

THE STATE OF WISCONSIN

D

SENATE CHAIR
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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard
Co-Chairs, Joint Committee on Finance

Date: March 21, 2000

Re: Annual Report on Prison Industries

Attached is a copy of a report from the Departments of Corrections and Administration regarding the status of Prison Industries for the fiscal year ending on June 30, 1999. Pursuant to s. 303.018, Stats., these departments are required to report this information to the Joint Committee on Finance on an annual basis.

This information is for your review only. No action is required by the Committee.

BB:JG:js

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary

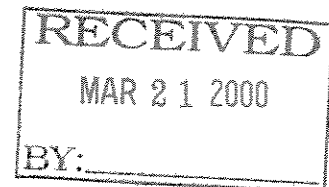


State of Wisconsin
Department of Corrections

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March 2, 2000



Senator Brian Burke, Co-Chair
Joint Committee on Finance
Room 316, South Capitol
Madison, WI INTER-D

Representative John Gard, Co-Chair
Joint Committee on Finance
Room 316, North Capitol
Madison, WI INTER-D

Dear Senator Burke and Representative Gard:

This is the annual report on Prison Industries for the fiscal year ending on June 30, 1999, as required by *Wisconsin Statutes* 303.018. This report includes the cash balance for each company and the amounts purchased by state agencies from Prison Industries for wood furniture and printing.

A cash profit for traditional prison industries (appropriation 134) of \$104,236 was realized during FY 99 changing the accumulated balance from \$464,058 in FY 98 to \$568,294. The net income on the accrual accounting basis was \$1,139,872 for the fiscal year ending June 30, 1999.

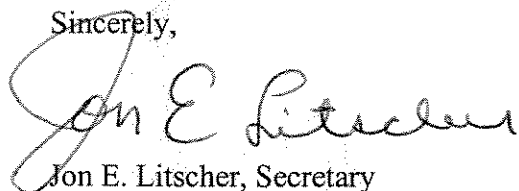
The cash deficit for private venture partnership industries (appropriation 189) increased by \$413,407 (from -\$1,280,057) in FY 98 to -\$1,693,464) in FY 99). The unsupported portion of the negative balance is \$1,047,731. The net loss on the accrual accounting basis was \$320,522 for the fiscal year ending June 30, 1999.

State agencies purchased \$35,916,716.33 in printing from all sources in FY99. Of that amount \$1,015,295 or 2.8 % was purchased from Prison Industries.

State agencies are only required to identify a purchase for wood furniture by a specific object code if it exceeds \$5,000. State agencies reported purchases of \$165,889.26 for wood furniture in FY99. Prison Industries reported the sale of \$1,223,219 of wood furniture to state agencies. Purchases of less than \$5,000 are included in the amount reported by Prison Industries.

Appendix B provides comparisons with FY98 for printing and wood furniture.

Sincerely,



Jon E. Litscher, Secretary
Department of Corrections



George F. Lightbourn, Secretary
Department of Administration

Attachments

cc:	Cindy O'Donnell, Dpty Sec.	Jessica O'Donnell, Ex. Asst.
	Dick Verhagen, DAI	Cindy Schoenike, DAI
	Steve Kronzer, BCE	Bill Clausius, DOC
	Jim Johnston, DOA	Bob Nikolay, BoB
	Chris Wolle, DOA	Mary Rondou, BCE
	Sue Johnson, BFAS	Colleen Godfriaux, BoB
	Bev Balakhovsky, DMS	Cindy Archer, DMS

Appendix B

Wood Furniture and Printing

Section 303.018 of the statutes requires an annual report on the amount expended by state agencies for wood furniture and printing, and the portion of that amount for furniture and printing provided by prison industries.

The following table provides the FY 1997-98 expenditures along with a comparison with the previous year.

	<u>FY 1997-98</u>		<u>FY 1998-99</u>	
	<u>Total purchases</u>	Amount from industries from state agencies	<u>Total purchases</u>	Amount from industries from state agencies
Wood Furniture	236,236*	905,875	165,889	1,223,219
Printing	36,898,424	1,080,723	35,916,715	1,015,295

* Reflects only purchases over \$5,000 in accordance with an accounting policy change.

BADGER STATE INDUSTRIES

YEAR TO DATE CASH BALANCE SUMMARY BY INDUSTRY

AS OF JUNE 30, 1999

TRADITIONAL INDUSTRIES

INDUSTRY	ACCUMULATED * CASH BALANCE (AFTER RE- CLASSIFICATION)	FY-99 ** YTD REVENUE	FY-99*** YTD EXPENDITURE	CASH BALANCE 06/30/99
SOLID WASTE REDUCT&RECYCL	(75,577.82)	50,515.53	29,449.65	(54,511.94)
METAL STAMPING	8,120,465.63	2,844,020.54	2,263,325.51	8,701,160.66
OSHKOSH LAUNDRY	495,754.72	1,220,686.70	1,222,130.08	494,311.34
GREEN BAY LAUNDRY	336,934.01	388,596.62	346,914.48	378,616.15
TEXTILES	(1,757,053.32)	728,527.84	735,698.18	(1,764,223.66)
JCI TEXTILES	(102,473.59)	193,196.26	530,538.05	(439,815.38)
REECC DATA ENTRY	(5,597.92)	45,283.82	78,302.55	(38,616.65)
RCI DATA ENTRY	(1,234,106.17)	191,924.99	244,860.23	(1,287,041.41)
SIGNS	(249,036.07)	2,001,261.45	1,589,743.77	162,481.61
SILKSCREENING SVCS	(1,051,415.44)	362,314.60	512,758.60	(1,201,859.44)
COLUMBIA PRINTING	16,493.46	1,208,028.88	1,194,595.85	29,926.49
WOOD & LAMINATING	(6,913,756.84)	3,053,222.30	2,526,177.42	(6,386,711.96)
METAL/SYSTEM FURNITURE	3,075,831.40	4,889,109.06	5,902,496.12	2,062,444.34
UPHOLSTERY	(192,404.05)	2,153,039.30	2,048,501.02	(87,865.77)
TOTAL	464,058.00	19,329,727.89	19,225,491.51	568,294.38

* Adjusted for FY92-98 to reflect costs that were transferred among industries. Discontinued Industries were offset by revenues in the accumulated cash balance column.

** Includes FY99 adjustments that reflect costs that were transferred among industries.

***The costs for Management & Support and the Distribution Center have been allocated to the appropriate industries.

PRIVATE SECTOR VENTURES

INDUSTRY	ACCUMULATED CASH BALANCE (AFTER RE- CLASSIFICATION)	FY-99 YTD REVENUE	FY-99 YTD EXPENDITURE	CASH BALANCE 06/30/99
PRIV-PARTNER-GLOVES	(948,986.65)	94,545.74	294,080.45	(1,148,521.36)
PRIV-PARTNER-CONVEYORS	46,841.68	41,498.42	21,877.92	66,462.18
PRIV-PARTNER-GLOVE-JCI	(377,912.03)	100,789.54	334,282.72	(611,405.21)
TOTAL	(1,280,057.00)	236,833.70	650,241.09	(1,693,464.39)

BADGER STATE INDUSTRIES
TRADITIONAL INDUSTRIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 1999

1/14/00

ASSETS			
	6/30/99	6/30/98	6/30/97
Cash	-	-	
Contingent Fund	6,000	6,000	10,000
	<u>6,000</u>	<u>6,000</u>	<u>10,000</u>
Accounts Receivable	3,586,499	2,933,234	2,219,182
Less Allowance for Uncollectables	10,000	10,000	8,000
Net Accounts Receivable	<u>3,576,499</u>	<u>2,923,234</u>	<u>2,211,182</u>
Prepaid Expenses	57,479	34,940	46,853
Net Investment in Capital Leases-Current			
Raw Materials	2,595,917	2,315,183	2,411,919
Work in Progress	411,410	160,967	487,361
Finished Goods	505,466	1,016,134	823,791
Linens in Service	50,714	86,052	208,788
Total Inventory	<u>3,563,507</u>	<u>3,578,336</u>	<u>3,931,859</u>
Total Current Assets	7,203,485	6,542,510	6,199,894
Net Investment in Capital Leases-Non-Current			
Software-Net of Amortization	6,472	11,531	16,678
Land	33,900	33,900	33,900
Buildings	582,596	570,609	621,219
Motor Vehicles	535,016	478,916	478,756
Major Movable Equipment	4,107,580	3,853,700	3,574,548
	<u>5,259,092</u>	<u>4,937,125</u>	<u>4,708,423</u>
Less Accumulated Depreciation	3,388,456	3,147,391	2,822,237
Net Property, Plant & Equipment	<u>1,870,636</u>	<u>1,789,734</u>	<u>1,886,186</u>
Total Non Current Assets	1,877,108	1,801,265	1,902,864
Total Assets	<u>9,080,593</u>	<u>8,343,775</u>	<u>8,102,758</u>

The notes to the financial statements are an integral part of this statement.

BADGER STATE INDUSTRIES
TRADITIONAL INDUSTRIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 1999

1/14/00

LIABILITIES

	6/30/99	6/30/98	6/30/97
Accounts Payable	129,410	711,457	350,050
Accrued Payroll & Fringe Benefits	119,302	99,313	91,524
Compensated Absence Payable	153,680	137,810	98,104
Other Accrued Current Liabilities	17,546	3,829	
Capital Leases Payable-Current	92,779	129,471	1,567
Installment Purchases-Current			55,730
Due DOA-Waupun Cleanup	115,000	115,000	115,000
Current Maturities-Bonds	43,247	3,732	89,859
Estimated Liability Under Warranties	54,000	57,000	42,000
Total Current Liabilities	<u>724,964</u>	<u>1,257,612</u>	<u>843,834</u>
Capital Leases Payable-Long Term	49,880	79,270	
Installment Purchases			84,481
General Obligation Bonds	116,261	134,508	138,253
Amount Due St of Wisconsin (1)	(562,294)	(739,525)	945,932
Total Non Current Liabilities	<u>(396,153)</u>	<u>(525,747)</u>	<u>1,168,666</u>
Total Liabilities	328,811	731,865	2,012,500

EQUITY

Contributed Capital	1,825,574	1,825,574	1,825,574
Supported (Unsupported) Overdraft			7,018,722
Fund Balance	6,926,208	5,786,336	(2,754,038)
Total Equity	<u>8,751,782</u>	<u>7,611,910</u>	<u>6,090,258</u>
Total Liabilities & Equity	<u>9,080,593</u>	<u>8,343,775</u>	<u>8,102,758</u>

The notes to the financial statements are an integral part of this statement.

(1) Reconciliation of Amount Due State of Wisconsin 6/30/99

	DOC	BSI
Balance per books	568,295	562,294
Contingent Fund		6,000
Rounding		1
Transfer to Fund 189		
Accounts Payable		
	<u>568,295</u>	<u>568,295</u>

BADGER STATE INDUSTRIES
TRADITIONAL INDUSTRIES

2/7/00

COMBINING STATEMENT OF REVENUES, EXPENSES and CHANGES in RETAINED EARNINGS
FOR THE YEAR ENDING JUNE 30, 1999

Sales	20,095,415	
Intershop Component Sales	0	
Total Income		<u>20,095,415</u>
Cost of Sales		
Beginning Inventory		3,564,802
Inventory Purchases		10,650,791
Direct Labor		314,644
Factory Overhead:		
Staff Salaries & Fringe	2,035,283	
Indirect Labor	348,714	
Indirect Mat'ls & Supplies	475,209	
Misc Other Services	1,904,734	
Depreciation Expense	271,301	5,035,241
		<u>19,565,478</u>
Less Ending Inventory		3,563,505
Cost of Goods Sold		<u>16,001,973</u>
Gross Profit		4,093,442
Selling/Delivery Expenses	679,318	
Administrative Expenses	2,247,333	
Bad Debts Expense	0	
	0	2,926,651
		<u>2,926,651</u>
Net Operating Income (Loss)		1,166,791
Other Revenues and Gains		
Interest Income		47
Gain (Loss) on Disposal of Asset		(5,455)
Other Expenses and Losses		
Interest Expense		21,511
Net Income		1,139,872
Retained Earnings (Restated), Beginning of Year		<u>5,786,336</u>
Retained Earnings, End of Year		<u><u>6,926,208</u></u>

The notes to the financial statements are an integral part of this statement.

2/8/00

BADGER STATE INDUSTRIES
TRADITIONAL INDUSTRIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING JUNE 30, 1999
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Reconciliation of Net Income to Net Cash Provided by Operating Activities

Net Income		\$ 1,166,791
Adjustments to Reconcile Net Income to Net Cash		
Cash Provided by Operating Activities		
Depreciation and Amortization	\$ 344,274	
Change in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	\$ (653,266)	
Decrease (Increase) in Prepaid Expense	\$ (22,539)	
Decrease (Increase) in Inventory	\$ 14,831	
Increase (Decrease) in Accounts Payable and Accrued Expenses	\$ (548,863)	
(Gain)/Loss on Disposal of Assets	\$ -	
Total Adjustments to Net Income		<u>\$ (865,563)</u>
Net Cash Provided by Operating Activities		<u>\$ 301,228</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Other		\$ (5,455)

The notes to the financial statements are an integral part of this statement.

1/14/00

BADGER STATE INDUSTRIES
TRADITIONAL INDUSTRIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING JUNE 30, 1999
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 19,337,199	
Cash Paid to Suppliers and Employees	<u>\$ (19,035,971)</u>	
Net Cash Provided by Operating Activities		\$ 301,228
Cash Flows From Investing Activities:		
Receipts of Principal on Leases	\$ -	
Receipts of Interest on Leases	\$ -	
Proceeds from Sale of Fixed Asset	<u>\$ -</u>	
Net Cash Used by Investing Activities		<u>\$ -</u>
Cash Flows From Financing Activities:		
Capital Expenditures	\$ (384,004)	
Cash Provided to State of Wisconsin	\$ 177,230	
Principal Paid for Capital Lease	\$ (66,082)	
Principal Paid for General Obligation Bonds	\$ (3,732)	
Interest Paid	<u>\$ (24,640)</u>	
Net Cash Used by Financing Activities		\$ (301,228)
Net Increase (Decrease) in Cash and Cash Equivalents		\$ -
Cash and Cash Equivalents Beginning of Period		<u>\$ 6,000</u>
Cash and Cash Equivalents End of Period		<u><u>\$ 6,000</u></u>

The notes to the financial statements are an integral part of this statement.

BADGER STATE INDUSTRIES
PRIVATE SECTOR PARTNERSHIPS-GLOVES & CONVEYORS
BALANCE SHEET
AS OF JUNE 30, 1999

2/7/00

	ASSETS		
	6/30/99	6/30/98	6/30/97
Cash			
Contingent Fund			
Accounts Receivable	332,282	162,666	242,828
Less Allowance for Uncollectables			
Net Accounts Receivable	332,282	162,666	242,828
Prepaid Expenses			
Net Investment in Capital Leases-Current	20,917	20,434	27,854
Raw Materials	-	3,463	461,838
Work in Progress	7,152	7,828	56,954
Finished Goods	2,387	852	62,560
Linens in Service			
Total Inventory	9,539	12,143	581,352
Total Current Assets	362,738	195,243	852,034
Net Investment in Capital Leases-Non-Current	238,436	259,354	271,468
Software-Net of Amortization			
Land			
Buildings	52,960	52,960	
Motor Vehicles			
Major Movable Equipment			
	52,960	52,960	
Less Accumulated Depreciation	8,401	4,871	
Net Property, Plant & Equipment	44,559	48,089	
Total Non Current Assets	282,995	307,443	271,468
Total Assets	645,733	502,686	1,123,502

The notes to the financial statements are an integral part of this statement.

BADGER STATE INDUSTRIES
PRIVATE SECTOR PARTNERSHIPS-GLOVES & CONVEYORS
BALANCE SHEET
AS OF JUNE 30, 1999

2/7/00

LIABILITIES

	6/30/99	6/30/98	6/30/97
Accounts Payable	159,882	95,700	258,697
Accrued Payroll & Fringe Benefits	-	1,751	6,388
Compensated Absence Payable	1,134	1,134	
Other Accrued Current Liabilities	3,118	3,781	
Capital Leases Payable-Current	22,981	45,460	
Installment Purchases-Current			43,501
Due DOA-Waupun Cleanup			
Current Maturities-Bonds			
Estimated Liability Under Warranties			
Total Current Liabilities	<u>187,115</u>	<u>147,826</u>	<u>308,586</u>
Capital Leases Payable-Long Term	180,275	203,256	
Installment Purchases			248,715
General Obligation Bonds			
Amount Due St of Wisconsin (1)	1,693,464	1,246,203	921,083
Total Non Current Liabilities	<u>1,873,739</u>	<u>1,449,459</u>	<u>1,169,798</u>
Total Liabilities	2,060,854	1,597,285	1,478,384

EQUITY

Contributed Capital			
Supported (Unsupported) Overdraft	226,499	25,691	
Fund Balance-Beg of Period	(1,321,098)	(380,573)	(354,882)
Prior Period Adjustment	-	7,351	
Current Period Profit/(Loss)	(320,522)	(747,068)	
Fund Balance-End of Period	<u>(1,641,620)</u>	<u>(1,120,290)</u>	<u>(354,882)</u>
Total Equity	<u>(1,415,121)</u>	<u>(1,094,599)</u>	<u>(354,882)</u>
Total Liabilities & Equity	<u>645,733</u>	<u>502,686</u>	<u>1,123,502</u>

The notes to the financial statements are an integral part of this statement.

(1) Reconciliation of Amount Due State of Wisconsin 6/30/99

	DOC	BSI
Balance per books	(1,693,464)	(1,693,464)

BADGER STATE INDUSTRIES 2/7/00
PRIVATE SECTOR PARTNERSHIPS-GLOVES & CONVEYORS
COMBINING STATEMENT OF REVENUES, EXPENSES and CHANGES in RETAINED EARNINGS
FOR THE YEAR ENDING JUNE 30, 1999

Sales	228,788	
Intershop Component Sales		
Total Income		228,788
Cost of Sales		
Beginning Inventory	12,143	
Inventory Purchases	1,740	
Direct Labor	388,285	
Factory Overhead:		
Staff Salaries & Fringe	69,961	
Indirect Labor	0	
Indirect Mat'ls & Supplies	62,650	
Misc Other Services	35,657	
Depreciation Expense	3,531	
	171,799	
	573,967	
Less Ending Inventory	9,538	
Cost of Goods Sold		564,429
Gross Profit		(335,641)
Selling/Delivery Expenses	0	
Administrative Expenses	0	
Bad Debts Expense	0	
Invest & Int Exp(Inc)-Operating	(6,255)	(6,255)
Net Operating Income (Loss)		(329,386)
Other Revenues and Gains		
Interest Income		16,566
Gain (Loss) on Disposal of Asset		0
Other Expenses and Losses		
Interest Expense		7,702
Net Income (Loss)		(320,522)
Retained Earnings (Restated), Beginning of Year		(1,094,599)
Retained Earnings, End of Year		(1,415,121)

The notes to the financial statements are an integral part of this statement.

1/14/00

BADGER STATE INDUSTRIES
PRIVATE SECTOR PARTNERSHIPS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING JUNE 30, 1999
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Reconciliation of Net Income to Net Cash Provided by Operating Activities

Net Income		\$ (329,386)
Adjustments to Reconcile Net Income to Net Cash		
Cash Provided by Operating Activities		
Depreciation and Amortization	\$ 3,531	
Change in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	\$ (129,615)	
Decrease (Increase) in Prepaid Expense	0	
Decrease (Increase) in Inventory	\$ 2,604	
Increase (Decrease) in Accounts Payable and Accrued Expenses	\$ 61,768	
(Gain)/Loss on Disposal of Assets	<u>0</u>	
Total Adjustments to Net Income		<u>\$ (61,712)</u>
Net Cash Provided by Operating Activities		<u><u>\$ (391,098)</u></u>

The notes to the financial statements are an integral part of this statement.

1/14/00

BADGER STATE INDUSTRIES
PRIVATE SECTOR PARTNERSHIPS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING JUNE 30, 1999
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 280,737	
Cash Paid to Suppliers and Employees	<u>\$ (671,835)</u>	
Net Cash Provided by Operating Activities		\$ (391,098)
Cash Flows From Investing Activities:		
Receipts of Principal on Leases	\$ -	
Receipts of Interest on Leases	\$ -	
Proceeds from Sale of Fixed Asset	\$ -	
Net Cash Used by Investing Activities		<u>\$ -</u>
Cash Flows From Financing Activities:		
Capital Expenditures	\$ -	
Cash Provided by State of Wisconsin	\$ 447,262	
Principal Paid for Capital Lease	\$ (45,460)	
Principal Paid for General Obligation Bonds	0	
Interest Paid	<u>\$ (10,704)</u>	
Net Cash Used by Financing Activities		\$ 391,098
Net Increase (Decrease) in Cash and Cash Equivalents		0
Cash and Cash Equivalents Beginning of Period		0
Cash and Cash Equivalents End of Period		<u><u>0</u></u>

The notes to the financial statements are an integral part of this statement.

1/14/00

BADGER STATE INDUSTRIES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 1999

NOTE 1: BASIS OF PRESENTATION

Business

The principal operations of Badger State Industries (BSI) includes the manufacture and sale of metal and wood furniture, signs and license plates, printing of documents, and laundry and data entry services. The sale of goods and services produced by BSI is limited by s.303.01 (1)b of Wisconsin Statutes to; the State of Wisconsin and other states or political units thereof; the federal government; tax supported institutions; and nonprofit agencies. Section 303.01(1)d of the Wisconsin Statutes effective May 4, 1990 further limits sales of wood and metal office furniture and laundry services to state agencies only. Section 303.01(2)h created in the Laws of 1995-96 permit the Department to contract with three private sector companies to produce product and services for these companies. Additionally the laws of 1995-96 created 303.06(3) which permits Industries to sell in the open market byproducts of recycling operations for paints and mattresses. Sales to the State of Wisconsin for the fiscal year ending June 30, 1999 were 95.6% of total sales.

Basis of Presentation

BSI is a program revenue operation of the State of Wisconsin, Department Corrections, Division of Adult Institutions created under s.303.01 of the Wisconsin Statutes. However, the accompanying financial statements are presented as an internal service fund of the State of Wisconsin. Accordingly, BSI accounts for the financing of goods and services provided on a cost-reimbursement basis.

Basis of Accounting

BSI maintains their accounting system on an accrual basis as required by s.303.016 of the Wisconsin Statutes. Revenues and accounts receivable are recognized when goods are shipped. Expenses

are recognized and accrued when the liability is incurred. As indicated in Note 2, there are areas where generally accepted accounting principles have not been implemented by BSI.

Note 2: SIGNIFICANT ACCOUNTING POLICIES

Statement of Cash Flows

Short-term investments, without regard to original maturity dates, are not considered cash equivalents for purposes of the accompanying consolidated statement of cash flows.

Contingent Fund

The amount due State of Wisconsin from establishment of a Contingent Fund is \$6,000. Badger State Industries has been given a loan under authority granted in s.20.920 to use these funds for small disbursements up to \$500. The amount carried as a current asset consists of the cash balance plus the amount to be reimbursed through contingent fund voucher.

Accounts Receivable

Accounts receivable are reported at net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for uncollectible amounts.

Inventories

Inventories are classified as current assets. Raw materials, work-in-process, and finished goods inventories are valued at standard cost. Generally accepted accounting principles require that inventories be valued at the lower of cost or market. The effect of these departures from generally accepted accounting principles on financial position, results of operations, and changes in financial position have not been determined by management.

Employee Compensation Balances

Unused, earned compensated absences other than sick leave, are accrued with the resulting liability included in the compensated absence payable account. The liability and expense for compensated absences are based on current rates of pay.

Plant and Equipment

Fixed assets and equipment are valued at cost. Expenditures for replacements in excess of \$5,000 are capitalized, and the replaced items retired. Maintenance and repairs are charged to operations. Gains and losses from the sale of equipment are included in income. Depreciation is calculated on a straight line basis.

Employee Retirement Plan

Classified and unclassified civil service employees are covered by the Wisconsin Retirement Plan. The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. BSI's contributions to the plan for the fiscal year ending June 30, 1999 were \$432,964.

Contributed Capital

The contributed capital account reflects the value of buildings and equipment provided by the State of Wisconsin to BSI.

NOTE 3: LEASE OBLIGATIONS

Operating Leases

Badger State Industries is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in BSI's account group. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 1999:

Year Ending June 30

Amounts

2000	296,368
2001	292,773
2002	271,969
2003	274,337
2004	47,095
Thereafter	<u>0</u>
Total	1,182,542

BSI's total obligation for operating leases through August 31, 2003 is \$1,182,542 including estimated price adjustments for office space rental increases based on the Consumer Price Index. In addition, the ten year lease for office space has a penalty clause for \$40,000 to be amortized over the term of the lease for termination of the lease prior to its August 31, 2003 completion date.

CAPITAL LEASES (Previously classified as Installment Purchases)

The State of Wisconsin, Department of Administration entered into a Master Lease agreement with Firststar National Bank, NA, Milwaukee, on September 30, 1992. BSI is participating in the State sponsored program to purchase equipment. The following is a schedule of future minimum lease payments as of June 30, 1999:

Fiscal Year	Amounts
2000	101,352
2001	94,610
2002	79,747
2003	79,922
2004	23,556
Thereafter	11,778
Total Minimum Future Payments	\$390,965
Less: Amounts Representing Interest	45,050
Present value of Net Minimum Lease Payments	\$345,915

NOTE 4: SEGMENTAL REPORTING

BSI reports gross profit and net income by industries. Administrative and selling expense is allocated to individual industries on the basis of time expended by permanent staff.

NOTE 5: AMOUNT DUE STATE OF WISCONSIN - OPERATIONS

The amount due State of Wisconsin from operations is \$1,131,170 per the modified cash accounting records of the Department of Administration. Badger State Industries remits all cash receipts to the state general fund, and the state general fund pays all expenditures. The net result from inception to date of this activity is recorded in the Prison Industries appropriation of the state general fund as a negative cash balance. The supported overdraft is the amount that inventories and receivables and plant and equipment exceed expenses in excess of revenues from inception to date.

NOTE 6: GENERAL OBLIGATION BONDS

Beginning in 1970, the State of Wisconsin issued General Obligation Bonds. A portion of the proceeds from a 1986 bond issue was used for equipment upgrade and acquisition at Badger State Industries. Three issues of refunding bonds were issued in 1992, 1993 and 1994. Final payment for these bonds is due April 15, 2000.

In 1999 a bond in the amount of \$25,000 was issued for the initial portion of construction of an industries building at Oakhill Correctional Institution. This is a twenty year General Obligation Bond with final payment due April 15, 2019.

The remaining balance of these issues is as follows:

	<u>BSI Share of Principle Balance</u>
Long Term Portion of Bonds	\$116,261
Current Maturity	<u>43,247</u>
Total	\$159,508 =====

The aggregate maturities for the five years beyond June 30, 1999 are:

1999-00	\$43,247
2000-01	32,220
2001-02	31,762
2002-03	30,836
2003-04	969
Thereafter	20,474

NOTE 7: RESTATEMENT OF BEGINNING RETAINED EARNINGS

For Fiscal Year 1999, the following adjustments have resulted in beginning retained earnings restatement:

TRADITIONAL INDUSTRIES

Retained Earnings June 30, 1998 as previously reported--	5,948,057
Adjust Accounts Payable/Receivable to actual-----	(161,721)
Retained Earnings July 1, 1998 as restated-----	5,786,336
Fiscal Year 1999 Earnings-----	<u>1,139,872</u>
Retained Earnings June 30, 1999-----	6,926,208

This adjustment is due to additional vendor invoices received in FY9 for items included in FY8 sales.

PRIVATE SECTOR PARTNERSHIPS

Retained Earnings June 30, 1998 as previously reported--	(1,196,105)
Adjust Accounts Payable/Receivable to actual-----	101,506
Retained Earnings July 1, 1998 as restated-----	(1,094,599)
Fiscal Year 1999 Earnings-----	<u>(320,522)</u>
Retained Earnings June 30, 1999-----	(1,415,121)

This adjustment is due to a refund for payroll taxes related to inmate wages.

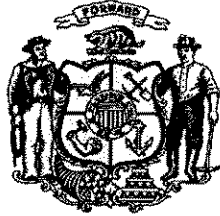
NOTE 8: CONSOLIDATING AND ELIMINATING ENTRIES

During the fiscal year ending June 30, 1999, transactions between shops for materials consumed internally, amounted to \$57,817. For purposes of Consolidated Statements, these transactions have been eliminated.

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: May 4, 2000

Attached is a copy of a letter from the Department of Corrections, notifying the Committee of the cancellation of contracts for inmate bed space in Texas county jails, effective June 30, 2000. This notice is in accordance with the Committee's directive at its December 21, 1999, meeting under s. 13.10.

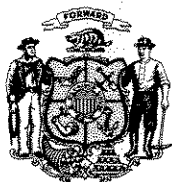
This information is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



**State of Wisconsin
Department of Corrections**

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

**The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882**

**The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
P.O. Box 8952
Madison, WI 53708-8952**

Dear Senator Burke and Representative Gard:

In accordance with Joint Finance Committee actions of December, 1999, this letter is providing notice that the Department of Corrections will cancel its' contracts for inmate bed space in Texas county jails. Copies of these cancellation letters are attached for your review. As of June 30, 2000, the Wisconsin Department of Corrections will no longer have any contracts for inmate bed space in Texas.

Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jon E. Litscher".

**Jon E. Litscher
Secretary**

cc: **J. Bauer, LFB
C. O'Donnell
J. O'Donnell
B. Margolies**

**D. Verhagen
J. Wydeven
D. Woeshnick
B. Clausius**

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Mr. Rodney Jeanis and Mike Mcquire
Wis-Tex Enterprises
2129 Hwy 377
P.O. Box 630
Granbury, TX 76048

RE: Contract Between Wis-Tex and the State of Wisconsin

Dear Rodney and Mike:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with Wis-Tex and the Texas County Jails which expires on June 30, 2000.

The contracts we have developed in Texas were the first contracts for inmate bed space for the WDOC outside of the State of Wisconsin. Your assistance in the daily implementation of these contracts has been appreciated.

Thank you for the working relationship we have had over the past few years and good luck on your future endeavors. If you have any questions please contact me or Jeff.

Sincerely,

A handwritten signature in black ink, appearing to read "Dick Verhagen", written over a large, stylized flourish.

Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
File

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff Billy Works
Comanche County
300 Industrial Blvd.
Comanche, TX 76442

RE: Contract Between Comanche County and the State of Wisconsin

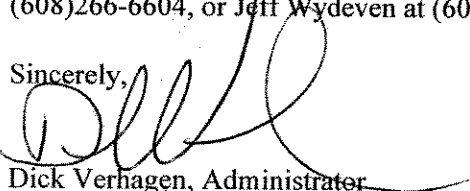
Dear Sheriff Works:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Comanche County Jail, which expires on June 30, 2000. Wis-Tex will coordinate the removal of all inmates, their property, files and accounts by that date.

As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective. We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,


Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable James Arthur, Comanche County Judge
WIS-TEX
File

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff Larry L. Watson
Palo Pinto County
P.O. Box 279
Palo Pinto, TX 76484

RE: Contract Between Palo Pinto County and the State of Wisconsin

Dear Sheriff Watson:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Palo Pinto County Jail which expires on June 30, 2000. As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective.

We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dick Verhagen', written over a large, stylized flourish.

Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable Mickey West, Palo Pinto County Judge
WIS-TEX
File

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff Arvel P. Shepard
Titus County
304 S. Van Buren St.
Mt. Pleasant, TX 75455

RE: Contract Between Titus County and the State of Wisconsin

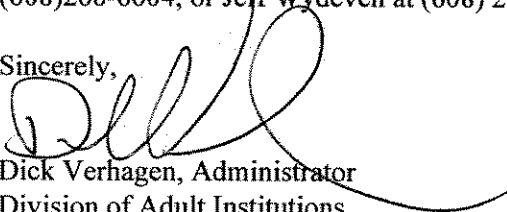
Dear Sheriff Shepard:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Titus County Jail which expires on June 30, 2000. Wis-Tex will coordinate the removal of all inmates, their property, files and accounts by that date.

As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective. We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,


Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable Danny Crooks, Titus County Judge
WIS-TEX
File

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



**State of Wisconsin
Department of Corrections**

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff Mary Choate and Warden Dwayne Cannon
Bowie County
105 W. Front St.
Texarkana, TX 75501

RE: Contract Between Bowie County and the State of Wisconsin

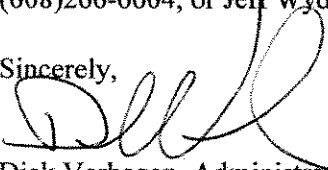
Dear Sheriff Choate:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Bowie County Jail, which expires on June 30, 2000. Wis-Tex will coordinate the removal of all inmates, their property, files and accounts by that date.

As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective. We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,


Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable James M. Carlow, Bowie County Judge
WIS-TEX
File

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff Charles White
Franklin County Jail
P.O. Box 718
Mt. Vernon, TX 75475

RE: Contract Between Franklin County and the State of Wisconsin

Dear Sheriff White:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Franklin County Jail which expires on June 30, 2000. As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective.

We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dick Verhagen', written over a large, stylized flourish.

Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable Wayne Foster, Franklin County Judge
WIS-TEX
File

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff Billy Dean
Van Zandt County Jail
1220 W. Dallas
Canton, TX 75103-1319

RE: Contract Between Van Zandt County and the State of Wisconsin

Dear Sheriff Dean:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Van Zandt County Jail which expires on June 30, 2000. As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective.

We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dick Verhagen', written over a horizontal line.

Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable Rick Lawrence, Van Zandt County Judge
WIS-TEX
File

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Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff Bob Edrington
Red River County Jail
500 N. Cedar St.
Clarksville, TX 75426-2702

RE: Contract Between Red River County and the State of Wisconsin

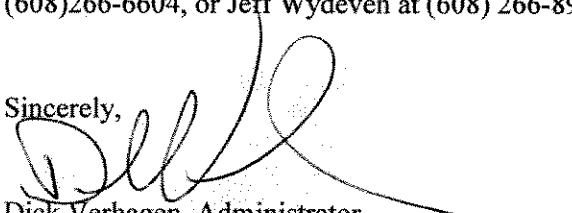
Dear Sheriff Edrington:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Red River County Jail which expires on June 30, 2000. As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective.

We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,


Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable L.D. Williamson, Red River County Judge
WIS-TEX
File

h:\tx\red river.ltr#3

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 1, 2000

Sheriff C.R. Ricky Blackburn
Morris County Jail
502 Union St.
Daingerfield, TX 75638

RE: Contract Between Morris County and the State of Wisconsin

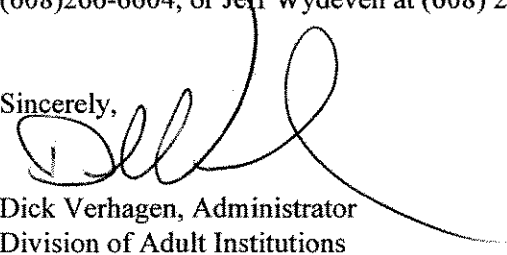
Dear Sheriff Blackburn:

This letter will serve as formal notice that the Wisconsin Department of Corrections (WDOC) will not be renewing its contract with the Morris County Jail which expires on June 30, 2000. As we indicated to you in the past, the WDOC is committed to the consolidation of contracted inmate bed space in larger facilities. Continuing our contract with Texas facilities is inconsistent with this objective.

We have been very pleased with the relationship that we have had over the duration of our past contracts with Texas officials, such as you and your staff. I want to take this opportunity to personally thank you for all of your help and assistance during our successful relationship together.

Once again, thank you. If you have any questions concerning this notice, please contact Dick Verhagen at (608)266-6604, or Jeff Wydeven at (608) 266-8993.

Sincerely,


Dick Verhagen, Administrator
Division of Adult Institutions

Cc: Jon E. Litscher, Secretary
Cindy O' Donnell, Deputy Secretary
Jessica O'Donnell, Executive Assistant
Jeff Wydeven, Contract Administrator
Dawn Woeshnick, Budget Analyst
Honorable J.C. Jennings, Morris County Judge
WIS-TEX
File

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

315 North, State Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-2343

JOINT COMMITTEE ON FINANCE

May 31, 2000

Mr. Jon E. Litscher, Secretary
Department of Corrections
149 E. Wilson Street
Madison, WI 53703

Dear Secretary Litscher:

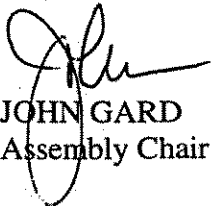
At the December, 1999, s. 13.10 meeting, a motion was adopted that required the Co-chairs of the Joint Committee on Finance to certify the release of funding for out-of-state prison contract beds at the private Tutwiler, Mississippi facility. That motion required that the final release of \$1,986,800 GPR in 1999-00 and \$15,697,900 GPR in 2000-01 related to the Tutwiler facility was dependent on your Department's assessment that the facility meets the Department's specifications and is ready to admit Wisconsin prisoners. At that same meeting, the Committee approved your request to increase the total number of authorized out-of-state contract beds to 5,514, of which 4,833 were with the Corrections Corporation of America (CCA).

On May 18, 2000, you requested that the Co-chairs approve the release of \$1,092,400 GPR in 1999-00 and \$8,247,500 GPR in 2000-01 for out-of-state contract beds. Your letter indicates that: (a) you are not requesting the release of all of the reserved funding because prison populations are below your original projections; and (b) your staff recently inspected the Tutwiler facility and has determined that it can begin to accept inmates during the week of May 22nd.

With this letter, we are approving your May 18, 2000, request. We wish to point out that future release of any of the remaining funding associated with Tutwiler (\$8,344,800 GPR) will require certification by the Co-chairs. Further, since the Tutwiler facility is part of the contract with the CCA, funding can only be released by the Co-chairs for CCA facilities currently included in the contract. Any increase above the total authorized number of out-of-state contract beds (5,514) or

the total number authorized under the CCA contract (4,833) would require the approval of the full Joint Committee on Finance.

Sincerely,



JOHN GARD
Assembly Chair

BB:JG:js



BRIAN BURKE
Senate Chair

cc: Members, Joint Committee on Finance



Legislative Fiscal Bureau

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

May 26, 2000

TO: Senator Brian Burke, Senate Chair
Representative John Gard, Assembly Chair
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Department of Corrections' May 18, 2000, Request for Co-Chair Certification

At your request, I am providing information on the Department of Corrections' May 18, 2000, request for Co-chair certification for release of funding for out-of-state contract beds.

Background

In Act 9, \$13,799,000 GPR in 1999-00 and \$44,834,400 GPR in 2000-01 was placed in the Joint Committee on Finance's supplemental appropriation for release to Corrections for an estimated average daily 781 contract beds in 1999-00 and 2,616 contract beds in 2000-01, pending contract approval by the Committee. On December 21, 1999, the Joint Committee on Finance, acting under s. 13.10, released \$10,008,000 GPR in 1999-00 and \$27,521,900 GPR in 2000-01 for additional contract beds, contract monitors and planning and institutional staff. A portion of the funds (\$1,986,800 GPR in 1999-00 and \$15,697,900 GPR in 2000-01) associated with a 1,024-bed facility in Tutwiler, Mississippi, operated by the Corrections Corporation of America (CCA), included a condition that the Co-chairs of the Committee first certify that the Department of Corrections has assessed the facility, has determined that it meets the Department's specifications and that the facility is ready to admit Wisconsin prisoners.

Department Request

On May 18, 2000, Corrections requested that the Co-chairs certify release of \$1,092,400 GPR in 1999-00 and \$8,247,500 GPR in 2000-01 for beds at Tutwiler, Mississippi, and Appleton, Minnesota. In the May 18, 2000, letter, Corrections indicated that "on April 25 and May 15, 2000 the Tutwiler facility was inspected by staff from the Wisconsin Department of Corrections. Based upon this inspection, it was determined that this facility meets the Department's standards to house

Wisconsin prisoners. The Department intends to place inmates at the Tutwiler facility beginning the week of May 22, 2000." Further, the Department indicates that:

"At this time it is our intention to place a maximum of 400 inmates at Tutwiler. Because of the delay in the opening of the Tutwiler facility, the Department placed an additional 138 inmates at the CCA's Appleton, Minnesota facility.

Based on the increased usage of the Appleton, Minnesota facility and the Department's planned phase-in of the Tutwiler facility, I am requesting the release of \$1,092,400 GPR in FY00 and \$8,247,500 GPR in FY01 for the additional 538 contract beds at CCA facilities. The Department is not requesting funds at this time for the other 486 CCA beds that were authorized in December. We will continue to monitor our populations and will notify the Committee if funding for additional contract beds is required."

The Department's request for Co-chair certification for release of funds meets the criteria established by the Committee at the December, 1999, s. 13.10 meeting. If the Department's request is certified, \$29,448,300 GPR, including \$894,400 in 1999-00 and \$7,450,400 in 2000-01 approved but not released for the Tutwiler facility, remains in the Joint Committee on Finance's supplemental appropriation for the remainder of the 1999-01 biennium reserved for additional contract beds. It should be noted that the Department may in the future need to request Co-chair certification for all, or a part of, the remaining approved, but not released, funding of \$8,344,800 GPR.

I hope this information is of assistance.

JR/dls/lah

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



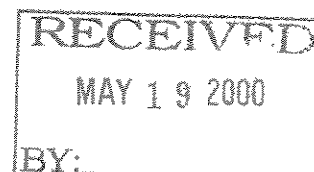
State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471
Fax (608) 267-3661

May 18, 2000

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 316 South, State Capitol
Madison, WI 53702



The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

The Department of Corrections requests the release of \$1,092,400 GPR in FY00 and \$8,247,500 GPR in FY01 from the Committee's supplemental appropriation under s. 20.865(4)(a) to the Department's appropriation under s. 20.410(1)(ab) for out-of-state contract bed costs.

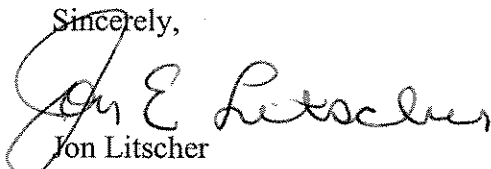
On December 21, 1999, the Joint Committee on Finance approved the Department of Corrections' request to place up to 5,514 inmates in out-of-state contracted facilities. At that time, \$1,986,800 GPR in FY00 and \$15,697,900 GPR in FY01 associated with an anticipated 1,024 inmates at the Tutwiler, Mississippi correctional facility operated by the Corrections Corporation of America (CCA) was held in the Committee's supplemental appropriation. This funding was to be released to the Department once a site visit had taken place and it was determined that the Tutwiler facility met the Department's specifications and that the facility was ready to admit Wisconsin prisoners.

Please be advised that on April 25 and May 15, 2000 the Tutwiler facility was inspected by staff from the Wisconsin Department of Corrections. Based upon this inspection, it was determined that this facility meets the Department's standards to house Wisconsin prisoners. The Department intends to place inmates at the Tutwiler facility beginning the week of May 22, 2000. However, because current population levels are below our original projections, the Department's need for additional contract beds is below the 1,024 requested in December. At this time it is our intention to place a maximum of 400 inmates at Tutwiler. Because of the delay in the opening of the Tutwiler facility, the Department placed an additional 138 inmates at the CCA's Appleton, Minnesota facility.

The Honorable Brian Burke
The Honorable John Gard
May 18, 2000
Page 2

Based on the increased usage of the Appleton, Minnesota facility and the Department's planned phase-in of the Tutwiler facility, I am requesting the release of \$1,092,400 GPR in FY00 and \$8,247,500 GPR in FY01 for the additional 538 contract beds at CCA facilities. The Department is not requesting funds at this time for the other 486 CCA beds that were authorized in December. We will continue to monitor our populations and will notify the Committee if funding for additional contract beds is required.

Sincerely,



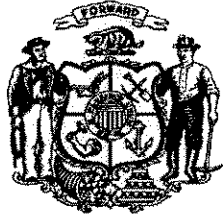
Jon Litscher
Secretary

cc: George Lightbourn, DOA
Robert Lang, LFB
Senator Roger Breske
Representative Scott Walker

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: June 19, 2000

Re: Increased Beds for Female Inmates

Attached is a copy of a letter from the Department of Corrections, which provides information on an increase in beds for female inmates housed at Central Oklahoma Correctional Facility.

The letter is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh

Tommy G. Thompson
Governor

Jon E. Litscher
Secretary



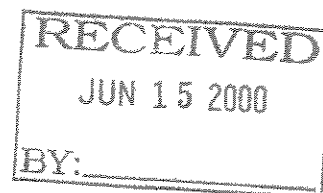
State of Wisconsin
Department of Corrections

Mailing Address

149 East Wilson Street
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Telephone (608) 266-2471
Fax (608) 267-3661

June 15, 2000

The Honorable Brian Burke, Co-Chair
The Honorable John Gard, Co-Chair
Joint Committee on Finance



Dear Senator Burke and Representative Gard:

On December 2, 1998, the Joint Committee on Finance authorized the Department of Corrections to modify the number of authorized inmates at currently approved sites, without certification by the Committee Co-chairs, as long as the number of out-of-state beds does not exceed the total number approved by the Committee, and with the requirement that the Department report any modification to the site-specific caps to the Committee within five working days.

On December 21, 1999 the Joint Committee on Finance approved the Department of Corrections' request to increase the total number of authorized out of state beds from 4,107 to 5,514. The Department at that time anticipated placement of 1,024 inmates at the Tutwiler, Mississippi correctional facility operated by the Corrections Corporation of America (CCA). On May 18, 2000 the Department of Corrections requested the release of funds for 538 of the 1,024 additional contract beds previously approved. The Joint Committee on Finance approved this request on May 31, 2000. The Department did not request funds for the remaining 486 approved out of state beds.

Consistent with the above, and given the need for female beds, the Department intends to decrease by 30 the number of beds authorized for CCA facilities, and increase by 30 the number of female inmates housed at the Central Oklahoma Correctional Facility (operated by McCloud Correctional Services L.L.C.). The Department is not requesting release of any funds for these beds at this time.

Please do not hesitate to contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads 'Jon E. Litscher'.

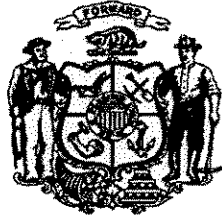
Jon Litscher, Secretary
Department of Corrections

cc: George Lightbourn, DOA
Robert Lang, LFB
Senator Roger Breske
Representative Scott Walker

THE STATE OF WISCONSIN

SENATE CHAIR
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JOINT COMMITTEE ON FINANCE

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Representative John Gard

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BB:JG:dh

Tommy G. Thompson
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Jon E. Litscher
Secretary



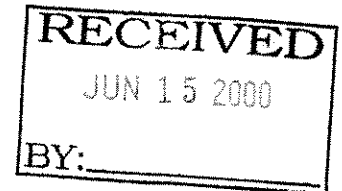
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June 15, 2000

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The Honorable John Gard, Co-Chair
Joint Committee on Finance



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A handwritten signature in cursive script that reads "Jon E. Litscher".

Jon Litscher, Secretary
Department of Corrections

cc: George Lightbourn, DOA
Robert Lang, LFB
Senator Roger Breske
Representative Scott Walker



Tommy G. Thompson
Governor

Jon E. Litscher
Secretary

State of Wisconsin
Department of Corrections

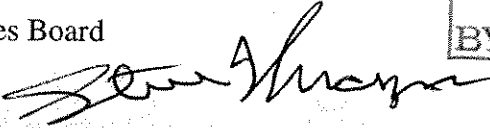
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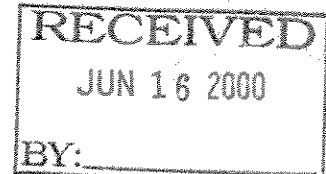
May 30, 2000

MEMORANDUM

TO: Members, Prison Industries Board

FROM: Steve Kronzer, Director 
Bureau of Correctional Enterprises

SUBJECT: Private Sector Venture with RMG, Inc. for Sunterra Resorts



A special meeting of the Prison Industries Board was held on April 27, 2000 to consider a new Private Sector Venture with a company known as RMG, Inc. for Sunterra Resorts. You approved that venture on a vote of 6 to 1.

Approximately a week later, a reporter from the Wisconsin State Journal called the Department indicating that the reporter's independent research had uncovered a long history of consumer complaints and legal action filed against Mr. William Bailey, Vice President of RMG, Inc. and his current and former companies. Mr. Bailey, as you will recall, was the major representative of the company for our proposed partnership and appeared at the Board meeting. The reporter also indicated that there was a question whether a relationship between Mr. Bailey, RMG, Inc. and Sunterra Resorts existed. Based on this information, Secretary Litscher decided to withdraw the proposed venture from consideration by the Joint Finance Committee and directed that an investigation be conducted based on the allegations of the reporter.

We have concluded that investigation, and conducted a review of our process, which resulted in our advancing this proposal. We have concluded that:

- The timeshare and vacation package industry, by its nature, generates many consumer complaints. Complaints are generated from consumers who purchase packages and later cannot or will not pay, and from consumers who contend that the firms who market these programs engage in deceptive practices. We also learned that it is not uncommon for a marketing firm to generate numerous complaints and legal actions, close down, and then reopen as a new company with a clean record. We have concluded that our lack of this basic understanding of the industry resulted in inadequate research on this proposal.

- Mr. Bailey has a long history in the vacation and timeshare business. The Department's first contact with him was through a letter to Secretary Litscher in September, identifying Mr. Bailey as Chairman and CEO of New Horizons. About a month later, we were informed by Mr. Bailey of the establishment of RMG, Inc., and that RMG had purchased the assets of New Horizons. Mr. Bailey identified himself as Vice-President and Chief of Operations for RMG, Inc. We now know that Mr. Bailey owns an umbrella company called Bailey and Associates, Inc., which dates back to the 1980's. As an umbrella company, it owns and operates New Horizons, a membership travel club, as well as three campgrounds: Indian Trails Resort, Honey Bend Resort and Tievoli Hills Resort. Bailey and Associates also has, or has had, businesses under the names Resort Express, River's Edge Resort, Winner's Circle of Chicago, New Horizons of Chicago, and First National Acceptance. The proposal we received was submitted on behalf of RMG, Inc. for Sunterra Resorts. We limited our background checks to RMG, Inc. and Sunterra Resorts. We failed to perform research on William Bailey or New Horizons. If we had, we would have discovered a much different picture of our potential partner. Further, in doing our review we relied exclusively on the submitted documents, which listed only one legal action filed against Sunterra Resorts in Florida. Even if we had checked with Consumer Protection Agencies in this and other states, we would have found only a few complaints against Sunterra Resorts and not to the level that would have resulted in rejection of this partnership.

- Numerous complaints and several significant legal actions against Bailey and Associates and his various companies were documented, and included:
 1. Two hundred and eighty eight complaints against Bailey and Associates recorded by the Better Business Bureau of Eastern Missouri and Southern Illinois over the last three years. Of those complaints, 118 have been closed as resolved, 12 have been closed as disputed and 8 were closed with no response.
 2. In February 1994, a decision was rendered in the case of FTC vs. William H. Bailey and Winner's Circle of Chicago by the U.S. District Court of Illinois. The ruling was in favor of the FTC. This case involved a giveaway promotion for participants in a sales presentation for Honey Bend Resort. A scratch-off ticket determined the prize. One prize was called a "VCR system." It was, in reality, a system for wiring a VCR to two TVs. The company was ordered to provide actual VCRs to the complainants.
 3. In February 1998, a court order was issued in the case of State of Michigan vs. National Resorts Corporation doing business as New Horizons of Chicago. The company was charged with violations of state laws on prize promotions and solicitation language which could be construed as solicitation to benefit a charitable entity. The company was ordered to refund payments for all those filing complaints and to cancel those contracts.

4. A pending case, State of Missouri vs. Bailey and Associates, Winner's Circle of Chicago and National Resorts Corp., charges violation of laws related to allegations of fraud by misrepresenting a sales presentation as a prize promotion, misrepresenting the value and odds of winning a prize, misrepresenting or concealing the nature and elements of the memberships being sold and members' obligations, and failing to provide refunds on contract payments. The relief being sought in this case includes contract cancellations, restitution, court and prosecution costs and penalties.
- Mr. Bailey represented himself in October 1999 as Vice President and Chief of Operations for a new company, RMG, Inc., which had bought the assets of New Horizons, Inc. RMG, Inc. was described as a start-up company whose stock ownership is anticipated to be transferred to Sunterra Resorts by the second quarter of 2000. The proposal formally submitted by Mr. Bailey was on behalf of "RMG, Inc. for Sunterra Resorts." The submittal included a Form 10-Q for Sunterra Resorts, which is a quarterly report to the U.S. Securities and Exchange Commission. This was submitted to meet the RFP requirement for financial information on the proposed partner. From this, we presumed that there was a formal relationship between RMG, Inc. and Sunterra Resorts and that RMG, Inc. was providing timeshare leads and sales for Sunterra Resorts. The reporter indicated he talked to Gigi Giannoni, a Vice President of Sunterra Resorts, who denied that there was a relationship between Sunterra Resorts and RMG, Inc. Upon questioning on May 9, 2000, Mr. Bailey stated that there was no signed agreement between Sunterra Resorts and RMG, Inc., but agreements were in a draft stage. He indicated that RMG, Inc. in fact was not doing work for Sunterra Resorts. He stated Andy Genuso, another Vice President of Sunterra Resorts, was aware of the developing relationship, and Ms. Giannoni was not. I requested that Mr. Bailey have Mr. Genuso call me so I could verify the relationship. He stated that he would, but a call was never received. Mr. Bailey did send me several marked-up drafts of an agreement between Sunterra Resorts and RMG, Inc. In a call from Mr. Bailey on May 18, 2000, he indicated that Sunterra Resorts was experiencing financial problems and that RMG Inc. was now pursuing a contract with Fairfield Communities, another large timeshare company. He indicated he would send a draft contract. Nothing has been received to date.

Mr. Bailey's rebuttal was that the Illinois case goes back to 1985 and that they were one of 17 companies sued. As a result, they changed their marketing approach and sought reform legislation to correct the problems identified in the lawsuits. He attributes the Missouri case to a disgruntled former employee and politics. He argues that the Better Business Bureau complaints are redundant to the Missouri case. Mr. Bailey stated that the number of complaints received as reported in the news article are insignificant when one considers the volume of contacts made in a year, which can run into the millions. He did not address the Michigan case. As stated previously, he submitted draft agreements between RMG, Inc. and Sunterra Resorts as demonstration of relationships, and stated that he was told by Mr.

Genuso that Ms. Giannoni had been misquoted in the news article. He attributed the delay in agreement to changes in Sunterra Resorts' Chief Operating Officer and most recently to Sunterra Resorts' financial problems. Even if we were to accept Mr. Bailey's explanation, given what we know now about the history and the less than certain relationships, we would likely have approached this project differently.

Further, as a result of our experience with this company, we have developed a more rigorous process for reviewing proposals in the future. A copy of this new policy, as well as existing policies on reviewing proposals, are attached. Changes (bolded in red) to the RFP document necessitated by the new policy are also attached.

I plan to discuss this information further with the Board at our June 14, 2000 meeting. With this additional information and since this proposed partnership has not been advanced to Joint Finance, the Board will have the opportunity to reconsider its previous action.

Attachments

cc: Cindy O'Donnell
Jessica O'Donnell
Dick Verhagen
Co-Chairs, Joint Finance Committee

May 22, 2000

DRAFT

MEMORANDUM

To: All BCE Staff
BCE Policy and Procedures
Policy and Procedures No. 18G

From: Steve Kronzer, Director
Bureau of Correctional Enterprises

Subject: **Review Process for New Private Sector Industries Projects**

Policy: Upon completion of the standard Request for Proposal (RFP) review, and prior to establishing a new industry operation with the Private Sector / Prison Industries Enhancement program, a thorough review process will be performed utilizing various external organizations.

Procedure:

In addition to the requirements outlined in BCE Policies and Procedures 18 and 18A through F the following requirements will be met:

- I. All new PS/PIE proposed projects will be thoroughly reviewed using contacts made to various external organizations such as the U.S. Occupational, Safety, and Health Administration (OSHA), Wisconsin Department of Agriculture, Trade & Consumer Protection, Wisconsin Department of Workforce Development, U.S. Department of Labor, U.S. Environmental Protection Agency for NEPA, the Wisconsin Natural Resources Department for WEPA, and the Federal Trade Commission. Agencies similar to the Wisconsin Departments listed will be contacted if the company does business or is located in other states.
- II. In addition, the review will consist of industry wide analysis to include size, reputation, history, employment and market demand.
- III. The review will focus on the company's history, the history of predecessor companies, and current and past companies of major officials of the proposed partner from the date the proposal is submitted and the previous seven years.
- IV. The review will not only focus on the geographic area in which the company and its various components are located but also to the geographic area of sales and services.

V. On an annual basis, the Private Sector Industries Coordinator shall review areas of concern for the previous twelve months.

VI. The results of these reviews will be presented to the Evaluation Committee, the Bureau Director, the Department Secretary, the Prison Industries Board and the Joint Committee on Finance.

Significant, documented negative information received may be the basis for rejection of a proposal by the Bureau Director and may be the basis of termination of an existing contract by the Secretary.



Tommy G. Thompson
Governor

Jon E. Litscher
Secretary

State of Wisconsin
Department of Corrections

Mailing Address

Bureau of Correctional Enterprises
Post Office Box 8990
Madison, WI 53708-8990
Telephone (608) 246-7920

Effective: March 29, 1999

MEMORANDUM

To: All BCE Staff

BCE Policy and Procedures
Policy and Procedures No. 18

From: Steve Kronzer, Director
Bureau of Correctional Enterprises

Subject: **New Private Sector Industries Projects**

Supersedes: New Private Sector Industries Projects - Effective February 25, 1993.

Policy: Prior to the establishment of a new prison industry operation to produce goods for sale in interstate commerce under the federal Private Sector/Prison Industries Enhancement Certification program, proposed projects shall be formally approved according to the following procedures, and be designated as cost accounting centers, in accordance with the certification program.

Procedure:

New Private Sector Industries Projects – Authorized Under Wis. Stats. 303.06 (2)

I. All new PS/PIEC proposed projects shall be proposed to the New Product Development Committee by the Private Sector Industries Coordinator. The Committee consists of:

Chief, Section of Administrative Services
Chief, Section of Enterprise Development
Chief, Section of Prison Industries
Chief, Section on Internal Operations

A. This proposal shall consist of:

1. Market analysis to include current and prospective customers.
2. Financial analysis to include pro-forma projections of income statement and capitol equipment requirements.

3. Employment analysis to include projected inmate employment, wage analysis, etc.
 4. Proposed site location
 5. Assurance that the proposed operation meets all requirements of the PS/PIEC programs, and the Wisconsin Statutes.
- B. Upon approval by the new product committee, the proposal is to be submitted to the Director, Bureau of Correctional Enterprises.
- C. After approval by the Director, the proposed projects shall be distributed to all members of the Prison Industries Board, and placed on the agenda for approval per Wis. Stats. 303.015 (1) (b), if the project involves establishing a new industry.
- D. Upon approval of the board, written notification shall be sent to the co-chairpersons of the joint committee on finance per Wis. Stats. 303.01 (1)(c), if it involves the establishment of a new industry.
- E. After obtaining the necessary approvals, the Private Sector Industries Coordinator shall provide to the federal Bureau of Justice Assistance the required "Notice of Designation and Certification of Compliance" prior to project startup.

New Private Sector Industries Projects – Authorized Under Wis. Stats. 303.01 (2) (em)

- II. Per Wis. Stats. 303.01 (2) (em) proposals submitted by private businesses in response to the Department's Request for Proposal shall be evaluated by a committee consisting of:

Representative of Trade Organization
Representative of Labor

- A. Proposals shall include:
1. Complete business plan including financial statements.
 2. Statement of non-displacement.
 3. Demonstration of efforts made to hire private workers.
 4. Demonstration of efforts made to obtain workers from the State's Welfare Reform program (W-2).
 5. Demonstration of efforts made to secure transportation assistance from the State's Department of Transportation should transportation options be a concern.
- B. Eligible proposals are submitted to the Director, Bureau of Correctional Enterprises.
- C. Upon approval by the Director, initial contract agreements are drafted.

- D. Draft contracts are submitted to the Department Secretary for review and approval.
- E. After approval by the Secretary, the proposed projects and draft contracts shall be distributed to all members of the Prison Industries Board, and placed on the agenda for approval.
- F. Upon approval of the board, the joint committee on finance shall hold a public hearing and approve any new project.
- G. After obtaining the necessary approvals, the Private Sector Industries Coordinator shall provide to the federal Bureau of Justice Assistance the required "Notice of Designation and Certification of Compliance" prior to project startup.