

1999 DRAFTING REQUEST

Assembly Amendment (AA-AB133)

Received: 04/21/99

Received By: grantpr

Wanted: As time permits

Identical to LRB:

For: Legislative Fiscal Bureau 6-5996

By/Representing: Larsen

This file may be shown to any legislator: NO

Drafter: grantpr

May Contact:

Alt. Drafters:

Subject: Higher Education - tech. college

Extra Copies:

Pre Topic:

LFB:.....Larsen -

Topic:

Funding for La Crosse Health Science Center

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	grantpr 04/23/99	ygeller 04/23/99		_____			
/1			martykr 04/27/99	_____	lrb_docadmin 04/27/99		

FE Sent For:

<END>

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/?	grantpr	1 4/23 jlg	4/26 km	4/26 JSA			

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<END>

**Legislative Fiscal Bureau**

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

April 20, 1999

Joint Committee on Finance

Paper #1047

**La Crosse Health Science Center (WTCS)****CURRENT LAW**

Of the \$766.9 million in total revenues received by Wisconsin Technical College System (WTCS) districts in 1997-98, almost half (48.4%) was from property taxes. The remaining \$395.8 million consisted of state aid (16.5%), tuition and fees (12.6%), federal aid (7.2%) and self-financing operations and miscellaneous revenues (15.3%). State aid is provided to WTCS districts either in the form of unrestricted general aid or through categorical aids which support specific programs or services. In 1998-99, \$113.5 million is appropriated for state general aid and \$15.1 million is appropriated for various categorical aid programs.

**GOVERNOR**

No provision.

**DISCUSSION POINTS**

1. The La Crosse Medical Health Science Consortium was formed in 1993 to enhance and strengthen primary care and medical health science education and research through collaborative programming and the use of shared resources and expertise. The Consortium consists of UW-La Crosse, Western Wisconsin Technical College (Western), Viterbo College, Gunderson Lutheran and Franciscan Skemp Healthcare/Mayo Health System. The Consortium was established to address health care provider shortages and other issues in 22 counties in a tri-state area that includes southwestern Wisconsin, northeastern Iowa and southeastern Minnesota.

2. In March, 1998, the Consortium began construction of the La Crosse Health Science Center, a 168,655 square foot facility that is expected to open in February, 2000. The Center will house the UW-La Crosse and Western allied health programs, a student health center and laboratory and research space. The student health center will be operated by UW-La Crosse and Western will pay a fee for its use by the district's students. The Center is also expected to provide distance education and telemedicine services. One of the primary purposes of the Center is to increase the

number of healthcare professionals in the counties located in the tri-state region, many of which have been designated as medically underserved areas. The consortium intends to achieve this goal, in part, through the expansion of UW-La Crosse's and Western's allied health programs based on the idea that healthcare professionals are likely to remain in the region in which they received their education.

3. The Center is expected to serve a total 530 students in 13 UW and technical college programs. The Western programs that would be housed in the Center include dental hygiene, medical laboratory technician, occupational therapy assistant, physical therapy assistant and radiography. It is anticipated that the new facility will allow Western to increase enrollments in these programs from 94 to 118 students, or approximately 25%, excluding additional students that would be served through the distance education capabilities of the Center.

4. The facility, which is located between the UW-La Crosse and Western campuses on land owned by Western, is being constructed at a total cost of \$26.8 million. Of the total, \$13.4 million in general fund supported borrowing was provided through the Wisconsin Initiative for State Technology and Applied Research (WISTAR) program. An additional \$5.4 million was provided by Western in the form of \$3.65 million in bonds, \$1.25 million for the 1.6 acres of land for the Center and movable equipment valued at \$500,000. The remaining \$8 million will be obtained through private fundraising.

5. The total annual cost of operations and maintenance for the Center has been estimated at \$1,254,700. This amount includes costs associated with such items as custodial and maintenance labor, heating, electricity, water and sewer, technology, landscaping and insurance. Since the Center will be used to varying extents by all of the consortium members, each member will be required to pay a portion of these costs based on the percentage of total space which they occupy in the building. The estimated operating and maintenance costs are based on average costs for all of the consortium partners. Costs were identified separately for clinical space and for education and research space and were based on costs incurred by the partners involved in those activities. However, the Director of the Consortium has indicated that actual costs will not be known until after the facility is operational. Similarly, the allocation of space to each Consortium member is not yet final. Since initial planning for the Center began, the estimated percentage of the total square footage of the building allocated to Western has increased from 28.6% to the current estimate of 34%.

6. In its 1999-01 biennial budget submission, the UW System requested a total of \$1,185,000 (\$770,400 GPR and \$414,600 PR tuition revenues) over the biennium to support UW-La Crosse's share of the operating and maintenance costs of the Center based on its share of the facility, which is estimated at 63%. Of the amount requested, the bill would provide \$852,000 (\$553,800 GPR and \$298,000 PR) over the biennium. According to DOA staff, this amount excludes funding for expenses associated with student health services and research as well as certain technology equipment costs. Since the Center is not expected to open until February, 2000, funding for the remaining costs would be provided for only six months in the first year of the biennium.

7. DOA staff indicate that funding associated with research space was excluded from the cost calculation because construction of the facility was funded primarily through the WISTAR program under which operating costs associated with a research facility are expected to be funded using federal and/or private grant monies. Costs associated with student health services were excluded because a student health center is already in operation on the campus and would simply move to the new location. Finally, funding for certain technology costs was not included because these costs were viewed as relating to technology infrastructure and hardware replacement expenses which are not typically designated as operating and maintenance expenses.

8. According to the Director of the Consortium, the amount budgeted for technology represents legitimate operating and maintenance costs based on UW-La Crosse's average expenditures for the maintenance of data connections. These costs include: equipment contract and service costs; distance education lines and connections; software licenses; and local area network maintenance, including switches, routers, network-related servers and student help. Not included in the estimate are expenditures for staff salaries, wiring upgrades and major equipment items such as computers and primary servers.

9. According to Western officials, the technical college's share of the total space in the Center is estimated at 34% which would result in annual operating and maintenance costs of \$426,600, or \$639,900 over the 1999-01 biennium. The WTCS Board did not include additional funds to cover these costs in its 1999-01 budget request, and the bill would not provide funds for this purpose. One could argue that if it is appropriate for the state to provide funding for the operations and maintenance costs for UW-La Crosse, similar funding should be provided for Western as the only other public institution to occupy the Center. Alt 1  
3

10. If it is determined that additional funding should be provided to cover Western's share of the cost to operate the Center, a new, annual appropriation could be created for this purpose within WTCS. If the technology costs are omitted, as they would be for UW-La Crosse under the bill, Western's share of the annual operating and maintenance costs would be estimated at \$393,700, or \$590,600 for the 1999-01 biennium. Alt 2  
4

11. WTCS districts normally use unrestricted revenues from state general aid or the property tax to support such costs. GPR funding is not typically earmarked for a specific program or expense at a particular district. One could argue that the state should not be responsible for providing GPR funds for operating expenses associated with a new building and that providing such funds would set a precedent for similar expenditures in the future. maximum  
current  
low

12. While the primary source of revenue for WTCS districts is the property tax, state law limits property taxes levied by each district for all purposes except debt service to \$1.50 per \$1,000 (or 1.5 mills) of the district's equalized property valuation. In the absence of additional state aids, revenue increases for these districts are essentially limited to the growth in equalized property values.

13. Western's levy has been at the 1.5 mill limit in eight of the last ten years. During this time, the district's equalized value has increased by an average of 5.7% per year while operational costs have increased by an average of 6.5% per year. Statewide, 7.0% average annual increases in equalized valuations have offset average annual cost increases of 5.7%. According to WTCS Board staff, the cost increases are primarily attributable to teacher contract settlements and the expansion of responsibilities and activities undertaken by districts including school-to-work and youth options programs and distance education initiatives. WTCS staff also cite an increase in the number of students with disabilities and the need to keep pace with rapidly changing workplace technologies as contributing to higher costs. Western officials point out that the district has the fourth lowest annual cost per FTE student in the System at \$9,196, compared to the statewide average of \$10,281 per FTE. In each of the last eight years, Western has implemented 2% budget reductions and reallocations, approximately \$200,000 to \$400,000 per year, in order to fund high priority programs and initiatives. In 1998-99, the district reallocated a total of \$930,545.

14. Since 1995-96, property values in the Western district have begun to increase at a higher rate, an average of 7.5% per year as compared to the statewide average of 7.2%. Since the fiscal situation in the district could change, any supplemental funding for the Health Science Center could include a sunset date, which would allow the Legislature to reevaluate the need for these funds in the next biennium.

15. The largest WTCS categorical aid program is the incentive grants program, under which \$7,888,100 GPR annually is provided for grants to districts in five categories. Under one of these categories, grants are provided to districts for educational programs, courses or services that would not otherwise be established or maintained because of limitations in district fiscal capacity. This category was created in the 1987-89 state budget to assist districts that were at the 1.5 mill limit and had been restricted from raising additional revenues due to stagnant or declining property values. In the 1989-91 state budget, the statutes were modified to provide that the grants would be awarded for declines, rather than limitations in fiscal capacity. While a provision in the 1995-97 state budget restored the original language regarding "limitations" in district fiscal capacity, property values in all WTCS districts have been increasing and the Board has not awarded any grants under this category since 1991-92. WTCS Board staff have indicated that no district has requested a grant under this category for the last several years, but that the Board is likely to consider awarding a grant under this category only if the district's equalized property valuation was declining or showing very minimal growth.

16. Funding for the incentive grants program is provided in a continuing appropriation, meaning that unexpended funds are carried over into the next fiscal year. Large carryovers have occurred in most years since the program's inception in 1985-86. The amount carried over at the end of 1997-98 was \$783,000 and is estimated at \$350,000 for 1998-99. Since the program is a competitive grant program, there is no guarantee that Western would receive funding to cover its costs related to the Health Science Center even if the district applied for such a grant. However, the Committee could ensure that a portion of the incentive grant funds are used for this purpose by creating a new, annual appropriation that would be funded through a corresponding reduction in the amount appropriated for the incentive grants program.

17. In 1998-99, the property tax levies of two other WTCS districts (Milwaukee and Southwest) are also at the 1.5 mill limit. The rate of growth in equalized property valuations for these districts has been even lower than in the Western district. Since 1995-96, average annual increases in equalized values have been 6.3% for Southwest and 3.9% for Milwaukee, compared to 7.5% for Western. One could argue that legislation to provide additional funding to a specific district to alleviate budget constraints that are also faced by other districts would represent an inequitable allocation of resources.

**ALTERNATIVES TO BASE**

1. *Full Funding.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center and provide \$213,300 GPR in 1999-00 and \$426,600 GPR in 2000-01 to support these costs.

Alternative 1	GPR
1999-01 FUNDING (Change to Base)	\$639,900
(Change to Bill)	\$639,900

2. *Partial Funding.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center, excluding certain technology costs, and provide \$196,900 GPR in 1999-00 and \$393,700 GPR in 2000-01 to support these costs.

Alternative 2	GPR
1999-01 FUNDING (Change to Base)	\$590,600
(Change to Bill)	\$590,600

3. *Full Funding with Offsetting Reduction to Incentive Grants.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center and provide \$213,300 GPR in 1999-00 and \$426,600 GPR in 2000-01. Delete \$213,300 GPR in 1999-00 and \$426,600 GPR in 2000-01 from the WTCS incentive grants program.

Passed  
a. b.

4. *Partial Funding with Offsetting Reduction to Incentive Grants.* Create a new, annual appropriation within WTCS for Western's share of the total operating and maintenance costs of the La Crosse Health Science Center and provide \$196,900 GPR in 1999-00 and \$393,700 GPR in 2000-01. Delete \$196,900 GPR in 1999-00 and \$393,700 GPR in 2000-01 from the WTCS incentive grants program. *excludes technology costs*

Passed  
a. b.

5. *Sunset Provision.* Modify the above alternatives to specify that:

5  
b. b.

a. The new appropriation for Western's portion of the operating and maintenance costs for the Health Science Center would sunset on June 30, 2001; and

b. After June 30, 2001, the amount appropriated for the incentive grants program would be restored to the 1998-99 base level, if applicable.

6. Maintain current law.

16.47  
\$ 7.8M  
98-99 volume

Prepared by: Merry Larsen

Burke  
 4.5a-b6  
 Burke (Y) N  
 Decker (Y) N  
 Jauch (Y) N  
 Moore (Y) N  
 Plache (Y) N  
 Wick (Y) N  
 Cowles (Y) N  
 Panzer (Y) N  
 Gard (Y) N  
 Porter (Y) N  
 Kaufert (Y) N  
 Albers (Y) N  
 Duff (Y) N  
 Ward (Y) N  
 Huber (Y) N  
 Riley (Y) N

Passed

11-5



1999

Date (time) needed SOON

LRB b 01791 1

**LFB BUDGET AMENDMENT  
[ONLY FOR LFB]**

PLG : jlq :     

See form **AMENDMENTS — COMPONENTS & ITEMS.**

**LFB AMENDMENT  
TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45**

>>FOR JT. FIN. SUB. — NOT FOR INTRODUCTION<<

At the locations indicated, amend the bill as follows:

#. Page 400, line 12: after that line insert :

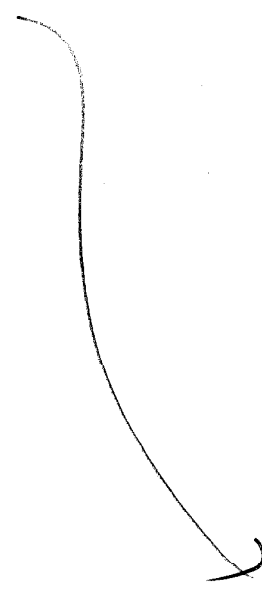
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SECTION 299m, CR. 20.292 (1) (CW) <sup>CW</sup> ~~(CW)~~  
20.292 (1) (CW) <sup>(B)</sup>  
La Crosse Health <sup>(I)</sup>  
A

I Science Center. The amounts in the  
schedule for Western Wisconsin Technical  
College's share of the costs of the La Crosse  
Health Science Center. No moneys may  
be encumbered from this appropriation  
after June 30, 2001. "

~~That~~

# Page 1421, line 13 : after that line insert:

**nonstat** " (2)(a) INCENTIVE GRANTS. (CS)

~~EXAMPLE 20.06 (3)~~

~~Section 278. Nonstatutory provisions, natural resources.~~

~~(3p) Great Lakes remedial action funding decrease. Notwithstanding section 16.42 (1) (e) of the statutes, in submitting information under section 16.42 of the statutes for the purposes of the 2001-03 biennial budget bill, the department of natural resources shall submit information concerning the appropriation under section 20.06 (2)(a) of the statutes as though the decrease in that appropriation by Section 287 ~~is not in effect~~ has been made."~~

technical college system board

20.292 (1) (dc)

amount that was appropriated in the 1998-99 fiscal year constitutes the base level for

(Ehd)



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0179/1  
PG:jljg:km

LFB:.....Larsen - Funding for La Crosse Health Science Center

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

**LFB AMENDMENT**

**TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45**

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 400, line 12: after that line insert:

3 “**SECTION 299m.** 20.292 (1) (cw) of the statutes is created to read:

4 20.292 (1) (cw) *La Crosse Health Science Center.* The amounts in the schedule  
5 for Western Wisconsin Technical College’s share of the costs of the La Crosse Health  
6 Science Center. No moneys may be encumbered from this appropriation after June  
7 30, 2001.”.

8 **2.** Page 1421, line 13: after that line insert:

9 “(2d) INCENTIVE GRANTS. Notwithstanding section 16.42 (1) (e) of the statutes,  
10 in submitting information under section 16.42 of the statutes for the purposes of the  
11 2001-03 biennial budget bill, the technical college system board shall submit

1 information concerning the appropriation under section 20.292 (1) (dc) of the  
2 statutes as though the amount that was appropriated in the 1998–99 fiscal year  
3 constitutes the base level for that appropriation.”

4 (END)