShare EBT contract in the 2005-07 biennium.

2. MA ELIGIBILITY QUALITY ASSURANCE [LFB Paper 396]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$9,536,300	0.50	-\$31,900	0.00	-\$9,568,200	0.50
FED	-14,043,100	0.50	25,900	0.00	-14,017,200	0.50
PR	56,600	0.00	-56,600	0.00	0	0.00
Total	-\$23,522,800	1.00	-\$62,600	0.00	-\$23,585,400	1.00

Governor: Reduce funding by \$5,452,200 (-\$2,153,000 GPR, -\$3,313,600 FED, and \$14,400 PR) in 2005-06 and by \$18,070,600 (-\$7,383,300 GPR, -\$10,729,500 FED, and \$42,200 PR) in 2006-07 and provide 1.0 position (0.5 GPR position and 0.5 FED position), beginning in 2005-06, to implement a quality assurance program for MA, BadgerCare, and SeniorCare eligibility determinations.

Expand MA Second-Party Review. Provide \$315,000 (\$157,500 GPR and \$157,500 FED) in 2005-06 and \$630,000 (\$315,000 GPR and \$315,000 FED) in 2006-07 to support local income maintenance (IM) agencies' costs of conducting second-party (supervisor) reviews of eligibility determinations for at least two MA cases per eligibility worker per month, or approximately 24,000 cases a year. Provide \$23,800 (\$11,900 GPR and \$11,900 FED) in 2005-06 and \$48,000 (\$24,000 GPR and \$24,000 FED) in 2006-07 to support 1.0 contracted quality assurance analyst position to analyze the data from the reviews and to identify corrective actions.

State Quality Control Reviews. Provide \$374,000 (\$187,000 GPR and \$187,000 FED) in 2005-06 and \$658,800 (\$329,400 GPR and \$329,400 FED) in 2006-07 and 1.0 supervisor position (0.5 GPR position and 0.5 FED position) to support and oversee 12.0 contract quality control review positions and 2.0 quality analyst contract positions to conduct reviews under the new federal Medicaid eligibility quality control (MEQC) review requirements. The MEQC requirements are expected to include a review of randomly selected MA, BadgerCare, and SeniorCare cases for accurate eligibility and benefit determinations and to identify the state's error rate in these areas.

Corrective Action and Technical Assistance. Provide \$472,600 (\$236,300 GPR and \$236,300 FED) in 2005-06 and \$629,800 (\$314,900 GPR and \$314,900 FED) in 2006-07 to support 12.0 contract positions for payment accuracy activities and 2.0 contract positions to provide training. These contracted positions would provide on-site support and training for local income maintenance (IM) agencies to assist in the implementation of corrective measures to improve accuracy in eligibility determinations.

IRS/PARIS Data Exchange. Provide \$222,800 (\$111,400 GPR and \$111,400 FED) in 2005-06 and \$95,800 (\$47,900 GPR and \$47,900 FED) in 2006-07 to support 2.0 contracted positions to access the Internal Revenue Service (IRS) and the public assistance reporting information system (PARIS) data exchange systems and the costs associated with making changes in the state's eligibility determination system (CARES) to reflect the use of these systems. The IRS and PARIS systems can provide additional information on assets and income that a recipient may be receiving and should be included when determining an individual's eligibility status for IM programs.

Revise MA Verification Policy. Provide \$175,000 (\$87,500 GPR and \$87,500 FED) annually to support local IM agencies' costs of implementing the following statutory changes.

Specify that DHFS, a county department of social or human services, or a tribe may request from any person in this state information it determines appropriate and necessary for determining or verifying eligibility or benefits for a recipient under any IM program. Specify that the person must make a good faith effort to provide this information within seven days of receiving the request for information, unless: (a) access to the information is prohibited or restricted by law; or (b) the person has good cause, as determined by DHFS in accordance with federal law and regulations, for refusing to cooperate. Prohibit DHFS, a county department, or tribe, or employees of any of them, from disclosing this information for any purpose not connected with the administration of the IM program for which the information was requested.

Specify that DHFS, a county department, or tribe may issue a subpoena to compel the production of financial information or other documentary evidence for determining or verifying eligibility or benefits for a recipient under any IM program. Require DHFS, a county department, or tribe, in conjunction with any request for information, including a request made by subpoena, to advise the person of the time by which the information must be provided.

Specify that a person is not liable to any person for any of the following: (a) allowing DHFS, a county department, or tribe, access to financial or other records in response to a

request or subpoena for information, as described above; (b) disclosing information from financial or other records to DHFS, a county department, or tribe in response to a request or subpoena for information; or (c) any other action taken in good faith to comply with this provision, a subpoena, or a request for information or access to records from DHFS, a county department, or tribe for determining or verifying eligibility or benefits for a recipient under any IM program.

Reduction of Funding for Benefits in MA, BadgerCare, and SeniorCare. Reduce MA, BadgerCare, and SeniorCare benefits funding by \$7,057,900 (-\$2,956,000 GPR and -\$4,101,900 FED) in 2005-06 and \$20,348,100 (-\$8,522,500 GPR and -\$11,825,600 FED) in 2006-07 to reflect the Governor's estimates of benefit cost savings that would result by implementing these activities.

IM Activities. Provide \$22,500 (\$11,400 GPR, -\$3,300 FED, and \$14,400 PR) in 2005-06 and \$40,100 (\$20,500 GPR, -\$22,600 FED, and \$42,200 PR) in 2006-07 to support unspecified IM activities.

Joint Finance/Legislature: Reduce funding by \$22,500 (-\$11,400 GPR, \$3,300 FED, and -\$14,400 PR) in 2005-06 and by \$40,100 (-\$20,500 GPR, \$22,600 FED, and -\$42,200 PR) in 2006-07 for unspecified IM activities to correctly reflect the level of funding that would be provided for MA eligibility quality assurance activities. The federal funds are MA matching funds and the PR funding are temporary assistance for needy families (TANF) funds transferred from the Department of Workforce Development (DWD) to DHFS.

[Act 25 Section: 1190]

3. ONE-TIME USE OF UTILITY PUBLIC BENEFITS FUNDING FOR INCOME MAINTENANCE CONTRACTS [LFB Paper 100]

FED	\$1,762,200
SEG	1,909,000
Total	\$3,671,200

Joint Finance/Legislature: Provide \$1,835,600 (\$881,100 FED and \$954,500 SEG) in both 2005-06 and 2006-07 from the utility public benefits fund to support a one-time increase for income maintenance (IM) contracts, in calendar year 2006. Create a SEG annual appropriation in DHFS for this purpose. (See also "Administration -- General Agency Provisions.")

In calendar year 2005, DHFS allocated \$50.7 million to counties and tribes to support the base administrative costs of determining eligibility for the IM programs. This funding supports the eligibility determination and management functions associated with several federal and state programs, including MA, BadgerCare, FoodShare, SSI caretaker supplement, Family Care and the cemetery, funeral, and burial aids program. The calendar year 2005 allocation includes a \$4.1 million supplemental allocation that will not be available in calendar year 2006. Under this item, calendar year 2006 IM allocations would be \$50.3 million (all funds).

[Act 25 Sections: 321f, 321g, 1189, 1189m, and 9421(11f)]

4. CEMETERY, FUNERAL, AND BURIAL AIDS [LFB Paper 397]

Governor: Modify a current provision that requires DHFS to reimburse counties and tribes for funeral, burial, and cemetery costs incurred for deceased, indigent individuals to instead require DHFS to provide these reimbursements to the extent that funds are available for this purpose. Under current law, DHFS is required to reimburse counties and tribes for funeral and burial expenses (up to \$1,500 per individual) and cemetery expenses (up to \$1,000 per individual) for deceased individuals who were receiving W-2, SSI benefits, or MA and whose estates are insufficient to pay these expenses. In 2003-04, DHFS reimbursed counties and tribes for \$5,559,900 from the appropriation that supports this program and county income maintenance activities.

Joint Finance/Legislature: Delete provision. Instead, require counties and tribes to report to DHFS, as a condition for reimbursement under the cemetery, funeral, and burial aids program, for each deceased individual for whom counties and tribes seek reimbursement: (a) the total cemetery costs, if any; (b) the total funeral and burial costs, if any; and (c) the amount the county or tribe paid for each of these types of costs. Require counties and tribes to submit these data, beginning for eligible cemetery, funeral, and burial reimbursements received by counties on and after January 1, 2006.

[Act 25 Sections: 1191, 1191c, 9321(9e), and 9421(12e)]

5. THIRD-PARTY LIABILITY RECOVERIES

GPR	- \$2,987,500
FED	- 4,092,500
Total	- \$7,080,000

Governor: Reduce funding by \$3,490,000 (-\$1,461,100 GPR and -\$2,028,900 FED in 2005-06 and by \$3,590,000 (-\$1,526,400 GPR and -\$2,063,600 FED) in 2006-07 to reflect the net effect of: (a) the cost of contracting with an outside entity to perform additional third-party liability identification and recovery activities (\$75,000 GPR and \$75,000 FED in 2005-06 and \$25,000 GPR and \$25,000 FED in 2006-07); and (b) an increase in third-party liability recoveries, which would reduce MA benefits costs by an estimated \$3,640,000 annually (-\$1,536,100 GPR and -\$2,103,900 FED) in 2005-06 and -\$1,551,400 GPR and -\$2,088,600 FED in 2006-07). Currently, DHFS identifies third-party liability by matching MA eligibility files against 80 of the major insurance carriers in Wisconsin. Under this item, a vendor would access a broader base of insurance coverage, including self-funded insurers, to identify third-party liability for costs that would otherwise be paid by MA.

Joint Finance/Legislature: Adopt the Governor's provision. However, transfer \$360,000 (\$180,000 GPR and \$180,000 FED) in 2005-06 and 2006-07 from the MA benefits appropriations to the MA contracts appropriations to budget funding DHFS would pay a contracted entity to perform additional third-party liability identification and recovery activities from the correct appropriations.

6. INCREASE MA FRAUD PREVENTION ACTIVITIES

GPR	- \$2,421,400
FED	- 3,278,600
Total	- \$5,700,000

Governor/Legislature: Reduce funding by \$1,900,000 (-\$801,800 GPR and -\$1,098,200 FED) in 2005-06 and by \$3,800,000 (-\$1,619,600 GPR and -\$2,180,400 FED) in 2006-07 to reflect the net effect of: (a) a projected decrease in MA benefits costs that would result by contracting with a vendor, on a contingency basis, to conduct additional fraud prevention and recovery of overpayment activities (-\$1,002,200 GPR and -\$1,372,800 FED in 2005-06 and -\$2,024,500 GPR and -\$2,725,500 FED in 2006-07); and (b) paying the vendor, from funding budgeted for MA benefits, a contingency fee equal to approximately 20% of the savings in MA benefits costs resulting from these activities (\$200,400 GPR and \$274,600 FED in 2005-06 and \$404,900 GPR and \$545,100 FED in 2006-07). Under this item, the vendor would use data systems to identify fraud, ensure proper coding and billing of services, identify overpayments, and seek recoveries of overpayments.

7. INSURANCE COORDINATION FOR INDIGENTS [LFB Paper 121]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$250,000	\$250,000	\$0
FED	- 340,300	340,300	0
Total	- \$590,300	\$590,300	\$0

Governor: Reduce MA benefits funding by \$590,300 (-\$250,000 GPR and -\$340,300 FED) in 2006-07 to reflect anticipated savings the administration expects to realize from coordinating insurance benefits for MA recipients served by a new indigent civil legal services grant program administered by the Office of Justice Assistance. [For additional information on the grant program, see "Administration -- Office of Justice Assistance."]

Joint Finance/Legislature: Delete provision.

8. RECOVERY OF MA AND BADGERCARE OVERPAYMENTS

PR-REV	\$70,700
PR	\$70,700

Governor/Legislature: Provide \$70,700 PR in 2006-07 to reflect a projected increase in state collections of MA and BadgerCare overpayments that would result by implementing the following statutory changes: (a) permitting DHFS to recover overpayments that result when a recipient fails to report financial or non-financial changes in the recipient's situation or changes in other eligibility characteristics that would effect the recipient's eligibility for benefits or cost-sharing requirements, outside of the initial application or the annual review; and (b) authorizing DHFS to use an expedited system to acquire court orders to initiate MA and BadgerCare recoveries through tax intercepts. Total projected increases in the collection of MA and BadgerCare overpayments of \$256,000 would be distributed as follows: \$38,400 to counties, \$70,700 to DHFS, and \$146,900 to the federal government. The state's portion of overpayment collections supports county program integrity activities and fraud investigations.

Reporting Changes that Affect Eligibility. Currently, DHFS recovers overpayments from MA and BadgerCare recipients only when: (1) a misstatement or omission of fact at the time of application or review occurs; or (2) the MA or BadgerCare recipient fails to report additional income or assets that would affect eligibility for benefits. DHFS does not currently seek recoveries of overpayments when a recipient fails to report other changes in his or her circumstances that would affect the recipient's eligibility, such as changes in residency, household composition, or insurance coverage.

Tax Intercept. Until April, 2004, DHFS obtained certifications for tax intercepts from the Department of Revenue to recover MA and BadgerCare overpayments to recipients from tax refunds, the homestead credit, lottery winnings, or other credits. This practice ceased because, under federal law, DHFS is required to obtain a court order to authorize tax intercepts, and it is not cost effective for counties to seek the court order, given the current statutory requirements. The bill would permit DHFS to: (a) issue an order to compel payment when a MA or BadgerCare recipient fails to pay a recovery; (b) submit the order to the circuit court to obtain a judgment, without providing notice to the recipient, if the order is not contested; and (c) once the court order has been obtained, certify to the Department of Revenue, at least annually, the amounts that DHFS determined it may recover to begin the tax intercept process. Under the bill, DHFS could not certify any amounts for collection unless a judgment to support the order has been rendered by a circuit court and DHFS' determination is not under appeal.

The provisions relating to reporting requirements would first apply to incorrect payments made on the general effective date of the budget bill, while the provisions relating to recoveries would first apply to incorrect payment recoveries that begin on the general effective date of the budget bill.

[Act 25 Sections: 315, 1167 thru 1173, 1198, 1199, and 9321(5)]

9. BADGERCARE -- EMPLOYER'S RESPONSIBILITY TO PROVIDE INSURANCE INFORMATION FOR BADGERCARE ELIGIBILITY VERIFICATION

Joint Finance/Legislature: Require DHFS to mail health insurance forms to the employer or employers of each applicant for BadgerCare benefits. Require each employer to complete and return the form.

Create a forfeiture of \$50 and allow DHFS to levy a penalty assessment of \$50 for each application the employer fails to return to DHFS, postmarked within 30 working days after the health insurance verification form is mailed to the employer by the CARES system. As an alternative method, the employer may, within 30 days after the date on which DHFS mailed the form to the employer, return the completed form by any electronic means approved by DHFS. Provide that the maximum forfeiture and penalty assessments an employer of less than 250 people would be required to pay would be \$1,000 per six-month period and the maximum forfeiture and penalty assessments an employer of 250 or more people would be required to pay would be \$15,000 per six-month period. Provide that the forfeiture revenue be deposited to the

common school fund, and that penalty assessment revenue be credited to the DHFS appropriation that supports BadgerCare benefits costs. Modify this appropriation to reflect this source of funding to support BadgerCare benefits. Provide that any employer could contest the forfeiture to the DOA Division of Hearings and Appeals.

[Act 25 Sections: 314c, 1186bc, 1186c, and 9421(1)]

HIRSP and Public Health

1. HIRSP -- BENEFITS AND ADMINISTRATION [LFB Paper 400]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	-\$44,519,400	\$44,519,400	\$0

Governor: Reduce funding by \$37,827,200 in 2005-06 and by \$6,692,200 in 2006-07 to reflect a reestimate of benefits that will be paid by the health insurance risk-sharing plan (HIRSP) and the costs of administering the plan in the 2005-07 biennium, based on current law. HIRSP provides major medical insurance coverage to Wisconsin residents with adverse medical histories and others who cannot obtain affordable health coverage from the private sector.

Benefits. Reduce funding by \$39,621,900 in 2005-06 and \$8,741,300 in 2006-07 to reflect the administration's estimates of benefit claims in 2005-06 and 2006-07. In 2003-05, the program experienced caseload growth well under the caseload increase projected in the 2003-05 biennial budget. The administration expects the average monthly enrollment to increase by approximately 8% in both 2005-06 and 2006-07 from approximately 19,400 in 2004-05, to 21,000 in 2005-06 and 22,700 in 2006-07. Base funding for benefits is \$187,465,200.

Administration. Increase funding by \$1,794,700 in 2005-06 and \$2,049,100 in 2006-07 to support projected increases in the costs of administering HIRSP. HIRSP administrative costs include expenses for plan administration, policy management, actuarial services, DHFS administration, medical consultants, postage, and legal and referral fees. Base funding for administration is \$5,041,400.

Joint Finance/Legislature: Delete provision.

2. **HIRSP -- PHARMACY REIMBURSEMENT, ENROLLEE COST-SHARING, AND RULE REQUIREMENTS**

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	-\$4,370,500	\$4,370,500	\$0

Governor: Reduce funding by \$1,299,100 in 2005-06 and \$3,071,400 in 2006-07 to reflect estimated savings that would result by reducing rates paid to pharmacies and modifying enrollee cost-sharing requirements for drugs purchased under HIRSP.

Reimbursement to Pharmacies. Effective October 1, 2005, repeal the requirement that HIRSP pay pharmacies the same rates the state pays for prescription drugs purchased under the state's medical assistance program. Instead, specify that the rates would be set by DHFS, subject to the approval of the HIRSP Board of Governors.

Enrollee Copayments and Out-of-Pocket Limits. Delete the Department's authority to establish by rule, for prescription drug coverage, copayment amounts, coinsurance rates and copayment and coinsurance out-of-pocket limits over which the plan will pay 100% of covered costs, with the Board's approval. Instead, authorize DHFS to establish a three-tiered copayment structure for prescription drugs, under which the copayment out-of-pocket limit for prescription drugs over which the plan would pay 100% of covered costs would be limited to \$300 (for persons also covered by Medicare) or \$300 or \$400 (for other persons, depending upon the coverage they select). Permit DHFS to establish that only certain copayment amounts would count toward the out-of-pocket limit. Authorize DHFS to change the maximum out-of-pocket limit by rule.

Authorize DHFS to promulgate emergency rules relating to these provisions for the period before the effective date of any permanent rules it promulgates, without making a finding of emergency for promulgating a rule as an emergency rule. Provide that these provisions would first apply to prescription drug coverage on July 1, 2006.

Under current law, all HIRSP policyholders pay copayments equal to 20% of the cost of the drug, up to a maximum of \$25 per prescription. Under current law, the out-of-pocket maximum for enrollees depends upon the plan in which they are enrolled. The maximums, by plan, are: (a) from \$375 to \$750 for Plan 1A enrollees--depending on the enrollee's income level; (b) \$1,000 for Plan 1B enrollees; and (c) \$125 for Plan 2 enrollees.

Rule Requirements for Premiums, Insurer Assessments and Provider Payment Rates. Repeal the current requirement that DHFS promulgate rules to set or adjust HIRSP premium rates, insurer assessments, and provider payment rates.

Joint Finance/Legislature: Delete provision.

3. HIRSP -- PLAN 2 DEDUCTIBLE [LFB Paper 401]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	-\$705,700	\$705,700	\$0

Governor: Reduce funding by \$222,900 in 2005-06 and by \$482,800 in 2006-07 to reflect the estimated savings in benefits costs that would result by making the following statutory change.

Provide that, if the covered costs incurred in a calendar year by an eligible person who is eligible for Medicare exceed the deductible for major medical expense coverage (the Medicare Part A deductible) or \$2,000, whichever is less, the plan would pay 100% of any additional covered costs incurred by the person during the calendar year. Delete a current provision that states that, if the aggregate of the covered costs not paid by the plan and the deductible exceeds \$500 for an enrollee receiving Medicare, the plan must pay 100% of all covered costs incurred by the person during the calendar year. Provide that these changes would take effect on January 1, 2006.

Currently, the statutes provide that if the covered costs incurred by an eligible person (regardless of whether the person is eligible for Medicare) exceed the deductible for major medical expense coverage, the plan must pay at least 80% of any additional costs incurred by the person during the calendar year. However, current law contains a conflicting provision that requires the plan to pay all covered costs for Medicare recipients that exceed \$500. DHFS currently interprets this inconsistency to limit the Plan 2 deductible to \$500 per year. This provision would reduce plan costs, which are supported 60% from policyholders, but increase costs paid by Plan 2 policyholders by a corresponding amount.

Joint Finance/Legislature: Delete provision.

4. HIRSP -- ELIGIBILITY FOR CERTAIN MA RECIPIENTS

Governor: Provide that the following MA-eligible persons are also eligible for coverage under HIRSP: (a) individuals participating in the MA family planning demonstration waiver, which provides family planning services for low-income women who are not eligible for full MA benefits; (b) individuals who are not U.S. citizens who receive care and services for the treatment of emergency medical conditions; (c) individuals who are infected with tuberculosis who meet income and resource requirements for the supplemental security income (SSI) program; (d) individuals who receive ambulatory prenatal care services under MA following a presumptive MA eligibility determination; and (e) certain individuals who are eligible for both Medicare and Medicaid for whom the MA program pays certain premium, coinsurance and deductible payments. Under current law, no MA-eligible person is also eligible for coverage under HIRSP.

In addition, specify that persons who are eligible for the following programs or benefits

are ineligible for HIRSP coverage: (a) MA home- and community-based waiver programs; (b) MA provided as part of the Family Care benefit; (c) services provided under the children's long-term care services waiver or the autism spectrum disorder waiver; (d) services provided under the program for all-inclusive care for the elderly (PACE); (e) services provided under the Wisconsin Partnership Program; and (f) BadgerCare. Under current law, persons eligible for these programs are not specifically prohibited from participating in HIRSP, although each of these programs are supported partially with MA funds.

Joint Finance/Legislature: Delete provision.

5. HIRSP -- DEDUCTIBLE SUBSIDY

Governor: Remove the amounts paid by insurers and providers for deductible and prescription drug copayment subsidies from inclusion in the amount in the statutory formula for setting the 60 percent of HIRSP operating costs that are paid by HIRSP enrollees in the form of premiums.

Premiums paid by HIRSP enrollees cover 60 percent of the operating costs of the HIRSP program. The remaining 40 percent of HIRSP costs are paid in equal parts through insurer assessments and provider payment rate discounts. Premiums, deductibles, and prescription drug copayments for low-income HIRSP enrollees are subsidized by increasing the amounts paid by providers and insurers.

Under current law, the formula for setting HIRSP enrollee premiums includes the premium, deductible, and prescription drug subsidy amounts received from providers and insurers. As a result, HIRSP enrollees receive credit twice for deductible and drug copayment subsidies: once when the amount of the total HIRSP program costs to be split 60/40 is determined; and again when determining the net premium to be paid. By removing the deductible and drug copayment subsidies from inclusion in the amount in the formula that determines 60 percent of HIRSP's operating costs, the subsidies would not be double-counted. As a consequence, under the revised formula, HIRSP enrollee premiums would increase by an amount equivalent to the amount of the deductible and copayment subsidies. Under the bill, the statutory formula would still include the premium subsidies paid by insurers and providers.

Joint Finance/Legislature: Delete provision.

6. HIRSP -- CASE MANAGEMENT PILOT PROGRAM

Governor: Eliminate a requirement in current law that DHFS contract with a private, nonprofit, integrated health care system to conduct a three-year pilot program to provide community-based case management services to no more than 300 eligible individuals.

Joint Finance/Legislature: Delete provision. However, this change is included below.

7. **HIRSP -- CONVERSION TO A PRIVATE NONPROFIT ORGANIZATION**

	Funding	Positions
SEG	-\$305,800,100	- 4.83

Joint Finance: Reduce funding for HIRSP benefits and operations by \$113,307,400 in 2005-06 and \$192,492,700 in 2006-07 and delete 4.83 positions, beginning on January 1, 2006. Transfer responsibility for administering HIRSP to a private, nonprofit association governed by a board of directors empowered to make benefit, eligibility, cost containment, administrative and other changes to the program. The transfer of HIRSP administration to the new board would take effect on January 1, 2006.

Eliminate the separate, nonlapsible HIRSP fund managed by the State of Wisconsin Investment Board. Transfer the unencumbered assets of the fund to the HIRSP plan administered by the nonprofit association effective January 1, 2006. Transfer the unencumbered balances in the appropriation accounts for HIRSP administration and benefits to the HIRSP plan administered by the nonprofit association effective January 1, 2006.

Transform HIRSP into a legally distinct, nonprofit organization governed by a board of directors empowered to make benefit, eligibility, cost containment, administrative, and other changes to the program. Require that, no later than September 1, 2005, the Commissioner of Insurance nominate 13 individuals to serve as the initial directors of the board of the new organization including: four representatives of participating insurers; four health care provider representatives, including one representative of the Wisconsin Medical Society, one representative of the Wisconsin Hospital Association, one representative of the Pharmacy Society of Wisconsin, and one representative of a health care provider that provides services to persons with coverage under the plan; and, among the remaining five members, at least one who represents small businesses that provide health insurance, and at least one who has coverage under the plan. Board members are to be confirmed by the Senate.

Direct that the board form a private, nonprofit organization under Chapter 181 of the statutes and take all actions necessary to exempt the organization from federal taxation. Specify that the organization is exempt from state income taxation. The board would assume HIRSP administrative duties exercised under current law by DHFS, the HIRSP board, or the HIRSP plan administrator.

Direct the Commissioner of Insurance to assess insurers and enforce assessments. Create an appropriation in OCI to which the assessments would be deposited and from which the assessment revenue would be paid to the new nonprofit organization. Policyholder premiums and insurer assessments would be paid into a fund, which would be outside the state treasury. The board would control the assets of the fund and select regulated financial institutions in which to establish accounts. The board would pay the operating expenses of the HIRSP plan from the fund. As a condition for the release of the assessment revenue from OCI, the organization, through the board, would agree to administer the plan in conformance with Chapter 149 of the statutes. Provide that no cause of action may arise against and no liability may be imposed upon the organization, plan, or board; or any agent, employee, or director of any of them; or contributor insurers; or the Commissioner; or any of the Commissioner's agents,

employees, or representatives, for any act or omission by any of them in the performance of their powers and duties under Chapter 149 of the statutes.

Continue eligibility for all persons currently eligible for HIRSP. Provide that, to be eligible to enroll in HIRSP as a result of having health insurance coverage rejected, an individual must submit notices of rejection from two or more insurers. Authorize the HIRSP board of directors to establish criteria that would enable additional persons to be eligible for coverage under the plan, as long as the board ensures that the expansion of eligibility is consistent with the purpose of the plan to provide health care coverage for those who are unable to obtain health insurance in the private market and does not endanger the solvency of the plan. Define "resident," in part, as a person who has been legally domiciled in this state for a period of at least six months. Specify that a person is not eligible for coverage under the plan if the person is eligible for the following medical assistance-related programs: (a) services under a medical assistance waiver; (b) a community integration program for residents of state centers; (c) a community integration program for persons relocated or meeting reimbursable levels of care; (d) a community integration program and brain injury waiver program for persons with developmental disabilities; (e) medical assistance as part of a family care benefit; (f) a specified pilot program for long-term care of children with disabilities; (g) a specified autism spectrum disorder waiver program; (h) services provided under the program of all-inclusive care for persons aged 55 or older authorized under 42 USC 1396u-4; (i) services provided under the demonstration program under a federal waiver authorized under 42 USC 1315; and (j) health care coverage under BadgerCare.

Require the board to determine the design of the plan, including the covered expenses, expenses excluded from coverage, deductibles, copayments, coinsurance, out-of-pocket limits, and coverage limitations. Policies designed by the board would be subject to OCI approval, and OCI could disapprove any policy designed by the board that has a benefit design that is not comparable to a typical individual health insurance policy offered in the private sector market in the state. Repeal statutory sections related to coverage exclusions, prescription drug coverage, deductibles, copayments, coinsurance, and out-of-pocket limits, premium rates, and preexisting conditions. Direct the board to establish provider payment rates for covered expenses, including pharmacy expenses, that consist of the allowable charges paid under MA for the services plus an enhancement determined by the board. Repeal a provision directing that DHFS, by rule, apply to HIRSP the same utilization and cost control procedures that apply under MA rules promulgated by DHFS. For HIRSP enrollees eligible for Medicare, coverage would be limited to those benefits not paid by Medicare Part A, B, or D. Direct the board to seek to qualify HIRSP under federal regulations as a state pharmacy assistance program (SPAP) -- which is a program that provides senior citizens and individuals with disabilities increased access to prescription drugs. If HIRSP were designated as a SPAP, drug costs paid by HIRSP for Plan 2 enrollees would count toward the enrollees' coinsurance requirement in the Part D benefit "coverage gap" -- that is, the difference between the initial Part D coverage limit and the catastrophic threshold. Provide for a \$1 million lifetime benefit maximum.

Direct that plan costs be paid 60 percent from enrollee premiums. Repeal the requirements that premiums be set no lower than 140 percent, nor higher than 200 percent, of

the amount that would be charged under an individual policy providing substantially the same coverage. Repeal the criteria for setting Plan 2 rates. Continue to provide that 20 percent of plan costs be paid through insurer assessments, and 20 percent from adjustments to provider payment rates. Require the board to provide for subsidies for premiums, deductibles, and copayments for eligible persons with household incomes below a level established by the board. Provide that any premium and deductible subsidy costs would be split among policyholders, insurers, and providers according to the same 60/20/20 percent allocation of other HIRSP plan costs.

Repeal the plan administrator provision and direct that the board adopt policies to administer the HIRSP statute, including the authority to delegate any part of its powers or procedures. This includes the authority to contract for plan administration. Direct DHFS to terminate the existing plan administrator contract and provide that the nonprofit organization assuming the responsibility for administering HIRSP contract with the same plan administrator under the same terms and conditions.

Require the board to annually report to the Legislature and the Governor on the operation of the plan. The board would: (a) perform all eligibility and administrative claims payment functions; (b) establish a premium billing procedure for collecting premiums from insured persons; and (c) perform all necessary functions to assure timely payment of benefits to covered persons under the plan.

Delete current provisions relating to the case management pilot program upon passage of the bill. [The Governor had also recommended this change. See Item #6.]

Eliminate the DHFS appropriation for HIRSP administrative services and delete the 4.83 SEG positions paid from the appropriation, effective January, 1, 2006. The private, nonprofit organization would have the authority to hire staff to administer the HIRSP program.

Senate/Legislature: Include provision. In addition, prohibit the new board of directors from establishing plan rates that exceed 200 percent of rates applicable to individual standard risks.

Veto by Governor [C-2]: Delete all of these provisions, including the new appropriation for OCI to pay the Board revenues it collects from insurer assessments (\$25,171,800 PR in 2005-06 and \$39,292,800 PR in 2006-07). However, the Governor is unable to restore SEG funding and positions in DHFS that had been deleted in Enrolled AB 100 as part of this proposal. The fiscal effect of the Governor's partial veto is summarized under "Insurance."

[Act 25 Section: 1154]

[Act 25 Vetoed Sections: 140 (as it relates to s. 20.145(5)), 156w, 320p, 320r, 522c, 535m, 535p, 535r, 1286c, 1354L, 1406f, 2032m thru 2065, 2429c thru 2429r, 9121(13p), 9221(3p), 9321(4L), 9321(4p), 9341(19p), and 9421(5p)]

8. EMERGENCY MEDICAL SERVICES GRANTS [LFB Paper 402]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$4,400,000	\$4,400,000	\$0
SEG	<u>4,400,000</u>	<u>-4,400,000</u>	<u>0</u>
Total	\$0	\$0	\$0

Governor: Provide \$2,200,000 SEG annually and delete an equal amount of GPR annually for emergency medical services grants, to reflect the conversion of the funding source for the program from the general fund to the transportation fund. DHFS provides these funds to: (a) ambulance services to purchase emergency services vehicles, equipment and supplies; and (b) to fund emergency medical technician (EMT) training and examination costs.

In addition, make the following changes relating to the funding DHFS distributes for EMT training and examination costs. First, direct DHFS to provide this funding to ambulance service providers to purchase the training required for licensure and renewal of licensure as an EMT-basic and to pay for the administration of the examination required for licensure as an EMT-basic. Second, require that, as a condition of relicensure, each ambulance service provider submit to DHFS a financial report on the expenditure of funds it receives for this purpose. Finally, require the Emergency Medical Services Board to recommend a formula for disbursing the funds for training and examination costs among ambulance service providers.

Under current law, DHFS distributes a portion of the grant funding to entities, including technical college districts, to provide training programs and examinations that fulfill the EMT-basic licensure and re-licensure requirements.

The funding change for this program is part of an initiative to convert several appropriations outside the Department of Transportation from the general fund to the transportation fund. A summary listing of these appropriations is included in a related item titled "Transfer from the Transportation Fund to the General Fund," which can be found under the Transportation Finance section of the Department of Transportation.

Joint Finance/Legislature: Restore \$2,200,000 GPR annually and delete an equal amount of SEG to reflect the restoration of funding for the program from GPR, rather than the transportation fund.

In addition, modify the Governor's recommendation relating to the distribution of funds to specify that the funding for EMT training and licensure examinations be distributed to ambulance service providers that are public agencies, volunteer fire departments, or nonprofit corporations. In addition, delete a current statutory provision that prohibits entities that offer courses an individual needs to be licensed, or to have a license renewed, as an emergency medical technician - basic from charging an individual a fee for the course if the individual is: (a) employed by, or affiliated with a public agency, volunteer fire company or nonprofit corporation; and (b) the holder of a license or training permit as an emergency medical technician - basic, or eligible to hold such a license or training permit.

[Act 25 Sections: 220, 324, 710, 2026r, and 2028 thru 2030]

9. HEALTH CARE INFORMATION [LFB Paper 106]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	-\$500,000	-2.20	\$500,000	2.20	\$0	0.00

Governor: Reduce funding by \$250,000 annually and delete 2.2 positions, beginning in 2005-06, to reflect the transfer of 2.2 positions and funding currently budgeted in the DHFS Bureau of Health Information to the Department of Administration (DOA) to support the activities of the Health Care Quality and Patient Safety Board, which would be created in the bill.

Eliminate the Board on Health Care Information. Effective October 1, 2005, eliminate the Board on Health Care Information and delete all statutory references to the Board.

Transfer \$250,000 annually and 2.2 positions, beginning in 2005-06, to the Department of Administration (DOA) to support the Health Care Quality Improvement and Patient Safety Board, as created in the bill. [Provisions relating to the new Board are summarized under "Administration -- General Agency Provisions."] Provide that: (a) the assets and liabilities of DHFS primarily related to the functions of the Board, as determined by the DOA Secretary, are transferred to DOA; (b) all incumbent employees holding positions in DHFS performing duties primarily related to the Board are transferred to DOA, and that they have all of the same labor and employment relations rights and status following the transfer as they enjoyed immediately before the transfer; (c) all tangible property, including records, of DHFS that is primarily related to the Board is transferred to DOA; (d) all contracts entered into by DHFS in effect that are primarily related to the functions of the Board remain in effect and are transferred to DOA, which must carry out any obligations under the contract until it is modified or rescinded by DOA to the extent allowed under the contract; (e) all rules promulgated by the Board remain in effect until their specified expiration date or until amended or repealed by the new Board; and (f) any matter pending with the Board is transferred to the new Board and all materials submitted to or actions taken by the board with respect to the pending matter are considered as having been submitted to or taken to the new Board.

Suspend Enforcement of Rules. Effective October 1, 2005, prohibit DHFS from enforcing rules promulgated under Chapter 153 (Health Care Information) before that date relating to any of the following: (a) the collection, from physicians, of health care plan affiliations and updating information, hospital privileges updating information, and workforce and practice information; (b) the collection, from dentists, chiropractors, and podiatrists, of workforce and practice information; and (c) procedures for verification, review, and comment on the information identified under (a) and (b), to adjust the information, and to waive the information collection requirement.

Currently, the Board on Health Care Information advises DHFS with regard to the collection, analysis, and dissemination of health care information. The BHCI must: (a) develop an overall strategy to implement Chapter 153 of the statutes related to health care information

and approve all administrative rules promulgated by DHFS to implement that chapter; (b) provide oversight on standard reports issued under chapter 153 of the statutes, including the uncompensated health care services report, and the consumer guide regarding health care providers and health plans; and (c) report on its activities to an interagency coordinating council in DOA.

Joint Finance/Legislature: Delete the Governor's recommendation to create a Health Care Quality and Patient Safety Board and the transfer of \$250,000 annually and 2.20 positions from DHFS to DOA. Retain the existing Health Care Information Board at DHFS.

Delete the provision prohibiting DHFS from enforcing rules promulgated under Chapter 153 relating to the physicians office visit data (POVD) program effective July 1, 2007. Modify the program by requiring that DHFS implement the following changes with respect to the POVD program: (a) develop procedures to ensure that data are submitted consistently and accurately, including clarifying in administrative rule the place-of-service codes and types of ancillary services that are required to be reported; (b) work directly with individual practice groups to identify and correct data submission errors; (c) develop and publish standard reports that are understandable by individuals without medical backgrounds; (d) make program data available in a more timely fashion; (e) enter into a memorandum of understanding with the Department of Regulation and Licensing to improve the timeliness of updating physician information and to improve the assessment process; and (f) report to the Joint Legislative Audit Committee and the Joint Finance Committee by November 30, 2005, regarding the status of implementing these suggested changes. In addition, require DHFS to study and make recommendations to the Joint Finance Committee, by March 1, 2006, concerning the feasibility of creating a centralized physician information database, including the feasibility of a joint public-private effort.

Veto by Governor [C-26]: Delete all of the requirements identified under (a) thru (f) above. In addition, delete the requirement that DHFS make recommendations to the Joint Finance Committee by March 1, 2006, concerning the feasibility of creating a centralized physician information database; however, the requirement that DHFS study the feasibility of creating a centralized physician information database, including through a joint public and private effort, remains.

[Act 25 Section: 9101(6)]

[Act 25 Vetoed Sections: 2067g and 9101(6)&(7q)]

10. TRANSFER BUREAU OF HEALTH INFORMATION AND POLICY

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$0	- 5.16	\$0	0.00	\$0	- 5.16
FED	- 1,433,000	- 5.44	0	0.00	- 1,433,000	- 5.44
PR	<u>1,433,600</u>	<u>10.60</u>	<u>0</u>	<u>- 0.60</u>	<u>1,433,000</u>	<u>10.00</u>
Total	\$0	0.00	\$0	- 0.60	\$0	- 0.60

Governor: Reduce funding by \$716,500 FED annually, provide \$716,500 PR annually, and convert 10.6 positions (5.16 GPR positions and 5.44 FED positions) to 10.6 PR positions, beginning in 2005-06, to reflect the net fiscal effect of transferring the Bureau of Health Information and Policy (BHIP) from the Division of Health Care Financing to the Division of Public Health. Renumber and retitle references to appropriations to reflect this change.

The BHIP collects maintains and provides vital records such as certificates of birth, death, marriage and divorce to state residents. The BHIP is also charged with collecting, analyzing and disseminating health care and population-based health data, and integrating and managing public health related information systems.

The transfer of the BHIP is part of an overall reorganization of the DHFS Division of Public Health. In the Division of Public Health, the BHIP would be combined with public health functions such as planning, minority health, dental hygiene, and public health nursing. Public health information technology activities, such as the public health information network, which had been the responsibility of the Bureau of Environmental Health, would be furthered concentrated in the BHIP.

Joint Finance/Legislature: Include provision. In addition, delete 0.60 PR position from the vital records program, beginning in 2005-06.

[Act 25 Sections: 299, 312, 313m, 314, 328, 1221, 2067, 2074 thru 2076, and 9321(3)]

11. AIDS/HIV LIFE CARE AND EARLY INTERVENTION SERVICES GRANTS [LFB Paper 403]

GPR	\$1,000,000
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Governor: Provide \$500,000 annually and increase the annual maximum amount for life care and early intervention services grants from \$2,069,900 to \$2,569,900. Early intervention funds are awarded to AIDS service organizations (ASOs) in each of five DHFS regions throughout the state. ASOs receiving early intervention funds are expected to integrate and coordinate state funded early intervention services with related HIV programs and resources.

Designed to ensure prompt access to needed HIV-related health services, early intervention services include primary health care services, risk reduction counseling and education, and mental health screening and/or assessment.

DHFS's current program priorities for HIV early intervention funds include: (a) increased tuberculosis screening and follow-up; (b) increased sexually transmitted disease screening and follow-up; (c) increased use of partner counseling and referral services; and (d) integration of early intervention services with prevention case management.

Joint Finance/Legislature: Adopt the Governor's proposal. In addition, rename the existing grant program for life care and early intervention services for persons with HIV disease the "Mike Johnson Life Care and Early Intervention Services Grant" program.

[Act 25 Section: 2133]

12. GENERAL RELIEF BLOCK GRANT

GPR	- \$800,000
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Governor/Legislature: Reduce funding by \$400,000 in 2005-06 and 2006-07 to reflect a reduction in the number of counties participating in the general relief block grant program, and reestimates of eligible costs that can be claimed under the program. In 2004-05 DHFS paid \$399,086 for eligible costs incurred in calendar year 2003. Under the bill, \$400,000 GPR annually would be budgeted for the program.

13. CHRONIC DISEASES

GPR	- \$367,500
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Governor/Legislature: Reduce funding by \$367,500 in 2005-06 to reflect the administration's estimates of the amount of GPR funding that will be required to support medical services provided under the Wisconsin chronic diseases program (WCDP) in the 2005-07 biennium. Under a separate item ("program revenue reestimates"), the bill would provide \$64,000 PR in 2005-06 and \$91,500 PR in 2006-07 to reflect estimates of the amount of funding DHFS will receive from drug manufacturer rebates to support the program. Base funding for the program is \$5,121,400 (\$4,956,200 GPR and \$165,200 PR). The WCDP pays health care providers for disease-related services for individuals with chronic renal disease, adult cystic fibrosis, and hemophilia. Recipients must pay an annual deductible and a copayment for medical costs based on family income and family size.

14. DENTAL SERVICES AT TECHNICAL COLLEGES [LFB Paper 404]

GPR	\$234,700
FED	84,900
Total	\$319,600

Governor/Legislature: Provide \$159,800 (\$117,200 GPR and \$42,600 FED) in 2005-06 and \$159,800 (\$117,500 GPR and \$42,300 FED) in 2006-07 to increase dental services technical colleges provide to low-income individuals. Authorize DHFS to provide funding to technical college district boards to provide oral health services.

This item includes \$86,100 GPR annually to fund grants to two technical colleges that would enable them to operate year-round dental clinics that serve children from low-income and uninsured families. This funding, combined with 50% matching funds from the technical

colleges and estimated MA reimbursements, would allow each site to hire a dentist, dental hygienist, and dental assistant for 16 hours each week for 48 weeks. In addition, this item would increase MA benefits funding by \$73,700 annually (\$31,100 GPR and \$42,600 FED in 2005-06 and \$31,400 GPR and \$42,300 FED in 2006-07) to support projected increases in MA dental claims that would result by increasing access to dental services.

Eleven of sixteen technical colleges in Wisconsin have dental training programs; three (Madison Area Technical College, Northwest Wisconsin Technical College, and Western Wisconsin Technical College) currently provide dental care to low-income populations through partnerships with municipalities and organizations.

[Act 25 Sections: 431 and 2132]

15. SEAL-A-SMILE EXPANSION [LFB Paper 404]

GPR	\$135,300
FED	20,700
Total	\$156,000

Governor/Legislature: Provide \$78,000 (\$67,600 GPR and \$10,400 FED) in 2005-06 and \$78,000 (\$67,700 GPR and \$10,300 FED) in 2006-07 to expand the Seal-a-Smile dental sealant program for school-aged children. This funding includes: (a) \$60,000 GPR annually to increase grant funding for the program from \$60,000 GPR to \$120,000 GPR annually; and (b) \$7,600 GPR and \$10,400 FED in 2005-06 and \$7,700 GPR and \$10,300 FED in 2006-07 to increase medical assistance (MA) benefits funding to support these services to MA-eligible children. Increase, from \$60,000 GPR to \$120,000 GPR, the annual amount of funding DHFS is required to provide for the grant program.

The Seal-a-Smile program provides dental sealants for children of low-income families. Existing program funding is distributed as grants, primarily to local public health departments and community agencies. In 2002-03 the program screened 4,368 children and provided 10,657 dental sealants to 2,761 children. The administration estimates that the combined additional state and federal funding would provide sealants for approximately 1,200 additional children.

[Act 25 Section: 2131]

16. SPIT TOBACCO PREVENTION [LFB Paper 404]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$42,000	-\$42,000	\$0

Governor: Provide \$21,000 annually to increase funding for the spit tobacco prevention program. Modify a current appropriation to authorize DHFS to distribute grants for oral health services, in addition to dental services (as provided under current law), and budget the increased funding for the spit tobacco prevention program in the modified appropriation.

DHFS currently provides \$75,000 annually to the Wisconsin Dental Association to administer the program, which introduces school children to the dangers of using smokeless tobacco through comic books featuring Milwaukee Brewers baseball players. The comic books provide oral health messages to fifth grade students through a math, science, and geography curriculum.

Joint Finance/Legislature: Modify the Governor's recommendations by reducing funding in the bill by \$21,000 annually to delete the additional funding that would be provided for the anti-spit tobacco program. Instead, require DHFS to allocate \$96,000 GPR annually in the 2005-07 biennium from the amounts budgeted for the tobacco use control grant appropriation to support the anti-spit tobacco program.

[Act 25 Sections: 325g, 2149g, and 2149h]

17. DONATED DENTAL SERVICES [LFB Paper 404]

GPR	\$40,000
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Governor/Legislature: Provide \$20,000 annually to increase, from \$40,000 to \$60,000, the amount of funding DHFS provides annually to the Wisconsin Dental Association (WDA) to support the donated dental services program. WDA currently uses this funding to support a part-time administrator and to pay laboratory bills. The additional funding would provide for a full-time administrator to recruit additional dentists to volunteer their services to indigent, disabled, and elderly clients.

18. RURAL HEALTH DENTAL CLINICS EXPANSION

GPR	\$400,000
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Joint Finance/Legislature: Provide \$400,000 in 2006-07 to provide ongoing support for a rural health clinic to be located in Chippewa Falls to provide dental services to persons who are developmentally disabled or elderly or who have low-income in the area surrounding Chippewa Falls, including the counties of Chippewa, Dunn, Barron, Taylor, Clark, and Eau Claire.

[Act 25 Section: 2031m and 9421(11k)]

19. DIVISION OF PUBLIC HEALTH POSITION REDUCTIONS

	Funding	Positions
FED	-\$2,140,500	- 15.70
PR	- 766,600	- 4.45
SEG	<u>- 104,800</u>	<u>- 0.57</u>
Total	-\$3,011,900	- 20.72

Governor/Legislature: Reduce funding by \$1,454,900 (-\$1,019,200 FED, -\$383,300 PR, and -\$52,400 SEG) in 2005-06 and by \$1,557,000 (-\$1,121,300 FED, -\$383,300 PR, and -\$52,400 SEG) in 2006-07 to reflect the cost savings of deleting 19.72 positions (-14.7 FED positions, -4.45 PR positions and -0.57 SEG position) in 2005-06 and deleting 20.72 positions (-15.70 FED positions, -4.45 PR positions, and -0.57 SEG position) in 2006-07. The Governor projects that there will be insufficient funding to support these positions in the 2005-07 biennium.

This item includes: (a) -8.55 FED positions in 2005-06 and -9.55 FED positions in 2006-07 supported by the maternal and child health block grant; (b) -6.15 FED positions supported by the preventive health services block grant; (c) -2.0 PR positions supported by license and certification fee revenue; (d) -2.2 PR positions supported by interagency and intra-agency transfers; (e) -0.25 PR position supported by gifts and grants; and (f) -0.57 SEG position funded from the groundwater fund.

20. TRANSFER OCCUPATIONAL HEALTH CONSULTATION PROGRAM TO LABORATORY OF HYGIENE

	Funding	Positions
GPR	-\$211,200	- 0.99
FED	- 1,928,000	- 8.01
PR	- 109,000	- 0.50
Total	-\$2,248,200	- 9.50

Governor: Reduce funding by \$1,124,100 (-\$105,600 GPR, -\$964,000 FED, and -\$54,500 PR) annually and delete 9.50 positions (-0.99 GPR, -8.01 FED, and -0.50 PR positions), beginning in 2005-06, to reflect the transfer of the occupational health consultation program from DHFS to the Wisconsin State Laboratory of Hygiene (WSLH) at the University of Wisconsin.

Under the program, private companies may request on-site occupational health and industrial hygiene consultation to help them meet their obligations and responsibilities under the federal Occupational Safety and Health Act. Under a memorandum of understanding between DHFS and WSLH, the Governor approved the transfer of the program to the University effective October 1, 2004.

WSLH currently provides occupational health laboratory analyses for over 40 states enrolled in the consultation program.

Nonstatutory provisions in the bill related to this item reference a reduction of 10.5 positions in DHFS, while other budget-related documentation from the administration indicates a reduction of 9.5 positions. Provide that all incumbent employees who perform occupational safety and health administration testing are transferred to the WSLH on the effective date of the bill. Specify that the transferred state employees have the same labor and employment relations rights and status following the transfer as they enjoyed before the transfer.

Transfer all tangible personal property and records at DHFS relating to OSHA testing to WSLH on the effective date of the bill.

Specify that all contracts entered into by DHFS relating to OSHA testing and that are in effect on the effective date of the bill are transferred to the WSLH. Direct that WSLH carry out any obligations under such a contract until the WSLH modifies or rescinds the contract to the extent allowed.

Additional funding and statutory changes related to this item are summarized under "University of Wisconsin System."

Joint Finance/Legislature: Modify the statutory change relating to this item to reduce from 10.5 to 9.5 the number of positions transferred from DHFS to the State Laboratory of

Hygiene to correctly reflect the administration's intent. However, the number of positions that would be authorized for DHFS would not change.

[Act 25 Section: 9152(1)]

21. TRANSFER SANITARIAN REGISTRATION TO REGULATION AND LICENSING

PR	- \$18,400
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Governor: Reduce funding by \$11,400 in 2005-06 and by \$7,000 in 2006-07 and transfer statutory responsibility for registering sanitarians from DHFS to the Department of Regulation and Licensing (R&L). Delete current references to sanitarian registrations in Chapter 250 ("Health Administration and Supervision"), but recodify many of these provisions in a new subchapter in Chapter 440 ("Department of Regulation and Licensing"). The bill would make additional changes with respect to sanitarian registrations. [For a complete summary of this item, including these changes, see "Regulation and Licensing."]

Under current law, DHFS establishes minimum standards for registering and otherwise regulating sanitarians. Sanitarians are individuals who, through education, training or experience in the natural sciences and their application and through technical knowledge of prevention and control of preventable diseases, are capable of applying environmental control measures to protect human health, safety and welfare. Registered sanitarians inspect public facilities such as restaurants and other food service establishments, pools and waterparks, lodging facilities such as hotels and bed and breakfast establishments, campgrounds, and tattoo and body piercing establishments.

Under the bill, although sanitarian registration would transfer to R&L, the responsibility for managing the programs that enforce applicable state statutes and rules related to the inspection and licensure of the types of public facilities inspected by registered sanitarians would remain with DHFS.

Joint Finance/Legislature: Modify the Governor's proposal to provide a \$53 initial and renewal fee for sanitarian registrations, and establish a credential renewal date of January 1 of each even-numbered year. [For a complete summary of this item, see "Regulation and Licensing."]

[Act 25 Sections: 299, 490, 1205, 1459, 2120 thru 2130, 9121(2), and 9321(3)]

22. LEAD HAZARD ORDERS AND REGISTRY

	Funding	Positions
PR	- \$238,800	- 3.00

Governor/Legislature: Reduce funding by \$119,400 annually and delete 3.0 positions, beginning in 2005-06, related to the DHFS lead registry program to reflect that current fee revenue is insufficient to support base funding and positions associated with the program. In addition, make the following changes to the program.

Local Public Health Department Orders. Provide that, if DHFS determines that a lead hazard is present in any dwelling or educational or childcare facility, the local public health department (LPHD) must issue, and DHFS may issue, an order requiring the owner to reduce or eliminate the lead hazard. Under current law, DHFS may issue such orders and LPHDs may issue such orders as agents of the Department. Authorize the agency that issues an order requiring an owner to reduce or eliminate a lead hazard to extend the period within which the owner is required to comply.

Requirement to Obtain Certificate of Lead-Free or Lead-Safe Status. Repeal a provision that requires the owner of a dwelling to obtain a certificate of lead-free or lead-safe status if DHFS or a LPHD notifies the owner that a child under six years of age who resides in the dwelling has an elevated blood lead level. In these cases, under the bill, the LPHD would be required to issue an order requiring the owner to reduce or eliminate the lead hazard.

Rules Relating to Certain Certificates. Eliminate the requirement that DHFS promulgate rules related to issuing certificates of lead-safe status that are valid for less than 12 months. To date, DHFS has issued no such certificates. The bill would not modify the Department's authority to issue certificates for longer periods.

DHFS administers a registry of properties with certificates of lead-free or lead-safe status. To be listed in the registry, a property must meet statewide standards promulgated by rule. Property owners may register their properties voluntarily, or they may be required to register their properties if a child under six years of age with an elevated blood lead level resides on the property. There are currently approximately 870 units in the registry. Property owners may obtain certificates of lead safe housing for \$25, and may obtain certificates of lead-free housing for \$50.

[Act 25 Sections: 2134, 2136 thru 2138, and 2141 thru 2144]

23. GROUNDWATER AND AIR QUALITY STANDARDS

SEG	\$115,900
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Governor/Legislature: Provide \$58,000 in 2005-06 and \$57,900 in 2006-07 from the environmental management account of the environmental fund to increase funding for programs related to the development of groundwater and air quality standards.

24. IMMUNIZATION REGISTRY ACCESS

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$15,800	\$0	\$15,800
FED	<u>21,500</u>	<u>87,200</u>	<u>108,700</u>
Total	\$37,300	\$87,200	\$124,500

Governor: Provide \$24,400 (\$10,300 GPR and \$14,100 FED) in 2005-06 and \$12,900 (\$5,500 GPR and \$7,400 FED) in 2006-07 to partially fund the costs of one-time computer programming

changes that would provide parents access to their children's immunization records in the Wisconsin immunization registry (WIR) and to fund ongoing maintenance costs to WIR for maintaining parental access to this information. Currently, local health departments and private health care providers have direct access to WIR.

First implemented statewide in 2000, the WIR is an automated, web-based registry of the immunization records of Wisconsin children. The WIR is linked with other immunization registries in Wisconsin and serves to centralize record keeping for providers, monitor immunization levels and trends, help healthcare providers determine which immunizations are needed, and issue reminders when immunizations are due.

Joint Finance/Legislature: Increase funding by \$78,000 FED in 2005-06 and \$9,200 FED in 2006-07 to reflect federal matching funds that would be available to support the development of the immunization registry.

25. WELL-WOMAN PROGRAM

Governor/Legislature: Make the following changes to the well-woman program, which provides preventive health screening services to low-income, uninsured, and underinsured women.

Eligibility for Breast Screening Services. Limit eligibility for breast cancer screening services to women who are 40 years of age or older and whose income does not exceed 250% of the federal poverty level (FPL). Currently, there is no statutory income limit for eligibility for these services.

Copayments and Provider Reimbursement. Repeal provisions that direct DHFS to reduce reimbursement to the service provider by the amount of the copayment paid by program recipients, based on the following schedule: (a) for a woman for whom third-party coverage for the service is obtainable, payment by the source of the third-party coverage at full reasonable charge; (b) for a woman for whom third-party coverage is not obtainable and whose income is above 150% of the FPL, a copayment as indicated by a sliding scale based on the woman's income; and (c) for a woman for whom third-party coverage is not obtainable and whose income is at or below 150% of the FPL, no copayment. Instead, require DHFS to reduce reimbursement for these services by the amount of any applicable third-party coverage.

Case Management Services. Add case management services to the services offered under the well-woman program. Case management services help clients receive timely and appropriate screening, diagnostic services, and treatment. Under current law, screening, referral, follow-up, and patient education services are reimbursable under the program.

[Act 25 Sections: 2146 thru 2149]

26. FAMILY PLANNING SERVICES FUNDING PREFERENCE

Joint Finance/Legislature: Require DHFS, in allocating GPR funds budgeted for family planning activities and federal maternal and child health block grant funds for family planning services to use an application process under which it gives preference to applicants that are local health departments or tribal health centers that will directly provide family planning services. Require DHFS to give local health departments and tribal health centers sufficient notice to enable them to apply for the funds. Require DHFS to allocate funds to local health departments and tribal health centers that apply for the funds and will be qualified to provide the services. Permit DHFS to allocate any remaining funds to private organizations that apply and will be qualified to provide the services.

Veto by Governor [C-18]: Delete provision.

[Act 25 Vetoed Sections: 2133c thru 2133p]

27. STATEWIDE TRAUMA SYSTEM FUNDING

GPR	\$544,400
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Joint Finance/Legislature: Provide \$544,400 in 2006-07 to support the statewide trauma system, including: (a) \$450,000 in 2006-07 for DHFS to contract for a coordinator position in each of nine regions; and (b) \$94,400 in 2006-07 for DHFS to contract for site reviews on a three-year cycle for hospital trauma designations.

28. BIRTH CERTIFICATE FEE INCREASE AND VITAL RECORDS FILING SYSTEM [LFB Paper 195]

	Jt. Finance/Leg. (Chg. to Base)	Veto (Chg. to Leg)	Net Change
PR	\$133,100	-\$133,100	\$0

Joint Finance/Legislature: Provide \$60,500 in 2005-06 and \$72,600 in 2006-07 to authorize DHFS to expend the projected amount of revenue the Department would receive from increasing the fee assessed for birth certificates from \$12 to \$15 on the on-line vital records filing system. See the summary of this item under "Child Abuse and Neglect Prevention Board."

Veto by Governor [F-11]: Delete the fee increase and related allocations to the CANP Board as part of the method the Governor uses to create a different sunset date for county and municipal levy limits. Although the Governor's veto did not write down the CANP Board and DHFS appropriations, the effect of the veto is a decrease in revenues to both DHFS and the CANP Board.

[Act 25 Vetoed Sections: 1257 and 1258]

State-Operated Institutions

1. CENTERS -- OPERATIONS REDUCTIONS DUE TO ACTUAL AND PROJECTED CIP IA PLACEMENTS IN THE 2003-05 BIENNIUM [LFB Paper 410]

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	-\$17,840,000	-100.50	\$329,400	2.50	-\$17,510,600	-98.00

Governor: Reduce funding by \$8,920,000 annually and delete 100.5 positions, beginning in 2005-06, to partially reflect the actual and projected relocation of residents from the centers for the developmentally disabled into community settings under the community integration program (CIP IA) during the 2003-05 biennium and to support the expansion of the dental clinic at Northern Center.

Central Center. Reduce funding by \$222,700 annually, based on an estimated 13 placements from Central Center in the 2003-05 biennium. Central Center's budget would be reduced by \$1,542,100 annually to reflect these placements. The funding reduction is included in the standard budget adjustments (-\$957,800), an item relating to administrative transfers (-\$361,600), and this item (-\$222,700).

Southern Center. Provide \$1,349,000 annually and 44.5 positions, beginning in 2005-06, to reflect that there were fewer placements from that facility in the 2003-05 biennium than had been projected in 2003 Act 33. Based on an estimated 16 placements from Southern Center in the 2003-05 biennium, Southern Center's budget would be reduced by \$1,898,000 annually. The funding reduction is included in standard budget adjustments (-\$2,824,300), an item relating to administrative transfers (-\$422,700) and this item (\$1,349,000).

Northern Center. Reduce funding by \$10,331,800 annually and delete 145.0 positions, beginning in 2005-06, to reflect the continuing phase-out of long-term care services at Northern Center, so that, by July, 2005, staffing would only be budgeted to support a total of 30 intensive treatment program beds and an expanded dental outreach clinic.

Northern Center -- Alternative Services. Provide \$285,500 annually to fund alternative services provided at Northern Center, including support for an expanded dental clinic that serves disabled individuals in the community.

Joint Finance/Legislature: Modify the Governor's recommendation by increasing funding by \$164,700 annually and providing 2.50 additional positions, beginning in 2005-06, to reflect a reestimate of the number of CIP IA placements that will be made from the Centers in 2004-05, and to reflect the exclusion of the transfer of community capacity team positions from the CIP IA reduction calculation.

2. CENTERS -- CHARGES TO COUNTIES

Governor/Legislature: Require DHFS to bill county departments of developmental disability services \$48 per day for state center residents whose cost of care in the community would be less than or equal to the current reimbursement rate under the community integration program IA (CIP IA), rather than for residents whose cost of care in the community would be less than \$184 per day, as provided under current law. CIP IA provides community-based services to individuals who previously resided at the state centers for the developmentally disabled (Northern Center, Central Center, and Southern Center).

Currently, DHFS is required to charge county departments of developmental disability services \$48 per day for residents of the state centers: (a) who are determined to be appropriate for community placement; (b) who have been admitted to the Center for at least 180 consecutive days; and (c) for whom the cost of care in the community would be less than \$184 per day. The \$184 per day represents the reimbursement rate paid to counties under CIP IA for placements that were made from the state centers to the community between July 1, 1997 and June 30, 2000. The reimbursement rate for placements made on or after July 1, 2003, is \$325 per day.

[Act 25 Section: 1229]

3. MENTAL HEALTH INSTITUTES -- FUNDING SPLIT [LFB Paper 411]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$5,975,700	49.72	-\$42,900	0.00	\$5,932,800	0.00
PR	<u>-5,975,700</u>	<u>-49.72</u>	<u>42,900</u>	<u>0.00</u>	<u>-5,932,800</u>	<u>0.00</u>
Total	\$0	0.00	\$0	0.00	\$0	0.00

Governor: Provide \$2,979,600 GPR and reduce funding by \$2,979,600 PR in 2005-06 and provide \$2,996,100 GPR and reduce funding by \$2,996,100 PR in 2006-07 to adjust base funding for the mental health institutes (MHIs) to assign the costs of certain services at the MHIs to the appropriate funding source. In addition, convert 49.72 PR positions to 49.72 GPR positions, beginning in 2005-06, to reflect this adjustment.

Examples of services that cannot be assigned exclusively to either PR or GPR payment sources include housekeeping, food production, facility maintenance and security, library, and administrative services. A funding adjustment is made biennially to assign these costs based on the percentage of the population at the MHIs that includes forensic patients and other non-billable patients, whose care is supported by GPR, and other patients, whose care is supported by program revenues contributed by counties, medical assistance and other third-party payers.

Joint Finance/Legislature: Reduce funding by \$10,100 GPR in 2005-06 and by \$32,800 GPR in 2006-07 and increase PR funding by corresponding amounts to reflect reestimates of the cost to adjust the MHIs' base budget.

The following table identifies the current population projections, by payment type, at each MHI in both 2005-06 and 2006-07.

MHI Population Estimates

	2005-06			Percent of Total	
	ADP			GPR	PR
	GPR	PR	Total		
Mendota	198	89	287	69%	31%
Winnebago	<u>145</u>	<u>122</u>	<u>267</u>	54	46
Total	343	211	554	62%	38%

	2006-07			Percent of Total	
	ADP			GPR	PR
	GPR	PR	Total		
Mendota	206	89	295	70%	30%
Winnebago	<u>137</u>	<u>122</u>	<u>259</u>	53	47
Total	343	211	554	62%	38%

4. MENTAL HEALTH INSTITUTES -- PHYSICIAN SERVICES BILLING PR \$274,600

Governor/Legislature: Provide \$125,600 in 2005-06 and \$149,000 in 2006-07 to fund three limited-term employees who would compile and submit documentation to bill medical assistance (MA) for physician services MA-eligible children and adolescents receive at the state mental health institutes (MHIs). The administration estimates that the MHIs could claim an additional \$1.3 million in MA reimbursement annually if they could document these costs, which would reduce the amounts counties pay to support the MHIs.

5. MENTAL HEALTH INSTITUTES -- DEFICIT REDUCTION AND REPORTING

Governor/Legislature: Repeal the requirement that DHFS annually reduce by \$500,000 the amount by which accumulated expenses of providing care for patients of the state's mental health institutes (MHIs) exceed the accumulated revenues from providing that care, until the accumulated expenses are in balance with the accumulated revenues.

Repeal the requirement that DHFS: (a) implement a plan, approved by DOA, to assure that there are sufficient revenues to cover anticipated expenditures for providing health care for patients at the MHIs; (b) make reports to DOA every three months concerning the implementation of the plan; and (c) make reports to the Joint Committee on Finance, by December 31st of each year, that identify the change, during the previous fiscal year, in the

amount of the accumulated deficit for the MHIs, the agency's actions in the previous year to reduce the deficit, and actions the agency is taking in the current year to reduce the deficit.

[Act 25 Sections: 1224 and 1225]

6. SERVICES FOR SEXUALLY VIOLENT PERSONS, INDIVIDUALS ON CONDITIONAL RELEASE AND COMPETENCY EXAMINATIONS [LFB Paper 412]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$70,500	33.25	\$1,775,900	- 19.00	\$1,846,400	14.25

Governor: Reduce funding by \$879,900 in 2005-06 and provide \$950,400 in 2006-07, and provide 14.25 positions in 2005-06, and an additional 19.0 positions (for a total of 33.25 positions) in 2006-07 to reflect the net cost of: (a) opening additional units at the Sand Ridge Secure Treatment Center (SRSTC) and the Wisconsin Resource Center (WRC) for individuals who are committed as sexually violent persons (SVPs); (b) reestimates of the cost of providing services to SVPs who are on supervised release; and (c) reestimates of the costs of providing services to individuals on conditional release and conducting competency examinations.

SVPs -- Institutional Services. Provide \$988,600 in 2005-06 and \$2,266,500 in 2006-07 and 14.25 positions beginning in 2005-06, and an additional 19.0 positions in 2006-07, to operate two existing 25-bed units at SRSTC for SVPs and one 30-bed unit at the WRC beginning in 2006-07 for SVPs who refuse treatment. Primarily due to changes in commitment and supervised release criteria enacted in 2003 Wisconsin Act 187, the administration projects that the total SVP institutional population at SRSTC and WRC will increase from an estimated 295 in June, 2005, to 325 in June, 2006, and to 355 in June, 2007.

SVPs -- Supervised Release Services. Reduce funding by \$1,537,200 in 2005-06 and \$1,311,400 in 2006-07 to support services for SVPs who are on supervised release. Act 187 established a more restrictive standard for SVPs to be placed on supervised release. The administration projects that an average of 20 individuals will be on supervised release in 2005-06, and 24 individuals will be on supervised release in 2006-07.

Outpatient Competency Examinations and Conditional Supervised Release Services. Reduce funding by \$331,300 in 2005-06 and by \$4,700 in 2006-07 to reflect the net effect of reestimates of the costs of funding outpatient competency examinations and conditional release programs. The administration projects that 1,030 outpatient competency exams will be performed in 2005-06 at a cost of \$1,018 per exam; and 1,061 outpatient exams will be performed in 2006-07 at a cost of \$1,049 per exam.

DHFS funds services for individuals who have been found not guilty due to mental disease or defect and placed on conditional release. The administration projects that the average daily population (ADP) for the conditional release program will be 288 in 2005-06 at an

annual cost of \$13,840 per client, and in 2006-07 the ADP will be 298 at an annual cost of \$14,255 per client.

Joint Finance/Legislature: Increase funding by \$1,255,600 GPR in 2005-06 and by \$1,386,200 GPR in 2006-07 to reflect current estimates of contracted services. In addition, reduce funding by \$865,900 GPR and delete 19.00 GPR positions in 2006-07 to eliminate funding for the additional 30-bed unit at WRC.

7. VARIABLE NONFOOD AND FOOD COSTS [LFB Paper 413]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$2,216,800	- \$857,700	\$1,359,100
PR	<u>1,248,200</u>	<u>- 1,071,200</u>	<u>177,000</u>
Total	\$3,465,000	- \$1,928,900	\$1,536,100

Governor: Provide \$487,800 (\$511,300 GPR and -\$23,500 PR) in 2005-06 and \$2,324,200 (\$1,598,500 GPR and \$725,700 PR) in 2006-07 to fund projected increases in variable nonfood costs for residents at the centers for the developmentally disabled, the mental health institutes, the Wisconsin Resource Center, and the Sand Ridge Secure Treatment Center. Variable nonfood costs include medical services and supplies, drugs, clothing and other supplies.

Provide \$265,800 (\$10,400 GPR and \$255,400 PR) in 2005-06 and \$387,200 (\$96,600 GPR and \$290,600 PR) in 2006-07 to fund the projected costs of food for residents at these facilities.

Joint Finance/Legislature: Modify the Governor's recommendation by decreasing funding in the bill by \$715,700 (-\$348,500 GPR and -\$367,200 PR) in 2005-06 and by \$1,213,200 (-\$509,200 GPR and -\$704,000 PR) in 2006-07 to reflect reestimates of the costs of food and variable nonfood service at DDES institutions.

8. SHARED SERVICES

Governor/Legislature: Delete 1.35 GPR position and create 1.35 PR position, beginning in 2005-06, to reflect the net effect of positions transfers between appropriations for the Mendota and Winnebago Mental Health Institutes, the Central Wisconsin Center, and the Wisconsin Resource Center to appropriately fund the positions performing shared services at the institutions, such as buildings and grounds services and business office services. The Mendota Mental Health Institute and the Central Wisconsin Center share services, as do the Winnebago Mental Health Institute and the Wisconsin Resource Center. The position realignment adjusts the position funding to reflect actual shared tasks performed at the institutions.

	Positions
GPR	- 1.35
PR	<u>1.35</u>
Total	0.00

9. FUEL AND UTILITIES

GPR	\$1,844,700
PR	<u>1,199,700</u>
Total	\$3,044,400

Governor/Legislature: Provide \$1,246,000 (\$864,400 GPR and \$381,600 PR) in 2005-06 and \$1,798,400 (\$980,300 GPR and \$818,100 PR) in 2006-07 to fund projected changes in the cost of fuel and utilities for institutional facilities administered by the Division of Disability and Elder Services.

10. SALE OF STATE-OWNED POWER PLANTS AND WASTEWATER TREATMENT FACILITIES

	Positions
PR	- 41.00

Joint Finance/Legislature: Delete 41.0 PR positions that operate power plants at DHFS facilities in 2006-07 to reflect a provision in the bill that would require the Department of Administration (DOA) to do one of the following with respect to each state-owned power plant and wastewater treatment facility by April 1, 2007: (1) sell the plant or facility and credit the net sale proceeds, less any outstanding public debt owed on the plant or facility, to the budget stabilization fund; or (2) contract with a private entity for the operation of the plant or facility. Provide that if there is any outstanding debt on the plant or the facility, the Department would deposit sufficient amounts from the sale proceeds to the bond security and redemption fund to repay the debt. Further, provide that if the plant or facility was acquired, constructed or improved with any federal funds, the Department would pay the federal government any of the net proceeds required by federal law. Stipulate that any sale of a plant or facility with a net value of at least \$20,000 would be subject to review by the Joint Committee on Finance under a 14-day passive review procedure. Specify that the sale of any state-owned power plant or wastewater treatment facility to a regulated utility would not be subject to review or approval by the Public Service Commission

Provide that any contract may not be entered into unless it requires the contractor to offer employment to those employees who performed services at the state-owned power plants or wastewater facilities and whose positions were terminated.

In total, this item would delete 270.92 positions in DOA (-23.25), Corrections (-44.25), DHFS (-41.00), DPI (-10.00), Veterans Affairs (-6.00), and the UW System (-146.42) that are associated with the operation of these plants or facilities on April 1, 2007. The provision would require DOA to transfer the remaining budgeted salary and fringe benefits amounts associated with these deleted positions to unallotted reserve to fund agency costs relating to the provision of utility services and notify the Joint Committee on Finance by May 1, 2007, of the amounts transferred.

Veto by Governor [E-6]: Delete provision, other than the April 1, 2007, elimination of 41.0 PR positions associated with the operation of these plants. These positions could not be restored through the exercise of the Governor's veto authority. The Governor's veto message indicates that the Secretary of DOA has been directed to pursue the restoration of these positions through procedures authorized under current law.

[Act 25 Vetoed Sections: 16m, 16n, 83m, 85g, 85r thru 87L, 163m, 167m, 172m, 193m, 286m, 288m, 364c, 384t, 413m, 795f, 9101(10v), and 9455(3w)]

11. MEDICAL ASSISTANCE ADJUSTMENTS FOR STATE-OPERATED FACILITIES [LFB Papers 413 and 811]

GPR	\$113,400
FED	<u>139,500</u>
Total	\$252,900

Joint Finance/Legislature: Reduce medical assistance (MA) benefits funding by \$979,400 (-\$413,200 GPR and -\$566,200 FED) in 2005-06 and increase MA benefits funding by \$1,232,300 (\$526,600 GPR and \$705,700 FED) in 2006-07 to reflect changes the Joint Committee on Finance made to funding for: (a) the Wisconsin Veterans Home at Union Grove (\$1,067,400 GPR and \$1,442,800 FED in 2006-07); and (b) food and nonfood variable costs at the facilities operated by DHFS (-\$413,200 GPR and -\$566,200 FED in 2005-06 and -\$540,800 GPR and -\$737,100 FED in 2006-07).

12. MA-REIMBURSABLE SERVICES FOR FORMER WISCONSIN RESOURCE CENTER INMATES

GPR	\$43,700
FED	<u>60,300</u>
Total	\$104,000

Joint Finance/Legislature: Increase MA benefits funding by \$104,000 (\$43,700 GPR and \$60,300 FED) in 2006-07 to fund MA-reimbursable services to up to 12 eligible inmates with severe and persistent mental illness, following their release from the Wisconsin Resource Center. Specify that these services would include all of the following: (a) intensive case management, treatment and support services; (b) access to safe, secure residences; (c) medication and medication monitoring; (d) mental health counseling and other mental health treatment interventions, as appropriate; (e) alcohol and other drug abuse treatment; (f) vocational rehabilitation services; (g) social skills training; and (h) educational and skilled-based training, as appropriate. For additional information on this item, see "Corrections."

[Act 25 Section: 9121(14x)]

Community, Disability, and Elder Services

1. COMMUNITY AIDS

Governor/Legislature: Transfer \$2,710,100 FED in federal substance abuse prevention and treatment (SAPT) block grant funding from a federal, community aids appropriation in the Division of Children and Family Services (DCFS) to the federal, community aids appropriation in the Division of Disability and Elder Services (DDES), to consolidate the SAPT funds for community aids into one appropriation. Delete the DCFS appropriation and references to that appropriation.

In addition, reduce funding by \$272,300 FED from the social services block grant (SSBG), to reflect a decrease in the federal SSBG award amount and that less funding is available from

this source to support community aids. Increase funding for community aids by \$272,300 FED in funds available under Title IV-E of the Social Security Act. These Title IV-E funds would otherwise be counted as income augmentation funding. Finally, reduce funding by \$5,700 GPR in 2005-06 to support Family Care resource centers and increase GPR funding for the community aids basic county allocation by a corresponding amount.

The following table summarizes the changes to community aids funding under Act 25.

Changes to Community Aids under This Item

	2005-06			2006-07		
	GPR	FED	Total	GPR	FED	Total
Base	\$177,202,200	\$81,831,800	\$259,034,000	\$177,202,200	\$81,831,800	\$259,034,000
SSBG	0	-272,300	-272,300	0	-272,300	-272,300
Title IV-E	0	272,300	272,300	0	272,300	272,300
Family Care	5,700	0	5,700	5,700	0	5,700
Community Aids Total	\$177,207,900	\$81,831,800	\$259,039,700	\$177,207,900	\$81,831,800	\$259,039,700

Other Changes to Community Aids under Act 25

	2005-06			2006-07		
	GPR	FED	Total	GPR	FED	Total
Foster Care Rate Increase	\$99,100	\$31,200	\$130,300	\$299,900	\$94,400	\$394,300
WIMCR	-22,288,400	0	-22,288,400	-30,737,200	0	-30,737,200
MA Base Reestimate	-2,377,800	0	-2,377,800	0	0	0
Total	-\$24,567,100	\$31,200	-\$24,535,900	-\$30,437,300	\$94,400	-\$30,342,900
Total Community Aids	\$152,640,800	\$81,863,000	\$234,503,800	\$146,770,600	\$81,926,200	\$228,696,800

[Act 25 Sections: 310, 830, 849, 850, 879, 883, 884, 1227, and 1228]

2. BENEFIT SPECIALISTS [LFB Paper 420]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$900,000	-\$900,000	\$0
PR	0	600,000	600,000
Total	\$900,000	-\$300,000	\$600,000

Governor: Provide \$900,000 GPR in 2006-07 to support county benefit specialist positions under the elderly benefit specialist program. This funding would replace federal grant funding DHFS received under the Medicare Modernization Act Transition Grant, to provide education and counseling to Medicare beneficiaries on the new Medicare prescription drug benefit. DHFS was awarded approximately \$2.2 million, on a one-time basis, through September, 2006. In

addition to helping individuals to understand Medicare Part D, benefit specialists assist elderly individuals in obtaining benefits for which they are eligible.

Joint Finance/Legislature: Delete the funding increase recommended by the Governor and instead provide, on a one-time basis, \$600,000 PR in 2006-07 from OCI general insurance fee revenues to increase support for the elderly benefit specialist program. Direct DHFS to notify recipients that the increased funding would be provided to support services through June 30, 2007.

[Act 25 Sections: 897p, 897r, 9121(12c), 9225(2d), and 9421(10e)]

3. SSI CARETAKER SUPPLEMENT BENEFITS [LFB Paper 421]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$760,100	\$2,027,700	\$2,787,800

Governor: Provide \$934,100 in 2005-06 and reduce funding by \$174,000 in 2006-07 to reflect the Governor's estimates of the amount of TANF funding needed to support the state supplemental security income (SSI) caretaker supplement benefits in the 2005-07 biennium. Specify that \$29,973,600 in 2005-06 and \$28,893,300 in 2006-07 would be budgeted in TANF funds to support caretaker supplement benefits and administrative costs of the program.

Under this item, \$29,947,200 would be budgeted for caretaker supplement benefits annually, which includes \$29,464,600 TANF in 2005-06 and \$28,356,500 TANF in 2006-07. The first \$128,281,600 of the costs of state supplemental SSI benefits and caretaker supplement benefits are funded with GPR; the remaining caretaker supplement benefit costs are funded with TANF funds. The Governor projects that the regular SSI caseload will continue to increase and the number of individuals eligible for the SSI caretaker supplement will remain constant in the biennium.

Joint Finance/Legislature: Provide \$484,800 PR-TANF in 2005-06 and \$1,542,900 PR-TANF in 2006-07 to support SSI caretaker supplement benefits to reflect reestimates of the amount of TANF needed to support caretaker supplement benefits. In addition, change the GPR appropriation that supports the state SSI supplemental benefits from a sum sufficient appropriation to a sum certain, annual appropriation. Permit DHFS to request supplemental funding under s. 13.10 of the statutes if DHFS determines that the appropriation for state SSI benefits is insufficient to fully support benefit costs.

Under this item, \$128,281,600 GPR would be budgeted annually for state SSI supplemental benefits and \$29,949,400 PR-TANF in 2005-06 and \$29,899,400 PR-TANF in 2006-07 would be budgeted for caretaker supplement benefits.

Veto by Governor [C-24]: Delete the changes to the GPR appropriation that supports the state SSI supplemental benefits so that the appropriation remains a sum sufficient

appropriation. In addition, delete the provision that would have permitted DHFS to request supplemental funding under s. 13.10 of the statutes if additional funding were needed for this purpose.

[Act 25 Section: 1101]

[Act 25 Vetoed Sections: 140 (as it relates to s. 20.435(7)(ed)), 331f, and 1188d]

4. SSI ADMINISTRATION AND FRAUD AND PAYMENT ERROR REDUCTION

PR	- \$288,000
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Governor/Legislature: Reduce funding by \$144,000 annually to reflect: (a) a decrease in funding that would be budgeted for supplemental security income (SSI) caretaker supplement benefits, based on anticipated increases in recoupments DHFS would make with the enactment of statutory changes described in this item (-\$150,000 annually); and (b) additional funding that would be provided to support SSI fraud investigations (\$6,000 annually). The PR funds are TANF funds transferred from DWD to DHFS.

Fraud Investigations and Payment Error Reduction Activities - DHFS. Repeal a provision that requires DHFS, if DHFS does not contract with DWD, to establish a program to investigate suspected fraudulent activities on the part of medical assistance (MA) and food stamp recipients and to reduce errors in MA and food stamp payments. (In Wisconsin, the food stamp program is called FoodShare Wisconsin.)

Instead, require DHFS to establish a program to investigate suspected fraudulent activity on the part of MA, food stamp, SSI, SSI caretaker supplement, and BadgerCare recipients, and if DWD contracts with DHFS, aid to families with dependent children (AFDC) and Wisconsin Works (W-2) recipients. Specify that this program may include: (a) comparisons of information provided to DHFS by an applicant and information provided by the applicant to other federal, state, and local agencies; (b) development of an advisory welfare investigation prosecution standard; and (c) provision of funds to county social or human service departments and to W-2 agencies to encourage activities to detect fraud. Require DHFS to cooperate with district attorneys in fraud prosecutions. Add and change references to reflect DHFS' authority to conduct these investigations.

Require DHFS to conduct activities to reduce payment errors in the MA, food stamp, SSI, SSI caretaker supplement, and BadgerCare programs, and if DWD contracts with DHFS, the W-2 program. Specify that, if DWD contracts with DHFS to investigate fraudulent activity on the part of AFDC and W-2 recipients and to conduct activities to reduce payment errors in the W-2 program, DHFS must provide funds from the DHFS PR inter/intra-agency appropriation for these activities to W-2 agencies for the administrative costs of reducing payment errors in W-2. Add and change references to reflect DHFS' authority to conduct these activities.

Retitle and modify the DHFS PR appropriation for fraud and error reduction activities to include all moneys received: (a) as the state's share of the recovery of overpayments and incorrect payments under public assistance programs administered by DHFS, as well as MA

and food stamps, as provided under current law; and (b) from counties and tribes as a result of any error reduction activities conducted by the counties or tribes. Authorize DHFS to use these funds to support a contract with DWD for fraud and error reduction activities and activities to reduce error and fraud in DHFS, as well as to pay federal sanctions under the food stamp program and food stamp reinvestment activities, as specified under current law. Notwithstanding these requirements, allow DHFS to contract with DWD to perform these activities for the MA and food stamp programs, as allowed under current law, as well as the SSI, SSI caretaker supplement, and BadgerCare programs.

Fraud Investigations and Payment Error Reduction Activities - DWD. Authorize DWD, if under contract with DHFS, to investigate fraudulent activities and reduce payment errors on the part of SSI, caretaker supplement, and BadgerCare recipients, in addition to MA and food stamps, as permitted under current law. (Under current law, DWD is required to investigate suspected fraudulent activities on the part of participants in the AFDC and W-2 programs and to conduct activities to reduce payment errors in W-2.) Add references to the SSI, caretaker supplement, and BadgerCare programs, in addition to the current references to MA and food stamp program, where applicable. Delete references to the food stamp program as a program that DWD can recoup benefits for, to reflect that DHFS now administers the food stamp program. Notwithstanding these, specify that DWD may contract with DHFS to perform these activities for the AFDC and W-2 provisions programs, and add references to reflect this change.

Recovering Incorrect Payments for DHFS Public Assistance Programs. Subject to current law governing the recovery of incorrect MA and food stamp benefits, authorize DHFS or a county or tribe acting on behalf of DHFS to: (a) recover benefits incorrectly paid under any of the public assistance programs administered by DHFS; (b) recover an overpayment by reducing the benefits of a family or individual who received the overpayment and continues to receive benefits or by another method, as provided by DHFS in rule; and (c) retain a portion of an amount recovered, as provided by DHFS in rule. Add references to reflect DHFS' authority to recover these benefits.

Recovering Overpayments for Other DHFS Programs. Permit a county department, or in Milwaukee County, DHFS, to recover an overpayment under the kinship care, long-term kinship care, foster care, and subsidized guardianship programs from a recipient who continues to receive payments under the program by reducing the amount of the monthly payment. Permit DHFS to recover an overpayment under the adoption assistance program from an adoptive parent who continues to receive adoption assistance by reducing the amount of the parent's monthly adoption assistance payment. Permit DHFS to specify by rule, other methods for recovering overpayments under these programs.

Promulgate Rules for SSI and Caretaker Supplement Programs. Require DHFS to administer the SSI and SSI caretaker supplement programs and permit DHFS to promulgate rules to guide the administration of eligibility determinations and benefits payments. DHFS currently administers both the SSI and SSI caretaker supplement programs.

[Act 25 Sections: 315, 340, 345, 937, 939, 953, 1027, 1114 thru 1117, 1120, 1188, 1189, 1192, 1195 thru 1197, 1199, 1200 thru 1202, 1435, 1436, and 2484]

5. FEMALE OFFENDER REINTEGRATION PROGRAM [LFB Paper 422]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$279,100	-\$88,900	\$190,200

Governor: Provide \$139,100 in 2005-06 and \$140,000 in 2006-07 to support certain assessment and treatment services, under an expanded female offender reintegration program, that cannot be funded under the federal access to recovery grant or for which other funding sources are not available.

Require DHFS to award not more than \$139,100 in 2005-06 and not more than \$140,000 in 2006-07 as a grant to an organization or a group of organizations to provide services for female prisoners and offenders from Milwaukee County and their children, if the prisoners or offenders have been convicted of non-violent crimes. Require each grantee to provide at least all of the following for up to six months before a prisoner's release from prison and up to two years after release: (a) screening, assessment, and treatment, including mental health and permanency services, for the prisoners or offenders to assist in their reintegration into the community; and (b) at-risk assessments for all dependent children of female prisoners or offenders who receive services under the program and comprehensive support services.

As it relates to this program, define "offender," through a cross-reference to a current definition in Chapter 304 ("Paroles and Pardons") and define "prisoner," through a cross-reference to the current definition under Chapter 301 ("Corrections").

Although not in the bill, the administration has provided the following program details.

To be eligible under the program, women would be required to have multiple needs, which could include substance abuse or dependence, mental health, employment, housing, and basic daily living skills. Program participants would receive the following types of services: (a) risk assessment and support services for the children of these women; (b) intensive preparation ("reach-in" services) for these women to reenter the community; (c) institution-based transition activities, such as substance abuse and mental health treatment services, job-readiness, and parenting activities; and (d) community-based support activities, based on a coordinated care plan that identifies the roles and responsibilities of all formal and informal team members. Treatment and support services would be provided to approximately 72 women and their children over the biennium.

The GPR funding under this request would support: (a) additional reach-in visits for eligible women in the six months prior to their release into the community [the initial reach-in visit would be funded with the federal access to recovery grant]; (b) visitation by the participants' children, who are not involved with the Bureau of Milwaukee Child Welfare (BMCW); and (c) mental health treatment services for the participants' children who are not involved with BMCW.

Wisconsin received a three-year, \$7.5 million annual federal access to recovery grant that the state can use to provide care coordination and recovery support services and flexible funds to address clients' needs. However, DHFS may only use the grant funds to support services for adults who reside in Milwaukee County, and meet the American Psychiatric Association diagnostic criteria (DSM-IV) of a substance abuse disorder and financial criteria. Some program costs that cannot be funded from the federal grant, such as all services for children, second and subsequent reach-in visits, and services for women that do not meet the federal grant criteria, would be supported by base funds budgeted for the Bureau of Milwaukee Child Welfare, federal SAPT block grant funds, and the GPR funding that would be provided in this item.

Transfer Group Home Revolving Loan Fund Balance. Transfer the unencumbered balance in a PR appropriation for the group home revolving loan fund to a federal project aids appropriation. Current law requires DHFS to establish a group home revolving loan fund, using federal substance abuse prevention and treatment (SAPT) funds budgeted in a federal project aids appropriation in DDES and transferred to the PR appropriation for this fund, to continue a revolving fund to make two-year loans up to \$4,000 each to applying non-profit organizations for the costs of establishing programs to provide housing for groups of no fewer than six individuals who are recovering from alcohol or other drug abuse. Currently, the unencumbered balance in this fund is \$100,000. The administration intends to use these SAPT funds under the female offender reintegration program.

Joint Finance/Legislature: Reduce funding by \$55,300 in 2005-06 and by \$33,600 in 2006-07 to reflect the following: (a) reestimates of program costs (-\$32,800 in 2005-06 and -\$5,200 in 2006-07); and (b) budget funding for each children's visit at \$100 per visit, instead of \$181 per visit, as provided under the Governor's recommendation (-\$22,500 in 2005-06 and -\$28,400 in 2006-07). In addition, reduce the maximum grant award from DHFS to \$83,800 in 2005-06 and \$106,400 in 2006-07 to reflect the changes in available funding.

[Act 25 Sections: 880 and 9221(2)]

6. CAREGIVER INVESTIGATIONS AND BACKGROUND CHECKS [LFB Paper 423]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$0	0.00	-\$371,600	-1.84	-\$371,600	-1.84
FED	100,000	0.00	-202,200	-2.16	-102,200	-2.16
PR	<u>100,000</u>	<u>0.00</u>	<u>221,600</u>	<u>0.00</u>	<u>321,600</u>	<u>0.00</u>
Total	\$200,000	0.00	-\$352,200	-4.00	-\$152,200	-4.00

Governor: Provide \$100,000 (\$50,000 PR and \$50,000 FED) annually to increase, from \$200,000 to \$300,000, the amount of funding that would be budgeted annually for DHFS to contract for investigations of caregivers in health facilities. This item would be supported by program revenue from caregiver background check fees and federal medical assistance matching funds.

In addition, make several statutory changes.

Caregiver Background Check Fees and Revenues. Permit DHFS to use caregiver background check, licensing, and regulatory fee revenues to support caregiver background investigation costs. Eliminate the requirement that the caregiver background fee amount not exceed the reasonable cost of obtaining information. Under current law, DHFS is permitted to use licensing and regulatory fee revenues to support health facility plan and rule development activities, facility accreditation, capital construction and remodeling plan reviews, technical assistance and associated licensing and support costs.

FBI Caregiver Background Checks. Provide that an entity that receives information regarding the arrest or conviction of a caregiver from the Federal Bureau of Investigation (FBI) in connection with a criminal history search may use the information only to determine whether the caregiver's arrest or conviction record disqualifies him or her from serving as a caregiver. Further, provide that these entities are immune from civil liability to a caregiver for using arrest or conviction information provided by the FBI to make an employment determination regarding the caregiver. Specify that these provisions would first apply to arrest and conviction information requested on or after the general effective date of this bill and before September 30, 2007. Further, specify that these provisions would not prohibit providers from sharing criminal background information.

Under current law, long-term care providers are required to obtain, and may share with other providers, certain background information on caregiver employees, including a criminal history, and information obtained from the nurse aide registry, the Department of Regulation and Licensing, and DHFS. Providers may request fingerprints from caregivers in order to obtain a criminal history from the FBI for caregivers who are not Wisconsin residents or who resided outside of the state prior to becoming a caregiver.

Joint Finance/Legislature: Adopt the Governor's funding and statutory changes. In addition, reduce funding and positions in the bill by \$176,100 (-\$185,800 GPR, -\$101,100 FED and \$110,800 PR) annually and delete 4.0 positions (-1.84 GPR positions and -2.16 FED positions), beginning in 2005-06, to contract for all caregiver misconduct investigations and no longer conduct this function with state staff.

[Act 25 Sections: 328, 1218 thru 1220, and 9321(8)]

7. GUARDIANSHIP GRANTS

GPR	- \$187,200
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Governor/Legislature: Reduce funding by \$93,600 annually for the guardianship grant program. Under the program, DHFS supports two functions: (1) a statewide information clearinghouse that provides information and assistance on guardianship issues; and (2) grants to county and other entities to recruit, train, monitor, and assist guardians of persons who are determined to be incompetent. Base funding for grants is \$193,600 GPR; \$100,000 of which supports the statewide information clearinghouse function. This item would delete funding for

the grants to counties and other entities; however, these grant funds were last awarded in 2002-03.

In addition, modify the program by: (a) deleting references to recruiting and monitoring guardians as activities for which grant funds may be used; (b) specifying that grantees be required to provide technical assistance to guardians in performing their duties, rather than assistance, as provided under current law; (c) deleting the requirement that organizations apply for grants prior to April 30 in each year and that DHFS determine which organizations will receive grant funding by June 30 in each year; and (d) deleting the requirement that DHFS consider community need for recruitment, training, monitoring and assistance of guardians for individuals in the community where the applying organization would provide services when determining grant awards.

[Act 25 Sections: 909 thru 916]

8. COMPULSIVE GAMBLING AWARENESS CAMPAIGN GRANT PROGRAM [LFB Paper 424]

GPR	\$100,000
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Governor: Provide \$50,000 annually in tribal gaming revenue to support a grant for compulsive gambling awareness campaigns. Create a PR annual appropriation in DHFS for all moneys transferred from tribal gaming revenue for compulsive gambling awareness grants and specify that the unencumbered balance in the appropriation on June 30 of each year would revert back to the tribal gaming revenue appropriation in DOA. Under current law, DHFS is required to provide a grant to one or more individual or organizations in the private sector to conduct these awareness campaigns. Funding under this item would increase the amount available for these grants to \$300,000 annually.

Currently, DHFS awards a grant of \$250,000 PR annually to the Wisconsin Council on Problem Gambling to support: (a) a 24-hour helpline; (b) a public relations and media awareness campaign on compulsive gambling; (c) training for human service professional in the area of compulsive gambling; (d) educational materials targeted for high school-age students; (e) a statewide conference; and (f) grants for community-based activities. This grant is supported with funding from general program operations of the lottery.

Joint Finance/Legislature: Delete provision. Instead, provide \$50,000 annually in general program operations lottery funds to support a grant for compulsive gambling awareness campaigns.

9. TRANSFER PATH PROGRAM TO COMMERCE

Funding Positions		
GPR	-\$122,400	0.00
FED	-1,280,000	-1.00
Total	-\$1,402,400	-1.00

Governor/Legislature: Reduce funding by \$701,200 (-\$61,200 GPR and -\$640,000 FED) annually, and delete 1.0 FED position, beginning in 2005-06, to reflect the transfer of the projects for assistance in transition from homelessness (PATH) program from DHFS to the

Department of Commerce, to consolidate the funding for homeless programs in the state, effective July 1, 2005. This item includes transferring: (a) \$640,000 FED annually, which currently support grants to 11 counties (\$557,600) and state administrative costs (\$82,400 and 1.0 position); and (b) \$45,000 GPR the state uses to fund a portion of the 25% federal match requirement.

In session law, on July 1, 2005, decrease the number of authorized positions in DHFS by 1.0 FED position and provide 1.0 FED position, funded with federal PATH funds, in Commerce to administer this program.

Provide that, on July 1, 2005: (a) the assets and liabilities of DHFS primarily related to the PATH program, as determined by the Secretary of the Department of Administration (DOA), would become the assets and liabilities of Commerce; (b) the incumbent employee holding the position in DHFS to administer the PATH program would be transferred to Commerce and retain the employee rights he or she enjoyed in DHFS immediately before the transfer; (c) all tangible property, including records, of DHFS that is primarily related to this program, as determined by the DOA Secretary, would be transferred to Commerce; (d) all contracts entered into by DHFS that are primarily related to the PATH program, as determined by the DOA Secretary, remain in effect and are transferred to Commerce, which would carry out any obligations under such a contract; and (e) all rules promulgated by DHFS that are in effect related to the PATH program, remain in effect until their specified expiration date or until amended or repealed by Commerce, and all orders issued by DHFS that are primarily related to this program remain in effect until their specified expiration dates or until modified or rescinded by Commerce. Modify appropriation titles and statutory references to reflect this transfer.

Under the PATH program, counties provide mental health services to homeless individuals who need these services. [See entry under "Commerce."]

[Act 25 Sections: 323, 331, 905 thru 908, 9121(5), and 9421(6)]

10. STATE INDEPENDENT LIVING COUNCIL

Governor/Legislature: Reduce funding by \$340,100 (-\$34,000 GPR and -\$306,100 PR) annually and delete 1.5 PR positions, beginning in 2005-06, to reflect: (a) the transfer of GPR

	Funding	Positions
GPR	-\$68,000	0.00
PR	<u>-612,200</u>	<u>-1.50</u>
Total	-\$680,200	-1.50

funding the state uses to match federal vocational rehabilitation funds from DHFS to DWD; and (b) the deletion of all federal vocational rehabilitation funds budgeted in DHFS to support staff for the Council and grants distributed by the Council. The U.S. Department of Education, Rehabilitation Services Administration (RSA) has found that Wisconsin is out of compliance with federal law because the Council's staff operate within a state agency, and is not sufficiently independent from the agency. In August, 2004, RSA, DWD, and DHFS entered into a corrective action plan that establishes the Council as a private, nonprofit corporation, independent of state government. DWD would provide GPR and FED funding budgeted in that agency to the new corporation.

11. INDEPENDENT LIVING GRANTS

GPR	- \$600,000
PR	<u>600,000</u>
Total	\$0

Governor/Legislature: Reduce funding by \$300,000 GPR annually and provide \$300,000 PR annually to reflect the transfer of federal social security reimbursement funds from DWD to DHFS to support grants for independent living centers awarded by DHFS. The bill would: (a) increase funding in DWD by \$300,000 GPR annually, which DWD would use to match federal Title I-B, vocational rehabilitation funds; and (b) increase, from \$300,000 to \$600,000, the amount of federal funding DWD is required to transfer annually to DHFS for DHFS to distribute as grants to independent living centers.

12. MENTAL HEALTH SYSTEM CHANGE GRANTS

Governor/Legislature: Delete requirements under current law that direct DHFS to: (a) eliminate funding for a system change grant recipient at the end of a maximum three-year period in order to provide funding to other grant recipients; and (b) require grant recipients to continue to provide the community-based services developed under the system change grant after the grant expires, by use of savings made available to the grant recipient from incorporating recovery, prevention, and early intervention strategies, and consumer and family involvement in the services. Systems change grants support the initial phasing-in of recovery-oriented system changes, prevention and early intervention strategies, and consumer involvement for individuals with mental illness.

[Act 25 Section: 895]

13. OFFICE OF THE DEAF AND HARD OF HEARING

Joint Finance/Legislature: Provide \$50,900 GPR annually to enable the DHFS Office of the Deaf and Hard of Hearing to fill a vacant position in its Wausau office that it would not otherwise fill in 2005-07. Reduce funding for the Department's administrative general program operations by a corresponding amount.

The Office of the Deaf and Hard of Hearing provides: (a) information about available services and community supports available to the deaf, deafblind, and hard of hearing and about working with and issues related to people who are deaf, deafblind, or hard of hearing; (b) referrals to appropriate community supports and services and other resources of information; (c) support in obtaining appropriate information and services; and (d) training to deaf, deafblind, and hard of hearing people, service providers, and others interested in deaf issues and issues related to hearing loss, in a variety of settings (including educational, medical, legal, law enforcement, and service agencies).

14. TRANSFER CERTIFICATION OF ALCOHOL AND OTHER DRUG ABUSE COUNSELORS TO THE DEPARTMENT OF REGULATION AND LICENSING

Joint Finance: Beginning January 1, 2006, require the Department of Regulation and Licensing (DRL) to certify as an alcohol and other drug abuse (AODA) counselor, any individual who satisfies the conditions and has presented evidence satisfactory to DRL that the AODA counselor certification standards and qualifications, as established by DRL in rule, have been met. Specify that no entity other than DRL may certify AODA counselors, beginning January 1, 2006.

Require DRL to promulgate rules to establish minimum standards and qualifications for the certification of AODA counselors, including persons employed as a substance abuse counselor on the basis of personal aptitude, training, and experience, as described in current administrative code. Authorize DRL to promulgate emergency rules for these certifications without showing an emergency exists.

Specify that an application for an AODA counselor certification must be made on a form provided by DRL and filed with DRL, accompanied by the specified fee. In addition to the \$53 fee for new applicants for initial certifications, as required under current law, beginning January 1, 2006, require DRL to assess a \$70 biennial fee for AODA certifications with a renewal date of March 1 of each odd-numbered year.

Specify that no person may represent himself or herself to the public as a certified AODA counselor or use in connection with his or her name a title or description that conveys the impression that he or she is a certified AODA counselor unless he or she is certified by DRL.

Allow DRL to, after an administrative hearing is held, revoke, deny, suspend, or limit the certification of any AODA counselor or reprimand the counselor for practice of fraud or deceit in obtaining the certification or any unprofessional conduct, incompetence, or professional negligence.

Require DRL to review actual administration and enforcement costs for renewals of certification for AODA counselors and, in light of those costs, as part of DRL's biennial budget request for 2007-09, recommend any appropriate revised renewal fee for the certification.

Specify that all persons who are certified as AODA counselors under current administrative code immediately before January 1, 2006, are certified as AODA counselors. In addition, provide that, on January 1, 2006: (a) the assets and liabilities of DHFS relating to the certification of AODA counselors, as determined by the DOA Secretary, become the assets and liabilities of DRL; (b) all tangible property, including records, of DHFS that is related to the certification of AODA counselors, as determined by the DOA Secretary, is transferred to DRL; (c) all contracts entered into by DHFS relating to the certification of AODA counselors, remain in effect and are transferred to the DRL, which would carry out any obligations under such a contract; (d) all rules promulgated by DHFS related to the certification of AODA counselors that are in effect immediately before January 1, 2006, are void on that date and all order issued by DHFS that are related to the certification of AODA counselors, remain in effect until their

specified expiration date or until modified or rescinded by DRL; and (e) any matter pending with DHFS relating to the certification of AODA counselors is transferred to DRL, and all materials submitted to or actions taken by DHFS with respect to the pending matter are considered as having been submitted to taken by DRL.

Currently, DHFS has broad authority to certify AODA counselors and administrative rules generally specify that a substance abuse counselor is a person certified by the Wisconsin Certification Board. Individuals that are certified pay an initial fee of \$150 and annual renewal fees of \$120 to extend their certification, with additional fees for textbooks, late fees, workshops, and testing preparation manuals.

The fiscal effect of this item is shown under "Regulation and Licensing."

Senate/Legislature: Delete references to AODA counselors and provide instead that certification would be provided by DRL for the following three general categories of alcohol and drug rehabilitation specialists: (a) substance abuse counselors; (b) clinical supervisors; and (c) prevention specialists. The \$53 initial certification fee and the \$70 renewal fee established under the engrossed bill would continue to apply to these categories of specialists. Define a "substance abuse counselor" as a basic substance abuse counselor, an intermediate substance abuse counselor, or an independent substance abuse counselor. Define a "clinical supervisor" as a basic clinical supervisor, an intermediate clinical supervisor, or an independent clinical supervisor. No further definition of a "prevention specialist" is provided.

Specify that individuals currently holding the following certifications from DHFS on the general effective date of the bill would continue to be certified by DRL under one of the following specialist classifications: (a) a registered alcohol and drug counselor I would be certified as a basic substance abuse counselor; (b) a certified alcohol and drug counselor II would be certified as a intermediate substance abuse counselor; (c) a certified alcohol and drug counselor III or a certified alcohol and drug counselor-D would be certified as a independent substance abuse counselor; (d) a certified registered clinical supervisor would be certified as a basic clinical supervisor; (e) a certified clinical supervisor I would become a certified intermediate clinical supervisor; (f) a certified clinical supervisor II or a certified clinical supervisor-G would become a certified independent clinical supervisor; and (g) a certified prevention professional would become a certified prevention specialist.

Specify that these new and transitional certification provisions would not apply to a licensed physician who specializes in psychiatry, a licensed clinical social worker, or a licensed psychologist who practices as a substance abuse clinical supervisor or provides substance abuse counseling, treatment, or prevention services within the scope of his or her licensure.

Direct DRL to promulgate rules establishing the minimum standards and qualifications for certification under each of the above seven specialist categories. Specify that the rules would have to include standards based on demonstrated requisite competency, knowledge, skills, and attitudes of professional practice that are culturally competent and evidence-based. Provide that DRL could not promulgate these rules until it had consulted on the proposed rules

with a certification review committee. Require that a majority of members of the certification review committee represent alcohol and other drug abuse organizations in Wisconsin, as recommended by the Wisconsin Association on Alcoholism and Other Drug Abuse, Inc.

Newly authorize DRL to grant a reciprocal certification to an individual who pays the required fees and holds a similar, unexpired certification issued by another state for which the certification requirements are at least equivalent to those in Wisconsin.

Veto by Governor [E-14]: Delete from the exemption from AODA certification requirements the references to licensed physicians "who specialize in psychiatry." The effect of the veto is to extend the exception from these new AODA certification requirements to all physicians licensed by DRL, thereby authorizing them to provide substance abuse counseling within the scope of their medical practice.

Delete the requirement that the certification review committee, which must review DRL's draft AODA certification rules, be comprised of a majority of members representing AODA organizations in Wisconsin, as recommended by the Wisconsin Association of Alcoholism and Other Drug Abuse, Inc.

Finally, the Governor's partial veto strikes "January 1" from the January 1, 2006, general effective date for the transfer of these AODA certification modifications. As a result of the Governor's partial veto, the general effective date for the transfer will take effect "on 2006." The Governor's veto message indicates that the month and date were struck to provide DRL with additional time to make the transfer.

[For additional information on the fiscal effect and section numbers, see "Regulation and Licensing".]

15. GRANTS FOR COUNTY ALCOHOL AND OTHER DRUG ABUSE PROGRAMS

Joint Finance/Legislature: Create a grant program to enable counties to establish and operate programs, including suspended and deferred prosecution programs and programs based on principles of restorative justice, that provide alternatives to prosecution and incarceration for criminal offenders who abuse alcohol or other drugs. Direct that the grant program be administered by the Office of Justice Assistance (OJA), in collaboration with the Department of Corrections and DHFS.

Grant funding would be provided from program revenue generated from creating a \$10 drug offender diversion surcharge to be assessed for property crime convictions under Chapter 943 of the statutes. Specify that Corrections adopt rules requiring that money be used for reasonable support of an inmate's family or dependents before it is allocated for the drug offender diversion surcharge.

In addition, increase the drug abuse program improvement surcharge (DAPIS) from 50% to 75% of the sum of the fine and penalty surcharge. Specify that: (a) all of the first \$1,038,600 collected under DAPIS in 2005-06 and \$1,044,300 in 2006-07 plus two-thirds of all DAPIS

revenues collected in excess of \$1,528,600 in 2005-06 and \$1,534,300 in 2006-07 would be allocated to DHFS; and (b) all of the revenues collected in excess of \$1,038,600 until the first \$1,528,600 has been collected in 2005-06 and in excess of \$1,044,300 until the first \$1,534,300 has been collected in 2006-07 plus one-third of all moneys collected in excess of \$1,528,600 in 2005-06 and \$1,534,300 in 2006-07 would be allocated to OJA to support the grant program. Specify that beginning July 1, 2007, two-thirds of DAPIS revenues would be allocated to DHFS and one-third of the revenues would be allocated to OJA to support the grant program.

Direct OJA, in collaboration with DHFS and Corrections, to submit a report by December 31, 2011, to the Legislature regarding savings that have been generated through the implementation of the grant program. [For a complete summary and fiscal effect, see "Administration -- Office of Justice Assistance."]

16. COMPREHENSIVE COMMUNITY SERVICES PROGRAM

Joint Finance/Legislature: Expand the purposes for which GPR funding currently budgeted for community support programs can be used to include community-based, psychosocial services, which is commonly referred to as the comprehensive community services program.

In 2004-05, DHFS is budgeted \$1,186,900 GPR to fund community support programs. Beginning in 2004-05, a new benefit, community-based psychosocial services, is available to MA recipients with mental health or substance abuse conditions, as a county-funded service. Counties must elect to provide the service and provide the state's share of the costs of the benefit.

[Act 25 Section: 330g]

Children and Families

1. FOSTER CARE AND ADOPTION ASSISTANCE REESTIMATE [LFB Paper 425]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$15,042,000	-\$2,300,100	\$12,741,900
FED	<u>14,923,800</u>	<u>- 629,000</u>	<u>14,294,800</u>
Total	\$29,965,800	-\$2,929,100	\$27,036,700

Governor: Provide \$10,601,800 (\$5,255,400 GPR and \$5,346,400 FED) in 2005-06 and \$19,364,000 (\$9,786,600 GPR and \$9,577,400 FED) in 2006-07 to reflect reestimates of the amount of funding required to support foster care payments for children with special needs who are

under the state's guardianship (but do not live in Milwaukee County) and adoption assistance payments for children with special needs who have been adopted. The state serves as guardian for children with special needs following termination of parental rights, pays the costs of out-of-home placements for these children while they await adoption, and makes adoption assistance payments to families who adopt children with special needs. Base funding for this program is \$74,960,100 (\$39,505,600 GPR and \$35,454,500 FED).

Joint Finance/Legislature: Reduce funding by \$1,293,900 (-\$1,008,100 GPR and -\$285,800 FED) in 2005-06 and by \$1,635,200 (-\$1,292,000 GPR and -\$343,200 FED) in 2006-07 to reflect reestimates of state costs for foster care and adoption assistance. Under this reestimate, a total of \$84,268,000 (\$43,752,900 GPR and \$40,515,100 FED) is budgeted for foster care and adoption assistance costs in 2005-06 and \$92,689,000 (\$48,000,200 GPR and \$44,688,800 FED) in 2006-07.

2. MILWAUKEE CHILD WELFARE [LFB Papers 426, 427, 860, and 861]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$12,507,100	-16.24	-\$4,924,900	0.00	-\$17,432,000	-16.24
FED	-2,608,900	16.24	983,700	0.00	-1,625,200	16.24
PR	<u>-542,200</u>	<u>0.00</u>	<u>-3,232,800</u>	<u>0.00</u>	<u>-3,775,000</u>	<u>0.00</u>
Total	-\$15,658,200	0.00	-\$7,174,000	0.00	-\$22,832,200	0.00

Governor: Reduce funding by \$8,476,300 (-\$6,922,500 GPR, -\$1,282,700 FED, and -\$271,100 PR) in 2005-06 and by \$7,181,900 (-\$5,584,600 GPR, -\$1,326,200 FED, and -\$271,100 PR) in 2006-07 to reflect the net effect of funding changes for activities administered by the Bureau of Milwaukee Child Welfare. In addition, convert 16.24 GPR positions to FED positions, beginning in 2005-06. Specify that \$7,323,600 annually in TANF funds would be budgeted for safety services.

Milwaukee Child Welfare Aids. Reduce funding by \$4,969,600 (-\$4,123,900 GPR, -\$695,700 FED, and -\$150,000 PR) in 2005-06 and by \$3,722,500 (-\$2,823,300 GPR, -\$749,200 FED, and -\$150,000 PR) in 2006-07 to fund projected costs of aids expenses, including direct payments for children in out-of-home care, case management of out-of-home care cases, and services to families where abuse or neglect has been substantiated or is likely to occur, but where the children remain at home as long as appropriate services are provided (safety services). The federal funding includes funding available under Title IV-E and federal adoption incentive funds; PR funding is TANF funds transferred from DWD, federal targeted case management funds, and collections. Base funding for Milwaukee child welfare aids is \$91,016,400 (\$39,584,800 GPR, \$17,887,600 FED, and \$33,544,000 PR).

This item includes: (a) a reestimate of the amount of Title IV-E that the state can claim (-\$481,200 GPR and \$481,200 FED in 2005-06 and -\$422,900 GPR and \$422,900 FED in 2006-07); (b) projected decreases in placement costs (-\$5,271,000 GPR and -\$1,459,000 FED in 2005-06 and -\$5,282,500 GPR and -\$1,447,400 FED in 2006-07), while maintaining funding for safety services, despite a decrease in the number of families served, in order to serve children at risk of abuse

and neglect but who are not in immediate harm and to support a mental health stabilization clinic for children and parents; (c) funding to support costs of contracted services (-\$1,182,600 GPR and -\$6,700 FED in 2005-06 and \$71,200 GPR and -\$13,500 FED in 2006-07); (d) reestimates of third-party collections (\$150,000 GPR and -\$150,000 PR annually); and (e) funding for four new initiatives (\$2,660,900 GPR and \$288,800 FED annually).

These four new initiatives include: (a) additional training and support for foster and adoptive parents (\$280,000 GPR annually); (b) activities to address workforce quality, particularly to assist in the recruitment and retention of ongoing case management staff (\$625,900 GPR and \$215,600 FED annually); (c) grants to community organizations that would provide domestic violence intervention and mental health assessment and treatment services for families involved with the Bureau, including domestic abuse specialists, family safety services, and domestic violence education (\$1,559,300 GPR annually); and (d) an ombudsman office in the Bureau (\$195,700 GPR and \$73,200 FED annually).

Milwaukee Child Welfare Operations. Reduce funding by \$3,506,700 (-\$2,798,600 GPR, -\$587,000 FED, and -\$121,100 PR) in 2005-06 and by \$3,459,400 (-\$2,761,300 GPR, -\$577,000 FED, and -\$121,100 PR) in 2006-07 to support the administration of the child welfare program in Milwaukee County. In addition, convert 16.24 GPR positions, beginning in 2005-06, to FED positions to reflect projected changes in the Title IV-E claiming rate for Milwaukee County. Federal funding is available under Title IV-E and PR funding is supported by TANF funds transferred from DWD. Base funding for Milwaukee child welfare operations is \$21,850,000 (\$13,310,600 GPR, \$6,223,700 FED, and \$2,315,700 PR).

This item includes funding to support: (a) the Wisconsin statewide automated child welfare information system (WISACWIS) in Milwaukee (-\$16,300 GPR, \$91,800 FED, and -\$75,600 PR annually); (b) Milwaukee's share of the masterlease payments for the implementation costs of WISACWIS, based on revised masterlease amounts (-\$619,400 GPR and -\$1,061,500 FED annually); (c) reestimates of infrastructure costs related to the Bureau's computer systems (-\$1,072,400 GPR, -\$829,100 FED, and -\$45,500 PR annually); (d) a reestimate of the amount of federal Title IV-E that the state can claim (-\$1,276,000 GPR and \$1,276,100 FED annually); and (e) increased rent costs (\$185,500 GPR and -\$64,300 FED in 2005-06 and \$222,800 GPR and -\$54,300 FED in 2006-07).

Joint Finance/Legislature: Reduce funding by \$2,963,500 (-\$2,450,400 GPR, \$1,103,300 FED, and -\$1,616,400 PR) in 2005-06 and by \$4,210,500 (-\$2,474,500 GPR, -\$119,600 FED, and -\$1,616,400 PR) in 2006-07 to reflect the net effect of changes in funding for activities administered by the Bureau of Milwaukee Child Welfare.

Milwaukee Child Welfare Aids. Reduce funding by \$2,963,500 (-\$2,163,700 GPR, \$816,600 FED, and -\$1,616,400 PR) in 2005-06 and by \$4,210,500 (-\$2,187,800 GPR, -\$406,300 FED, and -\$1,616,400 PR) in 2006-07 to reflect the following changes: (a) a reestimate of placement, service, and contract costs (\$132,200 GPR and \$1,105,400 FED in 2005-06 and \$108,100 GPR and -\$117,500 FED in 2006-07); (b) deleting funding in the bill for additional foster parent training, caseworker retention activities, domestic abuse specialists, family safety services, and

ombudsman services for the Bureau of Milwaukee Child Welfare (-\$2,295,900 GPR and -\$288,800 FED annually); and (c) a reestimate of the current safety services program and deleting funding for a mental health stabilization clinic for BMCW children and families (-\$1,616,400 PR-TANF annually). Therefore, this item includes funding for domestic abuse education and the expanded safety services program, to serve children and families at imminent risk of abuse or neglect. Specify that \$5,707,200 annually in TANF funds would be budgeted for safety services.

In addition, require DHFS to submit by January 1, 2006, to the Joint Committee on Finance, a report regarding the activities conducted by the Bureau of Milwaukee Child Welfare to retain caseworkers providing services to children and families in Milwaukee County. Further, require DHFS to include in its report, the results of any review conducted by an outside consultant, under contract with DHFS, to review the causes of turnover of these caseworkers and to identify and prioritize strategies to improve the retention of these caseworkers.

Milwaukee Child Welfare Operations. Reduce funding by \$286,700 GPR and provide \$286,700 FED annually to correctly reflect the amount of federal Title IV-E funding the state can claim to support ongoing staff training costs.

Veto by Governor [C-21]: Delete the provision that would have required DHFS to submit a report regarding the activities conducted by the Bureau of Milwaukee Child Welfare to retain caseworkers providing services to children and families in Milwaukee County, to the Joint Committee on Finance, and the requirements of what to include in the report.

In addition, in the Governor's veto message (page xxx of the message), the Governor directed the Secretary of DHFS to identify and reallocate funding toward the Bureau of Milwaukee Child Welfare for activities identified in the Governors' budget for the Bureau that were not funded by the Legislature, especially for activities related to caseworker retention and training.

The following table summarizes the total funding budgeted in the Bureau of Milwaukee Child Welfare under Act 25.

Milwaukee Child Welfare Funding Summary Act 25

	2005-06				2006-07			
	GPR*	FED	PR	Total	GPR*	FED	PR	Total
Placement Costs								
Foster Care	\$8,703,700	\$3,595,300	\$0	\$12,299,000	\$8,724,800	\$3,574,200	\$0	\$12,299,000
Treatment Foster Care	5,378,000	2,221,500	0	7,599,500	5,391,100	2,208,500	0	7,599,600
Wraparound Services	8,058,600	929,300	0	8,987,900	8,064,100	923,800	0	8,987,900
RCCs	2,136,000	386,100	0	2,522,100	2,138,300	383,800	0	2,522,100
Group Homes	2,290,300	414,000	0	2,704,300	2,292,700	411,600	0	2,704,300
Receiving and Assessment Homes	<u>3,194,800</u>	<u>0</u>	<u>0</u>	<u>3,194,800</u>	<u>3,194,800</u>	<u>0</u>	<u>0</u>	<u>3,194,800</u>
	\$29,761,400	\$7,546,200	\$0	\$37,307,600	\$29,805,800	\$7,501,900	\$0	\$37,307,700
Service Costs								
Safety Services	\$0	\$0	5,707,200	\$5,707,200	\$0	\$0	\$5,707,200	\$5,707,200
Ongoing Services	<u>8,795,000</u>	<u>0</u>	<u>0</u>	<u>8,795,000</u>	<u>8,795,000</u>	<u>0</u>	<u>0</u>	<u>8,795,000</u>
	\$8,795,000	\$0	\$5,707,200	\$14,502,200	\$8,795,000	\$0	\$5,707,200	\$14,502,200
Vendor Costs								
Case Management Contract	\$11,696,500	\$4,258,400	\$0	\$15,954,900	\$11,696,500	\$4,258,400	\$0	\$15,954,900
Out-of-Home Placement Unit	3,885,400	1,414,600	0	5,300,000	3,885,400	1,414,600	0	5,300,000
Foster Care Training and Recruitment	588,700	214,300	0	803,000	588,700	214,300	0	803,000
Adoption Contracts	1,895,000	1,459,000	0	3,354,000	1,895,000	1,459,000	0	3,354,000
Court Contracts	859,600	167,100	0	1,026,700	859,600	167,100	0	1,026,700
FISS Unit	220,400	0	0	220,400	220,400	0	0	220,400
Independent Investigations	280,000	0	0	280,000	280,000	0	0	280,000
Prevention Services Contract	0	0	1,489,600	1,489,600	0	0	1,489,600	1,489,600
Domestic Violence Education	365,000	0	0	365,000	365,000	0	0	365,000
Mentors	274,900	100,100	0	375,000	274,900	100,100	0	375,000
Kinship Care Payment Unit	315,400	0	0	315,400	315,400	0	0	315,400
Trust Fund Accounting Unit	92,700	33,800	0	126,500	92,700	33,800	0	126,500
EDS Child Hospital	30,000	0	0	30,000	30,000	0	0	30,000
Adoption Search	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
Total Aids Funding	\$59,110,000	\$15,193,500	\$7,196,800	\$81,500,300	\$59,154,400	\$15,149,200	\$7,196,800	\$81,500,400
Base Funding	<u>64,315,600</u>	<u>16,304,600</u>	<u>8,813,200</u>	<u>89,433,400</u>	<u>64,315,600</u>	<u>16,304,600</u>	<u>8,813,200</u>	<u>89,433,400</u>
Change to Base	-\$5,205,600	-\$1,111,100	-\$1,616,400	-\$7,933,100	-\$5,161,200	-\$1,155,400	-\$1,616,400	-\$7,933,000
Total Operations Funding	\$10,225,300	\$5,923,400	\$2,194,600	\$18,343,300	\$10,262,600	\$5,933,400	\$2,194,600	\$18,390,600
Base Funding	<u>13,310,600</u>	<u>6,223,700</u>	<u>2,315,700</u>	<u>21,850,000</u>	<u>13,310,600</u>	<u>6,223,700</u>	<u>2,315,700</u>	<u>21,850,000</u>
Change to Base	-\$3,085,300	-\$300,300	-\$121,100	-\$3,506,700	-\$3,048,000	-\$290,300	-\$121,100	-\$3,459,400
Total Funding for Milwaukee Child Welfare	\$69,335,300	\$21,116,900	\$9,391,400	\$99,843,600	\$69,417,000	\$21,082,600	\$9,391,400	\$99,891,000
Base Funding	<u>77,626,200</u>	<u>22,528,300</u>	<u>11,128,900</u>	<u>111,283,400</u>	<u>77,626,200</u>	<u>22,528,300</u>	<u>11,128,900</u>	<u>111,283,400</u>
Change to Base	-\$8,290,900	-\$1,411,400	-\$1,737,500	-\$11,439,800	-\$8,209,200	-\$1,445,700	-\$1,737,500	-\$11,392,400

*Includes GPR funding, collections, MA targeted case management revenues, Milwaukee County's contribution, and in 2005-06, federal adoption incentive funds.

[Act 25 Section: 1104]

[Act 25 Vetoed Section: 9121(12d)]

3. CHILD AND FAMILY SERVICE REVIEW PROGRAM ENHANCEMENT PLAN [LFB Paper 428]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$2,649,600	\$0	\$2,649,600
FED	969,000	343,300	1,312,300
PR	540,400	0	540,400
Total	\$4,159,000	\$343,300	\$4,502,300

Governor: Provide \$2,079,500 (\$1,435,000 GPR, \$484,500 FED, and \$160,000 PR) in 2005-06 and \$2,079,500 (\$1,214,600 GPR, \$484,500 FED, and \$380,400 PR) in 2006-07 to implement components of the state's program enhancement plan, which resulted from the federal child and family service review. The federal funds are available under Title IV-E and the PR funds are MA targeted case management funds. In addition, create a GPR aids appropriation for the child welfare program enhancement plan.

This funding may be used to support: (a) quality assurance reviews and technical assistance to counties; (b) training to county staff on new statewide policies and standards and to provide funding to counties to support training for newly hired child welfare workers; and (c) the Wisconsin foster care and adoption resource center, which would provide training and support to foster and adoptive parents and county child welfare workers.

In August, 2003, the U.S. Department of Health and Human Services conducted a comprehensive review of Wisconsin's child welfare program. This federal child and family services review (CFSR) was conducted in all 50 states over a three-year period. All 50 states failed some portion of the review. The CFSR is an examination of a state's conformance with federal requirements under Titles IV-B (general child welfare) and IV-E (foster care/out-of-home placement) of the federal Social Security Act. The review examined 14 aspects of the state program, including seven outcome measures relating to safety, permanency, and well being of children, and seven systemic factors relating to the overall capacity of the state program to serve children and families. Wisconsin was required to develop a program enhancement plan to address each item of nonconformance. Wisconsin's plan was approved in November, 2004, and the state has two years to achieve the outcomes identified in the plan.

Joint Finance/Legislature: Modify the Governor's provision by providing an additional \$122,400 FED in 2005-06 and \$220,900 FED in 2006-07 to reflect reestimates of federal funding available for this purpose.

[Act 25 Section: 303]

4. FOSTER CARE RATES [LFB Paper 429]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$1,637,700	-\$804,600	\$833,100
FED	<u>593,000</u>	<u>-303,900</u>	<u>289,100</u>
Total	\$2,230,700	-\$1,108,500	\$1,122,200

Governor: Provide \$557,600 (\$408,900 GPR and \$148,700 FED) in 2005-06 and \$1,673,100 (\$1,228,800 GPR and \$444,300 FED) in 2006-07 to fund a 5% increase in basic foster care rates, effective January 1, 2006, and an additional 5% increase in the rates, effective January 1, 2007. The basic foster care rates under current law and under the bill are listed below.

Age	Current Law	Governor	
		January 1, 2006	January 1, 2007
0 thru 4	\$302	\$317	\$332
5 thru 11	329	345	362
12 thru 14	375	394	423*
15 and over	391	411	430

*The funding in the bill reflects the Governor's intent to increase this rate to \$413, instead of \$423, which is the rate specified in the bill.

Counties and DHFS make monthly foster care payments to foster parents, treatment foster parents, and family-operated group homes to support food, clothing, housing, personal care, and other expenses for children in foster care. In addition to the basic rate, counties or DHFS may provide an initial clothing allowance for a foster child first entering out-of-home care and a supplemental or exceptional payment to foster parents if a foster child has emotional, behavioral, or medical needs.

Joint Finance/Legislature: Delete provision. Instead, provide \$278,800 (\$214,000 GPR and \$64,800 FED) in 2005-06 and \$843,400 (\$619,100 GPR and \$224,300 FED) in 2006-07 to support a 2.5% increase in foster care rates beginning January 1, 2006, and an additional 2.5% increase beginning January 1, 2007. The basic foster care rates, as adopted by Joint Finance, are shown in the following table.

Age	Current Law	Joint Finance/Legislature	
		January 1, 2006	January 1, 2007
0 thru 4	\$302	\$310	\$317
5 thru 11	329	337	346
12 thru 14	375	384	394
15 and over	391	401	411

Veto by Governor [C-19]: Delete the statutory foster care rates beginning January 1, 2006, and the January 1, 2007, date, such that the foster care rates beginning January 1, 2006, are equal to those that would have been effective, under the bill, on January 1, 2007. The rates under Act 25 are shown in the following table.

<u>Age</u>	<u>Current Law</u>	<u>Act 25</u>	
		<u>January 1, 2006</u>	<u>January 1, 2007</u>
0 thru 4	\$302	\$317	\$317
5 thru 11	329	346	346
12 thru 14	375	394	394
15 and over	391	411	411

No additional funding is provided to support the higher rates in calendar year 2006. Therefore, counties, the Bureau of Milwaukee Child Welfare, and the state foster care and adoption assistance program will be required to absorb the costs of the higher rate increase, for a total of \$289,300 (\$223,800 GPR and \$65,500 FED) in 2005-06 and \$292,800 (\$214,700 GPR and \$78,100 FED) in 2006-07.

[Act 25 Sections: 951d and 9421(7)]

[Act 25 Vetoed Section: 951d]

5. CHILD ABUSE PREVENTION AND CHILD MENTAL HEALTH SURCHARGE [LFB Paper 430]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR-REV	\$1,250,000	-\$1,250,000	\$0

Governor: Create a child abuse prevention and child mental health surcharge equal to \$20 for each misdemeanor offense or count and for each felony offense or count. Require a court to impose this surcharge when it imposes a sentence or places a person on probation on or after the bill's general effective date. Specify that this surcharge would be in addition to any fines imposed.

Require the clerk of court to collect and transmit revenue from the surcharge to the county treasurer, who would then make payment to the Secretary of the Department of Administration (DOA). Specify that, of the \$20 surcharge: (a) \$14 would be credited to a new, annual PR appropriation in DHFS to support grants for mental health and substance abuse services for families involved in the child welfare system; and (b) \$6 would be credited to a current, continuing PR appropriation in the Child Abuse and Neglect Prevention (CANP) Board to support grants awarded by the Board, which would be modified to reflect the transfer of these surcharge revenues.

Modify current law that states that payments made by offenders toward fines owed by the offender, to include the child abuse prevention and child mental health surcharge, to be paid in full after the crime victim and witness surcharge is paid in full and before the crime laboratories and drug enforcement surcharge is paid.

If an inmate in a state prison or a person sentenced to a state prison has not paid the child abuse prevention and child mental health surcharge, require the Department of Corrections to assess and collect the amount owed from the inmate's wages or other moneys, and to transmit the amount to the DOA Secretary. Direct the Department of Corrections to disburse salaries or wages of any employed inmate towards this surcharge, as the fourth priority, after the crime victim and witness surcharge, if the offender has not fully paid this surcharge. Permit Corrections to use property or earned wages of patients, residents, prisoners, and probationers towards paying owed child abuse prevention and child mental health surcharge revenue.

The administration estimates that \$250,000 in 2005-06 and \$1,000,000 in 2006-07 would be collected from this surcharge, which would support: (a) in DHFS, mental health and substance abuse services for child welfare families (\$192,700 in 2005-06 and \$634,700 in 2006-07); and (b) grants distributed by the CANP Board (\$57,300 in 2005-06 and \$365,300 in 2006-07). These items are summarized below, and in "Child Abuse and Neglect Prevention Board."

Joint Finance/Legislature: Delete provision.

6. MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES FOR CHILD WELFARE FAMILIES [LFB Paper 430]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
FED	\$545,600	-\$545,600	\$0
PR	<u>827,400</u>	<u>- 827,400</u>	<u>0</u>
Total	\$1,373,000	-\$1,373,000	\$0

Governor: Provide \$313,800 (\$121,100 FED and \$192,700 PR) in 2005-06 and \$1,059,200 (\$424,500 FED and \$634,700 PR) in 2006-07 to support a pilot mental health and substance abuse screening, assessment, and treatment program for families involved in the child welfare system. The federal funding is available from medical assistance (MA) and the PR funding is from the proposed child abuse prevention and child mental health surcharge.

Authorize DHFS to award not more than \$57,500 in 2005-06 and not more than \$229,800 in 2006-07 as grants for up to three years to tribes and counties other than Milwaukee County to demonstrate collaboration for intervention for the mental health and substance abuse screening, assessment, and treatment of children who have been abused or neglected and their parents for whom the county departments and tribal agencies determine there is a need to provide services.

The funding in this item includes: (a) \$93,600 FED and \$125,800 PR in 2005-06 and \$371,600 FED and \$505,700 PR in 2006-07 to support two pilot programs in medium-sized

counties or three pilot programs in small counties that would provide assessment and treatment services for children and adults involved with the child welfare system who are not eligible for MA; (b) \$2,100 FED and \$4,700 PR annually for county worker training on the use of the mental health and substance abuse screening tool; and (c) \$25,400 FED and \$62,200 PR in 2005-06 and \$50,800 FED and \$124,300 PR in 2006-07 to hire a consultant for an evaluation of the process and outcomes of the pilot programs.

Joint Finance/Legislature: Delete provision.

7. WISACWIS

GPR	- \$954,600
FED	- 4,648,500
PR	- 415,500
Total	- \$6,018,600

Governor/Legislature: Reduce funding by \$2,596,600 (-\$202,200 GPR, -\$2,324,200 FED, and -\$70,200 PR) in 2005-06 and by \$3,422,000 (-\$752,400 GPR, -\$2,324,300 FED, and -\$345,300 PR) in 2006-07 to reflect the net cost of items relating to the Wisconsin statewide automated child welfare information system (WISACWIS). These funding changes reflect: (a) that DHFS no longer masterleases for the non-federal portion of WISACWIS implementation costs; and (b) support for infrastructure and personnel costs related to ongoing maintenance of the system.

Specify that \$1,310,800 in 2005-06 and \$1,317,700 in 2006-07 in TANF funds would be budgeted for WISACWIS. WISACWIS is funded with GPR, funds available under Title IV-E of the federal Social Security Act (FED), and county funds and TANF funds transferred to DHFS from DWD to support the costs associated with the kinship care cases in WISACWIS (PR). Base funding for WISACWIS is \$8,390,100 (\$2,974,000 GPR, \$3,512,100 FED, and \$1,904,000 PR).

Authorize DHFS, a county department, or a licensed child welfare agency to enter information into WISACWIS that the agency received about an individual in its care or legal custody or an individual receiving services from the agency. Further, specify that authorized users of WISACWIS may have access to the information concerning the individual if that information is necessary to enable the county department, DHFS, or organization to perform its duties or coordinate the delivery of services under the Children's Code (Chapter 48 of the statutes), the Juvenile Justice Code (Chapter 938), or the Mental Health Act (Chapter 51). Require that, before entering any information about an individual into WISACWIS, DHFS, the county department, or licensed child welfare agency notify the individual that the information entered may be disclosed to other users of WISACWIS.

Under current law, DHFS, Corrections, a county department of human or social services, or a licensed child welfare agency may not disclose information it receives about an individual in its care or legal custody, except in certain situations. In addition, access to registration and treatment records of an individual who received services for mental illness, developmental disabilities, alcoholism, or drug dependence is restricted without informed written consent. This item would allow access to this information in WISACWIS by authorized users of WISACWIS, after the individual is informed that the information in the system may be disclosed to other authorized users.

WISACWIS is the automated child welfare system that assists child welfare case workers and administrators in managing child welfare services. The system maintains information on intake, assessment, eligibility determinations, case management, court processing, financial reporting, and administration. Statewide implementation of WISACWIS was completed in July, 2004.

[Act 25 Sections: 1023, 1105, 1226, and 2462]

8. MA COVERAGE FOR YOUTHS LEAVING OUT-OF-HOME CARE [LFB Paper 431]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$357,000	-\$357,000	\$0
FED	481,000	-481,000	0
Total	\$838,000	-\$838,000	\$0

Governor: Provide \$838,000 (\$357,000 GPR and \$481,000 FED) in 2006-07 to increase MA benefits funding to support the estimated cost of extending MA coverage for individuals who are 18 or 19 years of age and who were in a foster care or treatment foster care placement on their 18th birthdays. Specify that this eligibility would first apply to MA determinations made on January 1, 2007. Beginning January 1, 2008, specify that individuals who are 18, 19, or 20 years of age and who were in a foster care or treatment foster care placement on their 18th birthdays would be eligible for MA and that this eligibility would first apply to MA determinations made on January 1, 2008.

Currently, under federal law, all children whose out-of-home care costs are partially reimbursed under Title IV-E of the Social Security Act are categorically eligible for MA. Wisconsin's MA program also provides coverage for children whose out-of-home care costs are not paid under Title IV-E. A youth in out-of-home care in either group remains eligible for MA until he or she reaches the age of 18 or, if he or she is expected to finish high school or complete a GED program, the age of 19. At that time, a youth may: (a) remain eligible for MA because the youth meets other MA eligibility criteria, such as Healthy Start Criteria; (b) become eligible for BadgerCare by meeting that program's financial and nonfinancial eligibility criteria; or (c) not be eligible for either program. The Governor's recommendation would extend MA coverage for individuals in the latter group.

The bill would increase MA benefits funding by \$588,000 (\$232,000 GPR and \$356,000 FED) in 2006-07 to support estimated increases in MA benefits costs and \$250,000 (\$125,000 GPR and \$125,000 FED) in 2006-07 to support one-time costs of implementing changes in MA information systems. The estimated annual cost of extending coverage to this group of individuals is \$5,536,200 (all funds), which includes \$10,400 of ongoing eligibility determination costs in the income maintenance program.

The Governor's intent is to extend MA coverage to individuals who were in an out-of-home care placement on their 18th birthdays, which includes a placement in foster care,

treatment foster care, group home, a residential care center for children and youth, and kinship care under a court-order. The funding included in this item reflects the Governor's intent, but a change to the bill is needed to reference these placement options to meet this intent.

Joint Finance/Legislature: Delete provision.

9. SUBSIDIZED GUARDIANSHIP

Governor/Legislature: Make the following changes that would: (a) allow a nonrelative to be appointed as a guardian of a child in need of protection or services; (b) include placement with a guardian as a placement option for children first entering out-of-home care; (c) create a subsidized guardianship payment and allow DHFS or a county to make the payments to a guardian of a child in need of protection or services; (d) direct DHFS to request a federal waiver to claim reimbursement under Title IV-E for the subsidized guardianship payments; and (e) make changes in the court process for appointing a guardian for a child in need of protection or services.

In September, 2004, Wisconsin received a five-year federal Title IV-E waiver to provide a subsidized guardianship payments program. Under the waiver terms and conditions, the state is allowed to operate a demonstration subsidized guardianship payment program in Milwaukee County, although the program could be expanded to other counties and tribes in Wisconsin, with approval from the U.S. Department of Health and Human Services. The waiver requires changes in state law to clarify the nature of guardianship as a permanency outcome and to allow the payment of guardianship subsidies, as well as allowing nonrelatives to become guardians.

Delete Requirement that Guardian be a Relative. Permit a nonrelative to be appointed as the guardian of a child or juvenile who has been adjudged in need of protection or services (CHIPS or JIPS). Eliminate the requirement that, to appoint a guardian, the child must have been placed, or continued to be placed, outside his or her home under a court order, for a cumulative total period of one year or longer and instead allow a guardian to be appointed if the child has been adjudged CHIPS or JIPS and the county department or DHFS has recommended placing the child in the home of a guardian.

Guardianship as Out-of-Home Care Placement Option. Include placement of a child in the home of a guardian as an out-of-home care placement option for children under a CHIPS or JIPS order. Specify that the guardian may be appointed for the child, if the court finds that reasonable efforts were made by the county or DHFS to prevent the removal of the child from his or her home, while assuring the child's health and safety, but that continued placement of the child in the home would be contrary to the welfare of the child. Add references to reflect this new out-of-home placement option, including granting county departments and, in Milwaukee County, DHFS, the authority to place children in the homes of their guardians.

Authorize a court to appoint a guardian and transfer guardianship and custody of a child to the guardian if the rights of both parents or of the only living parent are terminated and if a

guardian has not been appointed for the child.

Eligibility Requirements for Monthly Subsidized Guardianship Payments. Require a county department, or in Milwaukee County, DHFS, to provide monthly subsidized guardianship payments to a guardian of a child who was licensed as the child's foster parent or treatment foster parent before the guardianship appointment and who has entered into a subsidized guardianship agreement with the county department or DHFS, if the county or DHFS has: (a) inspected the home of the guardian, interviewed the guardian, and determined that placement of the child with the guardian is in the best interests of the child; and (b) conducted a background check of the guardian, the employees and prospective employees of the guardian who have or would have regular contact with the child, and any other adult resident of the home of the guardian and determines that those individuals do not have any arrests or convictions that are likely to adversely affect the child or the ability of the guardian to care for the child.

In addition, specify that, in order for a guardian to receive a monthly payment, specify that: (a) the child must have been placed outside his or her home for a cumulative period of one year or longer, the court has found that reasonable efforts have been made to return the child to his or her home, while assuring that the child's health and safety are the paramount concerns, but that reunification of the child with the child's parent or parents is unlikely or contrary to the best interests of the child, or that any of the circumstances where reasonable efforts are not required apply, and the court has found that appointing a guardian is in the best interests of the child; or (b) if the child does not meet the conditions under (a), the county or DHFS must determine, and the court confirm, that appointing a guardian for the child and providing monthly subsidized guardianship payments to the guardian is in the best interests of the child.

Under current law, the only payment a guardian may receive for caring for a child in need of protection or services is a kinship care payment if the guardian is a relative of the child and meets the eligibility requirements for these payments.

Interim Caretaker. Require that, on the death, incapacity, resignation, or removal of a guardian receiving subsidized guardianship payments, a county or DHFS provide monthly subsidized guardianship payments for up to 12 months to an interim caretaker who meets the conditions of the home inspection, interview, and criminal background check, and who cooperates with the county or DHFS in finding a permanent placement for the child.

Monthly Subsidized Guardianship Payment Amounts. Specify that the monthly subsidized guardianship payment would be equal to the amount of the monthly foster care payment received by the guardian for the month immediately before the month in which the guardianship order was granted. Specify that a guardian or an interim caretaker who receives a monthly subsidized guardianship payment would not be eligible to receive a foster care or kinship care payment. Prohibit kinship care relatives receiving a kinship care payment for a child from receiving a subsidized guardianship payment.

Allow counties to use community aids funding to support subsidized guardianship

payments. Allow DHFS to make a maintenance payment for a child living in a subsidized guardianship home. Add references to reflect the authority of DHFS and county departments to provide subsidized guardianship payments.

Specify that a child who is in the care of a subsidized guardian is eligible for MA, as the child would have been while in foster care, under current law. Specify that a subsidized guardian is eligible to receive a child care subsidy under the Wisconsin Works (W-2) program and that if the guardian adopts the child, the guardian is eligible for adoption assistance, both of which are available to foster parents under current law. Provide that the adoption assistance payment for a guardian that adopts a child would be based on the subsidized guardianship care payment at the time of the adoption assistance agreement.

Request Federal Title IV-E Waiver. Require DHFS to request a waiver under Title IV-E of the federal Social Security Act, which would authorize the state to receive federal reimbursement under Title IV-E for the costs of providing care for a child living with a guardian who was licensed as the child's foster parent or treatment foster parent before the guardianship appointment and who has entered into a subsidized guardianship agreement with the county or DHFS. Require DHFS, if the waiver is approved for Milwaukee County, to provide monthly payments from funding budgeted for the Bureau of Milwaukee Child Welfare. Direct DHFS, if the waiver is approved for any other county, to determine which counties are authorized to provide monthly subsidized guardianship payments and the county would provide those payments from its community aids allocation.

Petition for Guardianship. Specify that, if the county or DHFS has determined that appointing a guardian for a child who does not meet the eligibility requirements for monthly subsidized guardianship payments but providing monthly payments is in the best interests of the child, the guardianship petition to the court must include: (a) a statement of the county or Department's determination that providing monthly subsidized guardianship payments are in the best interests of the child; and (b) a request for the court to include in its findings, a finding that confirms the county or Department's determination. If the court confirms that placement with the guardian is in the best interests of the child and appoints a guardian for the child, require the county or DHFS to provide monthly subsidized guardianship payments to the guardian for care of the child. A petition may first be filed for the appointment of a relative as the guardian for a child who has been placed, or continued in a placement, outside of his or her home for less than one year, on the bill's general date.

Modify current law regarding who may file a petition for the appointment of a guardian to include the person in whose home placement of the child is recommended, if the person is nominated as the guardian of the child in the petition, in addition to the person with whom the child is placed, as allowed under current law.

Require the proceeding for the appointment of a guardian, if the child has been adjudged CHIPS or JIPS, but not placed outside of the home, to set forth the date of the report in which placement of the child in the home of the person is recommended, in addition to the date on which the child has been placed outside the home, as required under current law.

Court Report. For a child who has been placed, or continued in a placement, outside of his or her home for less than six months, require the court to order the person or agency primarily responsible for providing services to the child under a court order to file with the court: (a) the court report recommending placement in the home of the guardian as a CHIPS or JIPS disposition; (b) the summary of the permanency plan review, if one has been prepared; and (c) as much information relating to the appointment of a guardian as is reasonably ascertainable.

For a child who has been placed, or continued in a placement, outside of his or her home for six months or longer, require the court to order the person or agency primarily responsible for providing services to the child under a court order to file with the court a report containing the written permanency plan and as much information relating to the appointment of a guardian as is reasonably ascertainable.

Veto by Governor [C-20]: Delete the provision that would have required that, when a court appoints a guardian who receives a subsidized guardianship payment for the care of a child, the court orally inform the parent or parents who appear in court of any grounds for termination of parental rights that may be applicable and the conditions necessary for the child to be returned to the home. Under current law, the court is required to provide this information orally when a child is placed outside of his or her home or parent visitation is denied because the child has been adjudged in need of protection or services.

[Act 25 Sections: 330, 843, 844, 851 thru 855, 884, 885, 924, 925, 927 thru 936, 938, 940 thru 950, 952, 953, 1024 thru 1026, 1028 thru 1044, 1078, 1080, 1081, 1150, 2441 thru 2444, 2458 thru 2461, and 9121(1)]

[Act 25 Vetoed Section: 926]

10. KINSHIP CARE [LFB Paper 859]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	-\$747,600	-\$1,776,300	-\$2,523,900

Governor: Reduce funding by \$373,800 annually in TANF funds transferred from DWD to reflect the administration's estimates of the amount of funding that will be required to support the kinship care program in the 2005-07 biennium. This item would reduce annual funding for kinship care payments (-\$573,700) and increase funding for counties to conduct assessments (\$155,500) and for state administrative costs (\$44,400).

Reduce from \$24,122,200 to \$23,748,400 the annual statutory allocation of TANF funds that would be budgeted to support the kinship care program to reflect the total annual funding that would be budgeted to support kinship care benefits (\$21,893,900), assessments (\$1,619,500), and administrative costs (\$235,000).

Counties, and in Milwaukee County, DHFS, pay a benefit of \$215 per month to kinship care relatives if: (a) there is a need for the child to be placed with the relative and the placement is in the best interests of the child; (b) the child meets the criteria, or would be at risk of meeting the criteria, for a child or juvenile in need of protection or services, if the child were to remain at home; and (c) the relative meets other non-financial requirements. Counties, and in Milwaukee County, DHFS, conduct assessments of relatives to determine if they are eligible to receive kinship care benefits. DHFS allocates funding to counties for this purpose. In addition, TANF funds support administrative costs of the program, which includes hearings conducted by the DOA Division of Hearings and Appeals and two DHFS positions.

Joint Finance/Legislature: Reduce funding by \$714,200 PR-TANF in 2005-06 and by \$1,062,100 PR-TANF in 2006-07 to: (a) fund current estimates of kinship care payments made by DHFS and counties (-\$561,200 PR in 2005-06 and -\$909,100 PR in 2006-07); (b) delete the Governor's recommendation to increase funding for kinship care assessments in non-Milwaukee counties by \$155,500 PR annually and instead, decrease funding for assessments in Milwaukee County by \$154,400 PR annually and increase funding for assessments in non-Milwaukee counties by \$154,400 PR annually (-\$155,500 PR annually); and (c) provide \$2,500 PR annually for administrative costs. Therefore, a total of \$23,034,200 PR in 2005-06 and \$22,686,300 PR in 2006-07 would be budgeted for the kinship care program, including: (a) \$21,332,700 PR for kinship care benefits in 2005-06 and \$20,984,800 PR in 2006-07; (b) \$1,464,000 PR annually for kinship care assessments; and (c) \$237,500 PR annually for kinship care administrative costs.

[Act 25 Section: 1100m]

11. TRANSFER OF CHILD CARE LICENSING FROM DHFS TO DWD [LFB Paper 858]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR-REV	\$0	0.00	\$255,800	0.00	\$255,800	0.00
GPR	-\$574,400	0.00	\$574,400	0.00	\$0	0.00
FED	-949,000	-7.59	949,000	7.59	0	0.00
PR	<u>-10,570,900</u>	<u>-75.61</u>	<u>10,570,900</u>	<u>75.61</u>	<u>0</u>	<u>0.00</u>
Total	-\$12,094,300	-83.20	\$12,094,300	83.20	\$0	0.00

Governor: Reduce funding by \$6,046,000 (-\$287,200 GPR, -\$474,500 FED, and -\$5,284,300 PR) in 2005-06 and by \$6,048,300 (-\$287,200 GPR, -\$474,500 FED, and -\$5,286,600 PR) in 2006-07 and delete 83.2 positions (-7.59 FED positions and -75.61 PR positions), beginning in 2005-06, to reflect the transfer of day care licensing duties from DHFS to the Department of Workforce Development (DWD). The federal funds are social service block grant (SSBG) funds that DHFS receives and would transfer to DWD, and the PR funds include federal child care development block grant (CCDBG) that DWD has transferred to DHFS to support child care licensing activities (\$4,566,100 in 2005-06 and \$4,568,400 in 2006-07) and revenue from child care licensing fees (\$718,200 annually).

Authorize DWD, instead of DHFS, to: (a) license day care centers; (b) promulgate rules establishing minimum requirements for day care center licensure and minimum standards for day care center operation; (c) inspect and investigate day care centers; and (d) impose sanctions and penalties for operating a day care center without a license or for violating a provision of day care center licensure or a minimum standard for the operation of a day care center. Replace current statutory references to DHFS with references to DWD with respect to day care licensing. Delete requirement that DWD transfer federal CCDBG funds to DHFS.

Provide that, on the bill's general effective date: (a) the assets and liabilities of DHFS primarily related to the licensing of day care centers, as determined by the Secretary of the Department of Administration (DOA), would become the assets and liabilities of DWD; (b) all positions and all incumbent employees holding these positions in DHFS, as determined by the DOA Secretary, would be transferred to DWD and retain the employee rights they enjoyed in DHFS immediately before the transfer; (c) all tangible property, including records, of DHFS that is primarily related to the licensing of day care centers, as determined by the DOA Secretary, would be transferred to DWD; (d) all contracts entered into by DHFS that are primarily related to the licensing of day care centers, as determined by the DOA Secretary, remain in effect and are transferred to DWD, which would carry out any obligations under such a contract; (e) all rules promulgated by DHFS that are in effect related to licensing of day care centers, remain in effect until their specified expiration date or until amended or repealed, and all orders issued by DHFS that are primarily related to the licensing of day care centers, remain in effect until their specified expiration dates or until modified or rescinded by DWD; and (f) any matter pending with DHFS relating to the licensing of day care centers is transferred to DWD, and all materials submitted to or actions taken by DHFS with respect to the pending matter are considered as having been submitted to or taken by DWD.

In addition, increase the biennial, per slot fee from \$8.47 to \$16.94 for day care centers that provide care and supervision for nine or more children. Under current law, a day care center is required to pay a biennial fee of \$30.25, in addition to the per slot fee, which is based on the number of children the day care center is licensed to serve. The fiscal effect of the increased fee is shown in DWD. [See " Workforce Development -- Economic Support and Child Care."]

Joint Finance/Legislature: Delete the Governor's provision. Increase the biennial, per slot fee from \$8.47 to \$10.33 and provide \$127,900 PR (licensing fee) and reduce funding by \$127,900 PR (CCDBG) annually to reflect this increase. Specify that the fee increase is effective on July 1, 2005, and that DHFS may assess this fee on licensed child care providers retroactively to July 1, 2005. Convert 1.90 PR (CCDBG) positions in DHFS to 1.90 PR (licensing fee) positions, beginning in 2005-06.

[Act 25 Sections: 346d, 962d, 1076d, 9321(8f), and 9421(10f)]

12. FAMILY FOUNDATIONS -- HOME VISITING PROGRAM [LFB Paper 432]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$1,251,100	-\$1,251,100	\$0
FED	203,400	- 203,400	0
Total	\$1,454,500	-\$1,454,500	\$0

Governor: Provide \$1,454,500 (\$1,251,100 GPR and \$203,400 FED) in 2006-07 to support a universal home visiting program for first-time parents and a targeted home visiting program for first-time, MA-eligible parents, with identified risk factors for child abuse and neglect, beginning January 1, 2007.

Universal Home Visiting. Provide \$244,800 GPR in 2006-07 for a universal home-visiting program, which the administration estimates would be sufficient to serve approximately 40% of first-time parents statewide. Direct DHFS to award grants for universal home visiting services to applying organizations, which may include a county department of human or social services, local health department, Indian tribe, private nonprofit agency, or local partnership, under a competitive application process which ranks applicants based on the quality of their applications. Specify that DHFS must determine the amount of an organization's grant award based on the number of first-time births in the community served by the organization.

Define a "local partnership" as any combination of two or more county departments, local health departments, Indian tribes, and private nonprofit agencies that have agreed to jointly implement a universal home visitation program.

Modify the current appropriation that supports child abuse and neglect prevention grants to also include universal home visitation grants.

Allowable Uses of Grant Funding. Require grant recipients to provide matching funds or in-kind contributions, in amounts determined by DHFS, and prohibit a grant recipient from using any of the grant funds to supplant any other funds used by the grant recipient at the time of the grant award to provide home visitation services.

Require grant recipients to use the grant award to provide a one-time visit to all first-time parents in the community served by the organization for the purposes of: (a) providing parents with basic information regarding infant health and nutrition, the care, safety, and development of infants, and emergency services for infants; (b) identifying parents' needs; and (c) providing parents with referrals to programs, services, and other resources that may meet those needs. Specify that an organization may visit a first-time parent only if the parent (or, if the parent is a child, his or her parent, guardian, or legal custodian) consents to the visit. Require that any informational materials distributed about the home visitation services state the sources of funding for the services.

In the first year in which a grant is awarded to an organization, permit the organization to use a portion of the grant to support start-up costs and capacity building related to the

provision of home visitation services and specify that DHFS would will determine the maximum amount of the grant that could be used for these costs.

Child Abuse or Neglect Reports. Prohibit mandatory reporters of suspected or threatened child abuse or neglect from making or threatening to making a report of child abuse or neglect based on a person's refusal to receive a home visit under this program.

Specify that, if a person providing home visitation services under this program determines that he or she is required or permitted to make a report of suspected or threatened abuse or neglect of a child in the family receiving services, require the person, before making the report, to make a reasonable effort to notify the child's parent that an abuse or neglect report will be made and to encourage the parent to contact the county child welfare department or DHFS to request assistance. Specify that this notification requirement does not affect the individual's mandated reporting requirements for child abuse and neglect.

Confidentiality Requirements. Prohibit individuals from using or disclosing any information concerning an individual offered home visitation services under this program, including an individual who declines to receive those services, or concerning an individual who is provided with a referral to other programs, services, or other resources, unless: (a) as a mandated reporter of suspected or threatened child abuse or neglect, disclosure of the information is required; (b) the use or disclosure of the information is connected to the administration of the universal home visiting program; or (c) the individual has given his or her written informed consent to the use or disclosure of the information.

Require an organization that receives a grant for a universal home visiting program to provide or designate an individual or entity to provide an explanation of these confidentiality requirements to each individual offered home visitation services under this program by the organization.

Statewide Implementation. The Governor's recommendation assumes 25% matching funds from grant recipients. Statewide expansion would be implemented over five years, with the program serving 40% of the state's first-time parents in the first year, 60% in the second year, 80% in the third year, 90% in the fourth year, and 100% in the fifth year. Assuming each family is served for three years, the estimated total cost of the program, when fully implemented, is \$1.6 million (all funds) annually, of which \$1.2 million would be supported by the state, and the remainder by grant recipients.

Targeted Home Visiting. Provide \$1,209,700 (\$1,006,300 GPR and \$203,400 FED) in 2006-07 for a targeted home visiting program, which the administration estimates would be sufficient to serve approximately 45% of first-time parents eligible for MA in 2006-07. This is an expansion of the current prevention of child abuse and neglect (POCAN) program, which provides more intensive services to families to meet their individualized needs.

The funding in this item includes: (a) \$851,300 GPR to support grants to counties (base funding for this aspect of the program is \$955,000 GPR annually); (b) \$155,000 GPR to support technical assistance training for grant recipients (base funding for this aspect of the program is

\$160,000 FED); and (c) \$203,400 FED in federal MA matching funds, to reflect funds that counties could claim for MA-eligible services under this program. In addition, the Governor's recommendation assumes \$126,200 in local or county matching funds in 2006-07.

Changes to Current Program. Eliminate the current requirements that no more than six rural counties, three urban counties, and two tribes can receive funding under the POCAN program, and delete references to this requirement. Delete the requirement in current law that DHFS must allocate available funding based on the comparative number of MA-eligible births parents in each county or tribe, and in Milwaukee County, 60% of the number of MA-eligible births. These changes would take effect January 1, 2007.

Under current law, POCAN has two components: (a) a primary intervention, voluntary, home-visitation program for first-time parents who are eligible for MA; and (b) a voluntary intervention program that serves families with children who are at risk of abuse or neglect.

Statewide Implementation. The Governor's intent is to implement this program statewide over five years, with 45% of the first-time parents eligible for MA served in the first year, 20% in the second year, 15% in both the third and fourth years, and the final 5% in the fifth year. When fully implemented, the estimated annual cost of the targeted home-visiting program is \$16.4 million (all funds), which includes state, federal, and local funding.

Joint Finance/Legislature: Delete provision.

13. REFUGEE FAMILY STRENGTHENING PROJECT [LFB Paper 433]

GPR	\$1,127,000
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Governor: Provide \$563,500 annually to support a grant to the Refugee Family Strengthening Project (RFSP) for providing domestic abuse services to the refugee population. Specify that the funding may be used to hire bilingual staff persons, especially those who speak Hmong. In calendar year 2005, DHFS distributed \$156,500 in grants to serve victims of domestic abuse to the five agencies that make up RFSP. In addition, in 2003-04, DWD transferred an additional \$713,500 in TANF funds to DHFS for RFSP. Under this item, the total grant amount for the Refugee Family Strengthening Project would be \$720,000 annually.

Joint Finance/Legislature: Approve the Governor's recommendation. In addition, require DHFS, in cooperation with the 2004-05 RFSP grant recipients, to report to the Joint Committee on Finance, by January 1, 2006, on alternative funding sources for the project.

Veto by Governor [C-22]: Delete the provision requiring DHFS and the refugee family strengthening project grant recipients to report to the Joint Committee on Finance on alternative funding sources for the project. In his veto message, the Governor indicted that he is requesting DHFS to develop such options.

[Act 25 Section: 903]

[Act 25 Vetoed Section: 9121(13f)]

14. REPLACE TANF WITH GPR FOR BRIGHTER FUTURES AND DOMESTIC ABUSE GRANT PROGRAMS

GPR	\$4,234,200
PR	- 4,234,200
Total	\$0

Governor/Legislature: Provide \$2,117,100 GPR annually and delete \$2,117,100 PR annually to reflect the following changes to programs that are currently supported by temporary assistance for needy families (TANF) funds transferred to DHFS from the Department of Workforce Development.

Brighter Futures and Tribal Adolescent Services Programs. Provide \$1,367,100 GPR and delete \$1,367,100 PR annually to fund the Brighter Futures and tribal adolescent services programs with GPR, instead of TANF. Brighter Futures is currently budgeted \$1,172,100 in TANF funds annually, and the tribal adolescent services program is budgeted \$195,000 annually. Delete references to TANF funding for these programs and specify that DHFS may allocate \$210,000 GPR, instead of \$195,000 in TANF funds and \$15,000 GPR, annually to support tribal adolescent services grants.

Under the Brighter Futures and tribal adolescent services programs, DHFS provides \$3,534,500 annually in grants to counties and tribes to: (a) prevent and reduce the incidence of youth violence and other delinquent behavior; (b) prevent and reduce the incidence of youth alcohol and other drug use and abuse; (c) prevent and reduce the incidence of child abuse and neglect; (d) prevent and reduce the incidence of non-marital pregnancy and increase the use of abstinence as a method of preventing non-marital pregnancy; and (e) increase adolescent self-sufficiency by encouraging high school graduation, vocational preparedness, improved social and other interpersonal skills, and responsible decision making.

Grants for Services to Victims of Domestic Violence. Provide \$750,000 GPR and delete \$750,000 PR annually to fund grants for services to victims of domestic violence with GPR, instead of TANF. Currently, \$7.8 million (all funds), including \$750,000 in TANF funds, is budgeted to support these grants. Delete references to TANF funding for this program.

[Act 25 Sections: 309, 898, 899, 904, 918 thru 922, 1102, and 1103]

15. DOMESTIC ABUSE GRANT PROGRAMS

PR	\$70,200
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Governor/Legislature: Provide \$30,900 in 2005-06 and \$39,300 in 2006-07 to increase funding for grants DHFS administers to support services to victims of domestic violence. Under the bill, funding budgeted from revenue the state receives from the domestic abuse surcharge would increase from \$558,800 in 2004-05 to \$589,700 in 2005-06 and to \$598,100 in 2006-07. Currently, DHFS provides approximately \$7.8 million (all funds) for these grants, including funding from domestic abuse surcharge revenue.

DHFS is authorized to expend all moneys it receives from this source for these grants. 2003 Wisconsin Act 225 increased the domestic surcharge from \$50 to \$75, beginning in April, 2004. The surcharge is levied on individuals convicted of, or participating in a deferred

prosecution for, a crime involving domestic violence.

In addition, delete references to specific grant award amounts or number of grants that DHFS is directed to award to organizations under the domestic abuse grant program. Under current law, DHFS is directed to award: (a) a grant of \$25,000 annually to 30 organizations to enhance support services, which may include case management, children's programming, assisting victims of domestic abuse to find employment, and training in and activities to promote self-sufficiency; (b) \$200,000 in grants annually (with no grant greater than \$60,000) to organizations for domestic abuse services for individuals who are members of underserved populations, including minority group members and individuals with mental illness or developmental disabilities; and (c) a grant of \$50,000 annually to the Wisconsin Coalition Against Domestic Violence for the cost of a staff person to provide legal advocacy services for victims of domestic abuse.

[Act 25 Sections: 900 thru 902]

16. MATCH REQUIREMENT FOR DOMESTIC ABUSE GRANTS

Joint Finance/Legislature: Require an organization that receives a domestic abuse grant from DHFS in calendar year 2005 or after to provide matching funds or in-kind contributions equal to 25% of the amount of the grant and delete the current requirements that: (a) no organization may receive more than 70% of its operating budget from domestic abuse grants administered by DHFS; and (b) not more than one-third of the 30% of an agency's operating budget not funded with the grants from DHFS may consist of in-kind contributions.

[Act 25 Sections: 898c, 898e, and 9321(9d)]

17. GRANTS TO CHILDREN'S COMMUNITY PROGRAMS WITH FEDERAL BYRNE FUNDING [LFB Paper 122]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	-\$172,000	-\$57,000	-\$229,000

Governor: Reduce funding by \$86,000 annually for grants DHFS awards to four children's community programs. The PR funds are federal Byrne anti-drug law enforcement funding budgeted in the Office of Justice Assistance (OJA) and transferred to DHFS.

In addition, eliminate the requirement that OJA provide \$185,000 annually in Byrne funds to DHFS to distribute to: (a) the Career Youth Development Center in the City of Milwaukee for the operation of a minority youth substance abuse treatment program (\$80,000 annually); (b) court-appointed special advocate programs that are recognized by a chief judge of a judicial administrative district to perform advocacy services for children in need of protection and services (CHIPS) proceedings (\$50,000 annually); (c) the Children's Safe House Child Care

program in Kenosha County for the operation of that program (\$50,000 annually); and (d) the Milwaukee Police Athletic League to purchase sports and recreational equipment for two gymnasium facilities and to contribute to the operating expenses of those gymnasium facilities (\$5,000 annually).

The Governor recommends awarding grants to three of the four children's community programs, but at reduced levels of funding, to reflect the 48% reduction in the federal award of Byrne funds. Under the bill, \$94,000 PR would be provided annually for: (a) the Career Youth Development Center (\$41,800); (b) court-appointed special advocate programs (\$26,100); and (c) the Children's Safe House Child Care program (\$26,100). (The budgeted expenditure authority in DHFS would exceed the budgeted grant amounts by \$5,000.) [See also "Administration -- Office of Justice Assistance."]

Joint Finance/Legislature: Reduce funding by \$28,500 annually for grants to children's community programs such that the following is provided: (a) \$31,300 annually for the Career Youth Development Center; (b) \$19,600 annually for the court-appointed special advocate programs; and (c) \$19,600 annually for the Children's Safe House Child Care program. This reduction sets the budgeted expenditure authority in DHFS equal to the budgeted grant amounts, as approved by Joint Finance.

[Act 25 Section: 89]

18. CONVERT DCFS PROJECT POSITIONS TO PERMANENT POSITIONS

	Funding	Positions
GPR	\$210,000	2.20
FED	<u>257,700</u>	<u>2.80</u>
Total	\$467,700	5.00

Governor/Legislature: Provide \$156,400 (\$70,300 GPR and \$86,100 FED) in 2005-06 and \$311,300 (\$139,700 GPR and \$171,600 FED) in 2006-07 to convert 5.0 project positions (2.20 GPR positions and 2.80 FED positions), which terminate in January, 2006, to permanent positions, beginning in 2005-06. These positions, which are supported by a combination of GPR and federal Title IV-E (child welfare) funds in the Division of Children and Family Services, monitor the performance of private adoption agencies that DHFS contracts with under the state special needs adoption program that find adoptive homes for foster children who are in the care of DHFS.