

1995-96 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

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Legislative Fiscal Bureau

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September 26, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Section 13.10 Request to Approve the Governor's Proposal to Expend "Stripper XVII" Oil Overcharge Restitution Funds -- Agenda Item IX

INTRODUCTION

Under procedures set forth in s. 14.065 of the statutes, any new oil overcharge expenditure plan must be submitted simultaneously to the Joint Committee on Finance and to the Chief Clerk of each house of the Legislature. Each Chief Clerk then forwards the plan to the committee in each house having jurisdiction over energy matters. The energy committees have up to 30 calendar days from receipt of the Governor's proposal to forward their recommendations on the expenditure proposal to the Joint Committee on Finance. The Joint Committee on Finance may not hold a meeting under s. 13.10 to approve, modify or disapprove the Governor's proposal until either 30 calendar days after the original receipt of the proposal or upon receipt of the energy committees' recommendations, whichever is earlier.

On August 27, 1996, the Committee received a letter from Governor Thompson containing a proposal dated August 26, 1996, to expend \$1,265,000 FED (plus all interest accruing) of oil overcharge restitution funds. This proposed expenditure plan constitutes the latest allocation of "stripper well" funds which first began to be received by the state in December, 1986. The funds in question continue to derive from the settlement of suits between the federal Department of Energy (DOE) and petroleum companies found to have illegally overcharged consumers for petroleum products.

This current expenditure plan was submitted to the Senate and Assembly Chief Clerks and forwarded respectively to the Senate Committee on Environmental Resources and Urban Affairs and to the Assembly Committee on Environment and Utilities. It is understood that neither the Senate energy committee nor the Assembly energy committee plan to hold hearings on the current proposal during the 30-day review period for the purpose of developing any recommendations for submittal to the Joint Committee on Finance. Accordingly, the Co-chairs

scheduled the "Stripper XVII" oil overcharge allocation proposal for consideration at the Committee's September 26, 1996, meeting under s. 13.10 of the statutes.

BACKGROUND

The Governor's allocation proposal contains recommendations to approve for expenditure a total of \$1,265,000 FED of oil overcharge restitution funds derived from a variety of sources, plus all interest accruing on this total amount. The Governor's proposal includes requested amendments to four previously approved oil overcharge expenditure plans (Stripper VIII, XIV and XVI allocations and a previous direct allocation to the state) to deobligate funds for four specific projects and to reprogram those funds for initiatives under "Stripper XVII." Finally, the Governor's proposal would exchange \$1,100,000 FED of previously allocated Exxon oil overcharge restitution funds for an equivalent amount of "Stripper" funds for the Low Income Home Energy Assistance Program (LIHEAP) in order to enhance the ability under LIHEAP to match federal funding. Under provisions of s. 14.065(5) of the statutes, any amendments to previously approved allocation plans must also be approved by the Committee meeting under s. 13.10 of the statutes.

At issue in the original "stripper well" controversies was the application of certain price controls on crude oil during the period from early 1974 until early 1981. During the period in question, the affected oil producers were required to deposit, into an escrow fund, the difference between the "stripper well" crude oil price and the controlled price, pending a determination of the validity of the pricing regulations. These regulations were ultimately upheld. A subsequent, highly complex final settlement agreement relating to the distribution of the escrow funds was entered on July 7, 1986. That agreement began the initial disbursement of more than \$1.43 billion of "stripper well" overcharge amounts to hundreds of claimants. Of that total amount, approximately \$660 million was earmarked to be returned to the states. Subsequently, the 1986 settlement agreement was made the mechanism by which all future oil overcharge restitution fund amounts deriving from a variety of sources are to be distributed to the states. It is anticipated that Wisconsin will continue to receive oil overcharge restitution funds under the "stripper well" payout mechanism from a variety of legal settlements for at least four to five more years.

With respect to how the "stripper well" funds may actually be allocated by the states, the federal court has given each state relatively broad discretion in selecting among restitutionary energy-related programs. Among the permitted applications of the funds are the programs enumerated in the Warner amendment (Section 155 of P.L. 97-377, the 1983 Continuing Appropriations Act). These programs include: (1) weatherization of buildings and dwellings of low-income, handicapped or elderly persons; (2) implementation of state energy conservation programs; (3) reduction of energy consumption in, or finding cheaper alternative energy sources for, schools and hospitals; (4) promotion of conservation by small businesses and individuals; and (5) assistance to low-income individuals with home heating bills. In addition to these general programs, any other broadly restitutionary energy-related project benefiting petroleum users which

has previously been approved by a federal court or by the federal DOE is also a permitted use for "stripper well" funds.

To date, "stripper well" funds have been allocated on seventeen previous occasions, in twelve instances as a result of action on allocation proposals submitted by the Governor and in four instances as a result of specific legislation. These previous allocation actions are summarized in Table 1 below.

TABLE 1
Previous "Stripper Well" Oil Overcharge Allocations

<u>Allocation</u>	<u>Action</u>	<u>Date</u>	<u>Original Amount Allocated (FED)</u>
Stripper I Plan	JFC Modified Plan	December 18, 1986	\$12,792,700 ^a
Stripper II Plan	JFC Modified Plan	January 27, 1988	2,356,100 ^a
Stripper III Plan	JFC Modified Plan	May 2, 1988	100,000
Stripper III Amendment	1987 Wisconsin Act 399	May 17, 1988	300,000
Stripper IV Plan	JFC Modified Plan	December 12, 1988	2,930,507 ^b
Stripper V Plan	JFC Modified Plan	March 15, 1989	232,544 ^c
Stripper VI Plan	1989 Wisconsin Act 31	August 9, 1989	600,000
Stripper VII Plan	JFC Modified Plan	December 19, 1989	3,108,597 ^d
Stripper VIII Plan	JFC Modified Plan	December 18, 1990	2,642,111 ^e
Stripper IX Plan	JFC Modified Plan	March 13, 1991	95,000
Stripper X Plan	1991 Wisconsin Act 39	August 15, 1991	998,500
Stripper XI Plan	JFC Modified Plan	February 13, 1992	1,711,819 ^f
Stripper XII Plan	JFC Modified Plan	December 15, 1992	3,379,416 ^g
Stripper XIII Plan	1993 Wisconsin Act 16	August 12, 1993	1,158,200
Stripper XIV Plan	JFC Modified Plan	February 2, 1994	1,613,398 ^h
Stripper XV Plan	JFC Modified Plan	October 25, 1995	539,500 ⁱ
Stripper XVI Plan	JFC Modified Plan	April 16, 1996	<u>700,000^j</u>
TOTAL ALLOCATIONS			\$35,258,392

^aPlus all interest accruing [allocated to the institutional conservation (Schools and Hospitals Weatherization Program)]. In addition, \$1,000,000 originally allocated for construction of an ethanol plant on January 27, 1988, was subsequently reallocated as part of the December 12, 1988, "Stripper IV" approval.

^bPlus interest (identified as \$82,100 in 1989-90 and \$138,200 in 1990-91 in the 1989-91 biennial budget) allocated to the DOA Energy Bureau for oil overcharge management and reporting activities.

^cPlus interest accruing to December 31, 1988.

^dPlus accrued and future "Stripper VI and VII" interest.

^ePlus accrued and future "Stripper VIII" interest.

^fPlus accrued and future "Stripper XI" interest. An additional \$250,000 of "Stripper XI" funds were also allocated for a Sheet Metal Workers Energy Management Program; however, this component was item vetoed by the Governor. The resulting unprogrammed \$250,000 subsequently became part of the "Stripper XII" allocation plan.

^gPlus accrued and future "Stripper XII" interest.

^hPlus accrued and future "Stripper XIV" interest. Of the amounts originally allocated, \$30,000 was placed in unallotted reserve by Joint Finance. On June 22, 1994, the Committee subsequently allocated the amounts in unallotted reserve to fund an auto train feasibility study by the Department of Transportation.

ⁱAllocation of available unprogrammed oil overcharge balances to supplement low-income energy assistant program crisis assistance benefits which had most recently been provided under "Stripper XIV" and through reallocations of Exxon oil overcharge residual amounts. Since these earlier approved allocation plans had been submitted for amendment approval at the October 25, 1995, meeting of Joint Finance, the Committee acted to allocate these unprogrammed funds in the context of approving the amendments to the earlier plans.

^jPlus accrued and future "Stripper XVI" interest. Of the amounts allocated, \$100,000 was placed in unallotted reserve for subsequent release after submittal of a detailed expenditure plan for low-income initiatives.

SUMMARY OF ALLOCATION PROPOSALS

Stripper XVII

The Governor's "Stripper XVII" proposal would allocate for expenditure \$1,265,000 FED of oil overcharge restitution funds, plus certain additional interest earnings, derived from the following sources: (1) \$968,000 of currently available, unprogrammed oil overcharge restitution funds; (2) \$261,100 of previously allocated funds which would be deobligated from their original purposes and reprogrammed as part of this proposal; (3) \$35,900 of restitution funds received by the state as direct restitution for overcharges previously paid by state government agencies; and (4) the accrued and future unallocated "Stripper XV" interest (\$27,484 as of June 30, 1996) and all accrued and future "Stripper XVII" interest (\$11,577 as of June 30, 1996). In conjunction with this request, \$1,100,000 of previously allocated Exxon oil overcharge restitution funds would be exchanged with an equivalent amount of these "Stripper XVII" funds for the LIHEAP program. The Governor's proposed allocation plan is summarized in Table 2 below:

TABLE 2

**Governor's Oil Overcharge Plan Proposal
to Expend "Stripper XVII" Oil Overcharge Funds
(FED Funds)**

<u>Program Element</u>	<u>Administering Agency</u>	<u>Governor's Proposal</u>
A. Conservation Based Energy Assistance Pilot Project	Administration (Energy)	\$200,000
B. Homeowner Shared Savings Weatherization Pilot Project	Administration (Energy)	200,000
C. One-Stop for Energy & Housing Services Pilot Project	Administration (Energy)	275,000
D. Milwaukee Energy Network Pilot Project	Administration (Energy)	200,000
E. Campaign to Keep Wisconsin Warm Pilot Project	Administration (Energy)	200,000
F. Evaluation of the Low-Income Energy Assistance Pilot Projects	Administration (Energy)	100,000
G. UW Building Conservation Program	Administration (Facilities Development)	40,000
H. Wind Resources Assessment Program	Administration (Energy)	50,000
I. Energy Program Management Costs	Administration (Energy)	<u>Interest</u> ^a
	TOTAL	\$1,265,000^b

^aConsisting of accrued and future unallocated "Stripper XV" interest earnings and all accrued and future "Stripper XVII" interest earnings.

^bOf this total, \$1,100,000 of "Stripper XVII" funds would be exchanged with an equivalent amount of Exxon funds.

Amendments to Previously Approved Expenditure Plans

In addition to the "Stripper XVII" allocation proposal, this submission also includes requested amendments to five previously approved oil overcharge expenditure plans. These amendments are summarized below.

Amendment to the "Stripper VIII" Allocation Plan. The Governor is requesting that \$72,000, representing the remaining balances of the Tribal Housing Weatherization Program, originally allocated as part of the "Stripper VIII" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to the "Stripper XIV" Allocation Plan. The Governor is requesting that the \$50,000 originally allocated to a Prototype Low Wind Speed Turbines Project as part of the "Stripper XIV" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to the "Stripper XVI" Allocation Plan. The Governor is requesting that the \$100,000 originally placed in unallotted reserve for a future low-income sustainable energy pilot project as part of the "Stripper XVI" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to Previous Plan to Expend Direct Restitution Amounts Received by the State. On December 18, 1990, the Joint Committee on Finance approved the allocation of \$40,099 of oil overcharge restitution funds received by the state for its direct share of overcharges on fuel used by the state's fleet vehicles and on fuel oil used to heat state facilities. These funds were originally programmed for a State Capitol relamping project. The Governor is requesting that \$39,100 of these funds be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

Amendment to Previous Allocation of Exxon Oil Overcharge Restitution Funds. On January 11, 1993, the Joint Committee on Finance approved the allocation of \$6,800,000 of remaining Exxon oil overcharge restitution funds for the LIHEAP program. The Governor is requesting that \$1,100,000 of these Exxon monies previously allocated be exchanged with an equivalent amount of "Stripper XVII" and deobligated funds in order to maximize federal matching funds.

ANALYSIS

Discussion of Specific Stripper XVII Program Allocations

Each of the "Stripper XVII" proposals is discussed in the following sections and the program element designations are those as listed in Table 2. However, the first six elements (program elements A thru F) of the Governor's Stripper XVII expenditure plan are related in that they follow upon a proposed use of oil overcharge funds that was first advanced in the

Governor's "Stripper XVI" oil overcharge funds expenditure plan that was considered by the Committee at its s. 13.10 meeting last April. While each of these elements is summarized separately below, this background section is presented prior to those discussions and then, following the individual summaries of each of those elements, there is presented an overall review of some issues the Committee may wish to consider with regard to both the overall proposed use of \$1.175 million in oil overcharge funds for these pilots and the purposes of the individual proposed pilots.

Low-Income Energy Assistance Pilots Background

The Governor's 1996 oil overcharge plan ("Stripper XVII") was put forward in March of this year and considered by the Committee at its April 16, 1996, meeting under s. 13.10. That plan included a proposal for the allocation of \$1,000,000 of oil overcharge funds for a proposed low-income sustainable energy initiative. The proposal noted that federal funding for both the low income home energy assistance program (LIHEAP) as well as the low income weatherization assistance program (LIWAP) has been declining and is expected by many to continue to decline over the next several years. As a consequence, the DOA was directed by the Governor to "coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low-income energy assistance funding strategy that will continue to meet the needs of Wisconsin as federal funding declines."

The proposal indicated that DOA had not had adequate time to develop a recommendation for the Governor. However, it was proposed at that time that \$1 million in oil overcharge funds be allocated towards this effort and that a plan for the exploration of such alternatives would be developed and the funds allocated would then be used to pilot the plan ideas. As a part of the proposal, it was requested that up to \$100,000 of the requested allocation be available for assistance in developing the plan including potential experimentation with preliminary plan concepts.

Because of concerns regarding what specific pilot activities would be undertaken and what the goals of such pilots would be, the Committee acted to place \$100,000 of oil overcharge funds in unallotted reserve to be used for costs in connection with the proposed planning process and to require that DOA submit a detailed proposal for the expenditure of these planning funds to the Committee under a s. 16.515 type review process before the Department could expend any of the planning funds. The remaining \$900,000 of oil overcharge funds were retained for future allocation.

Under the proposal presented to the Committee for consideration at its September 26, 1996, meeting under s. 13.10, it is proposed that \$100,000 previously allocated for planning for the pilots be deallocated and that then a total of \$1,175,000 of available oil overcharge funds be allocated to five specific low-income energy assistance pilots plus using a portion (\$100,000) of the funds for an outside evaluation of the pilots. Although the proposal includes a tentative allocation amount for each of the pilots and the cost of an outside evaluator, it is proposed that these amounts not be controlling and that a management committee that will be established by

DOA to oversee the operations of the pilots be given authority to reallocate funding from the project budgets of those projects that appear to be less successful to those that appear to be more successful, subject to the total requested allocation amount of \$1.175 million.

In developing the pilot proposals included in this "Stripper XVII" expenditure plan, the Wisconsin Energy Bureau (WEB) indicates that its selection process focused on finding pilot recommendations that would provide innovative approaches to comprehensive energy efficiency services, improve the efficiency of administering and delivering energy services to Wisconsin's low-income residents or increase non-governmental funding for these services. While a proposed pilot project could be considered for any selected area of Wisconsin, WEB reviewed each proposal for state-wide expansion potential and long-term funding components.

According to WEB, the following common threads exist in all of the proposed pilots. First, each pilot will create and/or work with partnerships formed with organizations such as the utilities, community advocate groups and various county agencies. Second, each pilot will be run on the county level and last for up to two years. Third, the assistance offered through each pilot program will be available to those households with incomes under 150% of poverty. Lastly, all the pilots will be monitored by both a management team, which will meet periodically to review the pilots progress, and evaluated by an independent evaluation organization.

In May of 1996, WEB solicited from interested parties suggestions regarding ideas and partners for such pilot projects and received approximately 25 recommendations from different organizations throughout the state. From those 25 recommendations reviewed by WEB, five pilot concepts were included in WEB's final proposal to the Governor. WEB notes that the solicitation of letters of interest was not a formal RFP process but instead was the gathering of recommendations for pilots to assist WEB in developing pilot initiatives to present to the Governor.

In this regard, it is important to understand that at this point the only written material regarding the specific operations of each proposed pilot is that contained in the oil overcharge expenditure plan that has been submitted by the Governor. The general process expected to be followed in formally establishing and running these pilots is as follows. If the Committee acts to allocate the requested funds, DOA will submit the proposal for the planned use of these oil overcharge funds to the federal Department of Energy for review regarding the acceptability of using oil overcharge funds for these purposes. At the same time, DOA will begin negotiating contracts with each pilot manager (lead agency or organization) that will spell out in greater detail the proposed funding for each pilot and the specific elements of each proposed pilot.

The commencement of the pilots would then begin and DOA would begin providing oil overcharge funds to the contractor according to the contract. In addition, DOA plans to establish a management team composed of DOA energy staff and others to oversee the operation of the pilots. It is indicated that broad policy-setting and oversight will be the responsibility of this management team that will be led by DOA. This team's authority will include the ability to reallocate funds between projects and to modify the methodologies and strategies of each pilot

as the need arises. Further, the outside evaluator will meet with management team regularly as the evaluation of the pilots is being conducted to allow changes to be made to the pilots' program design and service delivery approaches. Thus, the pilots as described below and presumably even as outlined in the pilot contracts are envisioned as being subject to modification during the life of the pilots.

Summary of Low Income Energy Assistance Pilots (Program Elements A thru F)

A. Conservation Based Energy Assistance Pilot Project

The principal purpose of this pilot is to explore the benefits of providing a higher level of energy efficiency services to low-income households. The consideration involved here is that many of those low-income residents who are receiving LIHEAP grants, although eligible to also receive low-income weatherization services, do not participate in the weatherization program and thereby do not receive the potential benefits which would be expected to result from such weatherization efforts including a reduction in their home energy costs. The stated intent of this pilot is to provide an additional incentive to such households to participate in the low-income weatherization program. While the specific incentives to be offered are yet to be finalized, it is envisioned that some form of cash incentive might be offered.

In addition, the weatherization services to be received by the pilot participants would be reviewed based on the type of housing involved and the house's energy efficiency status and the opportunity to broaden the extent of weatherization services provided (such as by including household rehabilitation efforts or providing assistance for households to relocate if their dwelling cannot be made energy efficient) would be pursued. While weatherization services for both LIHEAP recipients and other low-income households are usually funded by the weatherization program using federal weatherization funds plus an allocated portion of LIHEAP funds, under the pilot it is proposed that oil overcharge funds be used to provide the services. This is proposed because the current federal weatherization guidelines do not permit the imposition of loan requirements for such services and because there are also certain limitations on the types of services that can be provided.

In this regard, it is envisioned that at least a portion of the weatherization services that are delivered under the pilot would be provided under a 0% interest loan arrangement with the homeowners or landlords with the loan repayments being used to provide additional funding for the weatherization program.

It is anticipated that a total of 80 households in Waushara County would participate in the pilot over the two-year pilot period.

Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

TABLE 3

Conservation Based Energy Assistance Project

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Program Delivery	\$80,000
Energy Efficiency Improvements	110,000
Administration	<u>10,000</u>
Total	\$200,000

CAP Services Inc. in Stevens Point will be the contractor to lead this pilot. It is anticipated that CAP Services Inc. will operate the pilot in partnership with Wisconsin Power & Light Company, Wisconsin Gas Company and the Waushara County Department of Social Services.

B. Homeowner Shared-Savings Weatherization Pilot Project

The primary purpose of this pilot is to explore the benefits of providing additional low-income household energy weatherization services that are currently not provided under state weatherization programs using a shared-savings approach. The stated intent of the pilot is to provide comprehensive "whole house" energy efficiency services to low-income households including energy efficiency training for the occupants and to develop shared cost savings arrangements with participants (homeowners). This proposed pilot's use of the "whole house" approach to weatherization would allow for installation of cost efficient items such as refrigerators, windows and water heaters in addition to standard weatherization services offered under the state weatherization program.

Under this pilot, these services will be provided to selected households in the southwest and west central counties of Wisconsin (Polk, Barron, St. Croix, Dunn, Chippewa, Pierce, Pepin, Richland, Iowa, Grant and Lafayette Counties). TecMRKT Works of Oregon, a private consultant, will be the lead organization for this project. It is anticipated that TecMRKT Works will operate the pilot in partnership with two area community action agencies (CAAs): West Central CAA and Southwest Wisconsin CAP.

As currently indicated, this pilot will include the following components. Onsite energy audits would be used to determine what weatherization action is needed and which of those actions would be the most cost efficient. Each participant's utility bill would then be reviewed for savings potential and a payment plan for utility expenses established. Participants and the local CAAs will then enter into signed agreements reflecting the payment plans and the

participant's agreement to live an energy efficient lifestyle consistent with the training. Upon completion of those preliminary procedures, the local agencies would then perform the energy efficiency improvements to the home.

It is anticipated that once the weatherization improvements, training of participants and shared-savings agreements are completed, the participant will pay the local CAA running this pilot his or her utility bill. Any savings realized will be deposited into a shared-savings account. Specifically how the shared-savings account will be allocated between homeowners and CAA's involved in this pilot is yet to be determined. However, it is anticipated that part of the costs incurred in performing the weatherization will be recovered by the local CAA through the shared-savings plan, thereby providing additional funds for this type of program.

Because federal guidelines do not allow certain "whole house" weatherization services or allow weatherization costs to be recovered through a shared-savings arrangement, it is proposed that oil overcharge funds be used to provide those services.

It is anticipated that a total of 30 households (homeowners) would participate in the pilot over the two-year pilot period.

Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

TABLE 4

Homeowner Shared-Savings Weatherization Pilot

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Program Delivery	\$70,000
Energy Efficiency Improvements	110,000
Energy Education and Training	10,000
Administration	<u>10,000</u>
 Total	 \$200,000

C. One-Stop-Shop for Energy and Housing Services Pilot Project

The principal purpose of this pilot is to explore the benefits of streamlining and computerizing the application process for various low-income energy and housing programs including the LIHEAP and weatherization program and at the same time providing a more time

and cost effective and comprehensive assistance to applicants by helping them apply for all assistance programs for which they may be eligible.

In an effort to reduce the duplication services involved in the application process for low-income households seeking energy and housing assistance, this pilot will work to develop and implement a system in which the applicant will only need to stop at one place to apply for various energy and housing assistance programs. In addition, another principal focus of this pilot would be to inform applicants of energy and housing services available that the applicant may not have been aware existed.

Under this pilot, a computerized intake, application and referral process would be designed that would allow the applicant during a single visit with an intake worker to have his or her information and documentation entered into the computer system. Once in the system, the applicant's information would be screened for eligibility for the various low income energy and housing programs. The applicant's information would then be processed and transmitted to the appropriate agency and eligibility determined. The pilot system will be designed to transfer completed LIHEAP and weatherization program data directly to the state database in addition to transmitting the data to other appropriate agencies.

In order to run this pilot, the contractor will need to put together a software and computer system that includes a standardized application, document scanning and transmission capability and connections with agencies offering energy conservation assistance and the state's mainframe computer. The majority of the requested funding will be used to develop the computerized system, purchase equipment and train staff.

The Committee may wish to note that this pilot appears to be an expansion of another pilot currently in existence. Funding from the federal Department of Energy has been provided for a pilot one-stop shop concept involving energy and housing resources. Wisconsin Coulee Region CAP was also selected to pilot that program. A grant from separate EPart funds was provided to fund the existing pilot. Under the current proposal, the funding requested would expand upon the existing pilot and would include providing funding for computer technology and training to be incorporated into the one-stop shop concept.

Under the current proposal, \$275,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

TABLE 5

One-Stop-Shop for Energy & Housing Services Pilot

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Program Delivery	\$70,000
Computer Consulting, Training and Technical Support	70,000
Computer Software Development	70,000
Computer Hardware	50,000
Administration	<u>15,000</u>
Total	\$275,000

It is envisioned that this pilot will be run in two counties, La Crosse and Milwaukee Counties. Wisconsin Coulee Region Community Action Program (CAP) will lead the pilot. It is anticipated that Coulee Region CAP will coordinate the energy and housing services currently offered by 13 local organizations for the pilot in La Crosse County. In Milwaukee County, Coulee Region CAP will work with the Milwaukee County Department of Human Services (or other designated agency) to manage the pilot in that county.

D. Milwaukee Energy Network Pilot Project

The principal purpose of this pilot is to explore the benefits of providing comprehensive energy efficiency services on an intensive basis to low-income households. The pilot indicates that participants will receive counseling and assistance regarding establishing affordable plans for payment of their utility bills. The participants will also be required to receive training and education on energy efficiency concepts by attendance at a series of energy education workshops. In addition, assistance will also be provided to help set-up manageable utility payment plans and co-payment schedules.

The pilot will also provide grants to supplement weatherization funding for low-income households involved in rehabilitation programs. The pilot calls for the funds to be used to meet high energy efficiency standards in planned rehabilitation projects and to partially cover the differential costs of the energy efficiency upgrades. It is envisioned this funding will be used in conjunction with existing funding sources such as HUD, FHA, and utility low-income funds.

It is anticipated that up to 500 low-income households in Milwaukee County will participate in the pilot over the two-year pilot period. Community Advocates in the City of Milwaukee will be the contractor to lead this pilot.

Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. The tentative cost allocation among project components is shown in the table below.

TABLE 6

Milwaukee Energy Network Pilot

<u>Cost Component</u>	<u>Amount</u>
Staff Support and Network Development	\$40,000
Rental Rehabilitation & Energy Efficiency Improvements	120,000
Energy Education	30,000
Administration	<u>10,000</u>
Total	\$200,000

E. Campaign to Keep Wisconsin Warm Pilot Project

The principal purpose of this pilot is to assist low-income households experiencing an energy crisis in Dane County. Because of the decline in federal funding available to support low-income energy assistance programs, this pilot would also work to develop and implement innovative and alternative strategies to fund such programs without requiring the use of additional state tax funds. The pilot contractor will use oil overcharge funds, matched by private cash contributions solicited by the contractor, to assist low-income households experiencing an emergency energy crisis or requiring weatherization improvements.

The main component of this pilot involves providing direct assistance to eligible households in need. It is indicated that assistance would be targeted towards high risk households that are eligible for the existing LIHEAP and weatherization programs. The proposed pilot defines "high risk households" as those that contain elderly or disabled persons and/or children. The assistance would consist of heating crisis assistance and weatherization improvements.

It is anticipated that approximately 1,000 households will receive energy heating crisis assistance from the oil overcharge funds. In addition, it is expected that up to another 1,000 households could be served with the matching funds to be solicited by the pilot contractor.

In addition to providing direct benefits, the pilot contractor will work with the community, its organizations, businesses and individuals, to expand its ability to meet low-income energy assistance needs by obtaining new private contributions for this purpose. The pilot proposal states that oil overcharge funds will match each dollar of new private cash contributions

collected. It is envisioned that 5% of the funds requested will be used for administrative costs possibly to include raising additional funding.

Energy Services, Inc. of Madison will pilot this program in Dane County. Under the proposal, \$200,000 of oil overcharge funds would be initially allocated for this pilot. A further breakdown of the cost allocation among the project components is not currently available. A tentative cost allocation among project components is shown in the table below.

TABLE 7

Campaign to Keep Wisconsin Warm Pilot Project

<u>Cost Component</u>	<u>Amount</u>
Crisis Assistance and Weatherization Benefits	\$190,000
Administration	<u>10,000</u>
Total	\$200,000

F. Evaluation of Low-Income Energy Assistance Pilot Projects

This provision of the proposal provides for the establishment of a management team led by DOA to oversee the operation of the pilots and the engagement of the Energy Center of Wisconsin to conduct or subcontract an independent evaluation of the proposed pilots. Under the proposal, \$100,000 of oil overcharge funds would be initially allocated for the evaluation of the low-income energy assistance pilots.

As currently envisioned, the management team would consist of persons from the LIHEAP and weatherization programs, PSC, University, Energy Bureau and the evaluators, Energy Center of Wisconsin. The Energy Center's function in the management team would be to provide information to the team on the status of the pilots. It is anticipated that the team will meet monthly to review the progress of the various pilot projects. Pilot representatives may also be present at the meetings to provide insight into the progress of the various pilot projects.

Under this proposal, the management team would have the authority to modify the pilot programs and reallocate funds between the various pilots if the team determines adjustments or corrections are necessary. Another envisioned function of the team would be to monitor the planned evaluation of the various pilot programs. The outside contractor would conduct an evaluation of the pilots to: (1) document the benefits received and savings realized; (2) examine the statewide expansion potential; and (3) review the availability and effectiveness of continued long-term funding.

Review of Pilots

Because final cost details and program elements are yet to be finalized for each of the pilots, it is difficult to fully evaluate the funding requested for each pilot or how the pilots will specifically operate. However, the following overall points are presented for the Committee's consideration in reviewing these proposed pilots.

1. **Budgets.** The specific expenditures to be made under each of the pilots is not currently available. In general, the amounts allocated to each project essentially represent a division of the total funds available for these pilots, although some breakdown of tentative costs has been provided. Further, as noted above, DOA has requested, as a part of the Governor's proposal, that the Department-led management team have the authority to adjust individual pilot budgets within the total funding allocated for the pilots.

Because these cost components are tentative and do not have any more details at this time as to the specific costs items (such as amounts for salaries, travel, office rent, contracted costs and direct cash assistance), it is difficult to fully evaluate the proposed costs. However, two general observations may be made regarding the cost components as presented.

First, examining the cost components of each pilot as they are described, one way that they might be viewed and compared is to further group those components into two general categories of what could be called program delivery costs and direct services costs. Placed in program delivery costs would be the cost components termed in one or more of the pilots as: (1) administration; (2) staff support and program delivery; (3) staff support and network development; (4) computer consulting, training and technical support; and (5) computer hardware purchase and computer software development. Placed in direct services costs would be the cost components termed in one or more of the pilots as: (1) energy efficiency and/or rental rehabilitation improvements; (2) energy education and training; and (3) crisis assistance and weatherization benefits. In addition, while not a part of any individual pilot, part of the total proposal includes an allocation of funds (\$100,000) to hire an outside consultant to evaluate each of the proposed five pilots.

Using this categorization shows the following: (1) for the total five pilots, overall, program delivery costs would comprise 47% (\$505,000) of the total \$1,075,000 to be allocated to the individual the LIHEAP pilots proposal and direct services costs would comprise 53% (\$570,000) of the total funds to be allocated; (2) individually, pilot program delivery costs would range from 5% of the total pilot cost for the Campaign to Keep Wisconsin Warm pilot to 100% of the total pilot cost for the One-Stop-Shop for Energy and Housing Services pilot.

A second observation that may be made is that the proposed number of households to be served under each of the pilots varies considerably (in one proposal - the one-stop-shop proposal - a calculation of households is not available). The varying nature of the individual proposals may account for some of these differences. However, for the four pilots that do have an estimated number of households that are expected to be served, if the total pilot cost is divided

by that number of households, a striking variation in cost per household served results, as shown in the table below.

TABLE 8

Comparative Per Household-Served Pilot Cost

<u>Pilot</u>	<u>Cost per Household to be Served</u>
Conservation Based Energy Assistance	\$2,500
Homeowner Shared-Savings Weatherization	6,700
One-Stop-Shop for Energy & Housing Services	Not Available
Milwaukee Energy Network	400
Campaign to Keep Wisconsin Warm	100

The Committee may wish to review whether it should have more information on the individual pilot budgets before the funds are actually expended. In this regard, an alternative that could be considered would be to require DOA to submit a detailed project budget for each pilot to the Committee for its review under a s. 16.515 type passive review process before funds are actually expended. Similarly, if the Committee believes that any increases or decreases in individual pilot budgets from the amounts initially approved should be subject to review by the Committee, it could delete from the proposal the delegation of authority to DOA to modify individual pilot total budget amounts and instead provide that DOA may request such changes from the Committee under a s. 16.515 type passive review process.

2. **Pilot Purposes.** A number of the pilots, as described in the proposed proposal presented to the Committee, appear to have essentially similar purposes or at least involve efforts aimed at the same concerns that exist regarding the operations of existing LIHEAP and/or weatherization programs. While when pilot details are finalized each pilot may be distinct from any other pilot, the question could be raised whether each pilot should focus on distinct alternatives for addressing the achievement of a more sustainable low-income energy assistance funding strategy and, if so, whether the final plan for each pilot will ensure this. If the Committee believes that this is a concern, it could consider requiring DOA to submit to the Committee, prior to releasing funds for expenditure by the pilots, a report detailing exactly what the objectives of each pilot are and, if two pilots involve similar activities, what different benefits are to be demonstrated by each pilot.

3. **Statewide Expansion.** A number of the pilots involve the use of oil overcharge funds to provide expanded or more intensive energy assistance services, particularly with regard to weatherization services. Even if the benefits of these expanded efforts are documented by the pilots, it is important to note that to change the current limitations of these federal programs would require federal action and thus be outside the direct ability of the Legislature to change.

Separate state supplemental programs could be created, but the only current readily available source of state funds for such supplemental programs would seem to be oil overcharge funds which are also declining. The Committee, therefore, may wish to consider the degree to which the use of \$1.175 million of oil overcharge funds for these proposed pilots will be of immediate help in addressing the declining levels of federal funding to the LIHEAP and weatherization programs.

Federal funding for LIHEAP comes as a block grant from the federal Department of Health and Human Services (HHS). Federal funding for the weatherization program comes on a formula basis from the federal Department of Energy (DOE). In addition, by statute, Wisconsin allocates 15% of the LIHEAP federal block grant funding to the state weatherization program. The tables below show, for the last 10 years, the decline in the amount of the total block grant funding from the federal HHS for LIHEAP and the level of funding provided from the federal DOE for the state weatherization program.

TABLE 9

**Total LIHEAP Block Grant Funding
Federal Fiscal Years (FFY) 1987 to 1996**

<u>FFY</u>	<u>Block Grant</u>
1986-87	\$65,083,000
1987-88	54,692,000
1988-89	49,393,000
1989-90	49,738,000
1990-91	50,521,000
1991-92	55,662,000
1992-93	47,170,900
1993-94	50,426,600
1994-95	46,005,200
1995-96	31,314,900

By state statute, 15% of these total block grant amounts were allocated each year to the state weatherization program. The totals above do not include funds received in certain federal fiscal years from the President's contingency funds for supplements to states experiencing extreme weather situations (these supplements totalled \$1.0 million in FFY 90, \$6.5 million in FFY 91, \$14.7 million in FFY 94, \$7.7 million in FFY 95 and \$6.4 million in FFY 96).

TABLE 10

DOE Funding for State Weatherization Program
Program Years 1987 to 1996

<u>Program Year</u>	<u>Amount</u>
1987	\$6,370,000
1988	6,280,000
1989	6,350,000
1990	6,410,000
1991	7,680,000
1992	7,430,000
1993	7,450,000
1994	8,380,000
1995	8,100,000
1996	4,200,000

For "program years" 1987 to 1991, the program year was the same as the calendar year. Beginning in 1992, the program year was changed to run from April of one calendar year to March 31 of the next calendar year (for example, program year 1996 commenced April 1, 1995 and ended March 31, 1996).

An argument could be made that a more immediate direct impact on these programs could be obtained by reserving the funds to be used to provide, for example, an increased LIHEAP heating benefit in the next heating season. If the Committee wished to pursue this approach, it could -- as it has on previous occasions -- place some or all of the \$1.175 million in escrow for use as future LIHEAP supplemental funding.

4. **Individual Pilots.** As with any element of an oil overcharge plan, the Committee could also act to delete any individual low income energy assistance pilot project from the plan and either allocate those proposed funds to another purpose or retain the money as unallocated reserves.

G. UW Building Conservation Program

The Governor has proposed allocating \$40,000 FED of "Stripper XVII" funds to develop and pilot a "green" building conservation program on the UW-Madison campus. Funding for the project would derive from the deobligation of previously programmed oil overcharge funds. (This associated deobligation proposal is discussed below under "Amendment to Previous Plan to Expend Direct Restitution Amounts Received by the State.")

Under the proposal, the pilot project would be led by the Division of Facilities Development within DOA and conducted by the UW-Madison Division of Facilities Planning and Management, Department of Engineering and Professional Development, UW-Extension and the Institute for Environmental Studies. The Science Hall building on the Madison campus would serve as the site for the project. The following activities would be undertaken as part of the project:

- Collect and analyze baseline data for all materials such as water and trash entering and leaving the building.
- Establish communications with, and enlist the support of, building occupants.
- Develop a building conservation management plan and establish conservation goals for the building.
- Develop and demonstrate new practices and technologies to achieve the conservation goals for the building.
- Develop and implement methods of educating building occupants and encourage their participation in achieving resource conservation.
- Conduct an evaluation using both qualitative and quantitative data to determine the project's success.

According to the University, the project's duration would be two years and would include only the demonstration project at Science Hall. However, it is intended that the management practices and educational materials developed for the project be replicated for other campus buildings.

Of the \$40,000 which would be allocated for the project, \$33,400 (84%) would pay the salary and fringe benefits for a graduate project assistant to work on the project (research, data collection and analysis, education and evaluation). The remaining \$6,600 would be used to pay for consultant fees, undergraduate interns and travel and conference expenses. It should be noted that none of the "Stripper XVII" funds would be used to purchase new technology or equipment for Science Hall; rather, it is intended that funding for such items would be provided through the capital budget process.

In considering this project, the Committee may wish to note that since the 1977-79 biennium, the authorized state building program has made funds available on an all-agencies basis to support energy conservation measures in state facilities. Since the 1981-83 biennium, \$118,000,000 has been made available for energy conservation projects. While these funds are used primarily to purchase equipment, they may also be used for planning purposes and for conducting on-site energy audits of state buildings.

The University indicates that an energy audit of Science Hall has already been conducted and that energy-conserving lighting would be installed once the proposed "green" building conservation project has begun. DOA and University staff indicate that the proposed project differs from the prior energy audit in that the project's primary focus would be to change the behavior of occupants to encourage more energy-efficient use of the building, whereas the purpose of the audit was to evaluate the building itself and determine appropriate equipment.

The proposed UW building conservation program represents an eligible use of oil overcharge funds. However, if the Committee does not wish to support funding for the project the funds could be reallocated to another program.

H. Wind Resources Assessment Program

The Governor has proposed allocating \$50,000 under the "Stripper XVII" expenditure plan to support a statewide wind data management and information dissemination system. Funding for this project would derive from the deobligation of an equivalent \$50,000 which was originally allocated under the "Stripper XIV" expenditure plan to support a portion of the costs of installing two prototype utility-scale low wind speed turbine machines. (This associated deobligation proposal is discussed below under "Amendment to the 'Stripper XIV' Allocation Plan.")

The proposed wind resources assessment program is an outgrowth of the Public Service Commission's recent Advance Plan 7 order. Provisions in that order directed the state's electric utilities to undertake a comprehensive wind speed monitoring program in the state to identify the most feasible potential wind resource sites. The Commission's order found that increasing the use of cost-effective wind power to generate electricity was in the public interest but that the lack of a systematic statewide wind resource assessment was a significant barrier to developing wind power projects. The Commission's order directed the state's electric utilities to develop an implementation schedule to install a minimum of 15 wind speed measurement sites in the areas of the state with the best wind energy potential. Measurement sites are to be operated for a minimum of three years to ensure that the data collected represents the long-term wind speed profile for each area.

The participating utilities anticipate selecting a consultant in September, 1996, to determine promising measurement sites in state, install the wind data measurement instruments, and collect hourly wind speed values at each measurement site. The utilities plan to report the data centrally to DOA where it will be available for distribution to the public. (Previous wind measurement data collection efforts have not been reported centrally to a public entity with the result that such data has been denied to interested parties on the basis that the data was proprietary information.)

A portion of the funding under the Governor's "Stripper XVII" allocation proposal (an estimated \$20,000) would be used to purchase the necessary software to enable the resulting wind speed data to be merged with existing databases (such as state topographical data and existing

electric utility power grid data) maintained in DOA's geographic information system. The balance of the proposed allocation (an estimated \$30,000) would be used to fund a portion of an existing Energy Bureau staff position for the three years during which wind measurement data is to be collected.

In the implementation plan developed by the electric utilities for the wind resource assessment program, it was initially anticipated that the first six months of wind measurement data would be made available to DOA by the end of the first quarter of 1997. Based on the current implementation plan timeline, it now appears that the first six months of data will not be provided to DOA for archiving until the end of the second quarter of 1997, and in any case a full year's data will not be available until the end of 1997 at the earliest. Given this timeline, it is unlikely that any meaningful wind energy siting analysis could be developed before a full year of data had been collected at each monitoring site.

Consequently, an argument could be advanced to defer the funding of this project for at least one year until such time as the first full twelve months of data would be available for analysis and dissemination. If the Committee determines that there are more pressing immediate uses for the \$50,000 which the Governor is proposing to allocate to the wind resource assessment program, it could delete the proposed allocation at this time and direct these funds to another program of the Committee's choosing. Such an action could be taken with the understanding that funding could be reconsidered for the wind resource assessment data management program under the next oil overcharge allocation proposal. However, if the Committee believes that this proposed project would help foster the development of an important renewable energy resource in the state and that the dissemination of useful wind data to the public should not be made subject to uncertainties concerning the future availability of oil overcharge funds, the Committee could act to fund the program at this time.

I. Energy Program Management Costs

The Governor has proposed allocating all accrued and future unallocated "Stripper XV" interest earnings (\$27,484 as of June 30, 1996) and all accrued and future "Stripper XVII" interest earnings (\$11,577 as of June 30, 1996) to support Energy Bureau administrative costs associated with the management and oversight of oil overcharge and energy efficiency programs.

Previously, the Committee has taken the following action relating to authorizing the allocation of oil overcharge interest monies for Energy Bureau administration and management activities:

<u>Date</u>	<u>Nature of Allocation Action</u>
December 12, 1988	All interest earnings accruing from "Stripper III" and "Stripper IV" allocations authorized to support oil overcharge management activities in DOA's Energy Bureau.
April 16, 1996	All interest earnings accruing from the "Stripper XVI" allocation authorized to support oil overcharge management activities in DOA's Energy Bureau.

Under these earlier allocation actions, approximately \$895,500 in interest earnings has been made available to support oil overcharge management activities in the Energy Bureau from the 1988-89 fiscal year through the 1996-97 fiscal year. Currently, approximately \$86,500 remains available from these previous allocations.

Under current federal DOE procedures, up to 5% of a state's oil overcharge allocations may be used for the general administration and management of programs. Typical administrative and management costs are those relating to developing allocation plans, reporting annually to the federal DOE and to relevant federal courts on the use of previously allocated funds and tracking the expenditures of each program receiving funds. These types of activities are viewed as being distinct from specific administrative efforts directly linked to program delivery. Program delivery costs (such as awarding and administering grants or managing project activities) are typically funded by deductions from the total allocations made to a specific project.

The use of oil overcharge funds to support program management activities is an eligible use of such funds. The current interest earnings allocation proposals would program residual funding amounts, which in combination with available balances from earlier allocations, should provide program management funding into the next fiscal biennium. Given the Committee's past actions allocating "Stripper III, IV and XVI" interest earnings for this purpose, the Committee may wish to consider allocating the "Stripper XV and XVII" interest earnings for this purpose.

Amendments to Previously Approved Oil Overcharge Allocations

The Governor's submission includes proposals for amendments to five approved oil overcharge expenditure plans. These proposed amendments are reviewed below.

Amendment to the "Stripper VIII" Allocation Plan. The Governor is requesting that \$72,000, representing the remaining balances of the Tribal Housing Weatherization Program, originally allocated as part of the "Stripper VIII" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

This program was originally funded in December, 1990, at \$95,000. The Wisconsin Conservation Corps (WCC) was contracted to provide the weatherization services, but because

of such factors as the relatively modest size of the program in comparison to available CAP agency weatherization projects and somewhat less generous matching requirements, the program was never widely utilized. On May 3, 1996, the WCC Board acted to terminate the program effective June 30, 1996, and return the unused program balances (\$72,665.19) to DOA. The Governor is now proposing the deobligation of \$72,000 of this residual balance and reprogramming these amounts for other low-income energy assistance initiatives as part of the "Stripper XVII" allocation.

Because the original Tribal Weatherization Program was not being fully utilized and since tribal weatherization needs were being met through other programs, the Committee may wish to approve the deobligation of these previously allocated "Stripper VIII" funds at this time. However, as a technical consideration, the Committee should deobligate the entire balance of \$72,665.19 so that no residual balance would remain in this program account.

Amendment to the "Stripper XIV" Allocation Plan. The Governor is requesting that the \$50,000 originally allocated to a Prototype Low Wind Speed Turbines Project as part of the "Stripper XIV" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal.

This program was originally funded in February 1994, at \$50,000. The funding was to be provided to Wisconsin Public Power, Inc. (WPPI), to support a portion of the cost of WPPI's share of a cooperative venture to install and monitor two utility-scale wind turbine machines. WPPI subsequently elected not to participate in this demonstration, and the earlier allocation has remained unused. The Governor is now proposing the deobligation of the \$50,000 allocated to this project and reprogramming these funds for the Wind Resources Assessment Project (Program Element I) as part of the "Stripper XVII" allocation.

Because the original Prototype Low Wind Speed Turbines Project was not pursued by the original grantee, the Committee may wish to approve the deobligation of these previously allocated "Stripper XIV" funds at this time.

Amendment to the "Stripper XVI" Allocation Plan. The Governor is requesting that the \$100,000 originally placed in unallotted reserve for a future low-income sustainable energy pilot project as part of the "Stripper XVI" expenditure plan be deobligated and reprogrammed as part of the "Stripper XVII" proposal. At the Committee's April 16, 1996, meeting under s. 13.10, the Committee approved as a part of the "Stripper XVI" expenditure plan the placing of \$100,000 of oil overcharge funds in unallotted reserve to be used in a planning process to develop a proposed plan that would include pilot projects such as those now presented for funding in "Stripper XVII." The \$100,000 that would be deobligated from the "Stripper XVI" plan would be reprogrammed as a part of the total \$1.175 million in proposed allocations to pilot projects under "Stripper XVII."

Amendment to Previous Plan to Expend Direct Restitution Amounts Received by the State. On December 18, 1990, the Joint Committee on Finance approved the allocation of

\$40,099 of oil overcharge restitution funds received by the state for its direct share of overcharges on fuel used by the state's fleet vehicles and on fuel oil used to heat state facilities. These funds were originally programmed for a State Capitol relamping project. The Governor is requesting that \$39,100 of these funds be deobligated and reprogrammed as part of the "Stripper XVII" proposal and used to support most of the \$40,000 cost associated with the UW Building Conservation Program (program element G).

The relamping of the State Capitol Building with more energy efficient fixtures was ultimately accomplished through the use of general obligation bond proceeds and, except for some preliminary lighting demonstration expenses, the state direct restitution funds were never used for this purpose. Because the original relamping project was completed with other funds, the Committee may wish to approve the deobligation at this time of these oil overcharge direct restitution funds. However, it may be noted that DOA's Energy Bureau has now indicated that it does not wish to earmark these funds specifically to the UW project. Since there are no limitations on how the state may use these direct restitution funds, DOA now requests that the allocation plan be silent with respect to where the deobligated funds would be used under the overall "Stripper XVII" allocation plan, thereby permitting the maximum flexibility in the use of these funds. Finally, as a technical consideration, the Committee should deobligate the entire balance of \$39,213.34 from the relamping project so that no residual balance would remain in this program account.

Amendment to Previous Allocation of Exxon Oil Overcharge Restitution Funds. On January 11, 1993, the Joint Committee on Finance approved the allocation of \$6,800,000 of remaining Exxon oil overcharge restitution funds for the LIHEAP program. The Governor is requesting that \$1,100,000 of these Exxon monies previously allocated be exchanged with an equivalent amount of "Stripper XVII" and deobligated funds in order to enhance the ability under LIHEAP to match federal funds.

As a result of the proposed exchange, the "Stripper XIV" funds could be used as a state match for federal LIHEAP funds. Under the terms of the federal court order governing the use of Exxon oil overcharge restitution funds, the Exxon funds retain their federal character and may not be used as state funds for the purpose of matching federal dollars. However, under the terms of the court orders governing the distribution of "Stripper" funds, there is no such limitation once the state receives the "Stripper" allocations, and these funds may be used to match additional federal dollars.

In order for the state to maximize the ability to match federal funds, the Committee may wish to approve an amendment to the January 11, 1993, allocation of Exxon oil overcharge restitution funds to exchange \$1,100,000 of these Exxon funds with an equivalent amount of "Stripper" funds. Further, the Committee may wish to direct DOA to report at the Committee's December, 1996, meeting under s. 13.10 of the statutes whether there are other unexpended, previously allocated Exxon funds which could be similarly exchanged with other unexpended "Stripper" funds in order to maximize the ability to match federal funds.

ALTERNATIVES

1. Approve the "Stripper XVII" oil overcharge plan dated August 26, 1996, as proposed by the Governor to allocate for expenditure \$1,265,000 FED of oil overcharge restitution funds, plus certain additional interest earnings, derived from the following sources: (a) \$968,000 of currently available, unprogrammed oil overcharge restitution funds; (b) \$261,100 of previously allocated funds which would be deobligated from their original purposes under a previous direct allocation to the state and under previous "Stripper VIII, XIV and XVI" allocations and reprogrammed as part of this proposal; (c) \$35,900 of restitution funds received by the state as direct restitution for overcharges previously paid by state government agencies; and (d) the accrued and future unallocated "Stripper XV" interest and all accrued and future "Stripper XVII" interest. Further, approve the exchange of \$1,100,000 of previously allocated Exxon oil overcharge restitution funds for an equivalent amount of "Stripper XVII" funds for the LIHEAP program.

Alternatively, approve the proposed expenditure plan as modified by one or more of the following changes:

2. Include the following technical modifications: (a) with respect to the amendment to the previously approved "Stripper VIII" allocation plan relating to the deobligation of the Tribal Housing Weatherization Program, deobligate the entire balance remaining in the program (\$72,665.19) rather than the \$72,000 amount proposed by the Governor; (b) with respect to the deobligation of funds originally allocated for a State Capitol relamping project, deobligate the entire balance remaining in the program (\$39,213.34) rather than the \$39,100 amount proposed by the Governor and delete the language specifically earmarking the use of these funds to the UW Building Conservation Program (program element G); and (c) direct DOA to report at the Committee's December, 1996, meeting under s. 13.10 of the statutes whether there are other unexpended, previously allocated Exxon funds which could be exchanged with other unexpended "Stripper" funds in order to maximize the capture of federal funds.

3. With respect to the low-income sustainable energy pilot programs (program element A through F) either:

- (a) Modify the proposal by adopting one or more of the following changes:
 - i. Require DOA to submit a detailed project budget for each pilot, based on the tentative contract for the pilot, to the Committee for review under a s. 16.515 type passive review process before any funds may be expended for a pilot.
 - ii. Delete the authority for the proposed DOA-led management team to change the total amount of the individual pilots' allocation and instead specify that DOA may request, under a s. 16.515 type review process, that the Committee approve any such needed changes.

- iii. Require DOA to submit a report to the Committee, prior to releasing funds for expenditure by the pilots, detailing the specific objectives to be obtained by each pilot and defining -- where two or more pilots involve similar activities -- what different benefits are to be demonstrated by each pilot.

or

(b) Delete the allocation of some or all of the funding proposed for the pilots and instead include a plan element to place those funds in escrow for use as additional funding for activities provided under LIHEAP including the heating assistance benefit, emergency furnace repair or replacement and crisis assistance [under this alternative, these funds could then be allocated under a subsequent oil overcharge plan to be submitted by the Governor].

4. With respect to the UW Building Conservation Program (program element G), delete the proposed allocation of \$40,000 of "Stripper XVII" funds to support a pilot "green" building conservation study project to be implemented at Science Hall on the UW-Madison campus [*or allocate the funds to another program of the Committee's choosing.*]

5. With respect to the Wind Resource Assessment Program (program element H), delete the proposed allocation of \$50,000 of "Stripper XVII" funds to support a statewide wind data management and information dissemination system [*or allocate the funds to another program of the Committee's choosing.*]

6. Deny allocation of "Stripper XVII" oil overcharge funds to one or more of the following program elements:

<u>Program Element</u>	<u>Governor's Allocation Proposal</u>
A. Conservation Based Energy Assistance Pilot Project	\$200,000
B. Homeowner Shared Savings Weatherization Pilot Project	200,000
C. One-Stop for Energy & Housing Services Pilot Project	275,000
D. Milwaukee Energy Network Pilot Project	200,000
E. Campaign to Keep Wisconsin Warm Pilot Project	200,000
F. Evaluation of the Low-Income Energy Assistance Pilot Projects	100,000
G. UW Building Conservation Program	40,000
H. Wind Resources Assessment Program	50,000
I. Energy Program Management Costs	<u>Interest^a</u>
TOTAL	\$1,265,000

^aConsisting of accrued and future unallocated "Stripper XV" interest earnings and all accrued and future "Stripper XVII" interest earnings.

Prepared by: Merry Bukolt, Tricia Collins and Tony Mason



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September 26, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Veterans Affairs -- Section 13.10 Request for Funds to Pay IT Migration Plan Costs
for FY 1996-97 -- Agenda Item X

INTRODUCTION

The Department of Veterans Affairs (DVA) requests a supplement to two SEG appropriations to fund the agency's information technology (IT) infrastructure migration plan costs for fiscal year (FY) 1996-97. The request is for an increase of \$84,100 SEG in the appropriation for administration of loans and aids to veterans and an increase of \$128,000 SEG in the appropriation for the general program operations of the self-amortizing mortgage loan program.

BACKGROUND

On February 1, 1995, Governor Thompson issued an executive order directing the Department of Administration (DOA) to establish and implement enterprise IT standards for state agencies' IT infrastructure in order to upgrade and standardize the state's basic IT infrastructure.

DOA proceeded to develop enterprise standards in five areas of basic IT infrastructure: (1) desktop hardware and software; (2) network hardware and software; (3) support, training, and disaster recovery; (4) E-mail and voice mail; and (5) printers, copiers and faxes. For example, the minimum standard for a personal computer under the desktop standards requires a 15" color monitor, a Pentium/75 (or Intel 486) processor and related, specified minimum amounts of memory capacity.

Further, to move all state agencies to these standards, DOA required that each state agency develop and submit a four-year IT migration plan. The migration plan was required to include the agency's mitigation path, time schedule over the four year period for reaching the new standards and a cost estimate of the basic IT infrastructure needed to meet the state's IT standards by the end of FY 1998-99. Each agency's plan was to be submitted by March 1, 1996.

The DVA submitted its plan to DOA on March 3, 1996. Under its plan, DVA indicated total additional expenditure needs for departmental activities funded from these two appropriations of \$69,500 SEG in FY 96, \$265,200 SEG in FY 97, \$207,800 SEG in FY 98 and \$249,000 SEG in FY 99, for a total migration plan cost for these programs of \$791,500 SEG for the four years.

This request relates to the IT migration plan costs for these programs for FY 97. The DVA estimates total costs for FY 97 at \$265,200; however, the agency plans to use \$52,500 of its base supplies and services and permanent property funds to meet part of the plan costs. To fund the remaining costs (\$212,700), DVA is requesting a supplement to be apportioned between s. 20.485(2)(u) (loans and aids programs) in the amount of \$84,100 SEG and s. 20.485(3)(s) (self-amortizing loan program) in the amount of \$128,600 SEG.

ANALYSIS

Neither the Joint Finance Committee nor the Legislature has ever specifically been asked to concur in the DOA mandate requiring each state agency to implement a four-year IT infrastructure migration plan. However, prior action by the Committee approving s. 16.515 requests from DOA for information technology investment fund (ITIF) grants and related increases in certain other PR appropriations included authorizing funding for various agencies to allow IT infrastructure upgrades consistent with the DOA-required agency migration plans.

In order for DVA to implement the second year of its migration plan, DVA appears to need to make the additional expenditures. DVA's plan for expenditures includes the following components listed in the table below.

**Total Migration Plan Expenditures
1996-97**

<u>Standards Component</u>	<u>Amount</u>
Desktop ¹	\$118,400
Network ²	122,900
Customer Service ³	15,400
Application ⁴	<u>8,500</u>
 Total	 \$265,200

¹This standards component includes desktop and mobile computers, basic software, electronic mail and voice mail.

²This standards component includes Internet access and service, Windows networking tools, file servers and print servers, network printers, necessary cables, and fax technology.

³This standards component represents primarily computer training services for DVA staff.

⁴This component includes the purchase of Microsoft Office software, which contains Word, Excel, MS Mail and Schedule + programs.

For 1996-97, DVA projects that its total expenditures for supplies and services and permanent property (including the \$265,200 to implement the migration plan for FY 97) will result in a shortage of \$247,800 in the budgeted amount in these two appropriations for supplies and services and permanent property. However, a projected surplus of approximately \$35,100 in the salary line would offset supplies and services and permanent property budget shortage and thus reduce the amount of the supplement requested to a total of \$212,700.

If the requested supplement is not approved, DVA would presumably have to delay some or all of its planned 1996-97 migration plan activities until the next year. Since DVA has indicated that it is including in its 1997-99 budget request increases to meet these similar migration plan costs for FY 98 and FY 99, the Department would then either have to delay meeting the migration plan implementation deadline or to seek additional funding in its budget request to cover the 1996-97 plan costs. However, DVA notes that part of the migration plan directive is to not only meet the deadline date, but also to spread the costs and implementation activities approximately evenly over the total four year period.

The \$84,100 SEG supplement requested for the veterans loans and aids administration appropriation would come from the veterans trust fund and the \$128,600 SEG supplement requested for the self-amortizing mortgage loan general program operations appropriation would come from the veterans mortgage loan repayment fund. Each of those funds is currently projected to have a significant balance at the end of fiscal year 1996-97 (approximately \$14.4 million for the veterans trust fund and approximately \$28.6 million for veterans mortgage loan

repayment fund) so that there are sufficient revenues available to cover these increased expenditures.

CONCLUSION

Since the Committee has previously acted to provide similar funding supplements to other state agencies to permit those agencies to take steps to under their IT migration plans to meet the DOA infrastructure standards by the end of fiscal year 1998-99, it may wish to approve the supplement amounts requested by DVA for fiscal year 1996-97 [a supplement of \$84,100 SEG to appropriation s. 20.485(2)(u) and a supplement of \$128,600 SEG to appropriation s. 20.485(3)(s)].

Prepared by: Tricia Collins



Legislative Fiscal Bureau

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September 26, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Information Technology Investment Fund Administration -- Agenda Item XI

INTRODUCTION

The Department of Administration requests the transfer of \$132,500 SEG in 1996-97 from the information technology investment fund (ITIF) to DOA's appropriation for ITIF administration to pay for the costs of collection and administration of the bidders list registration fee.

BACKGROUND

The ITIF was created in 1995 Act 27 to be administered by DOA to provide grants to state agencies for information technology projects. On April 16, 1996, the Committee deferred action on a request from DOA for the transfer of \$80,000 SEG in 1995-96 and \$132,500 SEG in 1996-97 for ITIF administration because rules related to the revenue source for the fund had not yet been approved. On July 8, 1996, rules establishing a \$125 annual bidders list registration fee were approved by the Legislature. Under the rule, any vendor on the list will be notified of requests for bids or competitive sealed proposals if the bid or proposal is for a product or service the vendor can provide. Fee revenues will be used to support grants from the ITIF and for fund administrative costs.

On July 10, 1996, DOA submitted a s. 16.515 request to the Committee for program revenue increases in 1996-97 for ITIF awards in 27 agencies and PR increases in seven additional agencies for other information technology projects. However, administrative costs for the ITIF are paid from a SEG appropriation and therefore, increases in that appropriation must be approved in a s. 13.10 meeting of the Committee. As a result, in the July 10 request, DOA

indicated that, with the Committee's concurrence, it would proceed to incur initial costs of fee collection and administration in 1996-97 consistent with the s. 13.10 request from April, 1996, until the Committee could meet to address ITIF administration funding. On July 15, 1996, the Co-chairs indicated that DOA's request for a SEG funding increase in 1996-97 would be addressed at the September, 1996, meeting of the Committee under s. 13.10, but that DOA could proceed to incur initial administrative costs consistent with the original request. As of September 9, 1996, DOA has incurred costs of \$8,300 related to the hiring of one limited-term employee, telephone installation, and the printing of envelopes and supplies.

SUMMARY OF REQUEST

The Department's request would support: (1) mailings to prospective vendors; (2) collection of fees from a lock box and recording of vendor information received with the fee; (3) financial administration of the fee and payment of fund assessments for DOA overhead costs; (4) assistance to vendors who inquire about the status of the fee payment and the State Bureau of Procurement; and (5) computer data base support. Funding would be divided as follows:

	<u>1996-97</u>
Vendor Mailing Costs	\$50,000
Fee Collection and Management Costs	50,000
LTEs -- Administration	5,000
LTEs -- Vendor Help Desk	22,500
Miscellaneous Administrative Expenses	<u>5,000</u>
Total	\$132,500

ANALYSIS

Fee Revenue

In 1995 Act 351, DOA was authorized to maintain a bidders list which would include the names and addresses of all persons who request to be notified of competitive bids or competitive sealed proposals for contracts for materials, supplies, equipment or contractual services. The Department may charge a fee to vendors for being placed on the list. Under current law, any state procurement contract that is in excess of \$25,000 must be made under competitive sealed bid or proposal, unless these requirements are waived by the Governor or Secretary of DOA. Procurement contracts under \$25,000 follow a simplified process specified by DOA and do not require formal competitive bids or proposals.

The Department will notify any vendors on the list of relevant contracts over \$25,000 that are being sought by state agencies. Most vendors requesting to be placed on the list will pay an annual \$125 fee; minority vendors and sheltered work centers will pay a reduced fee of \$65. In addition to the bidders list registration fee, DOA is also authorized to charge an additional \$100 subscription service fee for electronic access to procurement information. This subscription fee only applies to vendors wanting electronic access from more than one location (access from one location is included in the bidders list registration fee).

The Department has estimated that the bidders list registration fee and the subscription service fee for electronic access to procurement information will generate \$4,300,000 annually. These revenues will be deposited in the ITIF. No estimate of revenue has been made regarding the subscription service fee because payment of the subscription service fee is included in the registration fee for one location and it is unknown how many vendors will want access to the vendor information service from more than one location. The revenue projection is based on the assumption that approximately 35,000 vendors will pay the \$125 fee. The number of vendors is based on DOA Bureau of Procurement vendor files and information from the state accounting system.

ITIF Condition Statement

Table 1 provides a fund condition statement for the information technology investment fund, based on expenditures for ITIF grants approved by the Committee on July 29, 1996, and DOA's current request for ITIF administration funding and using the estimated revenue figures from DOA's rule. As the table indicates, the fund balance at the end of 1996-97 is estimated at \$1,289,600.

TABLE 1

Information Technology Investment Fund Condition Statement

	<u>1996-97</u>
Revenue	
Opening Balance	\$0
Bidders List Registration Fee	<u>4,300,000</u>
Total	\$4,300,000
Expenditures	
Administration*	\$132,500
ITIF Awards**	
One-Time Grants	910,300
Three-Year Grants (Master Lease Payments)	775,500
VendorNet	552,100
Infrastructure Support	<u>640,000</u>
Total	\$3,010,400
Ending Balance	\$1,289,600

* Funding authorization contained in this request.

** On July 29, 1996, the Committee approved DOA's 1996-97 ITIF grant awards, as modified at the Committee's request, totalling \$2,877,900.

Appropriation Request

To implement the bidders list registration fee, mailing information to prospective vendors regarding the bidders' list and required fee, funding for fee collection and general administrative costs is necessary. The Department's request for vendor mailing costs is based on an estimate that mailings will be made to a total of 50,000 vendors at a cost of \$1 per mailing. In addition, DOA has requested \$5,000 SEG for limited-term employee (LTE) assistance with the mailings. Further, estimated costs for fee collection and management are based on information provided by a bank that provides these services to the state and assumes that the bank would be doing some data entry and vendor verification for the state. General administration costs include telephone, internet access, software and hardware maintenance fees and DOA overhead costs. Costs related to notification, fee collection and general administration appear to be reasonable.

Funding for two, limited-term employees is requested for a vendor help desk. These LTEs would answer questions from vendors regarding: the registration fee in general; the status of an

individual vendor's fee; and the procurement process. The actual number of requests that DOA may receive from vendors, however, is unknown and funding for LTEs is not based on a workload estimate. Therefore, if the Committee wishes, it could choose to provide a lower level of staffing at this time until experience with the fee has been gained. If funding for only one LTE was provided, the request could be reduced by \$11,200 SEG in 1996-97.

ALTERNATIVES

1. Approve the Department's request to transfer \$132,500 SEG in 1996-97 from the ITIF (s. 20.870(1)(q)) to DOA's appropriation for ITIF administration (s. 20.505(1)(r)) to support the costs of collection and administration of the bidders list registration fee.

2. Approve a transfer of \$121,300 SEG in 1996-97 from the ITIF (s.20.870(1)(q)) to DOA's appropriation for ITIF administration (s. 20.505(1)(r)). [NOTE: This would modify the Department's request by deleting \$11,200 SEG in 1996-97 associated with funding for one limited-term employe at DOA's proposed vendor help desk.]

Prepared by: Jere Bauer



Legislative Fiscal Bureau

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September 26, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health and Family Services -- Section 13.10 Request for Approval of Model Contract for Purchase of Services in Community-Based Residential Facilities under COP -- Agenda Item XII

The Department of Health and Family Services (DHFS) requests that the Committee approve the model contract developed by the Department for the purchase by counties of services in community-based residential facilities (CBRFs) under the community options program (COP).

BACKGROUND

The 1995-97 biennial budget act requires the Department to develop, by January 1, 1997, a model contract for use by counties for purchases of long-term care services in CBRFs under the COP program. The budget act also requires the Department, prior to implementation, to obtain approval from both the Committee and the Governor for the model contract. Beginning January 1, 1997, counties are required to use this model contract or a contract that includes all of the provisions of the approved model contract, for any services provided by a CBRF that are funded under COP.

One of the major goals of a model contract is to promote cost control for COP expenditures. In the recent past, the use of CBRFs by COP participants and the average cost for CBRF services have increased significantly. In addition to controlling costs, a model contract would ensure availability of a contract and would provide uniformity for organizations that operate CBRFs in more than one county.

Under current law, county human or social service departments are required to utilize a written contract, meeting specified standards, when purchasing services. The statutes authorize

DHFS to waive these requirements for a written contract if the purchase is for \$10,000 or less.

County contracts must comply with the following statutory requirements:

Specifying Caseload and Payment Rates. The contract must specify the total dollar amount to be purchased, the number of clients to be served and the unit rate per client service;

Payment Method. Payments must be made either on the basis of actual allowable costs or on the basis of a unit rate per client service multiplied by the actual client units furnished each month;

Reimbursement Limited to Actual Costs. Payments made to the provider in excess of actual allowable costs must be refunded to the county except that nonprofit, nonstock corporations organized under ch. 181 may retain surplus payments up to 5% of the contract amount to cover deficits incurred in any preceding or future contract period;

Advance Payment Limit. The contract may allow advance payments of up to one-twelfth of an annual contract and requires a surety bond for advance payments in excess of \$10,000;

Audit Requirement. Unless waived by the Department, an audit is required every two years (annually if required by federal law) if the services purchased exceed \$25,000;

Required Accounting System And Cooperation. The provider must maintain a uniform double entry accounting system and a management information system compatible with systems prescribed by the Department (family-operated group homes may use a simplified system designed by the Department) and must cooperate with the county in establishing costs for reimbursement purposes;

Prior Approval for Client Care Changes. The provider must obtain approval from the county before transferring a client from one category of care to another; and

Required Fee Collection. Unless waived by the county with the approval of DHFS, the provider must charge a uniform schedule of fees, as established by the Department and apply these revenues to offset the amount paid under the contract.

State law permits the Department to either promulgate rules or establish procedures regarding contracts for the purchase of services. The Department has established a general model contract for the purchase of services that includes: (a) the requirements described above; (b) other state and federal requirements; and (c) standard contract provisions. These standards are described in the Department's *Financial Management Manual for Counties, Tribes and 51 Boards*, and in some cases, are different or add to the statutory requirements. For example, it is the Department's policy to require annual audits for contracts over \$25,000 unless waived by the Department. Also, the Department has established maximum dollar limits on the amount of

surplus revenues (revenues in excess of allowable costs) that can be retained by a nonprofit corporation.

ANALYSIS

The CBRF model contract was derived from the general model contract. Although there are several differences, the CBRF model contract follows the general model except that the provisions are modified to be specific to purchasing services from a CBRF. As with the general model contract, the CBRF model contract incorporates all of the statutory contract standards. Also, as does the general model contract, the CBRF model contract contains a number of additional provisions, many of which are taken from the general model contract. The more significant items are highlighted below.

Cost Reporting and Payment Provisions. The model contract would require that: (a) a maximum contract amount be specified; (b) the county retain the right to decrease the units of service to meet actual needs; (c) the rate per unit cannot exceed total allowable costs divided by the total anticipated units of services to all clients; and (d) the CBRF fill out a cost worksheet that details the CBRF's costs for establishing the rate charged to the county.

Audit Requirement. Unless waived by the Department, an annual audit is required, rather than a biennial audit, for programs that do not require an annual audit under federal law.

Note: Although the contract language does not refer to the \$25,000 threshold for requiring an audit, it is the Department's policy, as stated in the *Financial Management Manual* and required by statute, that an audit would not be required for contracts under \$25,000, although counties have the option of requiring an audit for these smaller contract amounts.

County Rights. The model contract reserves a number of rights to the county, including the right to: (a) determine the CBRF's compliance with all applicable statutes and regulations; (b) authorize payment only for services rendered in compliance with applicable statutes and regulations and consistent with the degree to which the terms of the purchaser's care plan for the residents have been fulfilled; (c) be notified by the CBRF within one business day of any significant change in the condition of the resident; and (d) undertake quality assurance efforts.

Civil Rights Compliance. The CBRF must agree to comply with the county's civil rights compliance policies and procedures and must file a civil rights compliance action plan.

Note: This language reflects the requirements established for subrecipients of federal funds to comply with federal and state laws and regulations. As permitted by federal and state laws and regulations, the Department's policy, as stated in the *Financial Management Manual*, is that if a provider has less than 10 employees and/or receives a county agency contract of less than \$10,000, the county can replace "action plan" in the contract language with "assurances."

Indemnity and Insurance. The CBRF must indemnify the county against any loss, damages and costs arising from injuries or other events during the individual's stay at the CBRF, unless caused by the county. Also, the CBRF must maintain a liability insurance policy (a required amount may be specified in the contract but is not mandatory).

Compliance with State Laws, Rules and Policies. The model contract requires that services provided under the contract comply with state laws and administrative rules for CBRFs, applicable policies and procedures of DHFS, and the conditions set forth in the state/county contract covering the administration of income maintenance and other programs.

Some of these items, such as the requirement for liability insurance, represent standard contract clauses. Other items, such as the civil rights provisions and requirement to comply with state laws and regulations, simply reaffirm laws or regulations that would apply to the CBRF, whether or not the provision was contained in the contract. There is a more frequent audit requirement when federal funds are not involved but that would serve to strengthen the county's review of the CBRF's costs and reflect the Department's current policy for county contracts in general. Likewise, some of the other provisions, such as the provision that limits the rate charged the county to the average allowable cost for all residents, may also serve to control costs. Finally, the remaining provisions, such as the right to conduct quality assurances activities, would serve to provide the county the ability to better ensure that clients receive quality care. The contract language in the CBRF model contract is identical to that in the general model contract for the following items: (a) audit requirements; (b) civil rights compliance; (c) indemnity and insurance; and (d) compliance with state laws, rules and policies.

When the Department submitted the Model CBRF contract to the Committee there was no indication that many of the Department's current policies, as stated in the *Financial Management Manual*, would govern the application of the CBRF model contract. In some sections of the CBRF model contract there are references to the *Financial Management Manual*; however, other sections of the CBRF contract, do not refer to the Department's policy manual, although it is the Department's intention that the Department's general contract policies would apply. For example, the language in the CBRF model contract states that an annual audit is required, but does not make any reference to the Department's policy manual nor does the contract language contain any indication that the county would not have to require an audit nor have to obtain a Department waiver from the audit requirement if the contract amount is for less than \$25,000.

In order to clarify this, it may be useful to include in the CBRF contract a statement that the Department's general contract policies, as detailed in the *Financial Management Manual*, would pertain to the use of the CBRF model contract. This would clarify, for example, that a county could exclude the audit requirement without a Department waiver if the contract amount was for less than \$25,000, or that a county would only have to require a statement assuring compliance with civil rights requirements (rather than an action plan) if the CBRF has 10 or fewer employees.

Since the submission of the contract to the Committee, DHFS has identified some minor technical changes that should be made. The attachment to this memorandum details the specific changes. A brief summary of these technical corrections is provided below:

1. *Time Allowed for Reviewing Records (pg. 3)*. This provision would specify that the county's right to review the CBRF's records would be limited to normal business hours, rather than at any time.
2. *Evaluation of Residents' Satisfaction (pg. 4)*. The model contract requires an annual evaluation of the residents' satisfaction with the facility. However, the model contract does not relate this requirement to the current administrative rule [HSS 83.32(2)(c)1] for an evaluation of the resident's satisfaction. The technical correction would incorporate and refer to the administrative rule for this evaluation.
3. *Receipts for Resident Payments (pg. 8)*. This provision would specify that the CBRF must issue a receipt for payments made by anyone on behalf of the resident rather than only for payments made by the resident or the resident's spouse. Also, this provision would require that the CBRF send a copy of the receipt to the county.
4. *OCI Reference (pg. 8)*. This section corrects the reference to the Office of the Commissioner of Insurance.
5. *Affirmative Action Title Reference (pg. 9)*. This section deletes the reference to affirmative action in the title of the section on Civil Rights Compliance.
6. *Correct Statutory Reference for Closing Facility (pg. 10)*. This provision corrects the reference to the statutory provisions for closing a facility.

ALTERNATIVES

1. Approve the model contract, as modified by the technical corrections listed in the appendix.
2. Approve the model contract, as modified by the technical corrections listed in the appendix, and specify that the Department of Health and Family Service's general contract

policies, as detailed in the Department's *Financial Management Manual for Counties, Tribes and 51 Boards*, would apply to the use of the CBRF model contract.

Prepared by: Richard Megna
Attachments

ATTACHMENT

Time Allowed for Reviewing Records (page 3)

- (4) To review the records of any purchaser-supported CBRF resident ~~at any time~~ during normal business hours and to monitor the performance of services provided to purchaser-supported CBRF residents. The CBRF will cooperate with the purchaser in these efforts, and will comply with the requirements of monitoring plans specified as attachments to this contract, if any.

Evaluation of Residents' Satisfaction (page 4)

- b. The CBRF will develop and implement a method to annually evaluate the satisfaction of residents and their families ~~(and guardians, if applicable) with the management, residential environment, staffing, interpersonal relationships, and program and services of the CBRF~~ in accordance with the requirements of HSS 83.32(2)(c)1. The CBRF shall make ~~the results of the evaluation available to the purchaser~~ copies of the evaluations provided by purchaser-supported residents, and any summary of the evaluations of all residents, available to the purchaser. The ~~evaluation shall be either:~~
 - ~~• A form developed by the facility and approved by the Department of Health and Family Services.~~
 - ~~• A Department of Health and Family Services form~~

Receipts for Residents Payments (page 8)

- G. Provider shall ~~receipt all client or spouse payments~~ issue a receipt for any and all payments made by, or on the behalf of, a purchaser-supported resident that are made directly to the provider for services provided under this agreement — whether or not Provider has billing responsibility. A copy of each receipt shall be sent to the purchaser.

OCI Reference (page 8).

- B. Provider agrees that, in order to protect itself as well as Purchaser under the indemnity provision set forth in the above paragraph, Provider will at all times during the terms of this Contract keep in force a liability insurance policy issued by a company authorized to do business in the State of Wisconsin and licensed by the Wisconsin Office of the Commissioner of Insurance ~~Department~~. Upon the

execution of this Contract, Provider will furnish Purchaser with a certificate from the insurer of the existence of such insurance. In the event of any action, suit, or proceedings against Purchaser upon any matter herein indemnified against, Purchaser shall, within five working days, cause notice in writing thereof to be given to Provider by certified mail, addressed to its post office address.

Affirmative Action Title Reference (page 9).

VI. ~~Affirmative Action~~/Civil Rights Compliance

Correct Statutory Reference for Closing Facility (page 10).

- F. Both parties understand that if the cancellation of the contract by either party results in the closing of a CBRF, both parties have certain statutory obligations. Chapter 50.03(14)(~~f~~), Stats., governs the closing of a Community Based Residential Facility (CBRF). It states that, upon DHFS approval of the facility's plan to relocate its residents (or the imposition of such a plan by the DHFS), the facility must establish a closing date not earlier than 90 days from the date of DHFS approval or imposition of the relocation plan when 5 to 50 residents will be relocated. This same statute also requires a minimum 120 day period when more than 50 residents will be relocated. In addition, s. 50.03(14)(b), Stats., mandates that county agencies of the county in which the facility is located shall participate in the development and implementation of individual relocation plans. It also requires that agencies of other counties which have responsibility for facility residents shall participate in the development and implementation of individual relocation plans for those residents. Therefore, county agencies clearly have a responsibility to be actively involved in resident relocation when a CBRF is closing.



Legislative Fiscal Bureau

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September 26, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Wisconsin Conservation Corps -- Section 13.10 Request for an Anticipated Increase
in Corps Enrollee Support Costs -- Agenda Item XIII

The Wisconsin Conservation Corps (WCC) Board requests \$150,000 GPR in 1996-97 to fund an anticipated increase in corps enrollee support costs related to an increase in the federal minimum wage.

BACKGROUND

1995 Act 27 transferred \$150,000 GPR from WCC's corps enrollee support appropriation to the Joint Committee on Finance's appropriation for agency supplements. In addition, the WCC Board was given the authority to submit a request to the Committee under s. 13.10 to fund increased corps enrollee support costs related to an increase in the minimum wage. The WCC is statutorily required to pay its corps enrollees the higher of the state or federal minimum wage.

In June, 1996, the WCC Board submitted a request to the Committee to release \$150,000 in 1995-96 from the Committee's appropriation under s. 20.865(4)(a) to the general enrollee appropriation under s. 20.399(1)(b) to fund an anticipated increase in the minimum wage. The Department of Administration (DOA) approved the request but recommended that the funding be placed in unallotted reserve for release by DOA only if a minimum wage increase was mandated by the federal government. At the July 10, 1996, meeting under s. 13.10, the Committee placed this request on the table.

In August, 1996, the President signed legislation that increases the federal minimum wage under a two-step process, as follows: (a) an increase from \$4.25 to \$4.75 (50¢ increase), effective October 1, 1996; and (b) an increase from \$4.75 to \$5.15 (40¢ increase), effective

September 1, 1997. The WCC Board asks that its June, 1996, request be taken off the table in order to provide funding for the minimum wage increase. However, since the WCC is now administratively attached to the Department of Workforce Development (DWD), the funding would be transferred to the DWD appropriation under s. 20.445(6)(b).

The WCC Board has the option to classify corps enrollees as corps members, assistant crew leaders, crew leaders or regional crew leaders. In general, the maximum pay for assistant crew leaders and crew leaders is twice the minimum wage. However, crew leaders who were being paid more than the maximum on July 29, 1995, (the effective date of Act 27) continue to be paid at the higher rate. Currently, the WCC Board pays, on average, the following hourly wages: (a) \$4.25 to corps members; (b) \$5.13 to assistant crew leaders; (c) \$9.60 to crew leaders; and (d) \$12.48 to regional and mobile crew leaders.

In August, 1996, the WCC Board adopted a two-stage wage increase for crew leaders and assistant crew leaders that would coincide with the scheduled increase in the minimum wage for corps members. Specifically, hourly wages for assistant crew leaders will increase from \$5.13 to \$5.73 in October, 1996, and will increase again to \$6.21 in July, 1997. Similarly, crew leaders hired after July 29, 1995, will receive proportionate hourly wage increases up to a maximum of \$9.50 (two times the minimum wage) in October, 1996, and an additional increase of 2% (to a maximum of \$9.69) in July, 1997. Crew leaders hired before July 29, 1995, will not receive an increase.

ANALYSIS

The WCC Executive Director has estimated that the anticipated increase in the minimum wage would cost approximately \$211,000 in 1996-97. WCC would use \$61,000 in existing base funds to offset the remaining anticipated costs ($\$211,000 - \$150,000 = \$61,000$).

It is estimated that approximately \$400,000 could be available in unobligated GPR and SEG funding on June 30, 1997. This estimate is based on the WCC Board approving 100 projects during the 1995-97 biennium. During the Committee's deliberations over the 1995-97 biennial budget, it was estimated that the WCC would be able to approve from 82 to 92 projects in 1995-97, depending on how the WCC Board chose to utilize available funding. Several factors, in addition to funding levels, determine the level of projects the WCC Board is able to fund during a biennium. These include, but are not limited to: (a) the number of corps enrollees assigned to a crew; (b) the minimum wage and crew leader wages that are set by the Board; (c) the vacancy rate of corps enrollees; and (d) special activities approved by the Board, such as training and developmental workshops.

The Board approves projects at six meetings staggered over the biennium. The last project approval meeting for the 1995-97 biennium will occur in January, 1997. WCC's Executive Director has indicated that the Board would approve additional projects (more than the current

estimate of 100) to fully utilize any available funding. Any unobligated GPR and SEG dollars would lapse to the appropriate funds on June 30, 1997.

If WCC's request to release the \$150,000 is denied, the WCC Board could fund the entire anticipated increase in corps enrollee support costs from the estimated \$400,000 unobligated balance. This action would most likely result in fewer projects being approved by the Board.

If the Committee denies WCC's request to release the \$150,000, the WCC Board could still approve between eighteen and eight more projects than estimated upon passage of the biennial budget (82 to 92 projects compared to the current estimate of 100 projects).

ALTERNATIVES

1. Approve WCC's request to transfer \$150,000 GPR in 1996-97 from the Committee's appropriation under 20.865(4)(a) to the DWD appropriation under 20.445(6)(b) to fund an anticipated increase in corps enrollee support costs related to an increase in the federal minimum wage.
2. Deny the request.

Prepared by: Bob Soldner and Ron Shanovich