

# STATE OF WISCONSIN

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## JOINT COMMITTEE ON FINANCE

March 22, 2000

Secretary Cate Zeuske  
Department of Revenue  
125 South Webster  
Madison, WI 53708

Dear Secretary Zeuske:

On March 2, 2000, the Joint Committee on Finance received a report from the Department of Revenue, required under s. 565.02(7) of the statutes, relating to lottery prize payouts. The prize payout report proposes to increase the payout ratio for pull-tab tickets sold by nonprofit organizations from 62.5% to not more than 80%. Changes in prize payout ratios are subject to a 14-day passive review by the Committee.

The Committee has no objection to the provisions of the report. However, the Committee would hope that the Department would implement the payout increase gradually and conduct this implementation in consultation with representatives of the nonprofit organizations currently selling pull-tab lottery tickets. The Committee also requests that the Department provide detailed information on the implementation and its effect on nonprofit organizations in its next payout report to the Committee, on March 1, 2001. With these conditions, we will consider this request approved unless you notify us by March 29, 2000, that you would like the Committee to meet and review your request.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of John H. Gard in black ink.

JOHN GARD  
Assembly Chair

BB:JG:js

cc: Members, Joint Committee on Finance



## Legislative Fiscal Bureau

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March 16, 2000

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Department of Revenue's Annual Lottery Prize Payout Report

Under s. 565.02(7), the Department of Revenue (DOR) is required to submit a lottery prize payout report to the Joint Committee on Finance, not later than March 1 of each year, that includes: (a) an estimate for that fiscal year and for the subsequent fiscal year of the gross revenues from the sale of lottery tickets; (b) the total amount paid as prizes and the prize payout ratio for each type of lottery game offered; and (c) an evaluation of the effect of prize payout ratios of lottery games on lottery sales, lottery operating costs and on maximizing the revenue available for the lottery property tax credit.

The report, submitted to the Committee on March 2, 2000, is subject to a 14-day passive review by the Committee. If, by March 22, the Co-chairs notify DOR that the Committee has scheduled a meeting for the purpose of reviewing the Department's proposed prize payouts, DOR may proceed with its plans for the prize payouts for the subsequent fiscal year only with Committee approval. If the Co-chairs do not notify the Department by March 22 that the Committee has scheduled a meeting to review the Department's proposed prize payouts, the Department's plans for the prize payouts for the subsequent fiscal year are considered approved by the Committee.

The report before the Committee contains information that addresses the requirements of s. 565.02(7). The report contains two items the Committee should note. First, the Department's lottery sales estimates for 1999-00 and 2000-01 are modified from previous estimates made under the 1999-01 biennial budget act (Act 9) and the October, 1999 reestimate of 1999-00 sales. Second, while the report proposes no modifications of current lottery prize payout ratios for lottery tickets sold by for-profit retailers, it does propose an increase, to a maximum of 80%, in the payout ratio for pull-tab tickets sold by nonprofit organizations.

The following two sections provide a summary of the Department's report with regards to sales estimates and the proposed prize payout increase relating to pull-tab tickets sold by nonprofit organizations.

### Lottery Sales Estimates

Under Act 9, lottery sales were projected to total \$419.1 million in 1999-00 and \$427.3 million in 2000-01. In October, 1999, under an annual statutory process whereby the Department of Administration (DOA) and the Joint Committee on Finance certify the amount of lottery funds available for the lottery and gaming property tax credit in that fiscal year, the 1999-00 sales estimate was modified to \$421.8 million. The October, 1999, revised estimate of 1999-00 lottery sales was based on computer model projections developed by the DOR.

The following table shows the 1999-00 sales estimate made in October, 1999, and the 2000-01 estimate under Act 9, compared to the new DOR estimates contained in the report submitted on March 2, 2000.

**Comparisons of Lottery Sales Estimates**  
(Millions)

<u>Game Type</u>	<u>1999-00</u>			<u>2000-01</u>		
	<u>October 1999</u>	<u>March 2000</u>	<u>Percent Change</u>	<u>1999 Act 9</u>	<u>March 2000</u>	<u>Percent Change</u>
Scratch	\$244.2	\$238.1	-2.5%	\$244.4	\$247.6	1.3%
Pull-Tab	6.2	5.6	-9.6	6.1	8.3	36.6
On-Line	<u>171.3</u>	<u>162.6</u>	<u>-5.1</u>	<u>176.8</u>	<u>162.5</u>	<u>-8.1</u>
Total	\$421.8	\$406.3	-3.7%	\$427.3	\$418.4	-2.1%

In footnotes to Table 1 in the report (Ticket Sales by Fiscal Year and Game Type), it is noted that pull-tab tickets sold by nonprofit organizations in 2000-01 are expected to increase by 100%, while for-profit pull-tab sales are projected to decrease by 30% in 2000-01. A footnote also indicates that the on-line sales estimate in 2000-01 reflects replacement of the Cash 4 Life lottery game with a new game and a projected decrease in Powerball sales. Apart from these footnotes, the report does not discuss the reasons for the Department's modifications of the lottery sales estimates in the 1999-01 biennium.

The decrease in the 1999-00 sales estimate between October, 1999 and March, 2000, is approximately \$15.5 million. According to lottery officials, the March, 2000, estimate is based on adjusted sales estimates for each lottery game. The \$15.5 million decrease (from the October, 1999, estimate) is due primarily to lower estimates for scratch games (\$6.1 million lower) and Powerball sales (\$5.2 million lower). The decrease in scratch games is based on year-to-date data

and projections for the remainder of the year. Powerball sales are driven, in large part, by the size of the jackpot. The March, 2000, Powerball estimate is viewed by lottery officials as a middle-of-the-road projection. The Powerball estimate essentially projects normal sales for the remainder of the year, assuming that no very large jackpots will be realized.

At this point in the fiscal year, the revised DOR sales estimate for 1999-00 (\$406.3 million) appears to be a reasonable projection that is very similar to a straight-line projection of year-to-date sales, calculated for the balance of the year. Sales estimates for 2000-01 will be reviewed in October, 2000, as part of the certification of funds available for the lottery and gaming credit.

### **Prize Payout Modification**

Changes in prize payout ratios were last approved by the Joint Committee on Finance on June 22, 1994. At that time, the average payout ratio for instant scratch tickets was increased to no more than 63% (from 61.26%) and the average payout ratio for pull-tab instant games was increased to no more than 62.5% (from 60.38%). On-line game payouts were maintained at 51.54%. These payout ratios still apply today. The average pull-tab payout ratio of 62.5% applies to both for-profit retailer and nonprofit organization pull-tab sales.

The March 1, 2000, prize payout report proposes to increase the payout ratio for pull-tab sales of nonprofit organizations to not more than 80%. The report indicates that this change would provide more fundraising income for nonprofit organizations because higher payouts would result in greater sales.

Currently, a nonprofit organization pays the state lottery 10% of the face price of the pull-tab tickets and is permitted to retain all proceeds from the sales less the redeemed prizes. (Therefore, nonprofit pull-tab sales do not provide any proceeds for the lottery and gaming credit.) Under the current prize payout ratio, if all prizes are redeemed and the average payout ratio is 62.5%, then the nonprofit organization would retain 27.5% of the tickets' face value. (For 1998-99, the actual prize payout ratio was 61.76%.) Lottery officials indicate that in 1999-00, nonprofit organizations are expected to sell \$3.4 million in pull-tab tickets (60% of the \$5.6 million in total estimated pull-tab sales). From these sales, nonprofit organizations will retain an estimated \$947,900 based on payouts estimated at 61.84%.

Under the proposal before the Committee, a nonprofit organization would continue to pay the state lottery 10% of the face price of the pull-tab tickets and the payout could be as high as 80%. If all prizes are redeemed and the average payout ratio is 80%, then the nonprofit organization would retain 10% of the tickets' face value. Lottery officials indicate that in 2000-01, nonprofit organizations are projected to sell \$6.7 million in pull-tab tickets (81% of the \$8.3 million in total estimated pull-tab sales), or double the 1999-00 estimated nonprofit sales. If prize payouts were to average 80%, nonprofit organizations would retain an estimated \$673,200 (\$274,700 less than the 1999-00 estimate).

However, lottery officials indicate that nonprofit pull-tab games, for some period of time, would payout at various rates up to 80%. In other words, the move to 80% payouts would be gradual. As a result, the amount retained by nonprofit organizations would vary by game but would fall somewhere between 10% and about 28%. Lottery projections indicate that nonprofit organizations would need to increase sales by about 200% before payouts at 80% would result in greater net earnings for nonprofit organizations. It appears that, at least initially, nonprofit organizations may make less than they currently do, if the prize payout ratio is increased.

Lottery officials believe, based on the experience of other states, that significantly increasing nonprofit pull-tab sales is possible if payouts are increased. Specifically, in Minnesota, with a payout ratio of 81.4%, nonprofit pull-tab sales reached \$1.4 billion in calendar year 1998, with a net contribution of \$77.6 million to the nonprofit organizations. Officials also indicate that administrative code changes, which they hope to seek in 2000-01, will help to encourage greater nonprofit pull-tab sales. Of particular interest to lottery officials is the elimination of the rule that limits each nonprofit organization to no more than 26 pull-tab events each year.

### **Summary**

The proposal by the lottery to increase prize payouts for nonprofit pull-tab sales is intended to increase these sales and benefit the fundraising capacity of nonprofit organizations. However, quick movement to the 80% payout level has the potential to decrease net revenues for nonprofit organizations in the event sales volume cannot be substantially increased from current levels. Lottery officials appear to be aware of this problem. While the March, 2000, payout report does not discuss the process the lottery intends to employ to move to higher nonprofit pull-tab payouts, lottery officials indicate that the transition would be gradual and sensitive to the fundraising needs of nonprofit organizations.

In addition to the gradual implementation of the payout increase, it may be beneficial to conduct the implementation in consultation with the nonprofit organizations currently selling pull-tab lottery tickets. The lottery could also provide detailed information in its next payout report to the Committee, on March 1, 2001, on the implementation and its effect on nonprofit organizations.

The Committee's response to the lottery's proposal must be provided to DOR no later than March 22, 2000.

BL/AZ/sas

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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 3, 2000

Re: 14 Day Passive Review of the Lottery Sales Report

Attached please find a copy of a report from the Secretary of Revenue concerning state lottery sales, pursuant to s. 565.02(7), Stats. The Secretary is required to report this information by March 1, of every year.

Please review these materials and notify **Senator Burke's** or **Representative Gard's** office no later than **Friday, March 17<sup>th</sup>, 2000**, if you have any concerns about the report or would like the Committee to meet formally to discuss it.

BB:JG:js



**State of Wisconsin • DEPARTMENT OF REVENUE**

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*Tommy G. Thompson*  
Governor

*Cate Zeuske*  
Secretary of Revenue

March 1, 2000

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

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

Dear Senator Burke and Representative Gard:

Section 565.02(7), Wis. Stats., requires a report to the Joint Committee on Finance every March 1, containing the following information:

- A. An estimate, for the current and subsequent fiscal years, of gross revenues from the sales of lottery tickets;
- B. The total amount paid as prizes and the prize payout ratio for each type of lottery game offered, based on these sales estimates; and
- C. An evaluation of the effect of prize payout ratios of lottery games on lottery sales, lottery operating costs and on maximizing the revenue available for lottery property tax relief.

The March 1, 2000 report, which is attached, does not recommend any changes to the prize payout ratio relating to for-profit retailers at this time. However, pursuant to Chapter WGC63 of the Administrative Code, the Lottery intends to increase the prize payout in pulltab ticket games that are sold by nonprofit retailers. Please call me if I can answer any questions.

Sincerely,

  
Cate Zeuske  
Secretary of Revenue

Enclosure

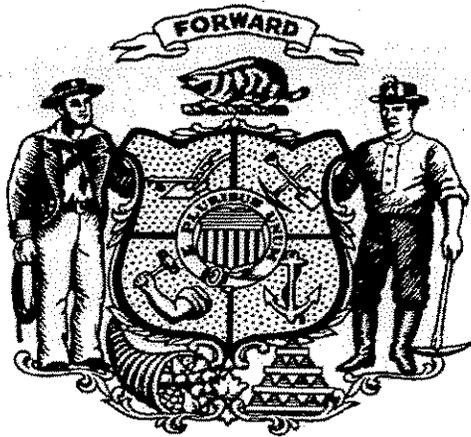
# LOTTERY SALES AND PRIZE PAYOUT REPORT

## REPORT TO THE JOINT COMMITTEE ON FINANCE

PREPARED BY:

DIVISION OF LOTTERY  
WISCONSIN DEPARTMENT OF REVENUE

*March 1, 2000*



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### EXHIBITS

- Exhibit 1 - Total Instant Scratch Ticket Sales
- Exhibit 2 - Total Instant Pulltab Ticket Sales
- Exhibit 3 - Total On-Line/Terminal Generated Ticket Sales
- Exhibit 4 - Total Lottery Ticket Sales
- Exhibit 5 - Wisconsin Powerball Average Sales Per Draw by  
Jackpot Size and Fiscal Year
- Exhibit 6 - Declining Average Powerball Sales For Three Large  
Jackpot Levels
- Exhibit 7 - Megabucks Average Sales Per Draw by Jackpot Size  
and Fiscal Year

## A. HISTORY AND RECOMMENDATIONS

The maximum average payout percentage that the Lottery can offer is subject to approval by the Legislature's Joint Committee on Finance. Section 565.02(7), Wis. Stats., requires a report by the Lottery to the Joint Committee on Finance every March 1, containing the following information:

- A. An estimate, for fiscal years 1999-00 and 2000-01, of gross revenues from the sales of lottery tickets;
- B. The total amount paid as prizes and the prize payout ratio for each type of lottery game offered, based on these sales estimates; and
- C. An evaluation of the effect of prize payout ratios of lottery games on lottery sales, lottery operating costs and on maximizing the revenue available for lottery property tax relief.

Statutory provisions require that at least 50% of Lottery gross sales be returned to players as prize payments [s. 25.75(3)(a), Wis. Stats.]. In the first year of Lottery operation, FY 1988-89, instant scratch and pulltab ticket prize payouts averaged 50%. In the second year of operation, the Lottery Board introduced the first on-line/terminal generated game, Lotto America, with a payout of 45% and increased average instant scratch and pulltab payouts to 60%. Between FY 1989-90 and FY 1993-94, average instant scratch payouts increased by about 1%, while average instant pulltab payouts remained constant. Average on-line/terminal generated game payouts have remained between 45.72% and 49.59% since FY 1991-92.

Following a Joint Committee on Finance hearing in May 1994, the average instant scratch ticket prize payout increased from about 61% to 63% and the average instant pulltab ticket prize payout increased from about 60% to 62%. Average on-line/terminal generated ticket prize payouts went unchanged. Since that time, the Lottery has not proposed an increase in instant or on-line/terminal generated prize payout rates. Although subsequent reports have suggested that raising the payout on instant tickets would increase sales, the net effect on available proceeds is not certain.

Additional research in the area of instant prize payouts was conducted and it was found that many jurisdictions have higher prize payouts than actually stated by offering free tickets, or by recycling unclaimed prizes and TV Game show prizes. Offering these prizes without calculating those prizes as part of the stated prize payout provide greater play value and thus, may increase total sales and proceeds available for property tax relief. The Wisconsin Lottery does not offer free tickets nor does it use unclaimed prizes to provide additional prizes to winners. While the Wisconsin Lottery offers TV game show prizes, those prizes are included as part of the stated average prize payout of 63%. Taking the aforementioned methods of paying prizes into account, the current instant prize payout in Wisconsin is comparable to neighboring state lotteries with similar demographics and population.

There is not an explicit limit on the average prize payout for on-line/terminal generated games similar to what exists for instant games. Currently, the average prize payout across all on-line/terminal generated games is 47.05%. Actual prize payouts for individual on-line/terminal generated games range from 43.20% to 51.88%. An initial

analysis by Lottery staff suggests that future on-line/terminal generated products may require prize payouts similar to that of the instant games. A market segmentation study conducted in 1997 highlighted Wisconsin residents' desire for more Lottery winners. The Wisconsin Lottery plans to conduct another market segmentation study during calendar year 2000 to obtain updated information on players.

In this report, no increases in prize payout for games sold by for-profit retailers are being proposed. However, pursuant to Chapter WGC63 of the Administrative Code, which states the Lottery can offer games to nonprofit retailers with prize payouts of up to 80%, the Lottery intends to increase the prize payout in pulltab ticket games that are sold by nonprofit retailers. A more complete discussion of this action can be found in section D of this report.

## B. GROSS REVENUES FROM LOTTERY SALES (FY 1996-97 through FY 2000-01)

Table 1 shows sales by game type for the past three years and projected sales for the next two years. Total sales increased in FY 1998-99 by 2.28% due to exceptional sales of the jackpot on-line game, Powerball. Although total sales for FY 1999-00 are expected to be less than those of the previous fiscal year, sales for instant scratch tickets are projected to increase for FY 1999-00.

The addition of field marketing staff and increased telemarketing efforts have been instrumental in strengthening the Lottery's relationship with the retailers, and as a result has impacted instant ticket sales. It is anticipated that the integration of field marketing and telemarketing staff into regional focus teams and the implementation of the Retailer Performance Program will continue to positively affect ticket sales in the next fiscal year.

**Table 1**  
**Ticket Sales by Fiscal Year and Game Type**

Game Type	FY 1996-97 Sales Audited	FY 1997-98 Sales Audited	FY 1998-99 Sales Unaudited	FY 1999-00 Sales Projection	FY 2000-01 Sales Projection
Instant Scratch	\$266,243,095	\$246,620,664	\$224,892,513	\$238,096,801	\$247,614,682 *
Instant Pulltab	\$7,170,540	\$6,294,780	\$5,925,122	\$5,609,930	\$ 8,302,696 **
On-line/ terminal generated	\$157,677,534	\$165,724,843	\$197,378,447	\$162,623,095	\$162,503,646 ***
<b>Total</b>	<b>\$431,091,168</b>	<b>\$418,640,287</b>	<b>\$428,196,082</b>	<b>\$406,329,826</b>	<b>\$418,421,024</b>

\* Based on FY 1999-00 Jan-June projected sales

\*\* Assumes 100% increase in nonprofit sales and 30% decrease in for-profit sales

\*\*\* Reflects replacement of Cash 4 Life with a new game, decrease in Powerball sales

Exhibits 1 through 4 are graphical representations of Lottery sales.

**C. TOTAL PRIZE PAYOUT RATIOS AND PRIZES PAID OR EXPECTED TO BE PAID (FY 1996-97 through FY 2000-01)**

Table 2 shows the weighted actual average prize payout percentages by game type for the past three years and estimated prize payout percentages for the next two fiscal years. A weighted average is used to attribute more importance to games with higher sales, instead of giving all games equal consideration. The prize payout percentage is the average amount of the game's cost that is returned to players in the form of prizes. A game's prize structure is used to determine its prize payout percentage. Each individual game has a unique prize structure that represents the number, value and odds of winning each prize in that game.

**Table 2**  
**Weighted Average Prize Payout Percentages by Fiscal Year and by Game Type**  
(percentages are rounded)

Game Type	FY 1996-97 Prize Payout	FY 1997-98 Prize Payout	FY 1998-99 Prize Payout	FY 1999-00 Prize Payout Estimate	FY 2000-01 Prize Payout Projection
Instant Scratch	62.91%	62.43%	62.33%	62.36%	62.90%
Instant Pulltab	61.88%	61.79%	61.76%	61.84%	76.56% *
On-line/ terminal generated	45.72%	48.60%	47.05%	47.18%	47.49% **
<b>Total</b>	56.61%	56.95%	55.28%	56.28%	57.19%

\* Reflects increase in nonprofit payout rate

\*\* Includes replacement of Cash 4 Life with a new game

Table 3 shows actual prizes paid during the past three fiscal years and expected prizes to be paid in the next two fiscal years. Expected prizes to be paid in FY 1999-00 and FY 2000-01 are calculated by taking the sales projection for each game multiplied by the prize payout percentage for that *individual* game. Actual prizes paid, as a percentage of sales, may be less than the designed prize payout for several reasons, such as winners not claiming their prizes.

**Table 3**  
**Actual Prizes Paid or Expected to be Paid by Fiscal Year and by Game Type\***

Game Type	FY 1996-97 Prizes Paid (Audited)	FY 1997-98 Prizes Paid (Audited)	FY 1998-99 Prizes Paid (Unaudited)	FY 1999-00 Projected Prizes	FY 2000-01 Projected Prizes
Instant Scratch	\$167,498,013	\$153,964,466	\$140,181,716	\$148,477,165	\$155,749,635
Instant Pulltab	\$4,437,004	\$3,889,382	\$3,659,348	\$3,469,196	\$ 6,356,908
On-line/terminal generated	\$72,085,236	\$80,548,332	\$92,860,756	\$76,730,030	\$77,173,135
<b>Total</b>	<b>\$244,020,253</b>	<b>\$238,402,180</b>	<b>\$236,701,821</b>	<b>\$228,676,391</b>	<b>\$239,279,677</b>

\*Prize amounts shown are based upon the accrual method. In certain situations (i.e. merchandise prizes) prizes are paid for up front (to the merchandise vendor). These up front costs may create a transitory situation where prize payout appears to be higher than it actually is. The accrual method reflects prizes as they are paid out to the players, and is consistent with generally accepted accounting principles (GAAP).

#### D. EVALUATION OF PRIZE PAYOUT RATIOS

##### On-Line/Terminal Generated Games and the Prize Payout Ratio

As mentioned, the maximum payout percentage that the Lottery can offer is subject to approval by the Legislature's Joint Committee on Finance. Actual on-line/terminal generated prize payout ratios currently average 47.05% and range between 43.20% and 51.88% for each on-line/terminal generated game. Table 4 lists the on-line/terminal generated games and associated designed prize payouts that are currently offered in Wisconsin. Actual prizes paid, as a percentage of sales, may be less than the designed prize payout for several reasons, such as winners not claiming their prizes.

**TABLE 4**  
**On-Line/Terminal Generated Games and Corresponding Start Dates and Prize Payout Rates\***

ON-LINE/TERMINAL GENERATED GAMES	START DATE	PAYOUT
POWERBALL	4/19/92	Approx. 50.00%
WISCONSIN'S VERY OWN MEGABUCKS	6/18/92	53.50%
SUPERCASH!	2/4/91	51.60%
CASH 4 LIFE	3/30/98	Approx. 50.00%
DAILY PICK 4	9/15/97	Approx. 48.40%
DAILY PICK 3	9/21/92	48.20%

\* Reflects anticipated rate based on game design

Although there are many factors that impact sales in Wisconsin, a market segmentation study, including focus group testing, conducted in 1997 by the Angus Reid Corporation for the Wisconsin Lottery quantified Wisconsin residents participation in lottery activities. A total of 1,245 Wisconsin residents were surveyed. The report cited too few winners and insufficient winner awareness as the primary cause of decreased play.

Since the time of that study, the Lottery has implemented increased winner awareness. The Lottery currently sends weekly faxes and winner's posters to retailers, has produced television and radio advertising announcing winners, has created a "winner's wall" for use at special events, has increased the amount of press conferences and has developed a "Lottery Minute" segment for television broadcast. In regard to the residents' response of too few winners, the Lottery is continuing to explore methods other than requesting a prize payout increase for its largest selling product, instant scratch tickets. As stated earlier in this report, the Wisconsin Lottery plans to conduct another market segmentation study during calendar year 2000 to obtain updated player information.

#### **Frequency of Winners and the Prize Payout**

The segmentation study conducted in 1997 provided direction for the Lottery in regard to the players' perception of Lottery games. Many initiatives were undertaken as a result of the study. One result has been the Lottery's focus on the winning experience.

Currently, the Lottery is investigating the possibility of including an on-line/terminal generated game in its product mix that offers the opportunity to win more often than other similar games. In addition, the Lottery has designed and will launch several instant scratch games that offer the opportunity to win more frequently. The Lottery has addressed the issue of players not hearing about winners by the following methods:

- Weekly faxes to media outlets which include information about recent winners, upcoming contestants for the Money Game TV Show, Powerball and Megabucks information (winners, jackpot amount) and local stations on the lottery television network, including the times they show the Money Game TV Show.

- Lottery advertising has been created that provides current information on statewide winners in Lottery games. Both television and radio ads have referenced the "winning experience" from the Wisconsin Lottery.
- The Lottery has increased the number of winner's posters being sent to retailers. A poster is now sent for all winners over \$599 and each TV show ticket winner, totaling approximately 100 posters per week.
- The Lottery also produced a winner's wall for use at special events. A 10-foot backdrop filled with winner's pictures was created and employed at numerous festivals and fairs in 1999. Visitors made a point of viewing the wall and shared their own winning experiences. The Lottery will continue using the winner's wall at more events in the future.
- The Lottery has also increased the number of press conferences for winners, and has added a Lottery Minute that is shown twice per week on WISN-TV channel 12 in Milwaukee.
- When programming was updated for the Lottery Interactive Voice Response (IVR) telephone system that is used by Lottery players, an enhancement was made that allows for a Lottery news brief. This enhancement has been employed to announce winning experiences.

There are plans for even more opportunities for winner awareness in the near future. An emphasis will be placed on winners in specific games. For example, a map of Wisconsin will be created showing the locations of the more than 450 Supercash! grand prize winners since the game's creation. The Lottery will use its player messaging capabilities via terminal message boards to place more emphasis on significant prizes won, and enhancements will be made to the Lottery website to place more emphasis on winners.

Another segmentation study will be conducted during calendar year 2000 to obtain updated player information. The results will be reviewed to assist in determining future direction for Lottery initiatives.

### **On-Line/Terminal Generated Market Trends and Prize Payout**

Developers of on-line/terminal generated games previously assumed that high payouts were not necessary because large jackpot prizes would sustain consumer interest. However, many states have experienced a reduction in jackpot game sales at similar jackpot levels in recent years. Exhibit 5 shows the average Powerball sales per jackpot level for Wisconsin. Exhibit 6 shows the decline in average Wisconsin sales for three large Powerball jackpot levels over seven and one-half years. Exhibit 7 shows the average Megabucks sales per jackpot level. Megabucks sales increased slightly to more than \$21 million, and Powerball sales increased dramatically to more than \$101 million in the last fiscal year. Powerball sales were boosted by a record \$295 million jackpot in July of 1998. As shown in Exhibit 6, it will become more difficult to obtain similar sales totals for jackpot games, as players become "desensitized" to jackpot levels.

The distribution of on-line/terminal generated sales has shifted since the Lottery's inception. For example, sales for jackpot games which typically offer large top prizes and low odds of winning smaller prizes have declined at comparable jackpot levels, while

sales initially grew and now have stabilized for games with smaller top prizes and higher odds of winning smaller prizes. The Lottery experienced a reverse of this trend in the last fiscal year due to a record high jackpot for Powerball that led to higher sales as referenced above, although sales continue to decline for lower jackpot levels.

All else being equal, games with smaller top prizes have the flexibility to offer a greater number of prizes. Traditionally, instant scratch games offer prize structures of this nature. This strategy has had industry-wide success and as a result many lotteries are planning to apply the instant product marketing strategy to on-line/terminal generated games. MUSL (Multi-State Lottery Association), of which Wisconsin is a member, and other states plan to continue development of new on-line/terminal generated products that offer higher payouts and increased play value. These enhancements are intended to provide more winners per game and increase total lottery sales.

One possibility is to offer on-line/terminal generated games or special enhancements to existing games on a limited term basis. However, this approach presents some complications. On-line/terminal generated games have historically been long-term investments averaging no more than one new game per fiscal year. In addition, the statutory requirement to print game odds on each ticket is a major obstacle to being able to offer limited time offers in Wisconsin, due to the costs incurred in changing the ticket stock.

Table 5 lists the current on-line/terminal generated estimated prize payout percentage in other lottery jurisdictions in FY1999-00 and whether they plan to raise their prize percentage. It was found that a majority of the thirty-two jurisdictions that responded presently have higher prize payout percentages than Wisconsin. The Lottery intends to explore other avenues to enhance on-line game sales, as opposed to making significant increases in the prize payout for those games.

**TABLE 5**  
**On-Line/Terminal Generated Prize Payout Across Lottery Jurisdictions**

Lottery Jurisdiction	FY 00 Estimated Prize Payout	FY 01 Planned Payout Increase
AZ	50%	No
CA	50%	No
CO	54.5%	No
CT	54%	No
DC*	47%	**
DE	52%	Yes
FL	50%	No
GA*	**	**
IA	49%	No
ID*	**	No
IL*	53%	No
IN	50.5%	No
KS	52.5%	No
KY	55%	No
LA	50%	Under discussion
MA	63%	No
MD*	52%	No
ME*	50%	**
MI	50%	No
MN	53%	No
MO	51%	No
MT*	48%	**
NE	**	No
NH	50%	No
NJ	50%	No
NM	51%	No
NY	51%	No
OH	58.29%	Under discussion
OR	64.89%	No
PA*	**	**
RI*	56%	**
SD	50%	No
TX*	**	**
VA	50.61%	No
VT	50%	No
WA	60%	No
WI	47.05%	No
WV	53%	No

Source: Wisconsin Lottery Payout Survey, January 2000.

\*LaFleur's 1999 World Lottery Almanac

\*\*Not Available

With the movement of launching more on-line/terminal generated games, more frequently, and with higher prize payouts lies the concern that it is cost prohibitive. Historically, lotteries have incurred large start-up costs to launch on-line/terminal generated games. The majority of start-up costs are attributable to computer software necessary to conduct an on-line/terminal generated game. In Wisconsin, these start-up costs have been significantly reduced since conversion to an updated GTECH computer system.

### **Instant Scratch Games and the Prize Payout Ratio**

As previously stated, instant scratch sales for FY 1999-00 are expected to increase slightly over the last fiscal year. By employing the continued efforts of the field and telemarketing staff and the benefits of the Retailer Performance Program, the Lottery will continue to focus on its relationship with the retailers to increase sales and in turn increase revenue for the Lottery Fund.

In lieu of an overall increase in prize payout, there are three common methods for generating additional payout:

- Recycling unclaimed prizes
- Offering free tickets
- Participation in a TV game show

The lottery issued a survey to all United States lotteries asking them if they offer free tickets and how they account for them. The Lottery also asked if they have a TV game show that players participate in through instant scratch games and if so, how they account for those prizes. Table 6 lists the results of that survey. It was found that seventeen states offer free tickets. Of those seventeen, only three account for them in the prize structure, the method used by the Wisconsin Lottery. A majority of the reporting states either offer a higher prize percentage than Wisconsin or have plans to increase their prize percentage.

**Table 6**  
**Actual vs. Stated Payouts on Instant Scratch Games Across Lottery Jurisdictions**

Lottery Jurisdiction	Free Tickets Offered?	How Free Tickets are Accounted For	TV Show	How TV Show is Accounted For	Instant Prize Payout Percentage	Plans to Increase Prize Percentage?
AZ	No	-	No	-	60%	No
CA	Yes	A	Yes	A	58%	No
CO	No	-	No	-	65%	No
CT	Yes	A	No	-	69%	No
DC*	**	-	**	-	63%	**
DE	Yes	C	No	-	60%	No
FL	Yes	C	No	-	56%	Yes
GA*	**	-	**	-	**	**
IA	Yes	C	No	-	58%	No
ID	Yes	C	No	-	65.7%	No
IL	Yes	A	Yes	B	61%	No
IN	Yes	C	Yes	E	60%	No
KS	Yes	C	No	-	58%	No
KY	No	-	No	-	64%	No
LA	Yes	C	No	-	59%	Yes
MA	No	-	No	-	73%	No
MD	No	-	No	-	64%	No
ME*	**	-	**	-	60%	**
MI	No	-	Yes	F	62%	No
MN	No	-	No	-	66%	No
MO	Yes	C	Yes	B	58%	No
MT*	**	-	**	**	60%	**
NE	Yes	B	No	-	**	No
NH	Yes	G	No	-	63.5%	No
NJ	Yes	B	No	-	62.3%	No
NM	No	-	No	-	63.4%	No
NY	No	-	No	-	65%	No
OH	Yes	C	Yes	G	62%	No
OR	No	-	No	-	65%	No
PA*	**	-	**	-	**	**
RI*	**	-	**	-	62%	**
SD	No	-	No	-	63%	No
TX*	**	-	**	-	**	**
VA	Yes	G	No	-	62.5%	No
VT	No	-	No	-	65%	No
WA	No	-	No	-	65%	No
WI	No	-	Yes	G	62.36%	No
WV	Yes	G	No	-	65%	No

Source: Wisconsin Lottery Payout Survey, January 2000

\*LaFleur's 1999 World Lottery Almanac

\*\*Not Available

Accounting Field Key:

- A Recorded as part of the prize structure.
- B Funded by unclaimed prizes.
- C Recorded as a reduction to sales.
- D From On-line/terminal generated games.
- E Expensed in proportion to each game's sales to total sales.
- F Advertising Budget.
- G Other

Based on the results of this survey, it appears that most jurisdictions offering TV game shows use alternate methods, such as unclaimed prizes, to fund those shows. These states are returning more money to players in the form of "churn" prizes, which are small prizes typically reinvested in the game by players at the point of sale.

Unlike some jurisdictions, the Wisconsin Lottery's unclaimed prizes are deposited in the Lottery Fund to go directly toward property tax relief in Wisconsin and are not used to recycle the money back to players as prizes. Similarly, prizes for Wisconsin's Money Game TV Show are fully accounted for as part of the overall 63% instant scratch payout percentage.

### **Instant Pulltab Games and the Prize Payout Ratio**

Sales of pulltab tickets have continued to decline since the inception of the Lottery. The number of for-profit retailers selling pulltab tickets has declined over time; however, the number of nonprofit retailers selling the product has stabilized at about 550. The Lottery has not placed significant marketing emphasis on this product line, which in the most recent fiscal year, contributed less than \$6 million to Lottery sales.

The product does provide a fund raising opportunity for nonprofit organizations in Wisconsin. The Lottery proposes to enhance that opportunity by increasing the prize payout for games sold by nonprofit retailers. Chapter WGC63 of the Administrative Rules, specifically WGC63.08, states that the Lottery shall offer nonprofit organization retailers pulltab games with prize structures "ranging from not less than 50% to not more than 80% of sales." The Lottery will produce pulltab games with payouts of up to 80% of sales for nonprofit retailers, which results in the increased instant pulltab sales projections for fiscal year 2000-01.

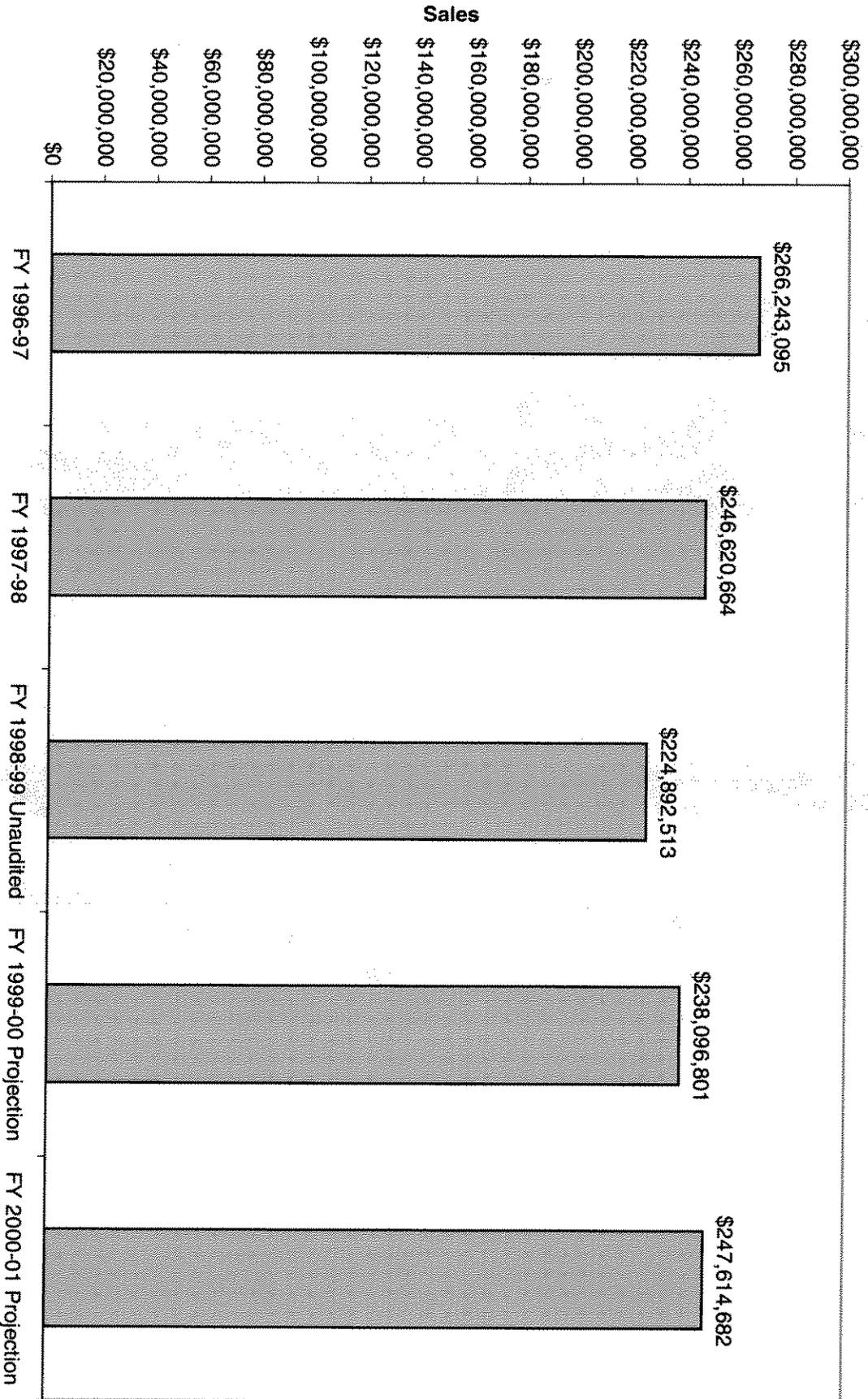
An increase in the payout for this type of game will allow the Lottery to create pulltab games with significantly more winners. A game with more winners will be more "playable", and in turn provide more income for nonprofit organizations due to increased sales of the games.

Occasionally, sales of pulltab tickets in Wisconsin are compared to those in the state of Minnesota. Minnesota pulltab sales are significantly greater than those of Wisconsin. One of the keys to the Minnesota model is an 80% prize payout for pulltab games. Increasing the prize payout for nonprofit pulltab games will help increase game sales and in addition provide a greater fund raising opportunity for nonprofit organizations in Wisconsin.

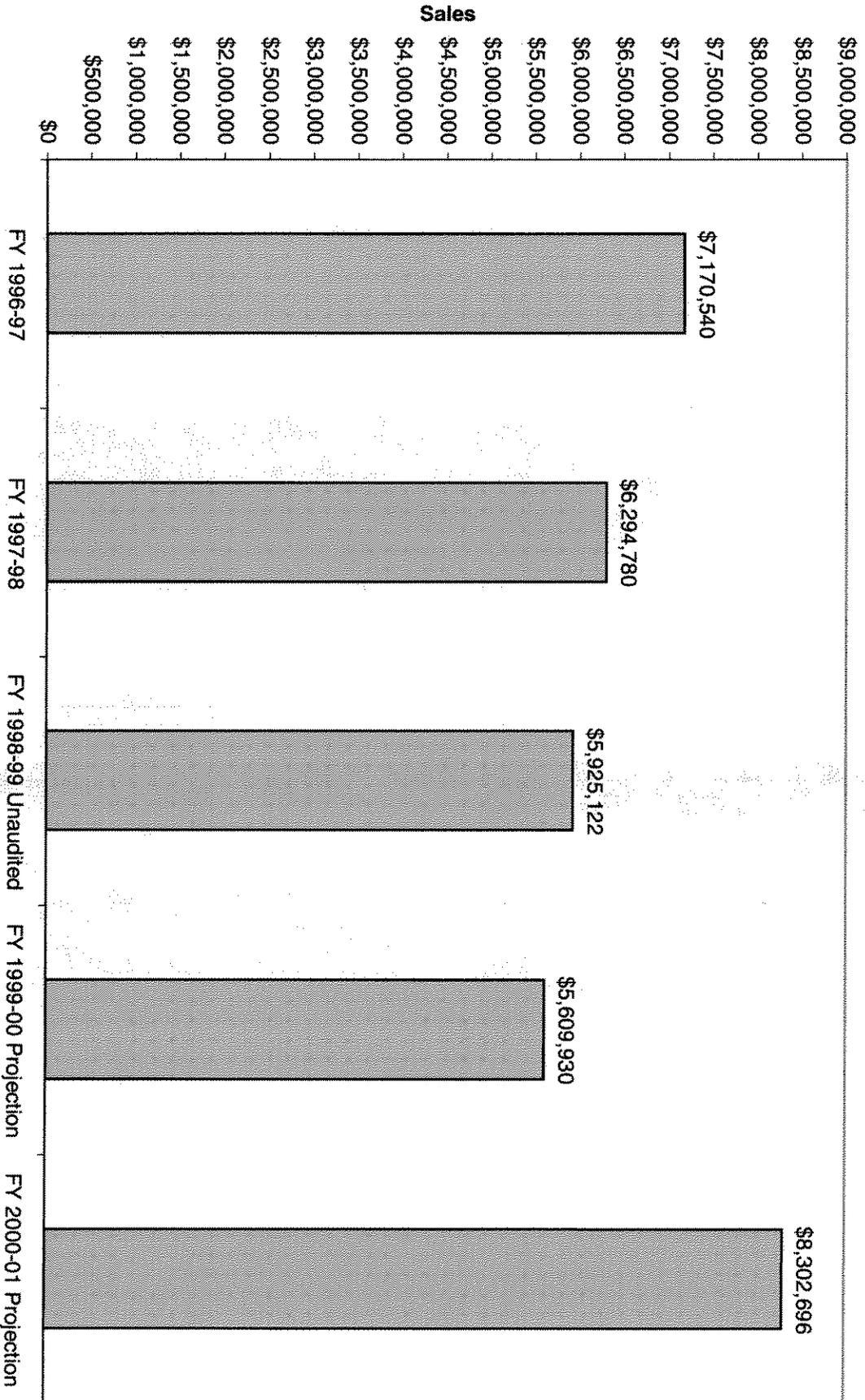
### **Summary**

The Lottery does not recommend changes to the prize payout for games offered by for-profit retailers at this time. Other avenues will be pursued to increase sales by the for-profit segment of the Lottery retailer base. However, the Lottery intends to increase the prize payout for pulltab games sold by nonprofit retailers. It is anticipated that an increase in prize payout for games sold by nonprofit retailers will result in greater pulltab game sales.

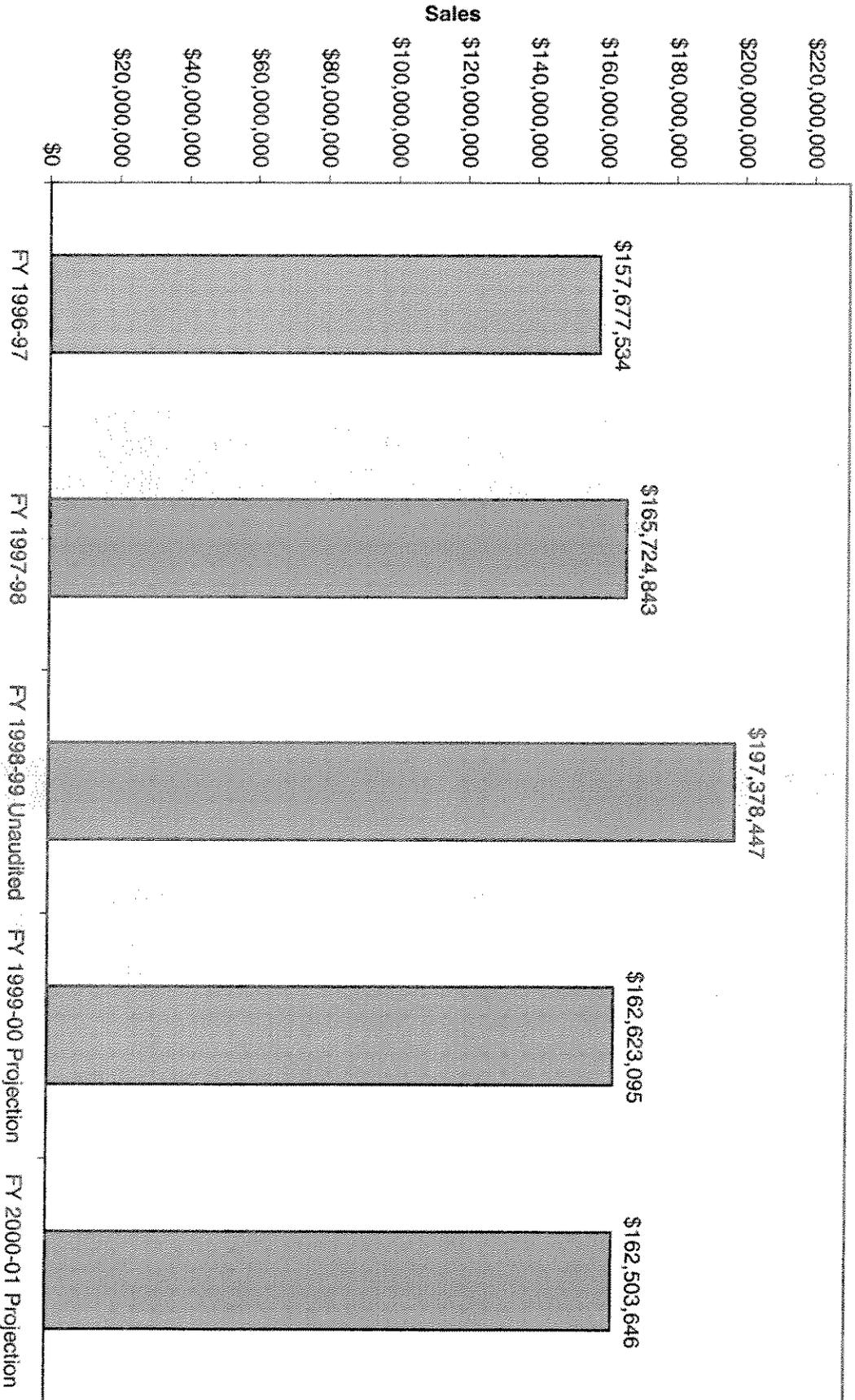
### TOTAL INSTANT SCRATCH TICKET SALES



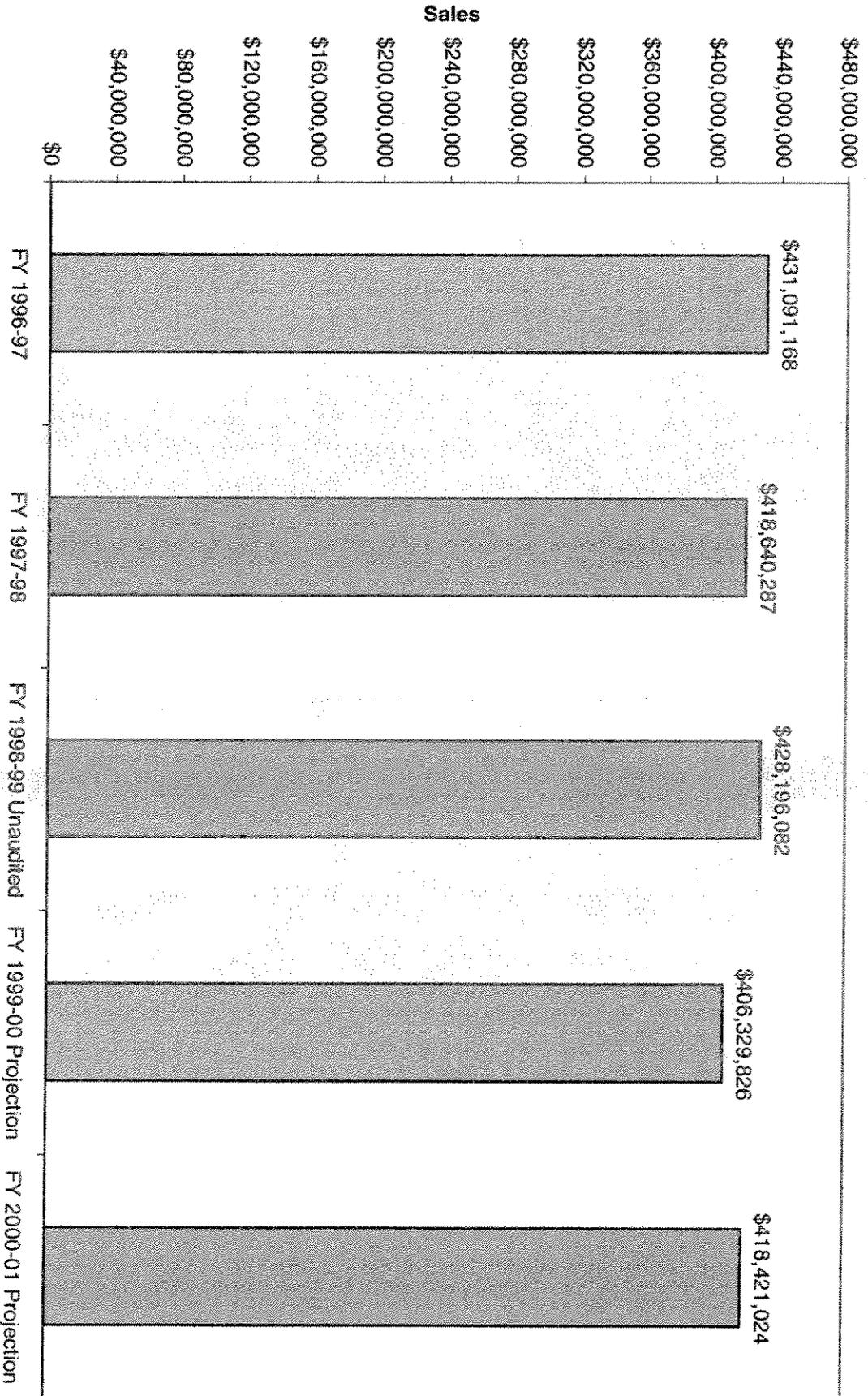
### TOTAL INSTANT PULL-TAB TICKET SALES



### TOTAL TERMINAL GENERATED TICKET SALES

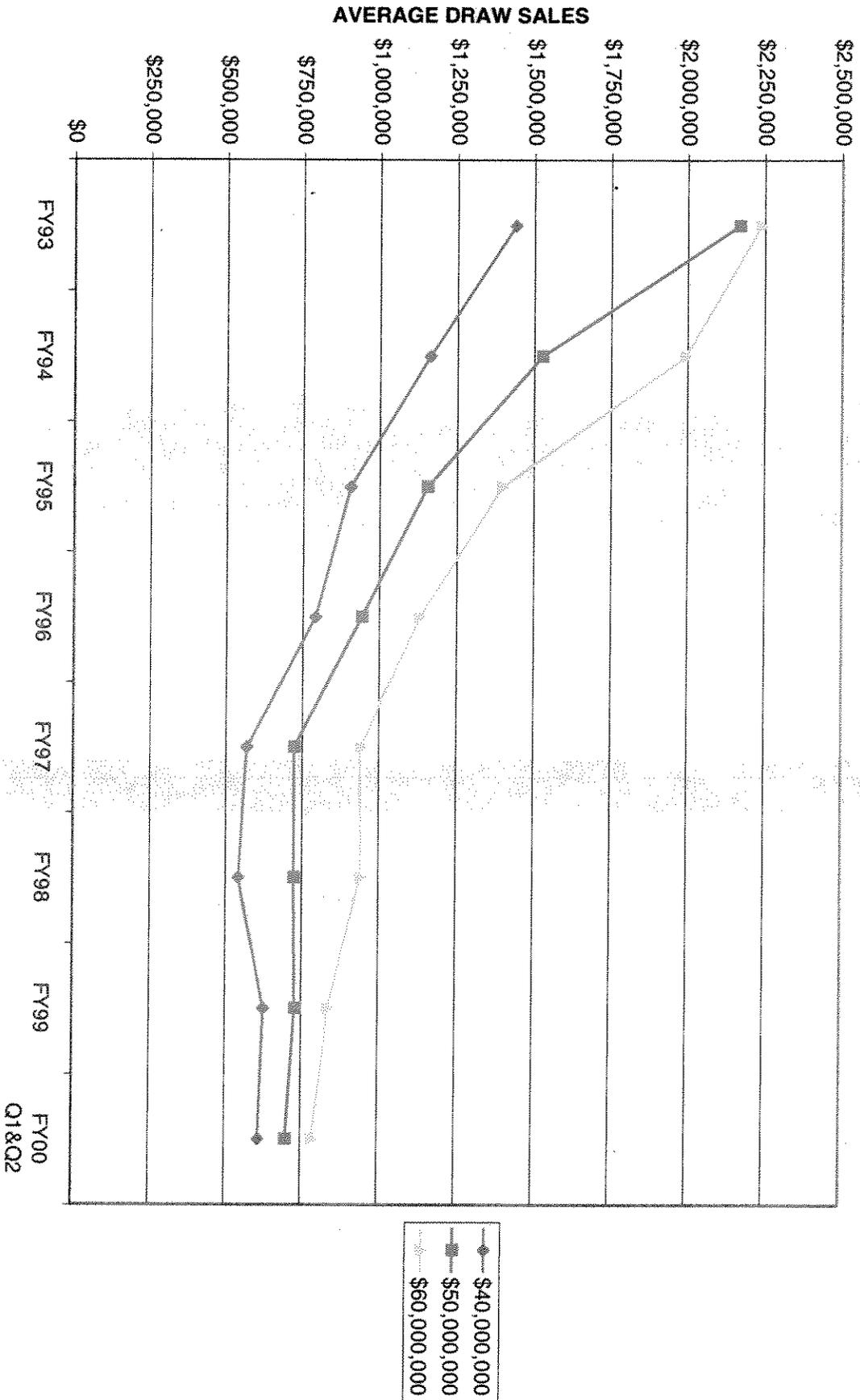


### TOTAL LOTTERY TICKET SALES



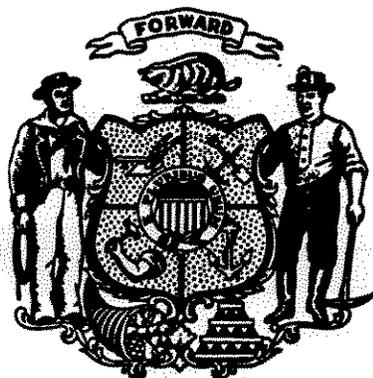


**DECLINING AVERAGE POWERBALL SALES FOR THREE LARGE JACKPOT LEVELS**





*END*



*END*

# 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

March 20, 2000

Secretary George Lightbourn  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, WI 53703

Dear Secretary Lightbourn:

We are writing to inform you that the Joint Committee on Finance has reviewed your request, dated February 29, 2000, pursuant to s. 16.515/16.505(2), Stats., pertaining to requests from the State Prosecutors Office, the Department of Agriculture, Trade and Consumer Protection and the Department of Public Instruction (DPI).

With regard to the requests related to the Department of Agriculture, Trade and Consumer Protection and the State Prosecutors Office, those requests are approved.

The Committee approves the DPI request for increased expenditure authority of \$244,000 PR annually for the appropriation that funds administrative costs related to teacher education and licensing (s. 20.255(1)(hg)), with the following modification. The requested expenditure authority for 2000-01 is reduced by \$129,700 PR to reflect one-time costs in 1999-00. As a result, the increase in expenditure authority for this appropriation would be \$244,000 PR in 1999-00 and \$114,300 PR in 2000-01. With this modification, the request is approved unless you notify us by March 27, that you would like the Committee to meet and review your request.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of John G. Gard in black ink.

JOHN GARD  
Assembly Chair

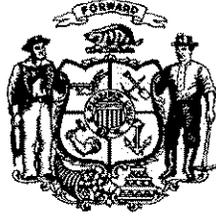
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cc: Members, Joint Committee on Finance  
Stuart Morse, District Attorneys  
Secretary Ben Brancel, Department of Agriculture, Trade and Consumer Protection  
State Superintendent John Benson, Department of Public Instruction  
Vicky LaBelle, Department of Administration

# THE STATE OF WISCONSIN

SENATE CHAIR  
**BRIAN BURKE**

316-S Capitol  
P.O. Box 7882  
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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  
Co-Chairs, Joint Committee on Finance

Date: March 1, 2000

Re: s. 16.515/16.505(2), Stats. Request

Attached is a copy of a request from the Department of Administration, received on February 29, 2000, pursuant to s. 16.515/16.505(2), Stats., pertaining to requests from the Milwaukee County District Attorney's Office, the Department of Agriculture, Trade and Consumer Protection and the Department of Public Instruction.

Please review the material and notify **Senator Burke** or **Representative Gard**, no later than **Thursday, March 16, 2000**, if you have any concerns about the request or if you would like to meet formally to consider it.

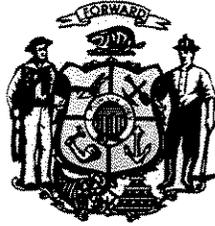
Also, please contact us if you need further information.

Attachment

BB/JG/js

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR  
GEORGE LIGHTBOURN  
SECRETARY



Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1741  
Fax (608) 267-3842  
TTY (608) 267-9629

**Date:** February 29, 2000

**To:** The Honorable Brian Burke, Co-Chair  
Joint Committee on Finance

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

**From:** George Lightbourn, Secretary  
Department of Administration

**Subject:** S. 16.515/16.505(2) Request(s)

Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

AGENCY	DESCRIPTION	1999-2000		2000-01	
		AMOUNT	FTE	AMOUNT	FTE
DAS 20.475(1)(h)	Gifts and Grants		4.00 *		4.00 *
DATCP 20.115(2)(h)	Sale of supplies	\$ 20,000			
DPI 20.255(1)(hg)	Personnel cert., teacher supply, info. and analysis and teacher improv.	\$244,000		\$244,000	

\* Position authority requested from March 27, 2000, through March 31, 2001.

As provided in s. 16.515, the request(s) will be approved on March 21, 2000, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Vicky LaBelle at 266-1072, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

# CORRESPONDENCE MEMORANDUM

STATE OF WISCONSIN  
Department of Administration

**Date:** February 7, 2000

**To:** George Lightbourn, Secretary  
Department of Administration

**From:** Andrew J. Statz, Budget Analyst *AS*  
State Budget Office

**Subject:** Request under s. 16.505 for 4.0 FTE assistant district attorney (ADA) positions to prosecute domestic violence cases in Milwaukee County

## **REQUEST:**

The Department of Administration (DOA), on behalf of the Milwaukee County district attorney's office, requests the authorization of 4.0 FTE PR assistant district attorney (ADA) positions. Position authority for is requested from March 27, 2000, through March 31, 2001.

## **REVENUE SOURCES FOR APPROPRIATION:**

The revenue source for the appropriation under s. 20.475 (1)(h) *Gifts and Grants* is federal funding awarded under the Violence Against Women Act (VAWA) to prosecute domestic violence cases. This VAWA grant was made directly to Milwaukee County by the federal Department of Justice, Office of Justice Programs.

Because ADAs are state employees, the county is required to use these federal funds to reimburse the state through Agency 475 (District Attorneys). As a result, these funds are treated as program revenue.

## **ANALYSIS:**

The federal Department of Justice has awarded Milwaukee County approximately \$2.0 million to establish a "Judicial Oversight Demonstration Initiative" to fight domestic violence by increasing offender accountability and victim safety. The grants include approximately \$249,200 to cover salary and benefit costs for the 4.0 FTE PR ADA positions for the period from March 27, 2000, through March 31, 2001.

The initiative involves the creation of a new court to handle misdemeanor domestic violence cases. This new court will be staffed by two of the additional ADA positions. The other two ADA positions will be assigned to Milwaukee's general felony team, where they will be responsible for the vertical prosecution of felony domestic violence cases.

Salary and benefits for the positions will be 100-percent federally funded. The exact amounts of additional PR expenditure authority in s. 20.475 (1)(h) will be determined through the DOA allotment process. Since this is a continuing

George Lightbourn, Secretary  
February 7, 2000  
Page 2

appropriation, approval of the Joint Committee on Finance is required only for the position authorization.

**RECOMMENDATION:**

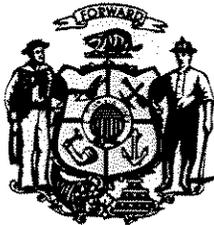
Approve the request to create 4.0 FTE ADA project positions in Milwaukee County (from March 27, 2000, through March 31, 2001). If continuing federal VAWA grant funding is available for these positions, extensions could be granted for a total project position duration of four years at the discretion of DOA.

This approval does not constitute the commitment of current or future GPR funding for these positions. Such approval can only be obtained through the biennial budget process.

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR

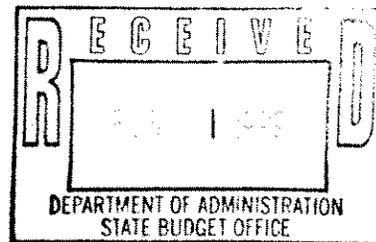
GEORGE LIGHTBOURN  
SECRETARY



Division of Administrative Services  
State Prosecutors Office  
Post Office Box 7869  
Madison, WI 53707-7869  
Voice (608) 267-2700  
Fax (608) 264-9500  
TTY (608) 267-9629  
stuart.morse@doa.state.wi.us

CC JJ  
AS

DATE: February 1, 2000  
TO: Rick Chandler, Administrator  
Division of Executive Budget and Finance  
FROM: Charles E. McDowell, Administrator  
Division of Administrative Services



SUBJECT: **REQUEST UNDER S. 16.505 FOR DEPARTMENT 475:  
MILWAUKEE DISTRICT ATTORNEY'S OFFICE**

On behalf of the Milwaukee County District Attorney's Office, I submit the attached request for position authority 4.0 FTE PR positions for Department 475, District Attorneys.

If you have any questions, please direct them to Stuart Morse, Director, State Prosecutors Office or to Richard Wagner in the Division's Bureau of Financial Management.

Attachments

cc: Stuart Morse  
Richard Wagner

## **DEPARTMENT OF ADMINISTRATION REQUEST UNDER S. 16.505 FOR POSITION AUTHORIZATION**

### **I. REQUEST**

The Department of Administration requests, under s. 16.505, the authorization of 4.0 FTE PR assistant district attorney (ADA) positions in appropriation s. 20.475(1)(h) for the Milwaukee County District Attorney's (DA) Office. Authorization for the period from March 27, 2000 through March 31, 2001.

### **II. BACKGROUND**

Milwaukee County was awarded a federal Violence Against Women Act (VAWA) grant of \$1,988,257 for an 18 month period from October 1 1999 through March 31, 2001 for a Judicial Oversight Demonstration Initiative to fight domestic violence. (The 4 ADAs are only for the last 12 months of this grant.) The award was made directly by the federal Department of Justice, Office of Justice Programs. Of the full award, \$249,240 was specified to pay the salaries and fringe benefits of four ADAs.

The general purpose of the grant is to increase offender accountability and victim safety. This will be accomplished by the creation of a new court staffed by two of the new ADAs and a county court commissioner. This new court and the two ADAs will only handle misdemeanor domestic violence cases. The other two new ADAs will be assigned to the general felony team. All of the felony domestic violence cases assigned to the team and handled by its current 18 ADAs will be concentrated in the hands of the two new ADAs.

### **III. ANALYSIS**

These positions are in furtherance of the State's policy to fight domestic abuse, sexual abuse and assault and other violent crimes against women.

### **IV. FISCAL ANALYSIS**

The grant has sufficient funds for the four positions requested. The appropriation is continuing and will be reestimated based on actual experience.

### **V. REVENUE SOURCE FOR APPROPRIATION**

The federal statutory authority for the grant is Title I of the OCCSSA, 42 USC 3701 as amended. The award number is 1999-WE-VX-K008.

## VI. SPECIAL INFORMATION

The co-chairs of the Joint Committee on Finance, in a letter to the Department of Administration Secretary dated June 12, 1996, set forth four additional items of information that should be included in a s.16.505 request for additional positions in the District Attorney program.

1) *An explanation of the effect of the positions on weighted caseload for the requesting counties (the LAB methodology is suggested).*

Table 1 indicates the standard LAB methodology's results and highlights the impact of the new position requested on the Milwaukee DA Office. The table uses the most current court data available (1996-98) and the positions authorized as of February 1, 2000. It is important to note that the position need shown in the LAB methodology is a general need responding to all duties of a DA office and is not specific to a particular type of activity or caseload such as that covered by this grant.

2) *An assessment of similar caseload problems in counties not addressed by the request.*

Detailed data on violence against women with which to make such an analysis are not available.

3) *An explanation of why the request has greater priority than similar needs existing in other counties.*

The federal department of Justice invited 13 counties throughout the country to apply. Milwaukee was the only Wisconsin county to be so invited. Only three grants were made with one going to Milwaukee.

4) *If the request is intended to address a specific type of caseload, an explanation of why this type of caseload has a greater priority than other types.*

The VAWA funds may not be used to address other types of caseloads.

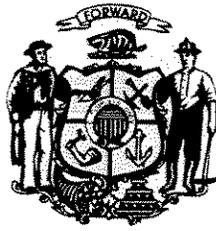
**Table 1: DA Office Workload Analysis 1227 hrs, 3 yr. (1996-98) Ave. as of 2/1/00**

DA Office	FTE equivalent (=dif/1227) needed without new position	FTE equivalent (=dif/1227) needed with new position	DA Office	FTE equivalent (=dif/1227) needed without new position	FTE equivalent (=dif/1227) needed with new position
Adams	0.46	0.46	Manitowoc	2.47	2.47
Ashland	0.71	0.71	Marathon	3.38	3.38
Barron	-0.21	-0.21	Marinette	0.38	0.38
Bayfield	0.15	0.15	Marquette	0.32	0.32
Brown	2.07	2.07	<b>Milwaukee</b>	<b>7.85</b>	<b>3.85</b>
Buffalo	-0.21	-0.21	Monroe	1.45	1.45
Burnett	0.68	0.68	Oconto	0.24	0.24
Calumet	-0.19	-0.19	Oneida	1.29	1.29
Chippewa	0.40	0.40	Outagamie	1.93	1.93
Clark	0.11	0.11	Ozaukee	0.86	0.86
Columbia	1.99	1.99	Pepin	-0.08	-0.08
Crawford	-0.18	-0.18	Pierce	-1.51	-1.51
Dane	0.87	0.87	Polk	0.52	0.52
Dodge	0.24	0.24	Portage	-0.15	-0.15
Door	0.18	0.18	Price	0.02	0.02
Douglas	0.36	0.36	Racine	1.60	1.60
Dunn	-0.14	-0.14	Richland	-0.58	-0.58
Eau Claire	2.60	2.60	Rock	4.40	4.40
Florence	-0.08	-0.08	Rusk	-0.40	-0.40
Fond du Lac	1.26	1.26	Saint Croix	-2.34	-2.34
Forest	0.61	0.61	Sauk	1.35	1.35
Grant	0.35	0.35	Sawyer	0.68	0.68
Green	0.20	0.20	Shaw/Men	0.85	0.85
Green Lake	-0.25	-0.25	Sheboygan	3.22	3.22
Iowa	-0.43	-0.43	Taylor	0.20	0.20
Iron	-0.34	-0.34	Trempealeau	0.04	0.04
Jackson	-0.44	-0.44	Vernon	-1.23	-1.23
Jefferson	1.47	1.47	Vilas	-0.71	-0.71
Juneau	0.12	0.12	Walworth	-0.12	-0.12
Kenosha	2.48	2.48	Washburn	0.57	0.57
Kewaunee	-0.33	-0.33	Washington	0.92	0.92
La Crosse	2.79	2.79	Waukesha	-1.56	-1.56
Lafayette	-0.38	-0.38	Waupaca	-0.30	-0.30
Langlade	0.38	0.38	Waushara	-0.12	-0.12
Lincoln	0.34	0.34	Winnebago	4.40	4.40
			Wood	0.36	0.36

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1741  
Fax (608) 267-3842  
TTY (608) 267-9629

**Date:** February 21, 2000

**To:** George Lightbourn, Secretary  
Department of Administration

**From:** David P. Schmiedicke  
Environmental and Commercial Resources Team Leader

**Subject:** Request under s. 16.515 from the Department of Agriculture, Trade and Consumer Protection

**REQUEST:**

The Department of Agriculture, Trade and Consumer Protection is requesting \$20,000 PR increase in spending authority for the Sales of Supplies appropriation under s. 20.115 (2)(h) for FY 1999-2000. The additional funding will support the purchase of equipment associated with monitoring and containing the spread of paratuberculosis (Johnes Disease) in cattle and dairy herds.

**REVENUE SOURCES FOR APPROPRIATION(S):**

This request will be funded from the program revenue appropriation under s. 20.143 (2)(h)—Sales of Supplies. DATCP will receive revenues from veterinarians for the purchase of specialized equipment associated with monitoring individual animals that test positive for paratuberculosis.

**BACKGROUND:**

Paratuberculosis is one of the most widespread diseases affecting cattle and other ruminants. Recent studies indicate that over 54% of herds and 7% of cattle are infected, with estimated economic losses of \$200 million to \$1.5 billion annually to the US cattle industry.

DATCP has worked to contain and control the spread of paratuberculosis in cattle over the last several years. Beginning July 1, 2000, a new program will be implemented under the implied warranty law that seeks to increase the number of herds voluntarily tested for the disease. Under the program, animal owners that choose not to have their herds tested will be placed in a category of "maximum risk" for contracting paratuberculosis. Participating herds will be placed in one of four categories based on the number of positive reactors found during testing.

In order to adequately implement the new rule, animals that test positive will need to be identified and monitored. Veterinarians will need to acquire specialized equipment to notch the letter "J" in the ear of an animal that tests positive. DATCP will acquire this equipment in order to reduce the cost to individual veterinarians.

**ANALYSIS:**

Interest in the new disease control program has been extremely high. In order to meet the monitoring demand associated with the new rule, veterinarians will need the equipment over the next few months. DATCP does not have sufficient expenditure authority in its Sale of Supplies appropriation to meet the cost of acquiring the notchers.

It is expected that 400 notchers will be necessary, based on an estimate of the number of veterinarians that will participate in the program. These notchers are being produced specifically for the Wisconsin program by a Canadian firm that specializes in this type of equipment. In addition to purchase of the equipment, DATCP is requesting expenditure authority to meet shipping, handling and processing costs associated with reselling the notchers.

Notcher	\$18,000
Shipping to Veterinarian	1,400
LTE Labor	900
Phone Charge	100
Direct billing for labor	2,300
Postage to DATCP	300
<b>Total</b>	<b>\$23,000</b>

The Sales of Supplies appropriation is currently authorized at \$30,300 PR in FY00. DATCP projects total costs of \$47,400 for all activities funded from the appropriation, including the cost of acquiring the notchers and processing orders from veterinarians. As such, an additional \$20,000 in expenditure authority should be sufficient to meet anticipated costs.

**RECOMMENDATION:**

Approve the request.

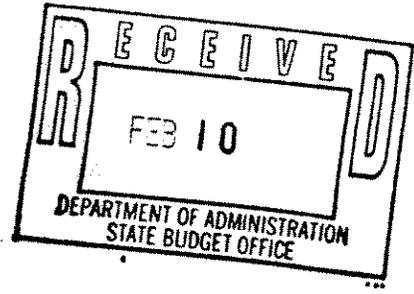


State of Wisconsin  
Tommy G. Thompson, Governor

Department of Agriculture, Trade and Consumer Protection  
Ben Brancel, Secretary

CCDS  
SS

**DATE:** February 4, 2000  
**TO:** Richard G. Chandler, State Budget Director  
Department of Administration  
**FROM:** Ben Brancel, Secretary *Ben Brancel*  
Department of Agriculture, Trade and Consumer Protection  
**SUBJECT:** S. 16.515 Request for increased spending Authority for Appropriation  
20.115(2)(h), Sale of Supplies



Request

The Department of Agriculture, Trade and Consumer Protection requests a one-time increase in PRO spending authority of \$20,000 for the Sale of Supplies account in FY00. This additional spending authority is necessary for the Division of Animal Health (DAH) to carry out its disease surveillance and health certification duties. Program revenues will be sufficient to cover these expenditures.

Background

The DAH is responsible for providing diagnostic assistance to veterinarians and animal producers, disease surveillance information to regulatory agencies, and health certification to the genetics industry and exporters.

History

Paratuberculosis, or Johne's disease, is one of the most important and widespread diseases affecting cattle and other ruminants. A Wisconsin study published in 1994 indicates about a third of the herds and almost 5% of the cattle tested were infected with this disease. A 1999 Michigan study indicated that 54% of the herds and about 7% of the cattle tested were infected. This has a high economic cost to producers and the economy; estimated losses from the disease range from 200 million to 1.5 billion per year to the U.S. cattle industry.

Previously, two programs to control Johne's disease were tried and have proven to be ineffective. A new program will be instituted on July 1, 2000. This program is authorized under s. 95.195, known as the implied warranty law. While still remaining a voluntary program, it provides incentives for participation. The new program establishes a classification process for herds. If a person chooses not to participate their herds will be placed in the "maximum risk" category. Those that choose to participate will be placed in one of four categories based on the number of positive reactors found during testing.

Under this new rule the seller is exempt from the implied warranty law if he/she discloses the classification of the herd from which the animal originated. Any animal that tests positive for the disease must be permanently marked; the chosen method is a "J" notch on the ear.

### Analysis

There has been an overwhelming response to the anticipated start of this program. It is imperative that the supplies needed to meet the statutory requirement for the permanent marking of Johne's disease positive animals is available. The Division of Animal Health has been asked to provide the "J" notchers for resale. There are currently insufficient resources available for this purpose. A limited term employee is requested to assist with the processing of orders, billing, deposits, and the mailing of the notchers. Other supplies are sold through this account and the temporary initial wave of requests expected for the 'J' notchers is more than existing staff can handle.

One-time spending authority of \$20,000 is requested for the purchase of notchers. The notchers will be purchased from Ketchum Manufacturing of Ottawa, Canada. Following is detail costs used to determine the \$58 charge for each notcher:

Notcher	\$45.11
Shipping to Veterinarian	3.47
Direct LTE labor	2.36
Phone charge	.25
Direct billing labor	5.78
Postage/invoice or cc charges	.66
<b>Total</b>	<b>\$58.00</b>

A total of \$20,000 is needed for the initial purchase of 400 notchers.

### Consequences

If budget authority is not increased, the DAH will be unable to purchase and distribute the "J" notchers in a timely manner. This will delay the testing, permanent marking, and categorizing of herds, resulting in a failure to control the spread of Johne's disease.

### Revenue Sources for Appropriation

The source of revenue deposited to the appropriation s. 20.115(2)(h), Sale of Supplies, will be funds paid by Veterinarians purchasing the "J" notchers to mark diseased animals. There will be sufficient revenue to cover the expenditures.

### How the Request Meets Statutory Criteria

This request meets the requirements for an emergency funding request, because the support of the new program has been much greater than expected. As a result, the demand for "J" notchers is greater than anticipated.

**Contact**

If you have any questions regarding this matter, please contact Larry Jung, Division of Animal Health at (608) 266-2465.

WAHL-SALE OF SUPPLIES		BUDGET STATUS REPORT					01/06/00	
2141-P2-232	Obj	COST		DIFFERENCE	SUPPLEMENTS	PROPOSED ADJUSTMENT	PROPOSED BUDGET	
ACTUALS THROUGH	Code	BUDGET	ESTIMATE					
12/31/99								
Classified Civil Service	CCS	0	0	0	0	0	0	
Unclassified Civil Service	UCS	0	0	0	0	0	0	
Project Position Salaries	PPS	0	0	0	0	0	0	
Turnover (negative)		0	0	0	0	0	0	
FTE and Total Salaries	0.00	0	0	0	0	0	0	
Limited Term Employes	LTE	0	7,700	(7,700)	0	0	0	
Fringe Benefits	FBE	0	589	(589)	0	0	0	
Advertising	ADV	0	0	0	0	0	0	
Supplies-Alt Fuels	ALF	0	0	0	0	0	0	
Contractual Services Exp	CSE	500	200	300	0	0	500	
Dues & Subscriptions	DAS	0	0	0	0	0	0	
Data Network Charges	DNC	0	0	0	0	0	0	
Data Processing Private	DPP	0	0	0	0	0	0	
Data Processing State	DPS	0	500	(500)	0	0	0	
Food	FOD	0	0	0	0	0	0	
Fuels/Supplies Vehicles	FSV	0	0	0	0	0	0	
Housekeeping/Janitorial	HJS	0	600	(600)	0	0	0	
Indirect Cost Allowance	ICA	0	0	0	0	0	0	
Insurance	INS	0	0	0	0	0	0	
Interchange Agreements	INT	0	0	0	0	0	0	
Inmate/Resident Earnings	IRE	0	0	0	0	0	0	
Laboratory Services	LSE	0	0	0	0	0	0	
Laboratory Supplies	LSU	5,000	19,988	(14,988)	0	0	5,000	
M&R DP Equipment	MDP	0	0	0	0	0	0	
Medical	MED	0	0	0	0	0	0	
Minor Equip & Software	MES	0	1,200	(1,200)	0	0	0	
Materials for Resale	MFR	0	0	0	0	0	0	
M&R-Land/Structure	MLS	0	0	0	0	0	0	
Maintenance Supplies	MNS	0	500	(500)	0	0	0	
Mailing/Postage/Freight	MPF	15,000	10,198	4,802	0	0	15,000	
M&R Other Equipment	MRE	0	0	0	0	0	0	
M&R Vehicles	MRV	0	0	0	0	0	0	
Non State/STS Calls	NST	1,000	1,000	(0)	0	0	1,000	
Other Admin & Operating	OAO	600	409	191	0	0	600	
Printing	PRT	2,000	3,549	(1,549)	0	0	2,000	
Rent/Lease Equipment	RLE	0	0	0	0	0	0	
Rent/Lease of Land	RLI	0	0	0	0	0	0	
Rent/Lease Vehicles	RLV	0	0	0	0	0	0	
Rent-Privately Owned Space	RPS	0	0	0	0	0	0	
Rent-State Owned Space	RSS	0	0	0	0	0	0	
Supplies-Clothing/Household	SCH	0	0	0	0	0	0	
Mat & Supplies - Other	SPL	0	0	0	0	0	0	
S & S Transfer	SST	0	0	0	0	0	0	
STS Calls	STS	0	0	0	0	0	0	
Other Communications	TCM	0	0	0	0	0	0	
Travel & Training/In State	TIS	0	0	0	0	0	0	
Travel & Training/Out State	TOS	0	0	0	0	0	0	
Travel & Training/Other	TTE	0	0	0	0	0	0	
Utilities-Heating/Cooling	UHC	0	0	0	0	0	0	
Utilities-Electric	UTE	5,000	500	4,500	0	0	5,000	
Utilities-Gas	UTG	1,200	500	700	0	0	1,200	
Utilities-Water/Sewage	UWS	0	0	0	0	0	0	
Future-1		0	0	0	0	0	0	
Future-2		0	0	0	0	0	0	
Total Supplies & Services		30,300	39,144	(8,844)	0	0	30,300	
Fixed Assets-Equipment	FXE	0	0	0	0	0	0	
Fixed Assets-Motor Vehicles	FXC	0	0	0	0	0	0	
Fixed Assets-Trucks	FXT	0	0	0	0	0	0	
Total Fixed Assets		0	0	0	0	0	0	
Local Assistance	LOC	0	0	0	0	0	0	
Special Purpose	SPE	0	0	0	0	0	0	
Aids To Ind & Org	AIO	0	0	0	0	0	0	
Intrafund Transfers Out	IFT	0	0	0	0	0	0	
Total Grants & Aids		0	0	0	0	0	0	
Unallotted Reserve	UAR	0	0	0	0	0	0	
Total		30,300	47,433	(17,133)	0	0	30,300	

	CODES	TITLES				REVENUE AND BALANCES FORM
DEPARTMENT	115	Department of Ag, Trade & Cons. Prot.				B-3
PROGRAM	02					
FUND	100					
NUMERIC APPROPRIATION	232	Sale of Supplies				1/6/00
REVENUE TYPE	PRO					
		SFY 1999	SFY 2000	SFY 2001	SFY 2002	
REVENUE & EXPENDITURES		Actuals	EST	EST	EST	
Opening Balance		11,724	6,359	1,125	3,692	
GPR-Earned or Program Rev		20,556	42,200	20,000	20,000	
Interest Earnings						
Proposed Fee/Rate Increases						
Revenue Reductions (enter negatives)						
Interest Payments						
Statutory Lapses						
Computer Network						
Total Revenue		20,556	42,200	20,000	20,000	
Total Available		32,279	48,559	21,125	23,692	
Expenditure Total		25,921	47,433	17,433	17,433	
Prior Year Encumbrance						
Pay Plan Salary (2% in FY00, 2.5% other yrs.)-Enter Sal Base below			0	0	0	
0						
Pay Plan Fringe (22.5% * Pay Plan)			0	0	0	
FY01 Add'l Salary for 27th Pay Period (3.84%)				0		
FY01 Add'l Fringe Bens for 27th Pay Period				0		
S&S increases for supps (2%/yr)-Enter SS Base below				0	0	
0						
Total Expend. & Reserves		25,921	47,433	17,433	17,433	
Closing Balance		6,359	1,125	3,692	6,258	

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION  
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



Office of the Secretary  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1741  
Fax (608) 267-3842  
TTY (608) 267-9629

**Date:** February 23, 2000

**To:** George Lightbourn, Secretary  
Department of Administration

**From:** Steven Milioto *SRM*

**Subject:** Request under s. 16.515 from the Department of Public Instruction for \$244,000 PR in additional expenditure authority

**REQUEST:**

The Department of Public Instruction (DPI) is requesting approval of \$244,000 PR in additional expenditure authority in FY00 and thereafter for appropriation s. 20.255 (1)(hg), personnel certification, teacher supply, information and analysis and teacher improvement. The current expenditure authority for this appropriation is \$2,501,800 PR.

**REVENUE SOURCES FOR APPROPRIATION(S):**

DPI will fund additional program costs with PR from appropriation s. 20.255 (1)(hg). Funding is generated primarily through the sale of licenses to school and public library personnel.

**BACKGROUND:**

DPI certifies teachers and public librarians in Wisconsin by issuing and renewing licenses and permits for a set fee. The collected fees are then deposited in appropriation (1)(hg) and are used to fund the administrative costs associated with the teacher licensure program. These costs include processing license applications and conducting criminal background investigations of each applicant. DPI, with the assistance of the Department of Justice (DOJ), is required to conduct a criminal background investigation on each applicant for issuance or renewal of a license or permit. DOJ charges \$5 for each background investigation of a Wisconsin resident, and \$34 for each investigation assisted by the Federal Bureau of Investigation.

DPI estimates that license revenues will total \$3,012,300 in FY00. Ten percent of this amount (\$301,200) is deducted automatically from appropriation 20.255 (1)(hg) to comply with the lapse requirement specified in statute. Additional revenues for this appropriation include a carryover cash balance of \$124,800, and \$200,000 in income

from the Wisconsin Improvement Program, which places intern teachers in schools. DPI estimates that total available revenue for this appropriation in FY00 will be \$3,035,900.

**ANALYSIS:**

DPI's request for additional expenditure authority is based on increased cost projections for FY00. DPI attributes these increased costs to increases in the number of background checks that the agency will conduct in FY00 as a result of increased license applications. For FY99, DPI approved 25,271 license applications. For FY00, DPI estimates that agency staff will approve 30,123 applications (at an average license fee of \$100.) Estimated program costs associated with this increased level of license application and renewal include \$1,131,000 for salary costs, \$417,200 for fringe benefits, \$1,175,000 for supplies and services, and \$22,600 for limited term employees.

DPI estimates that the most substantial increase in expenditures between FY99 and FY00 will occur in the area of supplies and services. The cost of background checks for FY00 is expected to total \$516,600, including \$106,700 for investigations conducted in FY99 that DPI was unable to pay for due to insufficient expenditure authority. This is in comparison to the \$349,500 that DPI actually spent for this purpose in FY99. DPI also projects cost increases in FY00 for information technology and application development (\$40,300), capital improvements (\$15,000), and professional development and memberships (\$29,700).

DPI's request for additional expenditure authority for the teacher licensure program only reflects its cost projections for FY00. The \$2,745,800 DPI anticipates expending in FY00 is significantly lower than the \$3,035,900 in revenues the agency expects to generate for the fiscal year. If costs should outpace DPI's projections for FY00, DPI could submit a supplementary request for additional expenditure authority.

The request for \$244,000 in additional PR expenditure authority for the teacher licensure program is reasonable given the costs DPI anticipates it will incur in FY00. The additional expenditure authority will insure that DPI meets its statutory obligations.

**RECOMMENDATION:**

Approve the department's request for additional permanent expenditure authority of \$244,000 for s. 20.255 (1)(hg).

Memorandum

Peter Bunker



STATE OF WISCONSIN  
DEPARTMENT OF PUBLIC INSTRUCTION

CC BN  
PM

DATE: February 8, 2000  
TO: Richard Chandler  
State Budget Office  
FROM: John Benson  
State Superintendent

FEB - 8 2000

SUBJECT: s. 16.515 Request Related to the Teacher Education and Licensing Program

REQUEST:

The Department of Public Instruction requests an increase in budget authority of \$244,000 in FY00 for appropriation s. 20.255 (1)(hg), personnel certification, teacher supply, information and analysis and teacher improvement.

BACKGROUND:

The state superintendent, under s. 118.19 (10), Wis. Stats., is required, with the assistance of the Department of Justice (DOJ), to conduct a criminal background investigation on each applicant for issuance or renewal of a license or permit. DOJ charges \$5 for each in-state background investigation and \$34 for each FBI-assisted investigation.

The chapter 20 appropriation of \$2,361,800 was permanently increased by \$140,000 in 1999. Therefore, the FY00 budget authority for the personnel certification is \$2,501,800.

Sec. 20.255 (1)(hg), Wis. Stats., requires that ninety percent of all monies received from the certification of school and public library personnel be credited to this appropriation to fund certification administrative costs. Projected revenues in fiscal year 1999-00 from the sale of teacher licenses, based on an estimate of 30,123 licenses and permits issued, total \$3,012,300. The cash balance from June 30, 1999 was \$124,788. The Wisconsin Improvement Program places intern teachers in schools, and is expected to generate \$200,000 in FY00. However, this revenue is not subject to the lapse required under sec. 20.255 (1)(hg).

RATIONALE:

The agency projects the following expenditures of \$244,000 greater than current budget authority. These expenditures can be attributed primarily to an increase in background checks brought about, in part, by an increase in applicants for teaching licenses. Estimated expenditures for FY00 include \$1,131,000 in salaries, \$417,200 in fringe benefits, \$1,175,000 in supplies and services, and \$22,600 in limited term employees.

The following breakdown of estimated costs for FY00 as compared to actual FY99 costs illustrates the increases anticipated in the teacher certification program.

	Actual FY99	Estimated FY00
Salary	\$1,121,800	\$1,131,000
Fringe	408,100	417,200
LTE	16,900	22,600
S & S	921,600	1,175,000
<b>Total</b>	<b>\$2,468,400</b>	<b>\$2,745,800</b>

The largest increase in expenditures is in supplies and services. Costs for background checks in FY00, including \$106,700 for investigations conducted in FY99, are expected to total \$516,000, compared with \$349,500 in FY99. Other significant increases in supplies and services include: \$15,500 for information technology; \$24,800 for application development; \$15,000 in capital expenses (two desktop projection systems and associated accessories used for sharing information related to certification rules); \$4,400 for professional development used to reimburse participating teachers in Teacher World curriculum planning meetings; and \$25,300 in professional memberships. The increase in membership costs resulted from charges by the Council of Chief State School Officers for the development of a test for teaching knowledge. All member states were billed an additional \$8,000 so that the test could be completed and made available in 2000.

The increase in budget authority in the personnel certification appropriation is needed due to a projected increase in expenditures. The department projects an increase in revenues to support these expenditures. The anticipated additional revenues are based on an increase in teacher licenses and permits being issued. In 1998-99, the department processed 25,271 applications for licenses and permits; the projection for 1999-00 applications and permits is over 30,000. For the first six months of this year, the department has processed 22 percent more applications than for the same time period in 1999. This increase can be attributed to the issuance of more substitute permits, an anticipated renewal of nearly 25,000 licenses issued in 1994-95, and an estimate of 5,000 education program completers and new hires.

Based on our projections, there will be sufficient revenues to cover the additional expenditures in FY00. Should you approve the department's request, the new budget authority would be \$2,745,800.

Total Projected Revenue for FY00	3,035,900
Projected FY00 Expenditures	2,745,800
Less Chapter 20 Budget Authority in FY00	2,501,800
<b>Additional Increase in Spending Authority Requested</b>	<b>244,000</b>
<b>New Budget Authority</b>	<b>\$2,745,800</b>

Should you have any questions regarding this request, please contact Brian Pahnke at 266-2804.

cc: Peter Maternowski - State Budget Office  
Tricia Collins - Legislative Fiscal Bureau

*END*



*END*