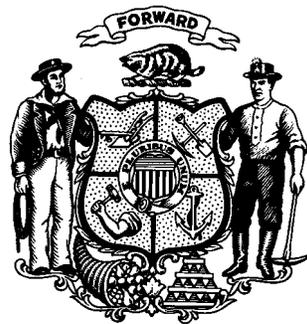


# Comparative Summary of Budget Recommendations

2011 Act 32

(Including Budget Adjustment Acts 10, 13, and 27)

Volume II



Legislative Fiscal Bureau  
August, 2011

2011-13 Wisconsin State Budget

# **2011-13 WISCONSIN STATE BUDGET**

## **Comparative Summary of Budget Provisions**

**Enacted as 2011 Act 32**

**(Including Budget Adjustment Acts 10, 13, and 27)**

### **Volume II**

**LEGISLATIVE FISCAL BUREAU**

**ONE EAST MAIN, SUITE 301  
MADISON, WISCONSIN**

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**STATE AGENCY BUDGET SUMMARIES**

**Natural Resources Through Workforce Development**

## \NATURAL RESOURCES

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$239,203,400	\$193,167,600	\$216,213,700	\$216,213,700	\$216,213,700	- \$22,989,700	- 9.6%
FED	153,799,000	158,863,600	158,863,600	158,863,600	158,863,600	5,064,600	3.3
PR	73,622,200	73,251,200	73,375,800	73,375,800	73,375,800	- 246,400	- 0.3
SEG	<u>662,809,600</u>	<u>591,374,200</u>	<u>627,900,400</u>	<u>627,900,400</u>	<u>627,900,400</u>	<u>- 34,909,200</u>	- 5.3
<b>TOTAL</b>	<b>\$1,129,434,200</b>	<b>\$1,016,656,600</b>	<b>\$1,076,353,500</b>	<b>\$1,076,353,500</b>	<b>\$1,076,353,500</b>	<b>- \$53,080,700</b>	<b>- 4.7%</b>
BR		\$25,000,000	- \$209,000,000	- \$209,000,000	- \$209,000,000		

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	300.69	291.10	291.10	291.10	291.10	- 9.59
FED	489.42	474.69	474.69	474.69	474.69	- 14.73
PR	267.14	257.14	258.14	258.14	258.14	- 9.00
SEG	<u>1,651.97</u>	<u>1,614.01</u>	<u>1,614.01</u>	<u>1,614.01</u>	<u>1,614.01</u>	<u>- 37.96</u>
<b>TOTAL</b>	<b>2,709.22</b>	<b>2,636.94</b>	<b>2,637.94</b>	<b>2,637.94</b>	<b>2,637.94</b>	<b>- 71.28</b>

### Budget Change Items

### Departmentwide

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide an increase of \$15,454,300 in 2011-12 and \$15,185,700 in 2012-13 with the deletion of nine project positions for adjustments to the base budget as follows: (a) -\$3,063,200 annually for turnover reduction (-\$337,300 GPR, -\$471,700 FED, -\$114,100 PR, and -\$2,140,100 SEG); (b) -\$924,900 in 2011-12 (-\$125,300 FED, -\$262,400 PR, and -\$537,200

	Funding	Positions
GPR	\$6,060,600	0.00
FED	7,080,200	- 4.00
PR	5,785,600	- 3.00
SEG	<u>11,713,600</u>	<u>- 2.00</u>
Total	\$30,640,000	- 9.00

SEG) with a reduction of 6.0 positions, and -\$1,193,500 in 2012-13 (-\$278,500 FED, -\$330,400 PR and -\$584,600 SEG) with a reduction of 9.0 positions for removal of non-continuing elements from the base; (c) \$16,349,900 annually (\$3,406,100 GPR, \$4,259,600 FED, \$3,295,000 PR, and \$5,389,200 SEG) for full funding of continuing salaries and fringe benefits; (d) \$3,324,300 annually (\$8,300 PR and \$3,316,000 SEG) for overtime; and (e) -\$231,800 annually (-\$38,500 GPR, -\$45,900 FED, and -\$147,400 SEG) for full funding of leases and directed moves.

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

GPR	- \$2,814,600
FED	- 4,359,800
PR	- 2,631,200
SEG	- 14,640,600
Total	- \$24,446,200

**Governor/Legislature:** Delete \$12,223,300 in 2011-12 (\$1,364,400 GPR, \$2,180,100 FED, \$1,315,600 PR, and \$7,363,200 SEG) and \$12,222,900 in 2012-13 (\$1,450,200 GPR, \$2,179,700 FED, \$1,315,600 PR, and \$7,277,400 SEG) to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS**

**Governor:** Convert 3.0 SEG classified positions (2.0 Administration and Technology operations positions and 1.0 Division of Land operations position) to the unclassified service.

Under 2011 Act 10, 38 classified positions are transferred into the unclassified service to serve as division administrators. The act also redefines "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) would be moved from classified to unclassified service within specified agencies. The revised unclassified positions would be renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions would be at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of Act 10 in regards to the transfer of classified positions to unclassified positions as recommended by the Governor.

**Assembly/Legislature:** Repeal a 2011 Act 10 provision transferring three DNR staff from the classified to the unclassified service. Rather, delete the conversion of 1.0 SEG Division of Lands operations position from classified to unclassified and instead convert 1.0 Division of Customer Assistance and Licensing position (0.8 SEG and 0.2 GPR) in the Bureau of

Communication and Education from the classified to the unclassified service. Consistent with Act 10, the provision would also increase the number of unclassified division administrators in DNR from seven to 10 and transfer two Division of Administration and Technology staff from classified to unclassified.

[Act 32 Sections: 2755am, 3570g, and 9135(4u)]

#### 4. ELIMINATE LONG-TERM VACANCIES

**Governor/Legislature:** Delete \$3,974,200 annually and 66.28 positions to reflect the elimination of long-term vacant positions under the bill. The annual reductions would include -\$621,600 GPR and -9.59 GPR positions, -\$625,200 FED and -10.73 FED positions, -\$802,600 PR and -11.00 PR positions, and -\$1,924,800 SEG and -34.96 SEG positions. Funding and position reductions are associated with positions that have been vacant for 12 months or more. Position reductions by appropriation are shown below.

	<b>Funding</b>	<b>Positions</b>
GPR	- \$1,243,200	- 9.59
FED	- 1,250,400	- 10.73
PR	- 1,605,200	- 11.00
SEG	<u>- 3,849,600</u>	<u>- 34.96</u>
Total	- \$7,948,400	- 66.28

<u>Fund</u>	<u>Appropriation</u>	<u>Annual</u>	<u>Positions</u>
	<b>Land Division</b>		
GPR	Parks- general operations	-\$234,300	-3.99
PR	Division operations - service funds	-33,600	-0.50
SEG	Endangered resources - voluntary payments, sales, leases, and fees	-144,400	-2.00
SEG	Division operations - conservation fund	-590,200	-11.21
	<b>Forestry Division</b>		
SEG	Forestry operations - conservation fund	-165,400	-3.00
	<b>Air and Waste Division</b>		
FED	Division operations - federal	-109,700	-1.50
PR	Air management - stationary sources	-85,000	-1.00
PR	Solid waste management - solid and hazardous waste disposal, administration	-263,000	-3.50
PR	Mining - mining regulation and administration	-36,100	-0.50
SEG	Solid waste management - environmental repair, petroleum spills, administration	-80,600	-1.25
SEG	Recycling - administration	-33,600	-0.50
SEG	Division operations - environmental fund	-80,600	-1.25
	<b>Enforcement and Science Division</b>		
FED	Division operations - federal	-39,100	-1.00
SEG	Division operations - conservation fund	-99,500	-1.50
SEG	Lake river and invasive species management	-67,200	-1.00
	<b>Water Division</b>		
GPR	Division operations - state funds	-387,300	-5.60
FED	Watershed management operations - federal	-233,200	-4.00
FED	Fisheries management and habitat protection - federal	-243,200	-4.23
PR	Water regulation and zoning - fees	-67,200	-1.00

<u>Fund</u>	<u>Appropriation</u>	<u>Annual</u>	<u>Positions</u>
SEG	Great Lakes trout and salmon	-\$49,400	-1.00
SEG	Trout habitat improvement	-61,800	-1.25
SEG	Division operations - environmental fund	-67,200	-1.00
SEG	Division operations - conservation fund	-419,000	-9.00
<b>Administration and Technology</b>			
PR	Geographic information systems operations - service funds	-317,700	-4.50
SEG	Division operations - conservation fund	<u>-65,900</u>	<u>-1.00</u>
		<b>-\$3,974,200</b>	<b>-66.28</b>

## 5. BUDGET REDUCTIONS

GPR	- \$1,799,600
PR	<u>- 2,195,800</u>
Total	- \$3,955,400

**Governor/Legislature:** Delete \$1,970,300 (including \$872,400 GPR and \$1,097,900 PR) in 2011-12 and \$2,025,100 (including \$927,200 GPR and \$1,097,900 PR) in 2012-13 associated with a reduction of 10% to supplies and other non-personnel costs (excluding salary and fringe benefits) in most GPR and PR appropriations. The reductions, by appropriation, are shown below.

<u>Fund</u>	<u>Appropriation</u>	<u>Base</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Land Division</b>				
GPR	Parks operations	\$5,048,900	-\$71,300	-\$126,100
GPR	Endangered resources natural heritage inventory program	241,400	-1,100	-1,100
GPR	Division operations	11,600	-600	-600
PR	Elk management	196,400	-6,900	-6,900
PR	Reintroduction of whooping cranes	119,600	-1,900	-1,900
PR	Division operations - private and public sources	659,000	-51,500	-51,500
PR	Division operations - service funds	785,600	-35,500	-35,500
<b>Air and Waste Division</b>				
GPR	Air management - motor vehicle emission inspection and maintenance	61,900	-100	-100
GPR	Division operations - state funds	1,693,600	-18,100	-18,100
PR	Air management - state-regulated stationary sources	2,192,200	-17,300	-17,300
PR	Air management - asbestos management	575,800	-23,700	-23,700
PR	Air management - recovery of ozone-depleting refrigerants	301,600	-1,300	-1,300
PR	Air management - construction permit review and enforcement	1,985,100	-28,100	-28,100
PR	Solid and hazardous waste operations	2,695,600	-34,900	-34,900
PR	Remediated property (brownfields) fees	1,573,800	-4,600	-4,600
PR	Mining regulation and administration	123,300	-8,500	-8,500
PR	Division funds from other agencies	93,900	-9,400	-9,400
<b>Enforcement and Science Division</b>				
GPR	Division operations	3,159,900	-15,000	-15,000
PR	Snowmobile enforcement and safety training service funds	1,184,800	-40,700	-40,700
PR	Enforcement - stationary sources	106,400	-1,900	-1,900
PR	Operator certification fees	83,100	-200	-200
PR	Environmental impact - power projects	27,800	-1,400	-1,400
PR	Laboratory certification	730,700	-14,200	-14,200
PR	Division operations - private and public sources	376,000	-28,800	-28,800
PR	Division operations - funds from other entities	1,616,900	-18,200	-18,200

<u>Fund</u>	<u>Appropriation</u>	<u>Base</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Water Division</b>				
GPR	Division operations - state funds	\$15,092,900	-\$86,600	-\$86,600
GPR	Water resources - remedial action	13,380	-13,400	-13,400
PR	Water resources - water use fees	924,400	-44,500	-44,500
PR	Water resources - ballast water discharge permits	246,400	-700	-700
PR	Water regulation and zoning - fees	948,000	-15,300	-15,300
PR	Storm water management - fees	1,708,700	-20,300	-20,300
PR	Wastewater management - fees	138,800	-3,200	-3,200
PR	Groundwater quality administration	464,100	-5,600	-5,600
PR	Groundwater quantity research	93,900	-9,400	-9,400
PR	Fishery resources for ceded territories	156,000	-1,100	-1,100
PR	Division operations - private and public sources	220,300	-5,100	-5,100
PR	Division operations - service funds	488,600	-9,500	-9,500
<b>Conservation Aids</b>				
GPR	Wild rivers interpretive center	25,300	-2,500	-2,500
<b>Environmental Aids</b>				
GPR	Nonpoint source grants	787,900	-78,800	-78,800
GPR	Local water quality planning grants	252,700	-25,300	-25,300
PR	Groundwater mitigation and local assistance	480,700	-48,100	-48,100
<b>Debt Service and Development</b>				
GPR	Resource maintenance and development	839,600	-84,000	-84,000
GPR	Facilities acquisition development and maintenance	160,400	-16,000	-16,000
GPR	State park, forest, and riverway roads	2,953,500	-295,400	-295,400
<b>Administration and Technology</b>				
GPR	Division operations - state funds	2,692,000	-151,300	-151,300
PR	Division operations - service funds	4,814,900	-424,200	-424,200
PR	Geographic information systems operations - other funds	36,300	-3,600	-3,600
PR	Geographic information systems operations - service funds	1,658,400	-14,700	-14,700
<b>Customer Service and Employee Assistance</b>				
GPR	Division operations - state funds	1,459,600	-12,900	-12,900
PR	Education programs - program fees	69,800	-400	-400
PR	Approval fees to Lac du Flambeau band - service funds	93,900	-9,400	-9,400
PR	Division operations - stationary sources	452,500	-1,000	-1,000
PR	Division operations - private and public sources	37,500	-3,800	-3,800
PR	Division operations - service funds	<u>1,633,500</u>	<u>-149,000</u>	<u>-149,000</u>
	Total	\$71,316,900	-\$1,970,300	-\$2,025,100

## 6. CAR-KILLED DEER FUNDING [LFB Paper 460]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$102,000	- \$117,000	- \$219,000
SEG	<u>0</u>	<u>- 219,000</u>	<u>- 219,000</u>
Total	- \$102,000	- \$336,000	- \$438,000

**Governor:** As part of budget reductions of 10% of supplies and other-non personnel costs in most GPR and PR appropriations, reduce the annual authorized expenditures in the appropriation for administration of the car-killed deer removal program by \$51,000 GPR annually. Program GPR is matched by an equal amount of fish and wildlife account SEG.

**Joint Finance/Legislature:** Reduce the appropriations for administration of the car-killed deer removal program by an additional \$58,500 GPR and by \$109,500 SEG each year to reflect recent expenditure levels. The program would be funded at \$800,000 annually (\$400,000 GPR and \$400,000 SEG).

## 7. TRANSFERS WITHIN APPROPRIATIONS

**Governor/Legislature:** Authorize the following transfers between subprograms within the same appropriation:

	<u>Amount</u>	<u>FTE</u>	<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
<b>Campground Reservation Fees Split</b>					
Parks and forests - campground reservation fees	\$67,500	0.00	SEG	Parks	Forestry
Parks and forests - campground reservation fees	223,900	0.00	SEG	Parks	Southern Forests
<b>Administration and Technology</b>					
Operations - conservation fund	25,500	0.30	SEG	Technical Services	Human Resources
Indirect cost reimbursements	59,500	0.70	FED	Technical Services	Human Resources
Operations - general fund	114,300	1.00	GPR	Human Resources	Finance
<b>Customer Assistance and Employee Services</b>					
Operations - environmental fund	45,300	0.50	SEG	Communication and Education	Customer Service and Licensing
Natural Resources Magazine	997,500	3.50	SEG	Communication and Education	Customer Service and Licensing
Indirect cost reimbursements	78,400	1.00	FED	Communication and Education	Customer Service and Licensing

**Campground Reservation Fees Split.** Split expenditure authority within the campground reservation fee appropriation between the parks, forests, and southern forests subprograms to reflect reservation fees collected for campground reservations at campgrounds within state forests and southern state forests. Under s. 27.01 of the statutes, DNR collects a camping reservation fee and then pays \$9 of every \$10 collected to a private vendor, who maintains the reservation system. Reservation fee revenues are deposited in this appropriation for payment to the vendor. The bill would transfer \$67,500 to the forestry subprogram (forestry account) and \$223,900 to the southern forests subprogram (forestry account) leaving \$958,600 remaining in the parks account subprogram.

**Administration and Technology.** Transfer \$85,000 SEG and 1.0 environmental health specialist position from technical services to human resources. This transfer includes \$25,500 and 0.30 FTE within an appropriation split-funded from the conservation fund related to administration and technology operations, and \$59,500 and 0.70 FTE within a federal indirect appropriation. In addition, transfer \$114,300 GPR and 1.0 Information Systems (IS) development services specialist position from Human Resources to Finance within a GPR

general program operations appropriation related to administration and technology.

**Customer and Employee Services.** Make the following transfers from Communication and Education to Customer Service and Licensing to reflect the transfer of educational-related positions from the Communication and Education subprogram to other subprograms. Transfer \$45,300 SEG and 0.5 IS business automation position within an environmental fund general program operations appropriation. Transfer \$997,500 SEG and 3.5 positions within a natural resources magazine conservation fund SEG appropriation including: \$38,100 and 0.5 natural resources financial assistance specialist; \$96,600 and 1.0 natural resources program specialist; \$90,100 and 1.0 communications specialist-advanced position; \$108,300 and 1.0 natural resources magazine editor position; and \$641,100 in supply line funding and \$23,300 for LTEs. In addition, transfer \$78,400 FED and 1.0 communications specialist-advanced position within a federal indirect cost reimbursement appropriation.

## 8. TRANSFERS BETWEEN APPROPRIATIONS

**Governor/Legislature:** Transfer annual funds and positions between appropriations within DNR as follows:

	<u>Amount</u>	<u>FTE</u>	<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
<b>Bureau of Communication and Education Transfers</b>					
Information Systems (IS) Development Services	\$41,400	0.50	FED	Communication and Education	Technical Services
IS Development Services, Senior	41,400	0.50	SEG	Communication and Education	Technical Services
IS Comprehensive Services Specialist	97,400	1.00	FED	Communication and Education	Technical Services
IS Business Automation Specialist	95,000	1.00	SEG	Communication and Education	Technical Services
Natural Resources Educator, Advanced	241,200	0.50	PR	Communication and Education	Air Management
Natural Resources Educator, Advanced	126,900	0.50	SEG	Communication and Education	Air Management
Program and Policy Analyst	76,300	1.00	SEG	Communication and Education	Waste and Materials Management
Natural Resources Educator, Advanced	205,100	1.00	SEG	Communication and Education	Waste and Materials Management
Natural Resources Program Manager	75,200	0.55	SEG	Human Resources	Communication and Education
<b>Technical Services Transfers</b>					
Training Officer - Web Business Products Manager	84,800	1.00	SEG	Technical Services	Customer Service and Licensing
Natural Resources Financial Assistance Specialist	65,500	1.00	SEG	Technical Services	Community Financial Assistance

**Communication and Education Transfers.** Make the following transfers from the communication and education subprogram to reflect the transfer of educational-related services from this subprogram to other subprograms.

Transfer web technology positions from communication and education to technical services including: (a) transfer \$82,800 and 1.0 IS development services position (\$41,400 FED

and 0.50 FTE and \$41,400 conservation fund SEG and 0.5 FTE) (b) \$97,400 FED and 1.0 IS comprehensive services position; and (c) \$95,000 conservation fund SEG and 1.0 IS business automation specialist position.

The bill would also transfer \$94,800 and 1.0 natural resources educator position (\$47,400 PR and 0.50 FTE and \$47,400 SEG and 0.5 FTE) and \$273,300 (\$193,800 PR and \$79,500 SEG) in supply line funding from communication and education to air management. In addition, transfer \$76,300 environmental fund (formerly recycling fund) SEG and 1.0 program and policy analyst and \$205,100 environmental fund (formerly recycling fund) SEG and 1.0 natural resources educator position from communication and education to waste management for recycling administration.

Further, transfer \$75,200 conservation fund SEG and 0.55 natural resources program manager position from human resources to communication and education.

**Technical Services Transfers.** Transfer \$84,800 conservation fund SEG and 1.0 training officer position from technical services to customer service and licensing for a web business products manager position. Also, transfer \$65,500 and 1.0 natural resources financial assistance specialist position between conservation fund SEG appropriations from technical services to community financial assistance.

**9. CONTINUING APPROPRIATION REESTIMATES**

**Governor/Legislature:** Provide \$2,770,200 annually (\$1,797,300 FED, \$66,900 PR and \$906,000 SEG) in the following continuing appropriations to reflect estimated expenditures.

FED	\$3,594,600
PR	133,800
SEG	<u>1,812,000</u>
Total	\$5,540,400

<u>Fund</u>	<u>Appropriation</u>	<u>Base</u>	<u>Annual Change</u>
<b>Land Division</b>			
FED	Land division operations	\$11,764,300	\$435,500
SEG	Parks and forests - campground reservation fees	1,150,000	100,000
SEG	Pheasant restoration	203,800	35,400
SEG	Wild turkey restoration	760,000	19,000
SEG	Wetlands habitat improvement	341,400	16,800
SEG	Pheasant stocking and propagation	264,100	107,000
SEG	Rental property and equipment - maintenance and replacement	458,300	61,100
<b>Air and Waste Division</b>			
FED	Division operations - federal	8,512,300	-200,000
<b>Water Division</b>			
FED	Drinking water and groundwater operations	15,706,800	-150,000
FED	Fisheries management and habitat protection	5,275,400	700,000
FED	Safe drinking water loan program operations	880,100	1,058,400
PR	Division operations - private and public sources	220,300	20,900
SEG	Commercial fish protection and Great Lakes surcharge	5,500	19,500
SEG	Great Lakes trout and salmon	1,262,500	395,900
SEG	Trout habitat improvement	1,295,600	164,500
SEG	Sturgeon stock and habitat	137,300	62,700
SEG	Sturgeon stock and habitat - inland waters	135,900	-75,900
<b>Customer Service and Employee Assistance</b>			
FED	Division operations - federal	1,042,300	-46,600
PR	Division operations- private and public sources	<u>37,500</u>	<u>46,000</u>
	Total	\$49,453,400	\$2,770,20

## 10. DEBT SERVICE REESTIMATE

GPR	\$23,942,800
SEG	<u>- 5,861,800</u>
Total	\$18,081,000

**Governor/Legislature:** Increase funding by \$13,068,200 in 2011-12 (\$16,723,400 GPR and -\$3,655,200 SEG) and \$5,012,800 in 2012-13 (\$7,219,400 GPR and -\$2,206,600 SEG) to reflect the current law reestimate of debt service costs on state general obligation bonds and commercial paper debt issued for administrative facilities, conservation land acquisition and development, dam repair and removal, environmental repair, rural and urban non-point source grants, combined sewer overflow, municipal clean drinking water, and pollution abatement grants.

## 11. GPR DEBT RESTRUCTURING -- DEBT SERVICE [LFB Paper 175]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$67,579,800	\$25,753,100	-\$41,826,700

**Governor:** Decrease funding by \$70,451,700 GPR in 2011-12 and increase funding by \$2,871,900 GPR in 2012-13 to reflect the changes in estimated GPR debt service costs

associated with the proposed restructuring of general obligation bond and commercial paper principal amounts that would otherwise be paid off in 2011-12. Under the bill, the state would issue refunding bonds to restructure a portion of its outstanding general obligation principal debt and would rollover the principal due on its outstanding commercial paper in 2011-12. The increase in debt service for 2012-13 is associated with the initial interest amount due on the additional debt issued to replace the restructured 2011-12 principal amounts.

**Joint Finance/Legislature:** Increase funding by \$26,683,000 GPR in 2011-12 and decrease funding by \$929,900 GPR in 2012-13 associated with a \$100,100,000 reduction in restructuring bonding in 2011-12. (See "Building Commission" for additional information regarding this provision.)

**12. ENVIRONMENTAL ANALYSIS AND REVIEW SPECIALISTS [LFB Paper 461]**

	Positions
PR	3.00

**Governor/Legislature:** Provide 3.0 environmental analysis and review specialist project positions to support increased environmental reviews of transportation projects as a result of increased federal transportation funding under the American Recovery and Reinvestment Act (ARRA). Under a cooperative agreement with the Department of Transportation, DNR provides transportation "liaisons" throughout the state who perform environmental reviews (erosion, waterway and wetland regulations, and environmental assessments, as needed) of state roadway projects in the DNR regions. The liaisons also act as a single point of contact for local governments conducting transportation projects. In fall 2009, the Joint Committee on Finance authorized 3.0 two-year project positions and expenditure authority of \$225,000 to address an increase in environmental review of transportation workload associated with federal ARRA projects. Authorization for the 3.0 project positions ends November 30, 2011. These positions and corresponding authority of \$258,400 were removed under standard budget adjustments (removal of non-continuing elements from the base). The bill would extend the three project positions to continue this work through November, 2013.

**Stewardship Program**

**1. AIDS IN LIEU OF PROPERTY TAXES [LFB Paper 466]**

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$2,025,000	\$368,000	\$2,393,000

**Governor:** Specify that the state make no payments for aids in lieu of property taxes for lands acquired by the Department after the effective date of the bill. Provide \$700,000 SEG in

2011-12 and \$1,325,000 SEG in 2012-13 from the forestry account of the conservation fund to reflect estimated aids in lieu of property tax payments. Total payments for aids in lieu of property taxes for lands acquired since 1992 are estimated to be approximately \$12.5 million in 2011-12 and \$13.2 million in 2012-13 (an additional \$1.1 million is available for payments for lands acquired prior to January 1, 1992). This includes \$4,660,000 in 2011-12 and \$5,285,000 in 2012-13 from the forestry account, while the remainder is paid from a sum sufficient GPR appropriation.

Since 1992, when DNR acquires land, the state pays aids in lieu of property taxes on the land to the city, village, or town in which the land is located in an amount equal to the tax that would be due on the estimated value of the property at the time it was purchased (generally the purchase price), adjusted annually to reflect changes in the equalized valuation of all land, excluding improvements, in the taxation district. The municipality then pays each taxing jurisdiction (including the county and school district) a proportionate share of the payment, based on its levy. Aids in lieu of property taxes are paid on property beginning for the tax year after it was purchased.

**Joint Finance/Legislature:** Delete provision. Rather, for lands purchased after the effective date of the budget act, adjust the aids in lieu of property taxes formula by defining the estimated value of the property to mean the lower of the equalized value of the property in the year prior to purchase by the Department or the purchase price (instead of the purchase price, as currently provided in statute). In cases where the property had been previously tax exempt, the calculation would be the lower of either: (a) the purchase price; or (b) the last recorded equalized value, or a payment of \$10 per acre, whichever amount was greater. While savings of only \$190,000 compared to current law would be realized in 2012-13, payments for aids in lieu of property taxes would be expected to decline by one-half, or more, for future purchases. Provide \$183,000 SEG in 2011-12 as a reestimate and \$185,000 SEG in 2012-13 from the forestry account of the conservation fund.

[Act 32 Sections: 1748de and 1748e]

**2. BONDING LEVEL AND ALLOCATIONS [LFB Paper 465]**

GPR	- \$2,590,000
BR	- \$234,000,000

**Joint Finance/Legislature:** Specify that DNR may not obligate more than \$60,000,000 in each year from fiscal year 2011-12 through 2019-20 under the Warren Knowles - Gaylord Nelson Stewardship Program (reauthorized stewardship 2000 program). This would reduce total authorized bonds for the program by \$234 million (to \$1,429 million). Delete \$290,000 GPR in 2011-12 and \$2,300,000 GPR in 2012-13 for estimated debt service associated with the reduced stewardship bonding levels. Specify that DNR may obligate not more than \$20,000,000 in fiscal year 2011-12, \$21,000,000 in 2012-13, and \$15,000,000 from fiscal years 2013-14 through 2019-20 under the property development and local assistance subprogram. In addition, specify that, if the total amount obligated for any fiscal year beginning in 2011-12 is less than the annual bonding authority for that year (generally, \$60 million), DNR may not obligate the unobligated amount in subsequent fiscal years. (DNR would have \$60 million in authorized bonds to utilize for the stewardship program each fiscal year

regardless of the amount obligated for the program the previous fiscal year. The limit on carryover also applies to land acquired from the Board of Commissioners of Public Lands.) Further, delete the authority for DNR to obligate stewardship program bonding beyond June 30, 2020. Also, require DNR to submit a report to the Joint Committee on Finance and standing committees on Natural Resources by November 15, 2011, and biennially thereafter, which specifies the Department's land acquisition goal in acres.

Under the Warren Knowles-Gaylord Nelson Stewardship program, DNR acquires land and provides grants to local units of government and non-profit conservation organizations (NCOs) for land acquisition, easements, and nature-based outdoor recreational property development activities. The state generally issues 20-year tax-exempt general obligation bonds to support the stewardship program. Debt service for stewardship bonding is primarily funded from a sum sufficient general purpose revenue (GPR) appropriation (\$67 million in 2012-13) with a portion of the funding coming from the forestry account of the conservation fund (\$13.5 million in 2012-13). 2007 Act 20 extended the stewardship program to fiscal year 2019-20 and increased the annual bonding allocation for the program from \$60 million to \$86 million beginning in 2010-11. Act 20 also increased the total general obligation bonding authority for the stewardship program by \$860 million, for a total authorization of \$1,663,000,000. The stewardship program is made up primarily of two subprograms, the land acquisition subprogram, and the property development and local assistance subprogram. In addition, Act 20 created a recreational boating aids subprogram.

The \$60 million in annual bonding authority under the bill would be allocated as shown in the following table. Beginning in fiscal year 2013-14, the allocations would be consistent with the 2009-10 allocation, except the \$12 million to NCOs for land acquisition grants which would be at the 2010-11 level and general DNR land acquisition would be reduced by \$4 million annually.

#### DNR Annual Stewardship Allocations

	Prior Law		Act 32 Allocation		
	2009-10	2010-11	2011-12	2012-13	2013-14 Through 2019-20
<b>Land Acquisition*</b>					
General DNR Land Acquisition**	\$32,500,000	\$48,000,000	\$23,500,000	\$22,500,000	\$28,500,000
NCO Acquisition (minimum)	8,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Board of Commissioners of Public Lands Natural Areas	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Subtotal	\$42,500,000	\$62,000,000	\$37,500,000	\$36,500,000	\$42,500,000
<b>Property Development and Local Assistance</b>					
Property Development	\$7,000,000	\$10,000,000	12,000,000	13,000,000	7,000,000
Local Assistance (maximum)	<u>8,000,000</u>	<u>11,500,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
Subtotal	\$15,000,000	\$21,500,000	\$20,000,000	\$21,000,000	\$15,000,000
Recreational Boating Aids	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total Allotment	\$60,000,000	\$86,000,000	\$60,000,000	\$60,000,000	\$60,000,000

\*Includes one-time allocations of \$5.2 million for the Purchase of Agricultural Conservation Easements and \$6 million for dam safety grants to counties under DNR order.

\*\*Includes grants for county forests beginning in 2010-11.

Total estimated debt service payments on the \$1,663 million currently authorized for the program (principal repayment and interest) could total almost \$2.6 billion over the life of the program bonds (a period of over 50 years). The provision reduces the authorized bonding authority under the program to no more than \$60 million annually from 2011-12 through 2019-20. This would reduce the total authorized bonding under the stewardship program to no more than \$1,429 million. Total debt service payments could be expected to total approximately \$2.2 billion, a reduction of approximately \$362 million over the life of the program. Debt service reductions in the 2011-13 biennium would be expected at approximately \$2.6 million and \$10.6 million in 2013-15. Debt service savings would increase each biennia thereafter until peaking at approximately \$36 million in the 2021-23 biennium.

Under the property development and local assistance subprogram of the stewardship program, DNR is currently required to allocate at least \$3.5 million for property development and not more than \$11.5 million for local assistance. The bill would allocate not more than \$8 million for local assistance (consistent with the 2009-10 allocation), leaving \$12 million in 2011-12, \$13 million in 2012-13, and \$7 million from 2013-14 through 2019-20 (consistent with the 2009-10 allocation). DNR indicates the additional property development allocation during the 2011-13 biennium could be used for such projects as gravel parking areas, increased signage, and campsite electrification.

[Act 32 Sections: 780m, 822t thru 822w, 835f thru 836s, 848m, and 862p]

### **3. LAND ACQUISITION AND EASEMENTS [LFB Paper 467]**

**Governor:** Beginning in fiscal year 2011-12 (July 1, 2011), the bill would limit the acquisition of an easement utilizing stewardship funds to easements necessary to provide public access to land, easements for state trails or the ice age trail, or forestry easements. The bill would also eliminate stewardship grants for an acquisition of property development rights program. In addition, for each proposed land acquisition (except the acquisition of forestry easements) utilizing stewardship funds, the bill would require any city, village, town, or county in which a portion of the land is located to adopt a nonbinding resolution that supports or opposes the proposed acquisition and would require DNR to consider this resolution when approving or denying the acquisition.

**Joint Finance/Legislature:** Maintain current law related to stewardship program easements and the acquisition of development rights program. Further, specify that, for any proposed acquisition using stewardship funds, DNR shall provide notice to each affected city, village, town, or county. The municipality may adopt a nonbinding resolution that supports or opposes the proposed acquisition. Require DNR to consider a resolution received within 30 days after providing notice, before approving or denying the grant or acquisition.

[Act 32 Sections: 837 and 9335(2)]

#### 4. PUBLIC ACCESS [LFB Paper 468]

**Governor/Legislature:** Specify that public access for one or more nature-based outdoor activities may be prohibited on land acquired by DNR or acquired through a stewardship program grant in fee simple, or acquired by an easement or other conveyance on land that was withdrawn from the managed forest law program on or after the effective date of the budget act, only if the Natural Resources Board determines that it is necessary to do so to: (a) protect public safety; or (b) protect a unique animal or plant community. However, if the property acquired was an easement on managed forest lands for a state trail or the Ice Age Trail, access could also continue to be restricted to accommodate usership patterns.

[Act 32 Sections: 825 thru 834]

#### 5. OVERSIGHT LEVEL [LFB Paper 469]

**Governor:** Reduce the threshold for review of a stewardship project by the Joint Committee on Finance from \$750,000 to \$250,000. Further, specify that a project or activity using stewardship funds of less than or equal to \$250,000 is subject to review by the Joint Committee on Finance if all of the following apply: (a) it is so closely related to one or more other Department projects or activities proposed as to constitute a larger project or activity that exceeds \$250,000; and (b) the Department separated the projects or activities primarily to avoid Joint Finance review.

Under prior law, all stewardship projects (excluding DNR property development projects and DNR acquisition of land held by the Board of Commissioners of Public Lands) in excess of \$750,000 were subject to review by the Joint Committee on Finance, under a 14-day passive review process. Further, a DNR project or activity using stewardship funds of less than or equal to \$750,000 was subject to passive review by Joint Finance if all of the following applied: (a) it is so closely related to one or more other Department projects or activities proposed as to constitute a larger project or activity that exceeds \$750,000; and (b) the Department separated the projects or activities primarily to avoid Joint Finance review.

**Joint Finance/Legislature:** Adopt the governor's recommendation to reduce the threshold for review of a stewardship project by the Joint Committee on Finance from \$750,000 to \$250,000. In addition, specify that: (a) no specific time would be specified for the Committee to meet on a request; (b) that the Joint Finance Committee Co-Chairs must register a written objection in order for the item to be scheduled for a meeting; and (c) that, if a project proposal is subject to review by the Joint Committee on Finance, a majority of Committee members must vote to approve the proposal (these three items are consistent with s. 16.515 passive review procedures).

Previously, if the Joint Finance Co-Chairs did not notify DNR within 14 working days that the Committee was scheduling a meeting to review the proposal, DNR could proceed with the project. In addition, at least five members of the 16-member Committee, including at least one Co-Chair, were required to object, in writing, for the item to be scheduled for a meeting. If the Committee did not hold a meeting to review the proposal within 16 working days after the

Co-Chairpersons notified the Department that a meeting would be scheduled, the Department could proceed with the transaction. However, if the notification was made after the Legislature had adjourned its final general business floor period in an even numbered year, then Joint Finance had 31 working days to hold a meeting. Further, if a stewardship project proposal was subject to review by the Joint Committee on Finance, the proposal was approved unless a majority of Committee members present at the meeting voted to modify or deny the proposal.

[Act 32 Sections: 837m thru 840m]

## 6. LAND VALUATION [LFB Paper 470]

**Governor:** Modify the statutory language regarding the calculation of acquisition costs for certain lands acquired using a stewardship grant. In addition, clarify that two appraisals are required to determine the current fair market value of the land for all stewardship land acquisition grants to local units of government and non-profit conservation organizations, if the current fair market value of the land is estimated by DNR to be more than \$350,000.

Under prior law, for land owned by the current owner (seller) for less than one year, the acquisition cost of the land for stewardship grant purposes was equal to the owner's acquisition price. For land owned for over one year but less than three years, the acquisition cost was calculated as the owner's purchase price plus 5% if over one year but less than two, and plus 10% if the land has been owned by the current owner for two years but less than three years. Lands owned for three or more years were limited to the fair market value of the property (generally the appraised value). Under the act, the acquisition costs for land that has been owned for less than one year would equal the current owner's acquisition price or the current fair market value of the land, whichever is lower. For land owned by the current owner for over one year but less than three years, the acquisition cost would be calculated as the lower of the following: (a) the current fair market value or (b) the adjusted price (current owner's purchase price plus 5% if over one year but less than two, and plus 10% if over two years but less than three years). Land owned by the current owner for three or more years remains limited to the fair market value of the property.

Current law requires DNR to utilize at least two appraisals to determine the fair market value of land when awarding certain stewardship land acquisition grants to local units of government and nonprofit conservation organizations if the fair market value of the land is estimated by DNR to be over \$350,000. The bill would clarify that two appraisals are required to determine the "current" fair market value of the land for all stewardship land acquisition grants to local units of government and nonprofit conservation organizations for land where DNR estimates the current value at over \$350,000.

These provisions first apply to applications for grants, state aid, or funding submitted to DNR on July 1, 2011, and that have not been approved or denied by DNR on or before the effective date of the budget act.

**Joint Finance/Legislature:** Adopt the Governor's recommendation as modified to specify that for land that has been owned by the current owner for less than one year, the buyer's acquisition price equals the sum of the current fair market value "and other acquisition costs, as

determined by rule by the department" or the current owner's acquisition price, whichever is lower. In addition, for land that has been owned by the current owner for one year or more but for less than three years, specify that the buyer's acquisition price shall equal the lower of the following: the sum of the current fair market value of the land and "other acquisition costs, as determined by rule by the department" or the sum of the current owner's acquisition price and the annual adjustment increase.

Under current law, for stewardship grants for the acquisition of land owned for longer than three years, s. 23.0817(7)(a) of the statutes specifies that, "the acquisition costs shall equal the sum of the land's current fair market value and other acquisition costs, as determined by rule by the department". The provision makes sections 23.0917(7) (b) and (c) consistent with s. 23.0917(7) (a), which would allow DNR to award these grants for 50% of allowable acquisition costs (including 50% of such costs as land surveys, title insurance, recording fees, and appraisals) as DNR currently does for stewardship grants for the acquisition of land owned by the current owner for more than three years.

[Act 32 Sections: 840p thru 847, and 9335(1)]

## **7. STEWARDSHIP BONDING FOR DAM SAFETY PROGRAM**

**Joint Finance/Legislature:** Specify that DNR set aside not less than a total of \$6,000,000 from the land acquisition subprogram of the stewardship program for dam safety grants to counties under section 31.385 of the statutes. Specify that the grants may only be awarded for a county-owned dam that is under an order by DNR for maintenance, repair, modification, abandonment or removal as of the effective date of the bill. Further, specify that the grants may be provided for up to 25% of eligible project costs, with a maximum grant award of \$2,500,000 (\$10,000,000 project). Currently, at least two counties have dams under order by the Department, Milwaukee County for one dam and Vernon County for five dams.

[Act 32 Sections: 921g thru 921r]

## **8. STEWARDSHIP BONDING FOR DATCP PACE PROGRAM [LFB Paper 136]**

**Joint Finance/Legislature:** Specify the Department of Natural Resources (DNR) provide the amount necessary, from the bonding authority under the Warren Knowles-Gaylord Nelson Stewardship program (the reauthorized stewardship 2000 program), but not to exceed \$5,200,000, to the Department of Agriculture, Trade and Consumer Protection (DATCP) for the Purchase of Agricultural Conservation Easements (PACE) program for projects preliminarily approved in 2010 by DATCP. Specify that DNR utilize bonding authority from the land acquisition subprogram.

The PACE program authorizes DATCP to enter into voluntary, perpetual easements with landowners to prohibit agricultural lands from being developed for nonagricultural uses. DATCP may pay as its share of the easement up to 50% of the fair market value of the easement, as determined by required appraisals, plus reasonable transaction costs. DATCP has limited its

share of transaction costs to 80%, up to \$12,000 (\$15,000 in incurred costs). This provision would provide stewardship bonding for the 16 projects approved for the PACE program in 2010. The PACE projects would not be subject to stewardship program criteria.

[Act 32 Section: 862m]

## **9. DNR LAND MANAGEMENT CONTRACTS**

**Joint Finance/Legislature:** Specify that DNR may contract with nonprofit conservation organizations and other third parties to perform land management, maintenance, and improvement activities on Department land. Specify that DNR may receive gifts, grants, and bequests of money, materials, or services from nonprofit conservation organizations and other donors for the performance of land management, maintenance, and improvement activities on Department land. Further, specify that the Department may acknowledge by signs, bulletins, pamphlets or other communications the performance of activities pursuant to these contracts with NCOs and other third parties the receipt of moneys, materials, and services from NCOs and other third parties for land management, maintenance, and improvement activities on DNR land. Finally, expand the current law requirement that DNR submit a report to the Joint Committee on Finance regarding contracts with NCOs and private companies to include contracts with NCOs and other third parties for land management, maintenance, and improvement activities on DNR land.

Under prior law, DNR could contract with NCOs and with private companies to perform land management activities on Department land. In addition, DNR prepares an annual report for the Joint Committee on Finance, which includes information on costs of contracts, activities performed, and the cost effectiveness of the contracts, by November 15 each year for the prior fiscal year.

[Act 32 Sections: 822d thru 822s]

## **Forestry and Parks**

### **1. DNR FUNDING FOR TOWN AND COUNTY ROADS**

**Joint Finance/Legislature:** Specify that the Department of Natural Resources expend not less than one-third of the amounts in the schedule from the state park, forest and riverway road maintenance appropriation in each fiscal year for the renovation, marking, and maintenance of a town or county highway located within the boundaries of a state park, state forest, or other property under the jurisdiction of DNR or for the renovation, marking, and maintenance of roads which DNR certifies are utilized by a substantial number of visitors to state parks, state forests, or other DNR properties. In addition, specify that in ranking projects, DNR consider whether the project is for the renovation, marking, or maintenance of roads used for forestry management on

DNR properties.

Under prior law, DNR could expend up to \$400,000 from the state park, forest and riverway road maintenance appropriation, for roads which qualify under s. 84.28 of the statutes (including town or county highways within DNR properties and roads which DNR certifies are utilized by a "substantial number" of visitors to DNR properties). The appropriation is budgeted at \$2,658,100 annually under the bill. The provision requires DNR to spend at least one-third of the amounts in the schedule (\$886,000 annually under the bill, rather than "up to" \$400,000 previously) for road maintenance on town and county roads within DNR properties and roads which the Department certifies are used by a substantial number of visitors to DNR properties. Section 84.28 specifies that DNR rank projects eligible for such assistance under a priority system and funding may be restricted to those projects with highest priority. The bill would require the Department to consider whether the projects are on roads used for forestry management on DNR properties when ranking projects under the priority system.

[Act 32 Sections: 600m and 2233g]

## 2. FORESTRY EDUCATION PROGRAMS

SEG	- \$92,000
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**Joint Finance/Legislature:** Delete \$200,000 forestry SEG annually provided to the University of Wisconsin System to support the Wisconsin Environmental Education Board (WEEB) environmental education grants program (\$200,000 would remain). Further, delete \$198,000 SEG annually and an appropriation for a DNR program related to sustainable forestry education. Finally, provide \$152,000 SEG annually (for a total of \$350,000) for the Learning Experiences and Activities in Forestry (LEAF) program administered by the Wisconsin Center for Environmental Education at the University of Wisconsin- Stevens Point. In addition, specify that seedling surcharge revenues be deposited to the forestry account of the conservation fund.

Previously, DNR provided \$400,000 forestry SEG annually to the UW System for Wisconsin Environmental Education Board (WEEB) environmental education grants. In addition, revenues from a 3¢ per seedling surcharge assessed on all seedlings sold at DNR tree nurseries are statutorily required to be split between two appropriations. The appropriations include: (a) an appropriation for a DNR program related to educating the public about sustainable forestry; and (b) the appropriation which provides funding for the LEAF program. The LEAF program develops a kindergarten through twelfth grade sustainable forestry education curriculum. The act conforms the DNR appropriations to current practice by deleting the appropriation related to sustainable forestry education and providing \$350,000 annually for the LEAF program (including \$200,000 which is consistent with the 2010-11 contribution WEEB made to LEAF). Under the act, revenues from the 3¢ seedling surcharge would be deposited to the balance of the forestry account, and \$350,000 annually would be provided from the forestry account for the UW-Stevens Point LEAF program. Further, \$200,000 forestry SEG annually would remain for WEEB grants. Although the provision reduces budgeted appropriation levels by \$492,000 over the biennium as shown in the table, it reflects actual 2010-11 expenditure levels and is more reflective of available seedling surcharge revenues.

<u>Appropriation</u>	<u>2010-11</u>	<u>Act 2011-12</u>	<u>Act 2012-13</u>
DNR-Forestry Public Education	\$198,000	Repeal	Repeal
DNR Forestry Public Education – LEAF	198,000	\$350,000	\$350,000
UW System- WEEB	<u>400,000</u>	<u>200,000</u>	<u>200,000</u>
Total	\$796,000	\$550,000	\$550,000

[Act 32 Sections: 586b, 586d, 911t, 913r, and 913t]

### 3. FIRE SUPPRESSION REIMBURSEMENT

SEG	\$185,600
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**Joint Finance/Legislature:** Provide \$92,800 SEG annually from the forestry account of the conservation fund for increases in reimbursements to local fire departments for wildland fire suppression activities.

The DNR Division of Forestry utilizes its own staff and equipment for wildland fire suppression. In addition, DNR also relies on local fire departments, as needed, for additional wildland fire suppression support. Under a Memorandum of Understanding (MOU), DNR reimburses each local fire department for their fire suppression efforts according to rates established in the MOU. The provided funding would allow the Department to increase the firefighter labor rate from \$8.55 to \$10 per hour (a level comparable to the federal wildland fire fighter rate) and increase the reimbursement for use of fire trucks from \$50 to \$75 per hour to more adequately support the current cost of fuel, insurance, and maintenance on fire engines.

### 4. TIMBER REGENERATION

SEG	\$1,100,000
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**Joint Finance/Legislature:** Provide \$550,000 forestry SEG annually for timber regeneration. Further, require DNR to establish, by rule, a program that allows cooperating foresters and private contractors to assist the state in the regeneration of harvested areas on state lands, to meet the annual allowable timber harvest established under s. 28.025. The rule would include provisions authorizing the Department to contract with cooperating foresters and private contractors for the purpose of artificial and natural forest regeneration including site preparation, invasive species control, and tree planting. In addition, the rule would include provisions authorizing the cooperating foresters and private contractors to receive a portion of the proceeds of each timber sale.

Under current law, DNR is required to operate a program allowing cooperating foresters to assist the state in the harvesting and selling of timber from state forest lands and authorizing cooperating foresters to receive a portion of the proceeds received from each sale. 2007 Act 20 created a continuing appropriation in the forestry account into which the portion of the proceeds from timber sales on state forest lands that DNR pays to a cooperating forester is credited to make the required payments.

[Act 32 Sections: 586r and 913e thru 913k]

**5. FORESTRY RADIO MASTER LEASE**

SEG	\$428,000
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**Governor/Legislature:** Provide \$214,000 each year in one-time funding from the forestry account of the conservation fund for the third and fourth year payments of a six-year master lease that would support the replacement of forestry radios. Funding of \$265,000 each year in one-time funding was provided by 2009 Act 28 for the first two-years of the master lease for the purchase of 232 mobile radios, 209 portable radios, and 11 aviation specific radios.

**6. PARKS PUBLIC SAFETY AND LAW ENFORCEMENT EQUIPMENT [LFB Paper 474]**

SEG	\$234,500
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**Governor:** Provide \$125,000 in 2011-12 and \$109,500 in 2012-13 from the parks account of the conservation fund for parks equipment upgrades. There are four components to this provision.

First, provide \$58,300 annually for the first two payments of an expected four-year master lease that would support the purchase of 99 radios for parks staff. The Federal Communications Commission has mandated that all Very High Frequency (VHF) government radio communications move to narrow band effective January 1, 2013. Narrowband radios use 12.5 kHz channel spacing rather than 25 kHz channel spacing meaning they have double the number of channels/frequencies available for use in the same amount of electromagnetic spectrum. All 99 radios purchased would be narrowband radios. In addition, the radios are compatible with both analog and digital transmissions.

Second, provide \$44,200 annually for the first two payments of an expected four-year master lease to support the purchase of 37 mobile data computer units (MDC), IP Mobile-Net radios (which enable the MDCs to transmit data to Wisconsin State Patrol dispatchers), and associated equipment. Currently, the parks system has 34 MDC units, all of which are over five years old, and which are experiencing increasing maintenance issues.

Third, provide \$15,500 in 2011-12 only to purchase vehicle security screens for 27 parks law enforcement vehicles throughout the state. The screens separate persons in custody being transferred to a detention facility from law enforcement personnel.

Finally, the bill would provide \$7,000 annually to transition permanent and LTE parks staff with law enforcement-related duties to the use of lead-free ammunition.

**Joint Finance/Legislature:** Adopt the Governor's recommendation but allocate the \$125,000 SEG to be \$109,100 from the parks account and \$23,100 forestry account in 2011-12 and the \$109,500 SEG in 2012-13 to be \$86,400 from the parks account SEG and \$23,100 forestry account. Further, specify that the \$102,500 SEG each year for the first two-years of two four-year master leases be one-time. (DNR would need to request funding in the 2013-15 biennium for the remaining two master lease payments.)

**7. PARKS OPERATION FUNDING SPLIT**

GPR	- \$2,500,000
SEG	<u>2,500,000</u>
Total	\$0

**Governor/Legislature:** Provide \$2,500,000 SEG from the parks account of the conservation fund and delete \$2,500,000 GPR in 2011-12 only associated with 23.0 positions for parks operations. Base funding for 2012-13 would not be affected. Under the act, approximately 15% of the state park budget for operations is GPR supported in 2011-12 and 29% (approximately the same level as in 2010-11) is GPR in 2012-13 (71% parks SEG supported).

**8. GOVERNOR THOMPSON STATE PARK OPERATIONS**

SEG	\$56,200
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**Governor/Legislature:** Provide \$32,100 in 2011-12 and \$24,100 in 2012-13 from the parks account of the conservation fund for limited-term employee salary and fringe benefits and supplies to support increased maintenance associated with a new campground. Phase I of a two-phase campground is expected to open in 2011 at Governor Thompson State Park (Marinette County) with 50 new campsites.

**9. PARKS AND SOUTHERN FORESTS OPERATIONS [LFB Paper 475]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$815,600	- \$4,000	\$811,600

**Governor:** Provide \$407,800 annually (\$67,500 forestry account and \$340,300 parks account) for limited-term employees, utilities, fleet expenses and supplies to operate new facilities, trails, and campgrounds developed in recent years in the Wisconsin state park and forest systems.

New buildings have been added to upgrade parks and southern forest facilities including entrance and visitor stations, toilet and shower buildings, accessible cabins, and shop buildings. In some cases, properties containing these new facilities have had to absorb the maintenance and operational costs within existing budgets. In addition, several new facilities at multiple properties are under development or are beginning construction and scheduled to open in the 2011-13 biennium and will require services including electricity, sewer and water, fuel, and cleaning and basic maintenance. Further, new trail miles have been added to several state trails requiring additional trail maintenance. The bill would provide additional operations and maintenance funding from the parks and forestry accounts of the conservation fund. The bill includes operations funding for 37 state parks, two state recreation units, five state trails, and five state forest units, as follows (listed properties are state parks unless otherwise indicated):

<u>Park/Recreation Area</u>	<u>Facilities</u>	<u>Annual</u>	<u>Total</u>
Amnicon Falls	Vault Toilet	\$2,500	\$5,000
Aztalan	Vault Toilet	2,500	5,000
	Shelter Building	1,500	3,000

<u>Park/Recreation Area</u>	<u>Facilities</u>	<u>Annual</u>	<u>Total</u>
Bearskin State Trail	2 Vault Toilets	\$5,000	\$10,000
Big Bay	2 Vault Toilets	5,000	10,000
	Park Entrance & Visitor Station	5,000	10,000
Big Foot Beach	Flush Toilet	2,500	5,000
Blue Mound	Shelter Building	1,500	3,000
	Maintenance	3,000	6,000
Brunet Island	Shelter Building	1,500	3,000
	Vault Toilet	2,500	5,000
Buckhorn	Portable Toilets Plumbing Contract	13,700	27,400
Chippewa Moraine Recreation Area	Maintenance	2,000	4,000
Chippewa River State Trail	Vault Toilet	2,500	5,000
Copper Falls	Bathhouse	2,000	4,000
	Flush Toilet	2,000	4,000
	Park Entrance & Visitor Station	5,000	10,000
Council Grounds	Toilet/Shower Building	3,000	6,000
Devil's Lake	Park Entrance & Visitor Station	7,500	15,000
	2 Toilet/Shower Buildings	6,000	12,000
	Shelter Building	1,500	3,000
Governor Dodge	2 Vault Toilets	5,000	10,000
	Park Entrance & Visitor Station	4,000	8,000
	Shelter Building	1,500	3,000
Governor Nelson	Shelter Building	2,500	5,000
	Bathhouse	1,500	3,000
Great River State Trail	Vault Toilet	2,500	5,000
Hartman Creek	Vault Toilet	2,500	5,000
	Shelter Building	1,500	3,000
High Cliff	Vault Toilet	2,500	5,000
	Shelter Building	1,500	3,000
	Maintenance	3,000	6,000
	New Utility Lines	3,000	6,000
Interstate	Vault Toilet	2,500	5,000
	Bathhouse	3,000	6,000
	Shelter Building	1,500	3,000
	Interpretive Center	3,000	6,000
Kettle Moraine State Forest- Lapham Peak Unit*	Shelter Building	1,500	3,000
	Interpretive Center	2,000	4,000
	Vault Toilet	2,500	5,000
	Ranger Station	3,500	7,000

<u>Park/Recreation Area</u>	<u>Facilities</u>	<u>Annual</u>	<u>Total</u>
Kettle Moraine State Forest- Northern Unit*	2 Bathhouses	\$6,000	\$12,000
	Maintenance	3,500	7,000
	3 Vault Toilets	7,500	15,000
	Shelter Building	1,500	3,000
	Horse Shelter	1,000	2,000
	Shop Building/Storage Facility	1,000	2,000
	Observation Tower	500	1,000
	New Bike Trail Miles	5,500	11,000
Kettle Moraine State Forest- Pike Lake Unit*	Maintenance	3,000	6,000
	Flush Toilet	3,000	6,000
	Park Entrance & Visitor Station	4,000	8,000
Kettle Moraine State Forest- Southern Unit*	2 Toilet/Shower Buildings	6,500	13,000
	Flush Toilet	2,000	4,000
	Shelter Building	1,500	3,000
Kohler Andrae	Shelter Building	1,500	3,000
	Flush Toilet	3,000	6,000
	Amphitheater	500	1,000
Kinnickinnic	Vault Toilet	2,500	5,000
	Changing Stalls	1,000	2,000
Lake Kegonsa	Vault Toilet	2,500	5,000
	Shelter Building	1,500	3,000
Lake Wissota	Shelter Building	1,500	3,000
Merrick	Vault Toilet	2,500	5,000
	Shelter Building	1,500	3,000
	New Campsites	4,000	8,000
Mill Bluff	Shelter Building	1,500	3,000
Mirror Lake	2 Vault Toilets	5,000	10,000
	Cabin	1,500	3,000
New Glarus Woods	Vault Toilet	2,500	5,000
	Shelter Building	1,500	3,000
Newport	Maintenance	3,000	6,000
Pattison	Maintenance	3,000	6,000
	Vault Toilet	2,500	5,000
Peninsula	Maintenance	3,000	6,000
	Shelter Building	1,500	3,000
	Interpretive Center	1,000	2,000
	Vault Toilet	2,500	5,000
Perrot	New Group Campground	7,500	15,000

<u>Park/Recreation Area</u>	<u>Facilities</u>	<u>Annual</u>	<u>Total</u>
Point Beach State Forest*	Concession Building	\$1,000	\$2,000
	Shelter Building	1,500	3,000
	Vault Toilet	2,500	5,000
Potowatomi	Vault Toilet	2,500	5,000
	Shelter Building	1,500	3,000
	Toilet/Shower Building	2,000	4,000
	New Group Campground	8,800	17,600
Red Cedar Trail	Flush Toilet	2,500	5,000
Rib Mountain	Shelter Building	1,500	3,000
	Flush Toilet	2,000	4,000
	Vault Toilet	2,500	5,000
	Concession Building	1,000	2,000
Richard Bong Recreation Area*	Park Entrance & Visitor Station	5,000	10,000
	Shelter Building	1,500	3,000
Roche a Cri	Vault Toilet	2,500	5,000
	Office Building	1,000	2,000
Rock Island	Shelter Building	1,500	3,000
Rocky Arbor	2 Vault Toilets	5,000	10,000
Straight Lake	Expanded Property Operations	8,000	16,000
Sugar River Trail	Vault Toilet	2,500	5,000
Whitefish Dunes	Vault Toilet	2,500	5,000
	Shop Equipment	3,000	6,000
Wildcat Mountain	2 Vault Toilets	5,000	10,000
	Shelter Building	1,500	3,000
	New Campground	27,600	55,200
Willow River	2 Vault Toilets	5,000	10,000
	Concession Building	1,000	2,000
	New Campground	58,700	117,400
Wyalusing	Shelter Building	1,500	3,000
	Concession Building	1,000	2,000
	4 Vault Toilets	10,000	20,000
	Expanded Property Operations	<u>2,000</u>	<u>4,000</u>
Total		\$407,800	\$815,600

\*Funded from the forestry account. All others are parks account SEG.

**Joint Finance/Legislature:** Adopt the Governor's recommendation, except delete \$2,000 parks SEG annually related to a delayed shop facility project at the Chippewa Moraine Recreation Area.

**10. COPPER CULTURE STATE PARK**

SEG	\$25,000
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**Joint Finance/Legislature:** Provide \$25,000 parks account SEG in 2011-12 for facility repairs and upgrades at Copper Culture State Park in Oconto County. In addition, require the Department of Transportation to place two tourist-oriented directional signs on Highway 41 (one on the northbound side and one on the southbound side) noting the location of Copper Culture State Park.

[Act 32 Section: 9148(4f)]

**11. DAVID R. OBEY ICE AGE TRAIL INTERPRETIVE CENTER**

**Joint Finance/Legislature:** Specify that the Chippewa Moraine State Recreation Area Interpretive Center in Chippewa County be designated the David R. Obey Ice Age Trail Interpretive Center.

[Act 32 Section: 861g]

**Fish, Wildlife, and Recreation**

**1. CONSERVATION WARDEN RECRUIT CLASS SUPPORT**

SEG	\$350,000
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[LFB Papers 476 and 477]

**Governor/Legislature:** Provide \$175,000 annually to create a permanent base of supplies and services associated with recruiting, hiring, and training new conservation wardens. DNR did not have a warden recruit class in calendar year 2009 due to funding constraints and retirement deferrals. 2009 Act 28 provided \$175,000 in one-time funding to support a recruit class during the 2009-11 biennium. DNR utilized this funding in 2010 to hire a conservation warden recruit class of 10. The proposed funding would allow the Department to hire a similar size recruit class (depending on the number of expected warden retirements and vacancies) on an annual basis. Expenditure authority would be provided as follows:

	<u>Annual</u>
Conservation Fund	
Fish and Wildlife Account	\$133,500
Boat Registration Account	20,400
ATV Account	8,800
Water Resources Account	2,100
Environmental Fund	7,900
Environmental Fund (formerly Recycling Fund)	<u>2,300</u>
 Total	 \$175,000

2. CONSERVATION WARDEN COMPUTERS [LFB Paper 478]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$677,000	-\$147,000	\$530,000

**Governor:** Provide \$338,500 in one-time funding in 2011-12 and 2012-13 to begin a master lease for computers for law enforcement wardens. DNR attempts to replace most computers after a four-year life-cycle. In 2012, the Bureau of Law Enforcement will be in its fourth year of a four-year laptop life-cycle. The funds provided would cover the first two years of a four-year master lease and provide 216 laptop computers designed to withstand rugged use. Expenditure authority would be provided as follows:

	<u>Annual</u>
Conservation Fund	
Fish and Wildlife Account	\$258,300
Boat Registration Account	39,500
ATV Account	16,900
Water Resources Account	4,100
Environmental Fund	15,200
Environmental Fund (formerly Recycling Fund)	<u>4,500</u>
Total	\$338,500

**Joint Finance/Legislature:** Delete \$73,500 each year to support the first two-years of a four-year master lease for the purchase of 200 warden laptops at a cost of \$5,000 per unit. Expenditure authority would be provided as follows:

	<u>Annual</u>
Conservation Fund	
Fish and Wildlife Account	\$202,300
Boat Registration Account	30,900
ATV Account	13,200
Water Resources Account	3,200
Environmental Fund	11,900
Environmental Fund (formerly Recycling Fund)	<u>3,500</u>
Total	\$265,000

3. CONSERVATION WARDEN RADIO TRUNKING

SEG	\$288,000
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**Governor/Legislature:** Provide \$288,000 in one-time funding in 2011-12 to equip DNR law enforcement radios with radio trunking. Funding would be provided for 600 radios including 200 portable warden radios, 50 portable LTE law enforcement radios, 200 mobile truck radios, and 150 mobile boat radios. Mobile radios are located in the warden vehicle, while portable radios are carried outside the vehicle. A trunked radio system is a complex type of computer-controlled radio system which uses only a few channels (frequencies), but allows for a large

number of talkgroups. This allows many people to carry on many conversations over only a few distinct frequencies, without interference. Wisconsin State Patrol plans to implement radio trunking by late 2012. Implementing trunking in DNR radios will allow wardens to communicate with the State Patrol. Additional funding of \$70,000 to support a portion of boat radio trunking costs is expected to be provided by the U.S. Coast Guard. Expenditure authority would be provided as follows:

	<u>2011-12</u>
Conservation Fund	
Fish and Wildlife Account	\$219,800
Boat Registration Account	33,600
ATV Account	14,400
Water Resources Account	3,500
Environmental Fund	12,900
Environmental Fund (formerly Recycling Fund)	<u>3,800</u>
Total	\$288,000

**4. WILDLIFE MANAGEMENT [LFB Paper 479]**

SEG	\$226,600
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**Governor/Legislature:** Provide \$113,300 annually from the fish and wildlife account (hunting and fishing license fees) of the segregated conservation fund for management of nuisance wildlife, primarily black bear and birds (such as Canada geese). Base-level funds for removing wild animals that cause damage, or for responding to complaints about wild animals, or their structures, which are causing a nuisance are also provided from wildlife damage surcharge revenues (a \$2 surcharge added to most resident and nonresident hunting licenses), bonus deer permit sales, and federal funds. DNR contracts with the United States Department of Agriculture's Animal Plant Health Inspection Service (APHIS) Wildlife Services to control and manage wildlife causing damage.

**5. CREX MEADOWS WILDLIFE EDUCATOR**

	Funding	Positions
PR	\$124,600	1.00

**Joint Finance/Legislature:** Provide \$53,400 PR in 2011-12 and \$71,200 PR in 2012-13 with 1.0 PR natural resources educator position at the Crex Meadows Wildlife Education and Visitors Center in Grantsburg, in Burnett County.

The act provides 1.0 PR position in the DNR Division of Lands gifts and grants appropriation. An endowment fund established by the Friends of Crex, a private, non-profit corporation which provides volunteer and financial support for the wildlife education program at the Center, is to fund the salary and fringe benefit costs of the educator.

**6. LOCAL REGULATION OF BIRD HUNTING PRESERVES**

**Joint Finance:** Specify that land subject to a bird hunting preserve license issued under Chapter 169 of the statutes (Captive Wildlife) be a "sport-shooting range" under section 895.527 of

the statutes (limits on liability and local regulation of sport shooting range activities). In addition, prohibit counties, cities, villages, and towns from limiting the number of birds that may be released into the wild on land subject to a bird hunting preserve license.

Under s. 169.19 of the statutes, the Department of Natural Resources (DNR) is authorized to issue bird hunting preserve licenses. DNR is required to identify the species of live wild bird covered by the license and the license holder is authorized to possess, stock, propagate, release in the wild, sell, and purchase birds of the identified species which may include pheasants, quail, partridge, mallard ducks, and wild turkeys. The license also authorizes the hunting or taking of released wild birds of those species that have been stocked in the preserve by the holder of the license and other persons authorized by the holder. Chapter NR 16.19(3) of the administrative code specifies that bird hunting preserve licenses may only be issued for land between 40 and 640 acres.

Under section 895.527(1) of the statutes, "sport shooting range" is defined as "an area designed and operated for the use and discharge of firearms". In addition, under sections 895.527(2), and s. 895.527(3), a person who owns or operates a sport shooting range is "immune from civil liability related to noise resulting from the operation of the sport shooting range" and "is not subject to an action for nuisance or to zoning conditions related to noise and no court may enjoin or restrain the operation or use of a sport shooting range on the basis of noise". Further, subsection (4) states that "any sport shooting range that exists on June 18, 2010, may continue to operate as a sport shooting range at that location notwithstanding any zoning ordinance enacted under s. 59.69, 60.61, 60.62, 61.35 or 62.23 (7), if the sport shooting range is a lawful use or a legal nonconforming use under any zoning ordinance enacted under s. 59.69, 60.61, 60.62, 61.35 or 62.23 (7) that is in effect on June 18, 2010. The operation of the sport shooting range continues to be a lawful use or legal nonconforming use notwithstanding any expansion of, or enhancement or improvement to, the sport shooting range". The provision would specify that land subject to a bird hunting preserve license is considered a sport shooting range under this section [s. 895.527].

**Assembly/Legislature:** Delete the provision specifying that land subject to a bird hunting preserve license be a "sport shooting range." The prohibition on local government limits on the number of birds released remains in the act.

[Act 32 Section: 2702p]

**7. SNOWMOBILE TRAIL AIDS AND SUPPLEMENTAL TRAIL AIDS** [LFB Papers 480 and 481]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$388,600	\$938,000	\$1,326,600

**Governor:** Increase the snowmobile trail aids appropriation by \$144,400 in 2011-12 and \$244,200 in 2012-13 to reflect the estimated motor fuel tax transfer to the snowmobile account (related to increased snowmobile registrations). Local trail aids would be expected to be approximately \$8.3 million each year (including supplemental trail aids).

In addition, increase the amount of revenue from each non-resident snowmobile trail pass sold that is deposited in the appropriation utilized for snowmobile supplemental trail aids from \$15 to \$32. The current fee for non-resident trail passes is \$35 (including the issuing fee).

Under current law, DNR provides snowmobile trail aids to counties and participating snowmobile clubs for development and maintenance of snowmobile trails. These grants are provided from the snowmobile account of the conservation fund (from a portion of motor fuel tax revenues and registration revenues). In addition, a county or snowmobile club is eligible for supplemental trail aid payments up to a total of \$750 per mile, if actual eligible costs exceed the maximum of \$250 provided for (basic) trail aids. Since fiscal year 1991-92, supplemental trail aids have been funded from the 40% multiplier to the snowmobile fuel tax transfer formula. Further, beginning in 2001-02, \$15 from each non-resident trail pass sticker sold in the prior year is also available for this purpose. Remaining revenues from trail use sticker sales (minus an issuing fee) are deposited to the general balance of the snowmobile account. However, when the trail use sticker fee was increased by \$17 from \$18 to \$35 under 2007 Act 225, the act did not include a corresponding increase in the amount set aside for supplemental trail aids. Therefore, under current law, \$15 of the revenue from trail use stickers continues to be available for supplemental trail aids while the remainder is credited to the general snowmobile account. The bill would increase the amount credited to the appropriation for supplemental trail aids by \$17 to \$32, while the remainder (\$3 less the issuing fee) would be credited to the general snowmobile account.

The bill would be expected to result in an annual increase in the amount transferred for supplemental trail aids, however, this increase is not reflected in the bill. Further, a technical correction is needed to clarify that the change would become effective for the fiscal year 2011-12 transfer.

**Joint Finance/Legislature:** Reestimate snowmobile trail aids by \$88,600 SEG in 2011-12 and \$15,400 SEG in 2012-13 to reflect available snowmobile fuel tax revenues.

In addition, provide \$409,000 in 2011-12 and \$425,000 in 2012-13, for supplemental trail aids to total \$784,000 SEG in 2011-12 and \$800,000 SEG in 2012-13 (\$32 x 24,500 trail passes and \$32 x 25,000 trail passes) to reflect the expected increase in the non-resident trail pass revenue transferred for supplemental trail aids. Specify that the change would become effective beginning with the 2011-12 transfer.

[Act 32 Section: 3193]

**8. ATV TRAIL AIDS [LFB Paper 481]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$130,500	\$318,800	\$188,300

**Governor:** Reduce the ATV trail aids appropriation by \$46,700 in 2011-12 and \$83,800

in 2012-13 to reflect expected revenues from the motor fuel tax transfer to the ATV account of the conservation fund (related to ATV registrations). ATV trail aids are provided to towns, villages, cities, counties, and federal agencies for the following ATV projects: (a) land or easement acquisition; (b) ATV facilities (such as parking areas, riding areas, and shelters); (c) development and maintenance of ATV trails; (d) purchase of liability insurance; and (e) signs briefly explaining the law related to intoxicated operation of ATVs. Under the bill, local trail aids would be funded at approximately \$3.4 million each year.

**Joint Finance/Legislature:** Reestimate ATV trail aids by \$134,600 SEG in 2011-12 and \$184,200 SEG in 2012-13 to reflect available ATV fuel tax revenues.

**9. ATV LANDOWNER INCENTIVE AND UTV PILOT PROGRAM LAPSES [LFB Paper 482]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$0	- \$20,000	- \$20,000

**Governor:** Lapse \$894,000 from the appropriation for the ATV landowner incentive program to the balance of the ATV account of the conservation fund in 2011-12. (The appropriation ended fiscal year 2009-10 with a continuing balance of \$894,700). No landowner incentive grants were awarded in fiscal years 2008-09 or 2009-10 under the program. In addition, the bill would convert the appropriation from continuing to specify that the amount in the appropriation schedule is the amount that may be committed from the appropriation each biennium. Any uncommitted balance in the appropriation would lapse to the balance of the appropriation at the close of each biennium.

The 2007-09 budget created the ATV landowner incentive program and redirected all non-resident trail pass revenues from the local trail aids appropriation to a continuing appropriation for landowner payments for the program beginning in fiscal year 2008-09. The program provides grants to private landowners who permit public ATV corridors on their lands. Landowners may receive annual incentive payments at the following rates based on the number of days the trail was open for public use during the previous fiscal year: (a) \$25 for each mile that was open for public use for at least 60 but less than 180 days; (b) \$75 for each mile that was open for public use at least 180 days but less than 270 days; or (c) \$100 for each mile that was open for public use for 270 days more. Under the bill, all revenues from non-resident ATV trail passes would continue to be deposited in the landowner incentive appropriation. However, the amount of biennial commitments would be specified in the appropriation schedule, and any remaining uncommitted balance at the end of the biennium would lapse to the balance of the appropriation.

In addition, 2009 Act 175 created a utility terrain vehicle (UTV) pilot program with UTV registration fees (estimated at \$20,000 annually) appropriated for administration of the program. The UTV program sunsets on June 30, 2012.

**Joint Finance/Legislature:** Adopt the Governor's recommendation and lapse an

additional \$405,900 SEG from the appropriation for the ATV landowner incentive program to the balance of the ATV account. (\$1,299,900 SEG would be lapsed to the balance of the ATV account in 2011-12.) In addition, delete \$20,000 SEG in 2012-13 to reflect the June, 2012, sunset of the UTV pilot program appropriation.

[Act 32 Sections: 594 and 9235(8)]

**10. ENDANGERED RESOURCES NATURAL HERITAGE INVENTORY PROGRAM [LFB Paper 483]**

	Funding	Positions
PR	\$141,800	1.00
SEG	<u>- 141,800</u>	<u>- 1.00</u>
Total	\$0	0.00

**Governor:** Delete \$70,900 SEG annually and provide a corresponding \$70,900 PR annually and transfer 1.0 conservation biologist position from segregated revenue to program revenue related to fees collected for access to the DNR natural heritage inventory.

Under current law, the DNR Bureau of Endangered Resources conducts a Natural Heritage Inventory (NHI) program, which provides a system for determining the existence and location of natural areas, native plant and animal communities and habitat, and endangered, threatened, and critical species, the degree of endangerment of these natural areas, species, and habitat, and other information and data related to these natural areas and species. Current law requires DNR to share NHI information with those who request it for research, educational, environmental, land management or similar authorized purposes. The data are utilized to assess the potential impacts of a proposed project (for example, a road or building project) on native plant and animal communities.

DNR is authorized to charge a fee under s. 23.27(3)(b) to recover the cost of collecting, storing, managing, compiling, and providing the NHI information and data. These fees are set under administrative rule NR 29 and are currently deposited in a general operations appropriation in the endangered resources account of the segregated conservation fund [20.370(1)(fs)]. The administration indicates the intent of the bill was for this conservation biologist position to be funded by these fees. However, a technical correction is needed to remove the reference to these fees under the SEG appropriation so they may be deposited to the PR appropriation.

**Joint Finance/Legislature:** Adopt the Governor's recommendation, as corrected, to deposit the NHI fees in the Lands Division general operations PR appropriation.

[Act 32 Section: 586t]

**11. ENDANGERED RESOURCES EXPENDITURES FROM DIVISION OF LAND OPERATIONS [LFB Paper 484]**

**Joint Finance/Legislature:** Specify that, under the endangered resources program, DNR may utilize funds from the Division of Land conservation fund SEG general operations appropriation [20.370(1)(mu)] only for the ecological inventory and monitoring program and for management of the aquatic and terrestrial resources information system.

As part of a larger departmental reorganization, 2005 Act 25 transferred the Ecological Inventory and Monitoring (EIM) section from the DNR Bureau of Integrated Science Services (ISS) to the Endangered Resources Bureau. Under the bill, this program would be funded at \$768,800 SEG annually (\$496,600 fish and wildlife account and \$272,200 forestry account). The transfer was accomplished by moving the expenditures and associated staff from an ISS appropriation in the Division of Enforcement and Science to the Division of Land conservation fund SEG general operations appropriation and expanding the language of that appropriation to include endangered resources purposes. This is the main appropriation (\$39 million annually) for Division of Land operations and includes specific allocations for wildlife management, state parks, southern state forests, facilities and lands, the land management program, and endangered resources. The act was intended to allow existing funds to be used for the EIM program which identifies, collects, and integrates data for ecosystem management into the aquatic and terrestrial resources information system (ATRI) which is utilized for environmental decision-making projects. However, the appropriation language was broad enough to cover any endangered resources purpose.

[Act 32 Section: 589m]

## 12. REPEAL ATLAS REVENUE AND SALE OF LAND APPROPRIATIONS

**Governor/Legislature:** Repeal appropriation 20.370(1)(it) (SEG revenues from the sale of atlases) and deposit the revenues in an existing conservation fund SEG appropriation [20.370(8)(ir)] for promotional activities and publications. In addition, repeal the s. 20.370(1)(mg) PR appropriation for natural heritage contributions and sale of natural areas and specify that all moneys received from gifts and contributions under the Wisconsin natural areas heritage program and all moneys received from the sale of state-owned lands withdrawn from the state natural areas system for the purpose of natural heritage land acquisition activities, natural area land acquisition activities, and administration of the natural areas inventory program be deposited in segregated appropriation 20.370(1)(gr). The title of appropriation 20.370(1)(gr) would be changed from "Endangered resources program- gifts and grants" to "Endangered resources - gifts and grants; sale of state-owned lands."

[Act 32 Sections: 587 thru 589, 601, and 863 thru 865]

## Water Quality

### 1. DAM SAFETY PROGRAM BONDING AND APPLICATION REQUIREMENTS

BR	\$4,000,000
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**Governor/Legislature:** Provide \$4,000,000 in general obligation bonding authority for dam safety grants. Under the bill, debt service would be paid from a GPR sum sufficient

appropriation, however, no estimate of debt service payments is made for the biennium (debt service on \$4 million in general obligation bonds would be expected at about \$308,000 annually for 20 years once all bonds are issued). The bill would also remove the current six-month time limit in which municipalities are required to request grant funding after receiving inspection directives or administrative orders from DNR. Dam owners would still be required to be under an administrative order or inspection directive in order to be eligible for a dam safety grant.

Since the 1989-91 biennium, DNR has administered the municipal dam safety grant program. The program provides matching grants to counties, cities, villages, towns, and public inland lake protection and rehabilitation districts for the repair, reconstruction, or removal of municipal dams. To qualify for a grant, the locality must own a dam that has been inspected by DNR and be under a DNR directive to repair or remove the dam. Dam safety grants may also be awarded to remove abandoned dams or to any dam owner to voluntarily remove their dam. A total of \$16.1 million in bonding revenues for dam safety grants has been authorized by the Legislature for this program, including \$4 million authorized by 2009 Act 28. The program has funded the repair or reconstruction of 87 municipally owned dams and the removal of 31 small, abandoned, or municipally owned dams, including 17 municipal dam repair or reconstruction and two municipal dam removal projects funded with the \$4 million made available in 2009. In addition, Act 28 requires increased dam safety inspections, which may result in increased demand for dam safety grant funding. [Also see Natural Resources -- Stewardship Program Item #7 related to Knowles-Nelson Stewardship program funding for certain county dams.]

[Act 32 Sections: 786 and 921]

**2. WATER RESOURCES ACCOUNT LAPSES** [LFB Paper 485] SEG - \$1,400,000

**Governor:** To address a shortfall (authorized expenditures from the water resources account exceed anticipated revenues to the account), lapse \$355,000 in uncommitted balances in each year of the biennium from the following continuing appropriations back to the balance of the water resources account (motorboat gas tax) of the conservation fund.

<u>Appropriation</u>	<u>Annual</u>
Non-profit conservation organization aids	\$14,500
Lake protection grants	278,500
Non-profit river protection aids	7,000
Southeastern boating access	9,400
Statewide boating access	18,800
Mississippi and St. Croix rivers management projects	5,900
Facilities acquisition, development, and maintenance	<u>900</u>
<b>Total</b>	<b>\$335,000</b>

**Joint Finance/Legislature:** Delete provision. Rather, to address an ongoing structural imbalance in the account and to avoid the need for continued lapses in future biennia, reduce

expenditure authority in the following water resources account appropriations (the deletions are proportional to a DNR reduction plan) by the following amounts:

<b>Continuing Appropriation Reductions:</b>	<u>Annual</u>
Non-profit conservation organization aids	\$10,200
Lake protection grants	196,000
Non-profit river protection aids	5,000
Southeastern boating access	6,600
Statewide boating access	13,200
Mississippi and St. Croix rivers management projects	4,200
Facilities acquisition, development and maintenance	600
Recreational Boating Aids	<u>0</u>
Subtotal Continuing Appropriations	\$235,800
<b>Annual and Biennial Appropriation Reductions:</b>	
Aquatic and terrestrial resources inventory	\$6,900
Water resources law enforcement	10,900
Dam safety and wetland mapping	5,400
Lake, river and invasive species management	174,200
Invasive species grants and lake monitoring	227,900
Administration and technology services	20,200
Customer assistance and licensing	18,700
Enforcement and science management	0
Public health -- water monitoring	0
Water program management	0
River protection grants	<u>0</u>
Subtotal Annual and Biennial Appropriations	\$464,200
Total	\$700,000

### 3. LAKE MANAGEMENT PLANNING GRANTS [LFB Paper 486]

**Governor:** Increase the maximum lake planning grant award from \$10,000 to \$25,000 per grant. The maximum grants for management (\$200,000) and lake classification (\$50,000) would not be affected.

Under prior law, DNR awarded grants for up to 75% of the cost of lake planning projects, with a maximum grant award of \$10,000. Counties, municipalities, non-profit conservation organizations, qualified lake associations, town sanitary districts, certain school districts, and public inland lake protection and rehabilitation districts are all eligible to apply for planning grants. Examples of eligible planning activities include data collection, mapping, water quality assessment, nonpoint source pollution evaluation, management strategy development and other projects that would provide baseline information on the status of lakes. Under the bill, the Department would be authorized to provide up to 75% of project costs, up to a maximum grant of \$25,000 (a \$33,330 project). In fiscal year 2009-10, the Department awarded 104 planning grants for a total of \$764,300. Water resources account SEG of \$2.6 million is available annually for lake planning, classification and management grants.

**Joint Finance/Legislature:** Adopt the Governor's recommendation to increase the maximum lake planning grant award from \$10,000 to \$25,000 per grant. In addition, specify that lake planning grants may not exceed \$50,000 per fiscal year (two \$25,000 grants) for lake planning projects on any one lake. Further, specify that the state planning grant may not exceed 67% of project costs.

[Act 32 Sections: 2927b and 9335(1u)]

#### 4. GRANT TO SOUTHEASTERN WISCONSIN FOX RIVER COMMISSION

**Joint Finance/Legislature:** Direct DNR to provide a grant of \$200,000 SEG during the 2011-13 biennium from the recreational boating aids grant program to the Southeastern Wisconsin Fox River Commission to support activities consistent with the organization's implementation plan, including: (a) initiating and coordinating surveys and research projects relating to the Southeastern Wisconsin Fox River Basin; (b) acting as a liaison between federal, state, and local agencies, and other organizations involved in protecting, rehabilitating, and managing water resources; and (c) providing public information relating to the Southeastern Wisconsin Fox River.

The Southeastern Wisconsin Fox River Commission was created in 1997 in order to address water resource concerns within the river system. Under the implementation plan, goals of the Commission include the improvement of water quality and the scenic, economic, and environmental value of the waters of the Illinois Fox River basin as well as the protection and enhancement of the recreational use of the basin's navigable waters. This provision would bring to \$1,275,000 the amount provided to the commission from the water resources account since its creation in 1997. Recreational boating project aids are currently funded at \$400,000 water resources SEG annually; however, DNR is required to provide \$400,000 annually from the recreational boating aids appropriation to the Fox River Navigational System Authority each year from 2005-06 through 2011-12.

[Act 32 Sections: 593i, 593j, 9135(3q), and 9435(1q)]

#### 5. NONPOINT ACCOUNT REVENUES

SEG-REV - \$2,572,800
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**Governor/Legislature:** Reduce by \$1,286,400 annually the sum-certain GPR transfer to the nonpoint account of the segregated environmental fund. Under the bill, the transfer would be reduced by 10% from a base of \$12,863,700 to \$11,577,300 each year. The GPR transfer is budgeted under "Miscellaneous Appropriations."

The nonpoint account supports state grant programs related to the abatement and prevention of water pollution from agricultural and urban runoff. The account also currently supports 38.7 positions for administration of regulatory efforts and grants programs. In addition, 2009 Act 28 transferred debt service payments for most nonpoint source pollution abatement-related bonds from GPR to nonpoint SEG. Under current law, the account receives revenues from two primary sources: (a) an annual sum-certain GPR transfer; and (b) tipping fees of \$3.20

per ton from the \$13 per-ton fee on most solid waste disposed of in Wisconsin landfills, except high-volume industrial waste. These revenue sources were established under 2007 Act 20. The account also receives interest income on its balances. The table below shows revenues beginning in 2007-08 and those estimated for fiscal years 2011-13.

**Nonpoint Account Revenues**

<u>Source</u>	<u>Actual</u> <u>2007-08</u>	<u>Actual</u> <u>2008-09</u>	<u>Actual</u> <u>2009-10</u>	<u>Estimated</u> <u>2010-11</u>	<u>Bill</u> <u>2011-12</u>	<u>Bill</u> <u>2012-13</u>
GPR Transfer	\$11,514,000	\$13,625,000	\$12,863,700	\$12,863,700	\$11,577,300	\$11,577,300
Solid Waste Tipping Fee	792,600	5,259,400	10,662,000	17,800,000	18,175,000	18,400,000
Interest Income	<u>326,800</u>	<u>28,300</u>	<u>-3,500</u>	<u>5,000</u>	<u>10,000</u>	<u>10,000</u>
Total	\$12,633,400	\$18,912,700	\$23,522,200	\$30,668,700	\$29,762,300	\$29,987,300

**6. TARGETED RUNOFF MANAGEMENT BONDING**

BR	\$7,000,000
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**Governor/Legislature:** Provide \$7 million in additional general obligation bonding authority for the targeted runoff management (TRM) competitive grant program. Bond proceeds would be used to fund structural best management practices (BMPs) in rural areas to prevent nonpoint source water pollution. TRM grants may be used to cover the minimum state assistance as specified in the statutes for agricultural landowners to be required to install BMPs; this cost-share rate is generally 70%. Proceeds may also fund manure management projects at small and medium-sized animal feeding operations that are issued notices of discharge pursuant to manure or wastewater releases to waters of the state.

The TRM program is currently authorized \$18 million in general obligation bonding. Bonding authority has increased by \$7 million in each of the last two biennia. Debt service on this authority is supported by the segregated nonpoint account of the environmental fund. Debt service under the bill would be estimated at \$832,000 in 2011-12 and \$1,036,200 in 2012-13.

[Act 32 Section: 782]

**7. URBAN NONPOINT SOURCE AND STORM WATER MANAGEMENT BONDING**

BR	\$6,000,000
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**Governor/Legislature:** Provide \$6 million in additional general obligation bonding authority for the urban nonpoint source and storm water management (UNPS) competitive grant program. Bond proceeds fund structural BMPs in urban areas to meet performance standards for urban runoff, including storm water discharges. UNPS grants may fund up to 50% of eligible construction costs, up to \$150,000. Grant funds must be applied to pollution-control improvements for existing developments, as projects associated with areas of new development or redevelopment are ineligible.

This bonding authority is also shared with the municipal flood control (MFC) and riparian restoration program. MFC grants fund projects to: (a) convey storm water for flood-control

purposes; (b) purchase or remove structures subject to repetitive flood loss or that are located in a 100-year floodplain; (c) flood-proof or elevate vulnerable structures; or (d) remove dams and other artificial structures from waterways or otherwise restore riparian areas. MFC grants may be for up to 70% of eligible costs, with individual grants limited to no more than 20% of the total available.

DNR has typically split the biennial bonding authorization equally between the two programs. The UNPS and MFC programs are currently authorized \$35.9 million in general obligation bonding. Bonding authority has increased by \$6 million in each of the last two biennia. Debt service on this authority is supported by the nonpoint account of the environmental fund, and is estimated at \$2,403,000 in 2011-12 and \$2,537,400 in 2012-13.

[Act 32 Section: 784]

## 8. **NONPOINT SOURCE POLLUTION PERFORMANCE STANDARDS** [LFB Paper 487]

**Governor:** Require DNR to repeal and recreate administrative rule NR 151, which prescribes performance standards for agricultural and nonagricultural sources of nonpoint source water pollution. Specify the new rule shall not contain requirements more stringent than those under the federal Water Pollution Control Act (Clean Water Act) and associated federal regulations. Specify the recreated rule shall take effect 90 days after the effective date of the bill.

Further, specify that if the recreated NR 151 establishes a date by which a municipality holding a Wisconsin pollutant discharge elimination system (WPDES) general permit for storm water discharges must develop and implement a storm water management program that includes reductions in total suspended solids in runoff, to the extent allowed by federal law, the rules must not apply to any such municipality that determines compliance with the deadline would have a significant adverse economic impact on the municipality.

Under current state law, DNR is required to promulgate administrative rules containing the quality standards for Wisconsin's surface waters. These standards are contained in administrative rule chapters NR 102 through NR 105. DNR is also required under s. 281.16 of the statutes to promulgate administrative rules containing performance standards for nonpoint sources of water pollution. The performance standards in administrative rule NR 151 are intended to limit nonpoint source pollution as a means of achieving state water quality standards. In accordance with the statutes, NR 151 establishes separate performance standards for: (a) agricultural lands and facilities; and (b) non-agricultural areas including construction sites, post-construction sites, and developed urban areas. NR 151 also creates standards for transportation facilities such as highways, railroads or mass transit facilities, and these standards are similar to those for non-agricultural areas. Performance standards generally prescribe limits or specify required and prohibited activities that would limit: (a) soil erosion or other sediment deposition to waters; (b) nutrient deposition; and (c) runoff of pollutants that tend to be location-specific, such as manure from agricultural facilities or motor vehicle petroleum products from developed urban areas and transportation facilities.

Although the state has latitude in establishing its water quality standards, basic

requirements are contained in the Clean Water Act and federal regulations, and states are required to establish water quality standards on these bases. If states fail to promulgate water quality standards on their own accord, federal law provides the U.S. Environmental Protection Agency (EPA) authority to promulgate water quality standards for states. Federal guidelines also specify minimum water quality standards for Great Lakes states.

NR 151 requires WPDES-permitted municipalities to meet a two-stage reduction in total suspended solids (TSS) entering waters of the state through runoff from existing development. Stage 1 requirements are a 20% TSS reduction, as compared to no runoff controls, within two years of receiving coverage under a permit. Stage 2 requirements are one of the following: (a) a 40% TSS reduction by March 31, 2013, if WPDES permit coverage began January 1, 2010, or earlier; (b) a 40% TSS reduction within seven years of permit issuance if the permit was issued later than January 1, 2010; or (c) if a 40% reduction is not achieved, the municipality may describe controls in place and submit a long-term storm water management plan to describe future cost-effective efforts to reach the 40% reduction. If a municipality will not meet the seven-year deadline, NR 151 contains provisions under which DNR may extend the compliance deadline by 10 years or more. Any such extension would include five-year reviews by DNR.

The performance standards promulgated in 2010 for WPDES-permitted municipalities replaced requirements of a 20% reduction by March 10, 2008, and a 40% reduction by March 10, 2013. The changes related to extended deadlines and extension for cost-effective planning are intended to reflect concerns of municipalities in recent years that costs of complying with the original March, 2013, deadline would be too onerous.

Any exemption due to significant adverse economic impacts would only be applicable to municipalities holding a WPDES general permit for storm water discharges from municipal separate storm sewers (MS4s). DNR has issued a general permit to cover about two-thirds of municipalities required under federal law to hold permits for MS4 discharges. Communities in larger metropolitan areas such as Milwaukee and Madison operate under individual permits; these municipalities would not be covered by the potential exemption.

**Joint Finance/Legislature:** Delete provision. Instead, specify that DNR may not enforce any provision of an administrative rule establishing nonagricultural performance standards for runoff from developed urban areas, excluding performance standards for new development or redevelopment, if the provision specifies a percentage reduction in total suspended solids exceeding 20% from no controls that is to be achieved by a political subdivision holding a WPDES permit by a certain date.

Further, specify that if any municipality has achieved a reduction in total suspended solids exceeding 20% from no controls that the municipality shall, to the maximum extent practicable, maintain all best management practices in use on the bill's effective date, in accordance with the practices' designs.

[Act 32 Section: 2895m]

**9. TRANSFER COMMERCIAL EROSION CONTROL REGULATORY AUTHORITY TO DEPARTMENT OF SAFETY AND PROFESSIONAL SERVICES [LFB Paper 488]**

**Governor:** Transfer to the Department of Safety and Professional Services (DSPS) statutory authority to establish statewide standards for erosion control at construction sites of public buildings and buildings that are places of employment. These responsibilities were transferred to DNR from Commerce under 2009 Act 28, and portions of administrative rule NR 151 promulgated in 2010 addressed erosion and sediment control at these construction sites.

Specify that all DNR rules and orders in effect on the effective date of the bill and related to erosion control at commercial building sites remain in effect until amended, repealed or rescinded by DSPS, or through any previously specified expiration date. Also, specify that any matter pending with DNR primarily related to erosion control at commercial building sites on the effective date of the bill is transferred to DSPS. Specify all materials submitted to DNR and all actions taken by DNR with respect to such matters are to be considered as submissions to or actions of DSPS. Further, specify that any delegations of authority to municipalities by DNR that are in effect on the effective date of the bill would remain in effect until revoked by DSPS.

Under existing law, DNR had regulatory authority for construction sites of one acre or larger, which are typically referred to as permitted sites, as they are covered under a general WPDES permit issued by DNR for point sources of pollution. Also, the statutes require DNR to establish minimum erosion control standards for activities at construction sites involving either: (a) no building construction; or (b) construction of a public building or place of employment [commercial buildings authority transferred to DSPS under the act]. Commercial building categories include multifamily dwellings, consumer retail establishments, industrial buildings and schools, but not federal buildings, buildings on American Indian reservations, agricultural activities and buildings, or forestry activities. DNR authority also does not extend to construction of one- or two-family dwellings, which is regulated by Commerce. (The bill would transfer erosion control regulations for one- and two-family dwellings from Commerce to DSPS; see the entry under Commerce for additional information.) The state is allowed to delegate to a local government regulatory authority for construction sites involving public buildings or places of employment. A local delegated authority may enforce by ordinance any standards more stringent than those established by the state if the local government had the ordinance in effect on January 1, 1994.

NR 151 requires that all construction sites implement practices that will not result in excessive sediment runoff from land disturbances, or in soil being tracked onto streets and paved surfaces by machinery used on site. In addition, WPDES-permitted sites must design best management practices intended to achieve certain levels of control of sediment runoff. For sites seeking permits prior to January 1, 2013, the reduction is 80%, to the maximum extent practicable, as compared to the site having no runoff controls. For sites seeking permits January 1, 2013, or after, practices must be designed to achieve sediment discharges of no more than five tons per acre per year, to the maximum extent practicable.

Existing law also requires erosion control practices at construction sites of public buildings or places of employment to be described in erosion control plans, which are to be submitted for approval to the state, or to a local delegated municipality. The statutes also require

the state or the delegated municipality to conduct inspections of erosion control activities taking place on site. If the state or a local authority finds noncompliance with standards, a stop-work order may be issued.

**Joint Finance/Legislature:** Adopt the Governor's recommendation. In addition, require DNR and DSPS, by October 1, 2011, to enter into a memorandum of understanding delineating: (a) each agency's responsibilities in regulating erosion control activities at construction sites, both during and after construction; and (b) providing a means by which DSPS will require construction sites of one acre or larger, and involving construction of a public building or place of employment, to submit to DSPS notices of intent to seek permit coverage, consistent with DNR practices for review and permitting of non-commercial construction sites of one acre or larger.

[Act 32 Sections: 917 thru 919, 1681, 2292, 2331, 2897 thru 2905, and 9135(2)]

## 10. CONTAMINATED SEDIMENT REMOVAL BONDING

BR	\$5,000,000
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**Governor/Legislature:** Provide \$5,000,000 BR to increase, from \$22 million to \$27 million, the amount of general obligation bonds authorized to pay for a portion of the costs of removal of contaminated sediment from Lake Michigan or Lake Superior or their tributaries if the project is in a water body that DNR has identified, under the federal Clean Water Act, as being impaired and the source of the impairment is contaminated sediment. Debt service costs paid from the segregated environmental management account of the environmental fund totaled \$381,800 in 2009-10, and are estimated at \$0.7 million in 2011-12, and \$1.0 million in 2012-13.

[Act 32 Section: 785]

## 11. WATER QUALITY STANDARD VARIANCES

**Governor/Legislature:** Make changes related to variances from water quality standards for wastewater discharge permit holders, as follows.

a. Allow a wastewater discharge permit holder who applies for reissuance or modification of a discharge permit that contains a variance to a water quality standard, or who anticipates that DNR will add a water quality based effluent limitation under s. 283.15(5) when the Department reissues or modifies a discharge permit, to request a variance to the water quality standard that would be used to derive the water quality based effluent limitation when it applies for reissuance or modification of the permit. Currently, a wastewater discharge permit holder must wait to request a variance to a water quality standard until after DNR issues, reissues or modifies the permit, and has 60 days from the date of issuance to apply for a variance. The bill would maintain the authority for the permit holder to apply for the variance within 60 days after DNR reissues or modifies a permit to include a water quality based effluent limitation.

b. Repeal the authority of a permittee to apply to DNR for a variance to a water quality standard after the Department issues a permit to include a water quality based effluent limitation. (This refers to issuance of an original permit rather than a reissuance or modification of a permit.) Currently, a person must obtain a wastewater discharge permit from DNR before

the person can discharge pollutants into the waters of the state. DNR promulgates rules with standards of water quality to protect the public interest. A discharge permit can contain requirements to use specified technology to reduce the amount of pollutants in the wastewater discharged into state waters (technology-based requirements). A discharge permit can also contain more stringent requirements to achieve water quality standards for the waters receiving the discharge (water quality based effluent limitations).

c. Delete the requirement that the Department issue a public notice of receipt of the application for a variance and of any deadlines for submission of written arguments on facts and law by interested parties. Currently, within 30 days after DNR receives a complete application for a variance, the Department is required to issue the public notice to the U.S. Environmental Protection Agency, U.S. Army Corps of Engineers, any affected state, any interested agency of this state, and interested members of the public. The bill would retain the requirements that DNR issue a public notice of the Department's tentative decision on the variance within 120 days after receipt of a completed application, and that DNR provide a 30-day period for written comments on the tentative decision.

d. Delete the requirement that when the DNR Secretary makes a final decision to approve or deny the requested variance, the action must be taken within 90 days after expiration of the public comment period on the tentative decision. (Under the bill, there would be no deadline for the DNR Secretary to make the final decision.)

e. Delete the requirement that if the DNR Secretary denies a requested variance because the permittee fails to provide a required demonstration that attaining the water quality standard is not feasible, the Secretary must make the denial within 90 days after the expiration of the public comment period on the tentative decision. (Under the bill, there would be no deadline for the DNR Secretary to make the denial under this provision.)

f. Delete the requirement that if the DNR Secretary does not issue a final decision to approve or deny the requested variance within 90 days after expiration of the public comment, the application for a variance would be considered denied.

g. Delete the requirement that the DNR Secretary's final decision to approve a variance shall, as part of the decision, establish all permit conditions needed to implement the variance. Specify that the Department must address a list of items in a permit reissued or modified to implement a variance (such as compliance with an effluent limitation, a compliance schedule, investigation of treatment technologies or other technologies that may result in compliance with the standard, and reporting requirements). Currently, the permit modified to include the Department's decision must require the same list of items to be in the permit.

h. Delete the requirement that, within 30 days after DNR's final decision to approve a variance, DNR shall issue a public notice of its intent to modify the permit to incorporate the decision.

i. Require that a discharge permit reissued or modified to approve a variance to a water quality standard shall require compliance with an initial effluent limitation that is no less stringent than the effluent limitation achieved under the permit before reissuance, in addition to currently requiring compliance with an initial effluent limitation that at the time the variance is approved represents the level currently achievable by the permittee.

j. Require that the reissued or modified discharge permit shall require investigation of pollution prevention, in addition to currently requiring investigation of treatment technologies, process changes, wastewater reuse or other techniques that may result in compliance by the permittee with the water quality standard.

k. Extend the maximum term of approval for a variance to water quality standards included in a wastewater discharge permit from three to five years, which is the current maximum term of a wastewater discharge permit.

[Act 32 Sections: 2932 thru 2951]

## 12. PHOSPHORUS EFFLUENT LIMITATIONS [LFB Paper 489]

**Governor:** Provide an exception in s. 283.11(3) to the requirement that DNR promulgate an administrative rule with effluent limitations representing the best available demonstrated control technology, processes, operating methods or other alternatives concerning the discharge of phosphorous if the U.S. Environmental Protection Agency has not promulgated an effluent limitation, effluent standard or prohibition concerning this type of discharge. The exception would prohibit DNR from promulgating or enforcing an administrative rule that establishes effluent limitations for the discharge of phosphorous if the rule establishes effluent limitations that are more stringent than the effluent limitations established by any of the states of Illinois, Indiana, Michigan, Minnesota, or Ohio. Currently, DNR administers rules for phosphorous effluent limits in NR 217 of the Wisconsin Administrative Code, based on s. 283.11 and s. 283.13.

**Joint Finance/Legislature:** Delete provision.

## 13. WATER USE FEES

PR-REV	- \$56,400
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**Joint Finance/Legislature:** Require that, for the annual \$125 water use fee paid by a person who has a water system with the capacity to withdraw an average of 100,000 gallons per day or more in any 30-day period, no person be required to pay more than \$1,000 for an annual registration made after January 1, 2011. (An owner of eight or more water supply systems would not be charged a cumulative annual water use fee greater than \$1,000.) Administrative code chapter NR 850.04 (1) specifies that the \$125 annual fee covers all water supply systems on one property, or a single public water supply. NR 850.04 (1) uses the definition of "one property" found in NR 812.07 (68), which states, "One property means all contiguous land controlled by one owner, lessee, or any other person having a possessory interest. Lands under single ownership bisected by highways or railroad right-of-ways are considered contiguous." The act would affect approximately 24 property owners and the revenue decrease would be approximately \$18,800 annually. The revenue decrease would be retroactive for fees assessed in 2010-11, so the revenue decrease during the 2011-13 biennium would be approximately \$56,400 (\$37,600 in 2011-12 and \$18,800 in 2012-13).

[Act 32 Sections: 2911c and 9435(1i)]

#### **14. ECONOMIC IMPACT ANALYSES FOR PHOSPHORUS AND SHORELAND ZONING ADMINISTRATIVE RULES**

**Joint Finance/Legislature:** Require DNR to prepare an economic impact analysis, as detailed in 2011 Act 21, for the administrative rules on the following two matters: (a) the phosphorus effluent limitation administrative rule changes in NR 102.06 and NR 217, Subchapter III, which went into effect on December 1, 2010; and (b) the shoreland zoning administrative rule changes in NR 115, which went into effect on February 1, 2010. DNR could prepare separate economic analyses on the two matters.

In general, DNR would be required to include in each analysis the economic effect of the rule on specific businesses, business sectors, public utility ratepayers, local governmental units, and the state's economy as a whole. When preparing each analysis, DNR would be required to solicit information and advice from businesses, associations representing businesses, local governmental units, and individuals that may be affected by the rule. DNR would be required to prepare each economic impact analysis in coordination with local governmental units that may be affected by the rule. DNR would be authorized to request from businesses, associations, local governmental units, individuals and from other agencies information that is reasonably necessary for the preparation of an economic impact analysis.

Require that DNR submit each economic impact analysis by December 31, 2011, to the Department of Administration, the Governor, and to the Chief Clerks of the Assembly and Senate for distribution to the chairpersons of the appropriate standing committees of the Legislature and to the Co-Chairpersons of the Joint Committee for Review of Administrative Rules.

**Veto by Governor [A-7]:** Delete the requirement that DNR submit the economic impact analyses by December 31, 2011.

[Act 32 Section: 9135(3f)]

[Act 32 Vetoed Section: 9135 (3f)]

#### **15. AGRICULTURAL RESEARCH EXEMPTION FROM DISCHARGE PERMITS**

**Joint Finance/Legislature:** Authorize DNR to waive compliance with the requirements of Chapter 283 (WPDES permitting) for a research project developed for the purposes of evaluating the feasibility of advanced nutrient management tools and precision agriculture technology, provided the following conditions are met: (a) DNR determines that the project is unlikely to negatively impact or threaten the environment or public health; (b) DNR reviews and approves the project prior to its initiation; and (c) the owner or operator of the project agrees to take necessary action to maintain compliance with surface water and groundwater laws under Chapters 281 and 283, and to take necessary action to regain compliance with these laws if a violation occurs in the course of the project.

Require persons seeking a waiver of WPDES permitting requirements to apply to DNR for a waiver. Specify DNR shall approve or deny the application in writing within 45 days of receiving a complete application. Provide the Department may approve the application with

conditions including, but not limited to: (a) requirements for reporting project activities to the Department; and (b) limitations on the duration of the project or the waiver for the project.

Specify any project receiving DNR approval be considered an agricultural practice, as defined in s. 823.08 of the statutes, commonly known as the right-to-farm law.

[Act 32 Section: 2951k]

## **Air, Waste, and Contaminated Land**

### **1. RECYCLING AND RENEWABLE ENERGY FUND CHANGES [LFB Papers 496 and 785]**

**Governor:** Rename the segregated recycling and renewable energy fund (recycling fund) the "economic development fund." Transfer all recycling fund appropriations to the environmental management account of the environmental fund, except the recycling grant appropriations that are repealed (described in other summary entries), and the surcharge administration appropriation, which would remain in the newly named economic development fund.

Rename the recycling surcharge the "economic development surcharge." Deposit the surcharge in the economic development fund. The surcharge is imposed on businesses that have at least \$4,000,000 in gross receipts. It is 3% of gross tax liability for corporations or 0.2% of net business income for sole proprietorships, partnerships, limited liability companies taxable as partnerships and S corporations. There is a minimum annual payment of \$25 and maximum payment of \$9,800. The Department of Revenue collects the surcharge and currently deposits it in the recycling fund.

Deposit \$4 per ton of the recycling tipping fee in the economic development fund. Deposit \$3 per ton of the recycling fee in the environmental fund. Currently, the recycling tipping fee is \$7 per ton for most solid waste disposed of in Wisconsin landfills, other than certain high-volume industrial waste and PCB-contaminated sediment. The fee rate would not change under the bill. DNR collects the recycling fee quarterly and currently deposits the recycling tipping fee in the recycling fund. The deposit of the fees into the new funds would take effect with fees collected by DNR on or after the effective date of the bill. (DNR also collects other solid waste tipping fees totaling \$6 per ton for waste other than high-volume industrial waste and PCB-contaminated sediment, most of which is collected annually and deposited in the environmental fund for environmental management or nonpoint source pollution abatement purposes.)

Deposit the electronic waste recycling fee and the newspaper recycling fee in the environmental fund instead of the recycling fund. Under 2009 Act 50, a manufacturer of certain electronic devices (such as televisions and computers) pays an annual registration fee based on the number of devices it sold during the previous year. The newspaper fee is paid by certain printers and publishers of newspapers if they do not meet a requirement that the recycled content

of newsprint be at least 33%.

The following table shows the revenues that were deposited in the recycling and renewable energy fund, and where, under the Governor's recommendation, they would be deposited.

**Revenues Currently Deposited in Recycling Fund and Alternate Fund Under the Governor**

<u>Fee</u>	<u>Recycling and Renewable Energy</u>	<u>Environmental</u>	<u>Economic Development</u>
Recycling Tipping Fee*	-\$35,606,900	\$15,260,100	\$20,346,800
Recycling Surcharge (renamed Economic Development Surcharge)	-22,000,000		22,000,000
Electronic Waste Recycling Fee	-255,000	255,000	
Newspaper Recycling Fee	<u>-1,800</u>	<u>1,800</u>	<u>                    </u>
<b>Total</b>	<b>-\$57,863,700</b>	<b>\$15,516,900</b>	<b>\$42,346,800</b>

\*The recycling tipping fee would remain at the current \$7 per ton. \$4 would be deposited in the economic development fund and \$3 would be deposited in the environmental fund.

**Joint Finance/Legislature:** Approve the Governor's recommendation, as technically corrected, to rename the recycling and renewable energy fund the economic development fund and transfer all recycling and renewable energy fund appropriations to the environmental fund, except for the Department of Revenue surcharge administration appropriation that would stay in the renamed economic development fund.

Deposit the \$7 per ton recycling tipping fee in the environmental fund (no recycling tipping fee would go to the economic development fund). This would provide an estimated \$72.1 million of revenue to the environmental fund (\$35.7 million in 2011-12 and \$36.4 million in 2012-13), which is \$41.2 million more than originally estimated (\$20.4 million in 2011-12 and \$20.8 million in 2012-13).

Approve the Governor's recommendation to rename the recycling surcharge the economic development surcharge and deposit it in the economic development fund. Reestimate annual economic development surcharge revenues to be \$23,400,000, rather than \$22,000,000.

The following table shows the appropriations previously funded from the recycling and renewable energy fund, and whether, under the act, they are repealed, transferred to the environmental fund, or retained in the renamed economic development fund. The table also shows the new appropriation in the Wisconsin Economic Development Corporation that would be funded from the economic development fund.

## Appropriations with Prior Law and New Fund

<u>Agency</u>	<u>Appropriation Name</u>	<u>2010-11 Base Funding</u>	<u>2010-11 Base Positions</u>	<u>Act 32 2011-12 Appropriation</u>	<u>Act 32 2012-13 Appropriation</u>	<u>Act 32 2012-13 Positions</u>
<b>Recycling and Renewable Energy Fund - Repealed Appropriations</b>						
Commerce						
	Renewable energy grants and loans administration	\$69,700	1.0	\$0	\$0	0.0
	Renewable energy grants and loans	14,850,000	0.0	0	0	0.0
Natural Resources						
	Municipal and county recycling grants	32,098,100	0.0	19,000,000	19,000,000	0.0
	Recycling consolidation grants	0	0.0	1,000,000	1,000,000	0.0
	Recycling demonstration grants	0	0.0	0	0	0.0
	Recycling efficiency incentive grants	0	0.0	0	0	0.0
	Subtotal	<u>\$47,017,800</u>	<u>1.0</u>	<u>\$20,000,000</u>	<u>\$20,000,000</u>	<u>0.0</u>
<b>Appropriations Renamed from Recycling Fund to Environmental Fund</b>						
Agriculture, Trade and Consumer Protection						
	Recyclable products regulation	\$0	0.0	\$0	\$0	0.0
	Grants for agricultural facilities	0	0.0	0	0	0.0
	Clean sweep grants	750,000	0.0	750,000	750,000	0.0
Corrections						
	Computer recycling	313,400	2.0	257,500	257,500	1.0
Natural Resources						
	Recycling administration	1,370,100	15.0	1,606,300	1,582,600	15.5
	Electronic waste recycling administration	205,000	2.0	152,300	128,600	1.0
	Recycling enforcement	205,000	2.4	299,600	295,800	2.4
	PCB-contaminated sediment transport grants	3,000,000	0.0	0	0	0.0
	Statewide recycling administration	412,100	0.5	407,200	407,200	0.5
	State recycling grants administration	423,800	4.0	210,500	210,500	2.0
University of Wisconsin System						
	Wisconsin bioenergy initiative	4,050,000	0.0	4,050,000	4,050,000	0.0
	Extension recycling education	344,000	4.0	388,200	388,200	4.0
	Solid waste research and experiments	154,300	0.5	155,400	155,400	0.0
Wisconsin Housing and Economic Development Authority						
	Transfer to development reserve fund	0	0.0	0	0	0.0
	Subtotal	<u>\$11,227,700</u>	<u>30.4</u>	<u>\$8,277,000</u>	<u>\$8,225,800</u>	<u>26.4</u>
<b>Appropriation Renamed from Recycling Fund to Economic Development Fund</b>						
Revenue						
	Surcharge administration	\$207,500	1.0	\$210,800	\$210,800	1.0
<b>Economic Development Fund - New Appropriation</b>						
Wisconsin Economic Development Corporation						
	Economic development fund programs	<u>\$0</u>	<u>0.0</u>	<u>\$23,189,200</u>	<u>\$23,189,200</u>	<u>0.0</u>
Total		\$58,453,000	32.4	\$51,677,000	\$51,625,800	27.4

The following table shows the revenues that were deposited in the recycling and renewable energy fund, and where, under the act, they will be deposited.

**Revenues Previously Deposited in Recycling and Renewable Energy  
Fund and Fund Under Act 32 - 2011-13 Biennium**

<u>Fee</u>	<u>Recycling and Renewable Energy</u>	<u>Environmental</u>	<u>Economic Development</u>
Recycling Tipping Fee*			
2011-12	-\$35,700,000	\$35,700,000	
2012-13	-36,400,000	36,400,000	
Recycling Surcharge (renamed Economic Development Surcharge)*			
2011-12	-23,400,000		\$23,400,000
2012-13	-23,400,000		23,400,000
Electronic Waste Recycling Fee*			
2011-12	-260,000	260,000	
2012-13	-260,000	260,000	
Newspaper Recycling Fee			
2011-12	-1,800	1,800	
2012-13	<u>-1,800</u>	<u>1,800</u>	<u>          </u>
Total 2011-13 Biennium	-\$119,423,600	\$72,623,600	\$46,800,000

\* Revenue amounts reflect reestimates of the totals from what was originally estimated under the bill.

[Act 32 Sections: 374, 376, 382, 577n thru 578, 591, 591b, 593, 600, 602, 603, 628, 712, 753, 867, 887b, 891 thru 894b, 2132, 2177, 2184, 2185 thru 2187, 2984, and 2985b]

**2. MUNICIPAL AND COUNTY RECYCLING GRANT PROGRAM [LFB Paper 497]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	-\$64,196,200	\$40,000,000	-\$24,196,200

**Governor:** Repeal the municipal and county recycling grant appropriation and program and delete \$32,098,100 annually from the segregated recycling and renewable energy fund. The program was created in 1989 Act 335 to provide financial assistance to responsible units of local government for a portion of eligible recycling costs. A responsible unit is the local government that administers a recycling program for a geographic area. Eligible recycling costs for planning and operating a recycling program include expenses such as for staff, equipment, land, collection of recyclables, public education and enforcement, written contracts to obtain services necessary for an effective recycling program, and landfill costs directly associated with recovering recyclables from postconsumer waste.

In 2009-10, DNR awarded \$29,294,200 to 1,025 local government grantees, equaling 26.6% of estimated net eligible recycling costs of \$110.1 million in calendar year 2010. The grant award averaged \$5.16 per capita, but varied substantially by municipality. (DNR awarded \$1,803,900 less than the \$31,098,100 appropriated amount to meet part of the Department's obligation to transfer funds to the state's general fund under deficit reduction requirements of the

2009-11 biennial budget.) In 2000 and subsequent years, responsible units receive a grant equal to the same percentage of the total grant funding as the responsible unit received, or would have received, in 1999. While \$32.1 million is budgeted in 2010-11 for calendar year 2011 municipal recycling grants, actual grant awards are expected to be substantially lower in order to meet general fund transfer requirements and to maintain a positive recycling fund balance on June 30, 2011.

**Joint Finance/Legislature:** Restore the municipal and county recycling grant program and provide funding of \$19,000,000 SEG annually (the same amount DNR actually awarded in 2010-11). Restore the current October 1 application deadline, late application provisions, and requirement that DNR pay annual grants to responsible units no later than June 1, and requirement that DNR distribute grant funds according to the current law formula which specifies that responsible units receive a grant equal to the same percentage of the total grant funding as the responsible unit received, or would have received, in 1999.

In addition, provide \$1,000,000 SEG annually for consolidation grants and require DNR to distribute the funds on a per capita basis to responsible units that meet one of the following eligibility requirements:

- a. Is a county that has taken action to become a responsible unit;
- b. Is a federally-recognized Indian tribe;
- c. Is a responsible unit with a population of 25,000 or more and is a single municipality or consolidated municipality;
- d. Is a responsible unit other than listed under (a) through (c) if it does one of the following: (1) adds at least one responsible unit to an existing responsible unit; (2) enters into a cooperative agreement with another responsible unit under s. 66.0301 for the joint provision of at least one of the following elements of an effective recycling program: (a) performing comprehensive program planning; (b) collecting and transporting recyclables; (c) sorting recyclable materials at a materials recovery facility; (d) developing and distributing educational materials relating to waste reduction, reuse, and recycling; (e) carrying out a program of technical assistance to businesses and owners and occupants of multifamily dwellings to increase the availability and convenience of recycling; or (f) performing other program elements approved by DNR.

[Act 32 Sections: 591, 593, 596b, 597e, 2980b thru 2980r, and 2981g]

### **3. LOCAL GOVERNMENT RECYCLING MANDATES [LFB Paper 497]**

**Governor:** Repeal the requirement that local governments implement recycling programs. Include the following provisions:

- a. Repeal the requirement that each municipality is a "responsible unit" for purposes of operating a recycling program.

b. Repeal the requirement that each responsible unit of local government must operate, or contract with another entity to operate, a recycling program that manages solid waste generated within its jurisdiction in compliance with landfill disposal restrictions that ban certain materials from landfills (the landfill bans) and the state solid waste policies included in statutes. These policies state that the state encourages the following hierarchy of solid waste management priorities: (1) reduction of the amount of solid waste generated; (2) reuse of solid waste; (3) recycling; (4) composting; (5) recovery of energy from solid waste; (6) land disposal; and (7) burning of solid waste without energy recovery.

c. Repeal the definition of responsible unit. Currently, a "responsible unit" is the local government that administers a recycling program for a geographic area, and can include a: (1) municipality (city, village or town); (2) county, if it adopts a resolution to create a responsible unit for all or a portion of the county; (3) multiple-municipality responsible unit consisting of counties, solid waste management commissions or two or more neighboring municipalities; and (4) an Indian tribe.

d. Repeal all provisions related to DNR approval of and local operation of effective recycling programs. Currently, responsible units must be approved by DNR as operating an effective recycling program in order to: (1) landfill "residuals," (materials remaining after other like materials have been separated for recycling) that would otherwise be subject to the landfill disposal bans; and (2) apply for a grant under the municipal and county recycling grant program. A responsible unit's effective recycling program must include several specific components, including: (1) an ordinance to require recycling of the materials subject to the 1995 landfill bans; (2) a method for collecting, processing and marketing recyclables from single-family and two- to four-unit residences; (3) public education and information about how to recycle; (4) curbside collection of certain recyclable materials in municipalities with a population of 5,000 or greater and a population density of greater than 70 persons per square mile; (5) to meet specific per capita total collection standards for eight recyclable materials; (6) equipment and staff necessary to operate and enforce the program; and (7) other components.

e. Repeal the requirement that a responsible unit that receives a state grant under the municipal and county recycling grant program, or a county or municipality within such a responsible unit, is prohibited from imposing a restriction, or a tax or fee on the sale or distribution of packaging for a purpose relating to the disposal of the packaging. For example, currently, local governments that receive a recycling grant are not allowed to assess a bottle deposit fee to help pay for the costs of disposing of the bottle, and are not allowed to ban retail sales of a certain type of plastic packaging in order to reduce issues related to the disposal of the plastic.

f. Repeal the requirement that, if a responsible unit levies a "recycling fee," meaning a special assessment or charge, for the purpose of complying with the requirement that a responsible unit administer a recycling program, any unpaid recycling fee is a lien on the property against which it is levied, to the same extent as a lien for a tax that is levied on real property within the jurisdiction.

g. Repeal the requirement that, as of February 1, 2010, a responsible unit shall

provide information to people in its region about the electronic device landfilling ban, why it is important to recycle electronic devices, and opportunities available to those persons for recycling electronic devices.

**Joint Finance/Legislature:** Restore the current law provisions related to local government recycling mandates. In addition: (a) approve the deletion of obsolete references; and (b) approve the deletion of references to out-of-state local governments that were found unconstitutional.

[Act 32 Sections: 2728b, 2956, 2957b, 2969b, and 2972 thru 2977n]

#### **4. LANDFILL DISPOSAL RESTRICTIONS [LFB Paper 497]**

**Governor:** Modify the 1995 landfill bans on landfilling certain materials (the landfill bans that went into effect January 1, 1995) so that no "individual" may place the banned materials in a container the contents of which will be disposed of in a landfill, converted into fuel, or burned at an incinerator. This means that an individual household would not be allowed to place materials subject to the 1995 landfill bans in a trash can that will be hauled to a landfill. The recycling statutes and bill do not include a definition of "individual," so the common dictionary definition of individual as a human being would apply. Currently, no "person" may dispose of materials subject to the 1995 landfill bans in a landfill, burn with or without energy recovery, or convert the materials into fuel. Under the recycling statutes in s. 287.01 (5m), a "person" includes any individual, corporation, limited liability company, partnership, association, local governmental unit, state agency or authority, or federal agency. Currently, in most of the state, private waste haulers or municipalities transport truckloads of materials for disposal in a landfill rather than individuals taking the waste generated by their household to a landfill for disposal.

The materials affected by the modification in the 1995 landfill bans include: (a) aluminum containers; (b) corrugated paper or other container board; (c) foam polystyrene packaging (packaging made primarily from foam polystyrene that either: (1) is designed for serving food or beverages; (2) consists of loose particles intended to fill empty space and cushion the packaged article; or (3) consists of rigid materials shaped to hold and cushion a packaged article); (d) glass containers; (e) magazines or other material printed on similar paper; (f) newspapers or other material printed on newsprint; (g) office paper; (h) plastic containers (plastics #1 through #7 required to be labeled under the plastic container labeling law); (i) steel containers; and (j) containers for carbonated or malt beverages that are primarily made from a combination of steel and aluminum (known as "bi-metal" cans).

Repeal the requirement that materials subject to the 1995 bans from landfills may only be landfilled if the materials are "residuals" from an effective recycling program ("residuals" are materials remaining after other like materials have been separated for recycling).

The bill would maintain the current bans on any person disposing of several materials in a landfill or incinerator, including: (a) lead acid batteries; (b) major appliances (air conditioners, clothes dryers, clothes washers, dishwashers, freezers, microwave ovens, ovens, refrigerators, stoves, furnaces, boilers, dehumidifiers, and water heaters); (c) waste oil (banned from landfills

but can be burned with energy recovery); (d) yard waste; (e) waste tires (banned from landfills but can be burned with energy recovery); and (f) electronic devices (such as computers, televisions, video cassette recorders, digital video disc players, and cell phones). In addition, the bill would not change the current requirement that no individual may place electronic devices in a container the contents of which will be disposed of in a landfill.

The bill would maintain DNR's current authority to issue a citation to any person who violates any of the bans, and to collect a forfeiture of \$50 for the first violation, \$200 for the second, and \$2,000 for the third or subsequent violation.

Provide that the 1995 landfill bans would not apply to a material that has been contaminated and cannot feasibly be cleaned for recycling. Repeal the requirement that DNR may grant a waiver to the 1995 landfill bans if: (a) the applicant shows that the recyclable material has been contaminated and cannot feasibly be cleaned for recycling; and (b) DNR determines that granting the waiver will not impede progress toward meeting the goals of the state solid waste policy (the statutory policy that encourages waste reduction, reuse, recycling and composting of solid waste).

Provide that DNR may "issue" instead of "grant," a waiver to the 1995 landfill bans for foam polystyrene and plastic containers if the Department determines: (a) recycling of the material is not feasible or practical in light of current markets or available technologies; and (b) granting the waiver will not impede progress toward meeting the goals of the state solid waste policy. In 1996, DNR granted a waiver to the disposal requirements for foam polystyrene and plastic containers that are labeled #3 through #7, and granted one-year variances to all responsible units for these plastics in 1995 and 1996. Currently, and under the bill, the waiver would remain in effect until one year after DNR determines that markets and technologies are available for recycling the material.

**Joint Finance/Legislature:** Maintain the current law landfill disposal restrictions. In addition to the current prohibition on a person disposing of materials that are subject to the 1995 landfill bans in a landfill, prohibit a person from placing materials subject to the 1995 landfill bans in a container the contents of which will be disposed of in a landfill, converted into fuel, or burned at an incinerator.

[Act 32 Sections: 2961 thru 2968, 2970, and 2972]

## **5. REPEAL RECYCLING EFFICIENCY INCENTIVE GRANT PROGRAM**

**Governor/Legislature:** Repeal the recycling efficiency incentive (REI) grant appropriation and program. The program was created in 2001 Act 16, and was appropriated \$1,900,000 annually from the recycling and renewable energy fund from 2002-03 through 2008-09. The program was not appropriated funding for 2009-10 or 2010-11, but the statutory authorization for the program was retained. The REI is an optional program to provide funding to responsible units that implement efficiencies in their recycling programs such as the consolidation of two or more responsible units or a responsible unit entering into a cooperative agreement with at least one other responsible unit to provide recycling services. Available grant

funds are distributed as a per capita amount for the population of all responsible units with approved applications.

[Act 32 Sections: 597, 2960, and 2981]

**6. REPEAL DEMONSTRATION AND BUSINESS RECYCLING GRANT PROGRAMS**

**Governor/Legislature:** Repeal the appropriation and program statutes for two waste reduction and recycling grant programs that have provided assistance for projects that reduce the amount of waste generated or disposed of. The appropriation supported: (a) waste reduction and recycling demonstration grants to municipalities, schools, other public entities, businesses and nonprofit organizations for a portion of the costs of projects which implement innovative waste reduction and recycling activities; and (b) contracts with nonprofit organizations for services to assist businesses to reduce the amount of solid waste generated or to reuse or recycle solid waste. Under 2007 Act 20, the appropriation was increased from \$500,000 annually to \$1,500,000 in 2007-08 and 2008-09, with the intent of allocating the increase for business waste reduction and recycling assistance. The programs were not appropriated funding for 2009-10 or 2010-11, but the statutory authorization for the programs was retained.

[Act 32 Sections: 591, 593, 595, 2982, and 2983]

**7. ELIMINATE VEHICLE ENVIRONMENTAL IMPACT FEE**  
[LFB Paper 498]

SEG-REV - \$21,000,000
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**Governor/Legislature:** Repeal the \$9 per vehicle environmental impact fee that is paid to DOT when a certificate of title is transferred for a new or used vehicle. DOT deposits the environmental impact fee in the segregated environmental management account of the environmental fund. Currently, the environmental management account is mainly used for: (a) DNR administration of contaminated land cleanup, brownfields, and groundwater management activities; (b) DNR and Commerce brownfields grants programs; (c) state-funded cleanup at sites where there is no responsible party able or willing to cleanup the site; and (d) DNR debt service appropriations for remedial action, contaminated sediment cleanup, administrative facilities, and certain water pollution abatement bonds. The fee generated revenue of \$10,583,500 in 2008-09 and \$10,454,000 in 2009-10. DOA estimates the decrease in revenue to the environmental management account will be approximately \$10.5 million annually. [See the entry under "Transportation -- Transportation Finance" for a corresponding \$9 increase in the vehicle title fee that is deposited in the transportation fund.]

[Act 32 Sections: 878, 880, 888, 2235, 3132, and 9348(5)]

**8. BROWNFIELDS SITE ASSESSMENT AND GREEN SPACE GRANTS** [LFB Paper 499]

SEG - \$4,130,000
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**Governor:** Repeal the appropriations for the brownfields site assessment and green space

grant appropriations. Decrease funding by \$2,065,000 annually from the environmental management account of the environmental fund, including \$1,595,700 annually for the site assessment grant program and \$469,300 for the green space grant program. The bill would retain the statutory requirements that DNR administer a site assessment grant program under s. 292.75 and a green space grant program under s. 292.79. (Administration officials indicate they intended to repeal the program statutes. The bill would need to be amended to accomplish this.)

The brownfield site assessment grant program was created in 1999 Act 9 to provide grants to local governments to perform the initial investigation of contaminated properties, demolition of certain structures on a contaminated site, asbestos abatement that is part of the demolition activity, and removal and proper disposal of abandoned containers, underground petroleum product storage tank systems or underground hazardous substance storage tank systems. The brownfields green space grant program was created in 2001 Act 16 to provide grants to local governments for brownfields remediation projects that have a long-term public benefit, including the preservation of green space, development of recreational areas, or the use of a property by the local government.

While the Executive Budget Book states the bill would transfer the DNR authority to issue grants and related funding to the Wisconsin Economic Development Corporation, the bill does not transfer the program statutes from DNR to WEDC. [See the entry under "Commerce" for the repeal of the Commerce brownfields grant appropriation, and the transfer of the Commerce brownfields grant program statutes to WEDC.]

**Joint Finance/Legislature:** Approve the Governor's recommendation to delete \$2,065,000 environmental fund SEG annually in DNR and repeal the green space grant program. In addition, transfer the brownfields site assessment grant program statutes from DNR to WEDC. Provide \$1,000,000 environmental fund SEG annually, in a biennial appropriation, to WEDC for the program. Require WEDC to give funding priority in 2011-12 to site assessment grant applicants who would have been on the 2010-11 funding award list. Specify that grants under the site assessment grant program may not exceed 67% of eligible project costs, and the recipient must cover at least 33% of a project's costs. [See the entry under "WEDC" for the provision of funding to the Corporation.]

**Veto by Governor [A-6]:** Delete the requirements that: (a) grants awarded by WEDC may not exceed 67% of eligible project costs [a prior law provision that a recipient pay approximately 17% of project costs would remain]; and (b) WEDC must give priority in awarding brownfield site assessment grants in 2011-12 to applicants that would have been on the funding list of DNR for awards for 2010-11.

[Act 32 Sections: 598, 599, 2990r, 2991b, and 9155(3g)]

[Act 32 Vetoed Sections: 2990r and 9155(3g)]

## 9. ENVIRONMENTAL CLEANUP BONDING

BR	\$3,000,000
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**Governor/Legislature:** Provide \$3,000,000 BR, to increase,

from \$47 million to \$50 million, the amount of general obligation bonding authority used to conduct remedial actions at contaminated sites. DNR is authorized to use the bonding authority for: (a) state-funded cleanup under the environmental repair statute (s. 292.31) or hazardous substances spills statute (s. 292.11) when construction is involved and no responsible party is known, willing or able to take the necessary action; and (b) the state's cost-share at federal Superfund or leaking underground storage tank trust fund sites. Debt service costs paid from the segregated environmental management account of the environmental fund totaled \$3,868,000 in 2009-10, and are estimated at \$3.9 million in 2011-12, and \$4.1 million in 2012-13 under the bill.

[Act 32 Section: 783]

**10. REIMBURSEMENT FOR PCB CONTAMINATED SEDIMENT DISPOSAL TRANSPORT** [LFB Paper 495]

SEG	- \$6,000,000
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**Joint Finance/Legislature:** Delete \$3,000,000 environmental fund SEG annually, to provide no funding for the program for reimbursement of costs associated with transport of PCB contaminated sediment to an out-of-state hazardous waste disposal facility. Retain statutory authorization for the program. No expenditures have been made under the program since it was created in 2007 Act 20.

**11. DRY CLEANER ENVIRONMENTAL RESPONSE PROGRAM** [LFB Paper 500]

SEG	\$1,472,800
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**Joint Finance/Legislature:** Provide \$1,472,800 SEG in 2011-12 from the dry cleaner environmental response fund for payment of claims under the dry cleaner environmental response program. The program provides reimbursement for a portion of the costs of cleaning up discharges of dry cleaning solvents from eligible dry cleaning facilities.

**12. TIPPING FEE EXEMPTION FOR WASTE FROM NATURAL DISASTERS**

SEG-REV	-\$227,600
PR-REV	-3,100

**Joint Finance/Legislature:** Exempt solid waste from all state solid waste tipping fees (\$13 per ton) for solid waste disposed of at a solid waste disposal facility (landfill) from a natural disaster, if all of the following apply: (a) natural disaster would mean a severe natural or human-caused flood, or a severe tornado, heavy rain, or storm; (b) the natural disaster resulted in a federal or state declaration of disaster; (c) the solid waste materials generated in the natural disaster were disposed of in a landfill within 60 days after the occurrence of the natural disaster; (d) the solid waste materials were generated within a municipality that was included in the federal or state disaster declaration; and (e) the solid waste materials were removed as part of the disaster recovery effort and were segregated from other solid wastes when delivered to the landfill.

Estimate that, on average, approximately 10,000 tons per year would be anticipated to be

generated from natural disasters and would be subject to the tipping fee exemptions. This would result in a SEG revenue reduction of approximately \$227,600 (\$99,200 in 2011-12 and \$128,400 in 2012-13) and PR revenue reduction or approximately \$3,100 (\$1,500 in 2011-12 and \$1,600 in 2012-13). The actual amount of solid waste subject to the tipping fee exemption would be expected to vary substantially from year to year, depending on the number and severity of natural disasters in any individual year.

[Act 32 Sections: 2984n thru 2984z, 2985f, and 2985g]

**13. SMALL BUSINESS CLEAN AIR ASSISTANCE PROGRAM AND SMALL BUSINESS ENVIRONMENTAL COUNCIL [LFB Paper 235]**

**Joint Finance/Legislature:** Approve the Governor's recommendation to repeal the small business clean air assistance program in Commerce. DNR is currently required to administer the program under the federal Clean Air Act and would assume full responsibility for the program. (See the entry under Commerce for deletion of the funding and two positions that currently administer the Commerce program.)

Transfer the Small Business Environmental Council from Commerce to DNR. The Council advises DNR about the small business clean air assistance program.

[Act 32 Sections: 117b, 117d, and 3334b]

**14. ENVIRONMENTAL MANAGEMENT ACCOUNT [LFB Paper 496]**

**Joint Finance/Legislature:** Require the Wisconsin Economic Development Corporation to pay from the segregated economic development fund, the outstanding encumbrances for grants made under the Commerce brownfields grant program. The Commerce program was funded from the environmental management account of the environmental fund and program authority is transferred to WEDC under the bill. WEDC would pay approximately \$9 million in encumbrances as grants are closed out on or after July 1, 2011 (consistent with the administration's intent). This would decrease the liabilities of the environmental management account by \$9 million and would be expected to help bring the environmental management account into balance during the 2011-13 biennium.

[Act 32 Section: 9155(3f)]

## OFFICE OF STATE EMPLOYMENT RELATIONS

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
PR	\$11,988,400	\$11,321,200	\$11,321,200	\$11,321,200	\$11,321,200	-\$667,200	- 5.6%

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change
						Over 2010-11 Base
PR	55.50	48.65	48.65	48.65	48.65	- 6.85

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide adjustments to the base budget totaling \$528,200 in 2011-12 and \$491,200 in 2012-13 and -1.0 position annually. Adjustments are for: (a) removal of noncontinuing elements from the base (-\$37,400 in 2011-12 and -\$74,400 in 2012-13 and -1.0 position annually); (b) full funding of continuing position salaries and fringe benefits (\$558,100 annually); and (c) full funding of lease and directed moves costs (\$7,500 annually).

	Funding	Positions
PR	\$1,019,400	- 1.00

#### 2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

**Governor/Legislature:** Delete \$251,100 in 2011-12 and \$249,100 in 2012-13 to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

PR	-\$500,200
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**3. SUPPLIES AND SERVICES FUNDING REDUCTION**

PR	- \$343,600
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**Governor/Legislature:** Delete \$171,800 annually from base funding for supplies and services. The agency's base funding for items other than salaries and fringe benefits is \$1,610,900. The reduction represents 10.7% of this base funding amount.

**4. ELIMINATE LONG-TERM VACANCIES**

	Funding	Positions
PR	- \$543,400	- 4.85

**Governor/Legislature:** Delete \$271,700 and 4.85 positions annually to reflect the elimination of long-term vacant positions under the bill. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**5. ATTORNEY POSITION TRANSFER**

	Funding	Positions
PR	- \$299,400	- 1.00

**Governor/Legislature:** Delete \$149,700 and 1.00 position annually to reflect the transfer an attorney position from the Office of State Employment Relations (OSER) to the Department of Health Services (DHS). In the DHS 2011-13 budget provisions, the Department would be provided \$152,700 FED and 1.00 FED position annually for the transfer. [The funding amounts differ because the fringe benefit rate for the DHS position is budgeted at 44.60%, while the OSER position was budgeted at 41.78%.]

**6. CONVERT CLASSIFIED POSITION TO UNCLASSIFIED POSITION**

**Governor/Legislature:** Create an unclassified position in OSER by converting 1.0 classified position to 1.0 unclassified position. According to the 2011-13 Executive Budget Summary, the intent of the provision is to incorporate position changes related the budget repair legislation (2011 Wisconsin Act 10).

Under Act 10, 38 classified positions are transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) will be moved from classified to unclassified service within the specified agencies. The revised unclassified positions were renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions are at-will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of 2010 Wisconsin Act 10 in regards to the transfer of classified positions to unclassified positions.

**7. AUTHORITY TO ELIMINATE VACANT POSITIONS [LFB Paper 505]**

**Governor:** Provide that, during the 2011-13 fiscal biennium, the Secretary of the

Department of Administration may abolish any full-time equivalent position in any office, department, or independent agency in the executive branch of government, if the position is vacant and the Secretary determines that filling the position is not required for the state agency to carry out its duties and exercise its powers.

The provision would allow the elimination of certain vacant positions without legislative approval in 2011-13. Under current law, with certain exceptions, no position, regardless of funding source or type, may be created or abolished unless authorized by the Legislature by law, by the Joint Committee on Finance under s. 13.10 of the statutes, or by the Governor with respect to federally funded positions. The exceptions include changes in the authorized level of program revenue positions approved through a 14-day passive review process and the creation and abolition of certain positions by the Board of Regents of the University of Wisconsin System and the University of Wisconsin Hospitals and Clinics Board.

**Joint Finance/Legislature:** Delete the provision and instead provide that the Governor may recommend the abolition of any vacant full-time equivalent position in any agency in the executive branch of government, except the Building Commission, by notifying the Joint Committee on Finance in writing of his or her proposed action. If the Co-Chairpersons of the Committee do not notify the Governor that the Committee has scheduled a meeting for the purpose of reviewing the proposed action within 14 working days after the date of the Governor's notification, the position changes may be made as proposed by the Governor. If, within 14 working days after the date of the Governor's notification, the Co-Chairpersons of the Committee notify the Governor that the Committee has scheduled a meeting for the purpose of reviewing the proposed action, the position changes may be made only upon approval of the Committee.

[Act 32 Sections: 218g, 218i, and 218p]

## **8. PAY PROGRESSION PLANS FOR STATE AGENCY ATTORNEYS AND ASSISTANT DISTRICT ATTORNEYS [LFB Paper 282]**

**Joint Finance/Legislature:** *State Agency Attorneys.* Require the Wisconsin State Attorneys Association (WSAA) and the Director of OSER to develop a pay progression plan for attorneys who are included in the WSAA collective bargaining unit, to be funded from any salary savings resulting from hiring new attorneys to fill the positions of attorneys who will retire from state employment during the 2011-13 fiscal biennium. Require that the plan must include a detailed description of how a pay progression system would be structured and administered and the fiscal cost of the pay progression system in the 2011-13 fiscal biennium, by fund source, and the projected costs of the pay progression system in the succeeding four fiscal biennia. Provide that, before October 1, 2011, the WSAA and the Director of OSER must submit the proposed plan to the Joint Committee on Finance. If the Cochairpersons of the Committee do not notify the WSAA and the Director of OSER within 14 working days after the date of the submittal of the plan that the Committee has scheduled a meeting to review the plan, the plan may be implemented as proposed by the WSAA and the Director of OSER. If, within 14 days after the date of the submittal of the plan, the Cochairpersons of the Committee notify the WSAA and the Director of OSER that the Committee has scheduled a meeting to review the plan, the plan may only be implemented as approved by the Committee.

*Assistant District Attorneys.* Provide the same pay progression planning provisions applicable to the WSAA to the Association of State Prosecutors collective bargaining unit representing assistant district attorneys, except provide that the plan may be funded from any salary savings resulting from hiring new attorneys to fill the positions of attorneys who retired from state employment during the period that begins on January 1, 2011, and ends on June 30, 2013.

**Veto by Governor [A-5]:** Delete all the provisions relating to state agency attorneys. Further, delete all the provisions relating to assistant district attorneys, except to provide that the Director of OSER be required to develop a pay progression plan for represented assistant district attorneys. In the veto message, the Governor indicates that he will "direct OSER to work with the District Attorneys to develop a pay progression plan for future implementation."

[Act 32 Section: 9113(3c)]

[Act 32 Vetoed Sections: 9113(3c) and 9155(3c)]

## **9. WISCONSIN EMPLOYEE SUGGESTION PROGRAM AWARDS**

**Joint Finance/Legislature:** Require cash awards for the Wisconsin Employee Suggestion Program to equal 10% of the average annual savings that result from the suggestion, with a minimum payment of \$50 and a maximum payment of \$10,000.

Under current law, the cash awards are determined by the Board overseeing the program and are based on 3% of the average annual savings that result from the suggestion, with a minimum payment of \$50 and a maximum payment of \$1,500.

[Act 32 Section: 2767m]

## **10. STATE EMPLOYEE COMPENSATION PLAN [MODIFICATION OF 2011 ACT 10 PROVISIONS]**

**Assembly/Legislature:** Provide that the state's compensation plan may include other provisions relating to pay, benefits, and working conditions that would supersede the provisions of the civil service and other applicable statutes and rules promulgated by the Director of OSER and the Administrator of the Division of Merit Recruitment and Selection. Repeal a current law provision that allows the Director of OSER to include in any proposed changes to the compensation plan submitted to the Joint Committee on Employment Relations (JCOER) across the board pay adjustments for positions in the classified service. Delete a reference to positions in the classified service in a current law provision that the compensation plan approved by JCOER will, for the ensuing fiscal year or until a new or modified plan is adopted, constitute the state's compensation plan. [These provisions were not included in Act 10, but are intended to supplement the state labor relations changes made in Act 10.]

[Act 32 Sections: 2764bg thru 2764bt]

## PROGRAM SUPPLEMENTS

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over	
						Base Year Doubled Amount	Percent
GPR	\$29,354,000	\$55,404,600	\$99,552,400	\$99,552,400	\$99,552,400	\$70,198,400	239.1%
FED	0	0	2,000,000	2,000,000	2,000,000	2,000,000	N.A.
PR	0	0	1,641,000	1,641,000	1,641,000	1,641,000	N.A.
SEG	<u>4,778,600</u>	<u>0</u>	<u>7,768,100</u>	<u>7,768,100</u>	<u>7,768,100</u>	<u>2,989,500</u>	62.6
<b>TOTAL</b>	<b>\$34,132,600</b>	<b>\$55,404,600</b>	<b>\$110,961,500</b>	<b>\$110,961,500</b>	<b>\$110,961,500</b>	<b>\$76,828,900</b>	<b>225.1%</b>

<b>FTE Position Summary</b>
There are no authorized positions for Program Supplements.

### Budget Change Items

**1. JOINT COMMITTEE ON FINANCE APPROPRIATION FOR AGENCY SUPPLEMENTS [LFB Papers 150, 218, 255, 290, 291, 563, and 675]**

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$15,850,600	\$44,147,800	\$28,297,200
FED	0	2,000,000	2,000,000
PR	0	1,641,000	1,641,000
SEG	<u>- 4,778,600</u>	<u>7,768,100</u>	<u>2,989,500</u>
<b>Total</b>	<b>-\$20,629,200</b>	<b>\$55,556,900</b>	<b>\$34,927,700</b>

**Governor:** Delete \$7,925,300 GPR and \$2,389,300 SEG annually to eliminate reserved funding that was authorized in the 2009-11 budget for potential use in the 2009-11 biennium.

**Joint Finance/Legislature:** Include the Governor's recommendation and add the following amounts to the reserved portions of the Committee's appropriations.

<u>Agency</u>	<u>Purpose</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Fund</u>
Administration	Capitol Security Costs	\$10,000,000	\$0	GPR
Arts Board	Grants to Arts Organizations, Federal Match	175,700	175,700	GPR
Children and Families	Automated Attendance Tracking System	1,000,000	1,000,000	FED
Corrections	Correctional Overtime	9,273,200	9,273,200	GPR
Corrections	Correctional Overtime	820,500	820,500	PR
Employee Trust Funds	Participant Services	2,861,400	3,674,700	SEG
Employee Trust Funds	Dependent Eligibility Audit	700,000	0	SEG
Health Services	Seal-a-Smile Program	0	250,000	GPR
Public Instruction	Student Information Systems	15,000,000	0	GPR
Transportation	Alternative License Plate Sticker System	0	532,000	SEG
		\$39,830,800	\$15,726,100	
		34,448,900	9,698,900	GPR
		1,000,000	1,000,000	FED
		820,500	820,500	PR
		3,561,400	4,206,700	SEG

In addition, specify that during the 2011-13 biennium, the Committee may utilize GPR supplemental funding to also supplement PR and SEG appropriations for payment or reimbursement of costs incurred to maintain security in and around the state capitol building in 2011.

[Act 32 Sections: 778m, 778n, and 9455(2u)]

**2. FUNDS FOR 27<sup>TH</sup> BIWEEKLY PAYROLL PERIOD**

GPR	\$45,634,000
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**Governor/Legislature:** Provide \$45,634,000 in 2011-12 in the supplemental appropriation for the estimated costs of having to pay for a 27th payroll check in 2011-12 for those state employees paid on a bi-weekly basis, which is most state employees except unclassified staff of the University of Wisconsin and the Legislature. In most fiscal years, only 26 biweekly payrolls must be paid; however, once every 11 years a year occurs in which 27 biweekly payrolls must be paid.

**3. FUNDING FOR RENT INCREASES IN PRIVATELY-OWNED STATE OFFICE SPACE**

GPR	-\$2,657,000
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**Governor/Legislature:** Delete funding of \$1,328,500 annually to reflect the deletion of base level funding in the program supplements appropriation for private facility rental increases. The appropriation is utilized to supplement state agencies' GPR appropriations for the increased costs of any privately-leased office space that they occupy. Annual base level funding is \$1,328,500.

**4. ACROSS THE BOARD 10% REDUCTIONS**

GPR	-\$1,075,800
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**Governor/Legislature:** Delete \$537,900 annually as part of an across-the-board 10% reduction in most non-federal appropriations. The reductions, by appropriation, are shown

below:

<u>Fund</u>	<u>Appropriation</u>	<u>Base</u>	<u>Annual Reduction</u>
GPR	Physically handicapped supplements	\$6,400	-\$600
GPR	Maintenance of capitol and executive residence	5,009,900	-501,000
GPR	Executive residence furnishings replacement	11,300	-1,100
GPR	Groundwater survey and analysis	202,800	-20,300
GPR	JFC program supplementation	148,500	-14,900

## PUBLIC DEFENDER

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$153,550,200	\$162,446,900	\$162,517,500	\$162,517,500	\$162,517,500	\$8,967,300	5.8%
PR	<u>2,845,400</u>	<u>2,579,000</u>	<u>2,579,000</u>	<u>2,579,000</u>	<u>2,579,000</u>	<u>- 266,400</u>	- 9.4
<b>TOTAL</b>	<b>\$156,395,600</b>	<b>\$165,025,900</b>	<b>\$165,096,500</b>	<b>\$165,096,500</b>	<b>\$165,096,500</b>	<b>\$8,700,900</b>	<b>5.6%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	575.85	574.85	574.85	574.85	574.85	- 1.00
PR	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>0.00</u>
<b>TOTAL</b>	<b>580.85</b>	<b>579.85</b>	<b>579.85</b>	<b>579.85</b>	<b>579.85</b>	<b>- 1.00</b>

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 515]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$5,309,400	\$70,600	\$5,380,000
PR	<u>12,400</u>	<u>0</u>	<u>12,400</u>
<b>Total</b>	<b>\$5,321,800</b>	<b>\$70,600</b>	<b>\$5,392,400</b>

**Governor:** Provide standard adjustments totaling \$2,654,700 GPR and \$6,200 PR annually. Adjustments are for: (a) full funding of continuing salaries and fringe benefits (\$2,293,200 GPR and \$3,000 PR annually); (b) overtime (\$220,200 GPR and \$2,900 PR annually); (c) full funding of lease costs and directed moves (\$141,300 GPR and \$300 PR annually); and (d) minor transfers within the same appropriation.

**Joint Finance/Legislature:** Provide the following additional amounts for full funding of continuing salaries and fringe benefits due to an inadvertent error: (a) \$3,700 GPR annually to the appellate representation appropriation; and (b) \$31,600 GPR annually to the trial representation appropriation.

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

GPR	- \$5,826,200
PR	<u>- 33,200</u>
Total	- \$5,859,400

**Governor/Legislature:** Delete \$2,913,100 GPR and \$16,600 PR annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. AGENCY BUDGET REDUCTIONS [LFB Paper 516]**

GPR	- \$1,010,400
PR	<u>- 215,800</u>
Total	- \$1,226,200

**Governor/Legislature:** Reduce funding by \$505,200 GPR and \$107,900 PR annually associated with a 10% reduction to supplies and other non-personnel costs. Of the amounts identified above, \$101,500 PR annually is reduced from a PR appropriation that is utilized to reimburse private bar attorneys for providing representation in SPD cases.

**4. ELIMINATE LONG-TERM VACANCIES**

	Funding	Positions
GPR	- \$94,400	- 1.00

**Governor/Legislature:** Delete \$47,200 and 1.0 position annually to reflect the elimination of long-term vacant positions under the bill. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**5. PUBLIC DEFENDER INDIGENCY STANDARD (2009 ACT 164) FUNDING [LFB Paper 517]**

GPR	\$6,906,000
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**Governor:** Provide \$3,576,000 in 2011-12, and \$3,330,000 in 2012-13, to provide salary and fringe benefits funding (\$2,956,100 annually) and associated supplies and services funding (\$619,900 in 2011-12 and \$373,900 in 2012-13) for 45.4 full-time equivalent (FTE) positions created under 2009 Wisconsin Act 164. Effective with cases opened on June 19, 2011, under Act 164, the SPD indigency standard will generally be modeled after the Wisconsin Works (W-2) eligibility standard. The SPD has estimated that this change will increase its workload by an additional 12,800 cases annually. Based on assumptions that 75% of this increased workload will be assigned to SPD staff, Act 164 provided an additional 45.4 FTE to the SPD, effective June 19, 2011. As a result, the costs of the indigency standard change under Act 164 are not incurred by the state until the 2011-12 state fiscal year.

Funding is intended to provide additional SPD staff to process 75% of the anticipated increased Act 164 workload. The remaining estimated increased workload will be assigned to private bar attorneys.

**Joint Finance/Legislature:** Establish the SPD indigency standard at the current Wisconsin Works (W-2) financial eligibility requirements for an employment position. As a

result, gross income of an individual in excess of 115% of the 2011 federal poverty guideline would generally be considered available to pay the costs of legal representation. [While the W-2 financial eligibility requirements for an employment position adjust annually to reflect any changes in inflation captured by an updated federal poverty guideline, the SPD indigency standard would remain linked to the 2011 federal poverty guideline.] An individual's assets that exceed \$2,500 in combined equity value would also be considered available to pay for representation. In determining the combined equity value of assets available to pay for representation, up to \$10,000 in the equity value of vehicles would be excluded, as well as the first \$30,000 of the equity value of a home that serves as the individual's homestead. [The SPD indigency standard would no longer adjust for any future changes to the W-2 asset standard.]

[Act 32 Sections: 3559d and 3559h]

**6. PRIVATE BAR FUNDING SHORTFALL** [LFB Paper 516]

GPR	\$3,612,300
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**Governor/Legislature:** Provide \$825,800 in 2011-12, and \$2,786,500 in 2012-13, to address a projected shortfall in funding for private bar attorneys during the 2011-13 biennium. This funding does not address a remaining projected private bar shortfall of \$3.5 million for the 2009-11 biennium.

The SPD has trial and appellate attorneys to represent clients who qualify for SPD representation. Staff attorneys, however, do not represent all clients who qualify for SPD representation. Overflow cases are assigned to private bar attorneys at the rate of \$40 per hour for in-court and out-of-court representation, and \$25 per hour for travel. Cases in which the SPD staff attorneys cannot represent a client due to a conflict of interest are also assigned to the private bar.

**7. PENALTY SURCHARGE SHORTFALL** [LFB Paper 424]

PR	-\$29,800
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**Governor/Legislature:** Reduce expenditure authority by \$14,900 annually under the agency's conferences and training appropriation to address a shortfall in penalty surcharge funding. The reduction represents a 10% reduction to the appropriation after adjusting base funding for full funding of continuing salaries and fringe benefits. Require that all unencumbered balances at the end of each fiscal year in the appropriation revert to the penalty surcharge receipts appropriation under the Department of Justice. [See "Justice."]

[Act 32 Section: 751]

**8. TECHNICAL CORRECTION -- REALIGNMENT OF POSITION AUTHORITY**

**Governor/Legislature:** Transfer a 0.45 full-time equivalent (FTE) financial specialist position under the private bar and investigator payments; administration costs appropriation to the trial representation appropriation to reconcile the budget system with the state's personnel management information system.

## PUBLIC INSTRUCTION

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$10,975,947,400	\$10,205,451,000	\$10,238,605,900	\$10,238,605,900	\$10,238,605,900	- \$737,341,500	- 6.7%
FED	1,816,973,200	1,559,592,900	1,559,592,900	1,559,592,900	1,559,592,900	- 257,380,300	- 14.2
PR	81,721,000	79,531,100	79,531,100	79,531,100	79,531,100	- 2,189,900	- 2.7
SEG	<u>120,217,200</u>	<u>108,739,800</u>	<u>109,435,200</u>	<u>109,435,200</u>	<u>109,435,200</u>	<u>- 10,782,000</u>	- 9.0
<b>TOTAL</b>	<b>\$12,994,858,800</b>	<b>\$11,953,314,800</b>	<b>\$11,987,165,100</b>	<b>\$11,987,165,100</b>	<b>\$11,987,165,100</b>	<b>- \$1,007,693,700</b>	<b>- 7.8%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	261.46	250.25	250.25	250.25	250.25	- 11.21
FED	290.89	279.86	280.62	280.62	280.62	- 10.27
PR	80.94	80.01	80.14	80.14	80.14	- 0.80
SEG	<u>1.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>- 1.00</u>
<b>TOTAL</b>	<b>634.29</b>	<b>610.12</b>	<b>611.01</b>	<b>611.01</b>	<b>611.01</b>	<b>- 23.28</b>

### Budget Change Items

### General School Aids and Revenue Limits

#### 1. STATE SUPPORT FOR K-12 EDUCATION [LFB Paper 525]

**Governor:** Decrease general and categorical school aids from \$5,325,034,600 in 2010-11 to \$4,886,587,900 in 2011-12 and \$4,921,998,300 in 2012-13. Compared to the 2010-11 base year, school aids would decrease by \$438,446,700 (-8.2%) in 2011-12 and \$403,036,300 (-7.6%) in 2012-13. These proposed funding levels would represent annual changes to the prior year of -8.2% in 2011-12 and 0.7% in 2012-13.

Under state law as it existed prior to the repeal of the two-thirds funding commitment, state

funding for support of K-12 education was defined as the sum of state general and categorical school aids, the school levy tax credit, and the general program operations appropriation for the Wisconsin Educational Services Program for the Deaf and Hard of Hearing and the Wisconsin Center for the Blind and Visually Impaired. Using this definition, the bill would decrease state support from the base amount of \$6,234,200,300 in 2010-11 to \$5,795,198,200 in 2011-12 and \$5,830,608,600 in 2012-13. These proposed funding levels would represent annual changes to the prior year of -7.0% in 2011-12 and 0.6% in 2012-13.

Using the definition of partial school revenues as it existed prior to the repeal of the two-thirds funding commitment, the administration estimates that state support of partial school revenues would change from an estimated 63.0% in 2010-11 to approximately 61.2% in both 2011-12 and 2012-13. These estimates incorporate the proposed revenue limit modifications and the state support funding in the bill, which is presented in Table 1.

**Joint Finance/Legislature:** Decrease the total amount of funding appropriated for general and categorical school aids from \$5,325,034,600 in 2010-11 to \$4,893,460,300 in 2011-12 and \$4,964,363,400 in 2012-13. Compared to the Governor's recommendations, school aids would be increased by \$6,872,400 in 2011-12 and \$42,365,100 in 2012-13. Compared to the 2010-11 base year, school aids would decrease by \$431,574,300 (-8.1%) in 2011-12 and \$360,671,200 (-6.8%) in 2012-13. These proposed funding levels would represent annual changes to the prior year of -8.1% in 2011-12 and 1.4% in 2012-13.

Using the two-thirds funding definition, state support of K-12 education would decrease from \$6,234,200,300 in 2010-11 to \$5,802,070,600 in 2011-12 and \$5,872,973,700 in 2012-13. These funding levels would represent annual changes to the prior year of -6.9% in 2011-12 and 1.2% in 2012-13. With the changes to revenue limits and state support funding adopted by Joint Finance, it is estimated that state support of partial school revenues would be 61.4% in 2011-12 and 61.3% in 2012-13. A summary of the funding amounts for state support under the recommendations of the Governor and Joint Finance/Act 32 is presented in Table 1.

**TABLE 1**

**State Support for K-12 Education**

	2010-11 Base Year	Governor		Joint Finance/Act 32	
		2011-12	2012-13	2011-12	2012-13
General School Aids	\$4,671,200,000	\$4,278,784,000	\$4,310,488,000	\$4,284,984,000	\$4,310,488,000
Categorical Aids	653,834,600	607,803,900	611,510,300	608,476,300	653,875,400
School Levy/First Dollar Credit	897,400,000	897,400,000	897,400,000	897,400,000	897,400,000
State Residential Schools	<u>11,765,700</u>	<u>11,210,300</u>	<u>11,210,300</u>	<u>11,210,300</u>	<u>11,210,300</u>
Total	\$6,234,200,300	\$5,795,198,200	\$5,830,608,600	\$5,802,070,600	\$5,872,973,700
Change to Prior Year:					
Amount		-439,002,100	35,410,400	-432,129,700	70,903,100
Percent		-7.0%	0.6%	-6.9%	1.2%
Change to Base:					
Amount		-439,002,100	-403,591,700	-432,129,700	-361,226,600
Percent		-7.0%	-6.5%	-6.9%	-5.8%

Table 2 provides an outline of state support for K-12 education by individual fund source. Table 3 presents the Act 32 funding levels for each general and categorical school aid program as compared to the 2010-11 base funding level. The provisions relating to individual school aid programs are summarized in the items that follow.

**TABLE 2**

**State Support for K-12 Education by Fund Source**

	2010-11 Base Year	Governor		Joint Finance/Act 32	
		2011-12	2012-13	2011-12	2012-13
<b>GPR</b>					
General School Aids	\$4,671,200,000	\$4,278,784,000	\$4,310,488,000	\$4,284,984,000	\$4,310,488,000
Categorical Aids	600,838,400	559,660,800	561,367,200	560,533,200	603,932,300
School Levy/First Dollar Credit	882,550,000	882,550,000	882,550,000	882,550,000	882,550,000
State Residential Schools	<u>11,765,700</u>	<u>11,210,300</u>	<u>11,210,300</u>	<u>11,210,300</u>	<u>11,210,300</u>
GPR Subtotal	\$6,166,354,100	\$5,732,205,100	\$5,765,615,500	\$5,739,277,500	\$5,808,180,600
<b>PR</b>					
Categorical Aids	\$1,675,000	\$1,507,500	\$1,507,500	\$1,507,500	\$1,507,500
<b>SEG</b>					
Categorical Aids	\$51,321,200	\$46,635,600	\$48,635,600	\$46,435,600	\$48,435,600
School Levy Credit	<u>14,850,000</u>	<u>14,850,000</u>	<u>14,850,000</u>	<u>14,850,000</u>	<u>14,850,000</u>
Total State Support - All Funds	\$6,234,200,300	\$5,795,198,200	\$5,830,608,600	\$5,802,070,600	\$5,872,973,700

**TABLE 3**  
**General and Categorical School Aid by Funding Source**  
**2010-11 Base Year Compared to Act 32**

	2010-11 Base Year	Act 32		2011-13 Change Over 2010-11 Doubled		
		2011-12	2012-13	Amount	Percent	
<b>General Aid</b>						
DPI	General School Aids	\$4,652,500,000	\$4,261,954,000	\$4,293,658,000	-\$749,388,000	-8.1%
	High Poverty Aid	18,700,000	16,830,000	16,830,000	-3,740,000	-10.0
	Low Revenue Adjustment Aid	0	6,200,000	0	6,200,000	N.A.
	Total General Aid	\$4,671,200,000	\$4,284,984,000	\$4,310,488,000	-\$746,928,000	-8.0%
<b>Categorical Aid--GPR Funded</b>						
DPI	Special Education	\$368,939,100	\$368,939,100	\$368,939,100	\$0	0.0%
	Additional Special Education Aid	3,500,000	3,500,000	3,500,000	0	0.0
	Supplemental Special Education Aid	1,750,000	1,750,000	1,750,000	0	0.0
	SAGE	109,184,500	109,184,500	109,184,500	0	0.0
	SAGE--Debt Service	148,500	133,700	133,700	-29,600	-10.0
	Per Pupil Adjustment Aid	0	0	42,500,000	42,500,000	N.A.
	Pupil Transportation	26,337,300	23,703,600	23,703,600	-5,267,400	-10.0
	Sparsity Aid	14,948,100	13,453,300	13,453,300	-2,989,600	-10.0
	MPS Pupil Achievement	9,650,000	0	0	-19,300,000	-100.0
	Bilingual-Bicultural Education	9,544,200	8,589,800	8,589,800	-1,908,800	-10.0
	Tuition Payments	9,158,800	8,242,900	8,242,900	-1,831,800	-10.0
	P-5 Grants	7,096,400	0	0	-14,192,800	-100.0
	Head Start Supplement	6,960,100	6,264,100	6,264,100	-1,392,000	-10.0
	Alternative Education	4,825,000	0	0	-9,650,000	-100.0
	AODA	4,361,800	0	0	-8,723,600	-100.0
	School Lunch	4,218,100	4,218,100	4,218,100	0	0.0
	County Children with Disabilities Education Boards	4,067,300	4,067,300	4,067,300	0	0.0
	Children at Risk	3,377,500	0	0	-6,755,000	-100.0
	School Breakfast	2,789,400	2,510,500	2,510,500	-557,800	-10.0
	Four-Year-Old Kindergarten Grants	1,500,000	1,350,000	1,350,000	-300,000	-10.0
	Mentoring for Initial Educators	1,302,700	1,172,400	0	-1,433,000	-55.0
	School Day Milk	685,700	617,100	617,100	-137,200	-10.0
	Aid for Transportation--Open Enrollment	482,500	434,200	434,200	-96,600	-10.0
	Peer Review and Mentoring	482,500	434,300	1,606,700	1,076,000	111.5
	Cooperative Educational Service Agencies	289,500	260,600	260,600	-57,800	-10.0
	Gifted and Talented	263,500	237,200	237,200	-52,600	-10.0
	Grants for Nursing Services	241,200	0	0	-482,400	-100.0
	Supplemental Aid	120,600	100,000	100,000	-41,200	-17.1
	Advanced Placement	96,500	0	0	-193,000	-100.0
	English for Southeast Asian Children	96,500	0	0	-193,000	-100.0
	Science, Technology, Engineering, and Mathematics	59,400	0	0	-118,800	-100.0
	Aid for Transportation--Youth Options	19,300	17,400	17,400	-3,800	-9.8
DOA	Debt Service on Technology Infrastructure Bonding	4,342,400	1,353,100	2,252,200	-5,079,500	-58.5
	Total Categorical Aid--GPR Funded	\$600,838,400	\$560,533,200	\$603,932,300	-\$37,211,300	-3.1%
<b>Categorical Aid--PR Funded</b>						
DPI	AODA	\$1,427,500	\$1,284,700	\$1,284,700	-\$285,600	-10.0%
	Tribal Language Revitalization Grants	247,500	222,800	222,800	-49,400	-10.0
	Total Categorical Aid--PR Funded	\$1,675,000	\$1,507,500	\$1,507,500	-\$335,000	-10.0%
<b>Categorical Aid--SEG Funded</b>						
DPI	School Library Aids	\$39,600,000	\$35,000,000	\$37,000,000	-\$7,200,000	-9.1%
DOA	Educational Telecommunications Access Support	11,190,700	11,105,100	11,105,100	-171,200	-0.8
UW	Environmental Education--Forestry	400,000	200,000	200,000	-400,000	-50.0
	Environmental Education--Environmental Assessments	130,500	130,500	130,500	0	0.0
	Total Categorical Aid--SEG Funded	\$51,321,200	\$46,435,600	\$48,435,600	-\$7,771,200	-7.6%
	Total Categorical Aid--All Funds	\$653,834,600	\$608,476,300	\$653,875,400	-\$45,317,500	-3.5%
	Total School Aid--All Funds	\$5,325,034,600	\$4,893,460,300	\$4,964,363,400	-\$792,245,500	-7.4%

**2. GENERAL SCHOOL AIDS [LFB Paper 525]**

GPR	- \$749,388,000
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**Governor/Legislature:** Delete \$390,546,000 in 2011-12 and \$358,842,000 in 2012-13 in general school aids. The general school aids appropriation funds equalization, integration, and special adjustment aid. General school aids funding would decrease from \$4,652,500,000 in 2010-11 to \$4,261,954,000 in 2011-12 and \$4,293,658,000 in 2012-13. This would result in changes of -8.4% and 0.7%, respectively, compared to the prior year.

**3. SPECIAL ADJUSTMENT AID [LFB Paper 526]**

**Governor/Legislature:** Specify that, for the 2011-12 distribution of general school aids, special adjustment aid would be calculated based on 90% of a district's prior year general aid payment.

Under current law, special adjustment aid is equal to the amount needed to make an eligible district's total general aid eligibility in the current year equal to 85% of the district's prior year general aid payment. This provision would raise the percentage to 90% for the 2011-12 aid year, further limiting the year-to-year decline in a district's general aid payment in that year.

[Act 32 Section: 9137(2)]

**4. HIGH POVERTY AID**

GPR	- \$3,740,000
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**Governor/Legislature:** Delete \$1,870,000 annually in high poverty aid. This would represent a 10% reduction to current base funding of \$18.7 million annually for high poverty aid.

High poverty aid is distributed to districts with at least 50% of their enrollment eligible for free or reduced-price lunch. Aid per pupil is calculated by dividing the amount of funding appropriated by the total membership in all eligible districts, with a district's total payment determined by multiplying that amount by each district's membership. By law, for all districts except MPS, high poverty aid is subject to revenue limits. For MPS, high poverty aid must be used to reduce the school property tax levied for the purpose of offsetting the aid reduction attributable to the Milwaukee parental choice program. In either case, the effect of this aid is to reduce the property tax levy of the eligible district.

**5. REVENUE LIMITS -- BASE REDUCTION [LFB Papers 525 and 527]**

**Governor:** Modify the revenue limit calculation to delete the per pupil adjustment provisions under current law and instead reduce base revenue per pupil for each district by 5.5% in 2011-12 and make no adjustment to base revenue per pupil in 2012-13. The bill would also delete current law references to the 2012-13 revenue limit provisions applying to subsequent years, making it unclear under the bill what revenue limit provisions would apply beginning in 2013-14.

Under revenue limits, the amount of revenue a school district can raise from general school aids, computer aid, and property taxes is restricted. A district's base revenue in a given year is equal to the general aid, computer aid, and property tax revenues received in the prior school year. Base revenue is divided by the average of the district's enrollments in the prior three years to determine base revenues per pupil. Under current law, a per pupil adjustment is added to the base revenue per pupil to determine the district's current year revenue per pupil. Current year revenue per pupil is then multiplied by the average of the district's current and prior two years enrollments to determine the district's initial revenue limit. Other adjustments (such as declining enrollment) are then made to the revenue limit.

Under current law, the per pupil adjustment would be \$275 in 2011-12, and that amount would be indexed to inflation beginning in 2012-13. Under the bill, these adjustments would be replaced with a 5.5% reduction in 2011-12 and no adjustment in 2012-13.

**Joint Finance/Legislature:** Provide a \$50 per pupil adjustment under revenue limits in 2012-13. Create a one-time categorical aid appropriation to provide state matching funds related to this adjustment. Additional information on this appropriation can be found under "Public Instruction -- Categorical Aids."

Modify the bill to specify that the revenue limit calculation would continue in the 2013-14 school year and each year thereafter, with no per pupil adjustment.

Modify the bill to clarify that the changes to base revenue per pupil for newly-created districts in 2011-12 and 2012-13 would be consistent with other districts under the standard revenue limit calculation. (As drafted, the bill would have reduced the initial revenue limit for newly-created districts by 5.5% in 2011-12 and 100% in 2012-13.)

[Act 32 Sections: 2575b thru 2596]

**6. REVENUE LIMITS -- LOW REVENUE ADJUSTMENT [LFB Paper 528]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$0	\$6,200,000	\$6,200,000

**Governor:** Set the low revenue ceiling under revenue limits at \$8,900 per pupil in 2011-12 and each year thereafter.

Under current law, any school district with base revenue per pupil below the low revenue ceiling amount may increase its revenues up to that amount. In 2010-11, the low revenue ceiling is \$9,000 per pupil. Under current law, it would be set at \$9,800 per pupil in 2011-12 and each year thereafter.

**Joint Finance/Legislature:** Set the low revenue ceiling at \$9,000 per pupil in 2011-12 and 2012-13 and \$9,100 per pupil in 2013-14 and annually thereafter. Create a one-time general aid appropriation funded at \$6.2 million GPR in 2011-12 related to this adjustment. Specify that no moneys may be encumbered from this appropriation after June 30, 2012. Provide that a

district would be eligible for this aid if it qualifies for the low revenue ceiling and utilizes some or all of increase compared to the Governor (up to \$100 per pupil, which is the difference between the \$8,900 under the Governor and the \$9,000 under Joint Finance). Specify that aid for an eligible district would equal to 40% of the amount of the increase that the district utilizes and that state aid could not exceed \$40 per pupil. Specify that the Department would prorate payments if aid entitlements exceed available funding.

[Act 32 Sections: 525r, 2573g, 2574a, and 9137(3q)]

**7. REVENUE LIMITS -- CARRYOVER OF UNUSED REVENUE AUTHORITY [LFB Paper 529]**

**Governor:** Delete the adjustment for carryover of unused revenue authority.

A school district is not required to levy the maximum property tax amount allowed under its revenue limit. Under the carryover adjustment, if a district does not levy the maximum amount allowed in a given school year, the district's revenue limit in the following year is increased by an amount equal to the underlevy in the prior year. This adjustment is reduced by the amount of any nonrecurring revenue limit authority from the prior year.

Administration staff indicate that it was not the Governor's intent to delete this adjustment.

**Joint Finance/Legislature:** Delete provision. (This would retain the carryover adjustment.)

**8. REVENUE LIMITS -- PRIOR YEAR BASE REVENUE HOLD HARMLESS**

**Governor:** Delete the prior year base revenue hold harmless adjustment.

Under this adjustment, a school district's initial revenue limit for the current year is, in certain cases, set equal to its prior year's base revenue. This hold harmless applies if a district's initial revenue limit in the current year, after consideration of the per pupil adjustment and low revenue ceiling, but prior to any other adjustments, is less than the district's base revenue from the prior year. This adjustment is nonrecurring. For some districts with relatively large declines in enrollment, the initial revenue limit for the current year can still be less than the district's prior year base revenue, even after the per pupil adjustment and low revenue ceiling adjustment are calculated.

**Assembly/Legislature:** Modify provision to specify that the calculation of the adjustment would not apply in the 2011-12 or 2012-13 school years. Instead, specify that, in the 2011-12 school year, any district that received a prior year base revenue hold harmless adjustment in 2010-11 would receive a nonrecurring revenue limit adjustment equal to the 2010-11 adjustment amount. Specify that, in the 2012-13 school year, any district that received a prior year base revenue hold harmless adjustment in 2010-11 and that received no equalization aid in 2010-11 would receive a nonrecurring revenue limit adjustment equal to the 2010-11 adjustment amount. Restore the calculation of the adjustment beginning in the 2013-14 school year.

[Act 32 Sections: 2603g and 9137(4u)]

**9. REVENUE LIMITS -- SCHOOL SAFETY EXPENDITURES [LFB Paper 530]**

**Governor/Legislature:** Delete the adjustment for school safety expenditures.

Under 2009 Act 28, a nonrecurring adjustment for school safety expenditures was created, beginning in the 2011-12 school year. The amount of the adjustment would be equal to \$100 times the number of pupils enrolled in the district or \$40,000, whichever is greater. To receive the adjustment, a school board would be required to: (a) adopt a resolution to increase its limit using the adjustment; (b) jointly develop an expenditure plan with a local law enforcement agency that specifies the purposes of the additional revenue and is consistent with the broader school safety plan required of districts; and (c) submit the expenditure plan to DPI. A school district could use funding generated by the adjustment to purchase school safety equipment, fund the compensation costs of security officers, or fund other expenditures consistent with its school safety plan.

[Act 32 Sections: 2598 and 2602]

**10. REVENUE LIMITS -- ABOVE-AVERAGE TRANSPORTATION COSTS [LFB Paper 530]**

**Governor/Legislature:** Delete the adjustment for above-average transportation costs.

Under 2009 Act 28, a nonrecurring adjustment for above-average pupil transportation costs was created. The adjustment would be based on the difference, if positive, between the average amount spent by the district per pupil on transportation in the second-previous year and the statewide average amount per pupil spent on transportation in the second-previous year, multiplied by the district's pupil membership in the second-previous year. The revenue limit adjustment would be equal to 50% of that amount in 2011-12 and 100% of that amount in 2012-13 and each year thereafter. A school board would be required to adopt a resolution to use this adjustment.

[Act 32 Sections: 2600 and 2602]

**11. REVENUE LIMITS -- SCHOOL NURSE COMPENSATION COSTS [LFB Paper 530]**

**Governor/Legislature:** Delete the adjustment for school nurse compensation costs.

A nonrecurring adjustment for the compensation costs of school nurses was created under 2009 Act 28, beginning in the 2011-12 school year. The adjustment would be equal to the amount spent by a district in the second-previous year for the salary and fringe benefits costs of school nurses employed by the district and of school nurses providing nursing services in the district under contract with the board. A school board would be required to adopt a resolution to increase its revenue limit using the adjustment.

[Act 32 Sections: 2599 and 2602]

## 12. REVENUE LIMITS -- OPEN ENROLLMENT ADJUSTMENT [LFB Paper 555]

**Governor:** Create a new revenue limit adjustment related to open enrollment pupils that are not included in the resident district's enrollment. Specify that the adjustment would be equal to the amount of any open enrollment aid transfer in the previous year for a pupil who was not included in the calculation of the number of pupils enrolled under revenue limits (which uses the third Friday of September count date) in the previous year. The open enrollment program changes associated with this adjustment can be found under "Public Instruction -- Choice, Charter, and Open Enrollment."

Under the open enrollment program, the resident district counts a pupil transferring to another district in its enrollment for revenue limits and general aids. A specified amount of state aid (an estimated \$6,796 in 2010-11) is then transferred from the resident district to the nonresident district for each open enrollment pupil. For pupils that attend for less than a full school term, the state aid adjustments are prorated.

**Joint Finance/Legislature:** Delete provision.

## 13. REVENUE LIMITS -- ENERGY EFFICIENCY MEASURES

**Joint Finance/Legislature:** Modify the revenue limit adjustment for energy efficiency measures under current law to: (a) specify that the adjustment is equal to the amount spent on a project to implement energy efficiency or for the purchase of energy efficiency products, including the payment of debt service on any bonds or notes issued to finance that project; (b) modify the current law requirement that the project will result in the avoidance of, or reduction in, energy costs to include either energy costs or operational costs; (c) add a requirement that the project be undertaken pursuant to the provisions of municipal law governing energy savings performance contracting; (d) add a requirement that the payment of debt service on any bonds or notes issued to finance a project not exceed twenty years, and specify that a resolution would be valid for each year a district pays the associated debt service; and (e) delete the requirement that DPI promulgate rules to implement the adjustment.

A nonrecurring adjustment for energy efficiency measures was created under 2009 Act 28, beginning in the 2009-10 school year. Under the adjustment, a district's revenue limit is increased by the amount spent by the district in that school year on energy efficiency measures and renewable energy products that result in avoidance of, or reduction in, energy costs. A school board must adopt a resolution to use this adjustment. Act 28 required DPI to promulgate rules to implement this adjustment, including eligibility standards for districts.

[Act 32 Section: 2600m]

## 14. REVENUE LIMITS -- REFUNDED OR RESCINDED TAXES

**Joint Finance/Legislature:** Create a nonrecurring revenue limit adjustment for school districts equal to the amount of any refunded or rescinded taxes, provided that the Department of Revenue has determined that the equalized value of the school district is changed as a result of

consideration of the valuation represented by the refunded or rescinded taxes under current law provisions.

[Act 32 Sections: 2601m and 2602]

## Categorical Aids

### 1. PER PUPIL ADJUSTMENT AID

GPR	\$42,500,000
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**Joint Finance/Legislature:** Create a one-time categorical aid appropriation funded at \$42.5 million GPR in 2012-13 related to the \$50 per pupil adjustment under revenue limits in that year. Specify that no moneys may be encumbered from this appropriation after June 30, 2013. Provide that a district would be eligible if it levies the maximum amount allowed under revenue limits in 2012-13, excluding the carryover adjustment, in the November certification of the district's levy. Specify that an eligible district's aid payment would equal \$50 per pupil multiplied by the district's current year three-year average enrollment under revenue limits. To the extent that a district underlevies by an amount up to an equivalent of \$50 per pupil, the aid payment would be prorated accordingly. Specify that the Department would prorate payments if aid entitlements exceed available funding.

Additional information on the per pupil adjustment can be found under "Public Instruction -- General School Aids and Revenue Limits."

[Act 32 Sections: 525g and 9137(3r)]

### 2. DELETE IMPROVING PUPIL ACHIEVEMENT PROGRAM [LFB Paper 535]

GPR	- \$19,300,000
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**Governor/Legislature:** Delete \$9,650,000 annually to eliminate base level funding for grants for improving pupil academic achievement and delete related statutory language. Under the current law program, the Milwaukee Public Schools board is permitted to apply to DPI for an annual grant of up to \$10,000,000 to implement initiatives to improve pupil academic achievement in all grades, such as employing licensed teachers to tutor pupils who are struggling academically, or employing persons to coordinate the district's instructional programs and provide ongoing professional development for teachers. The MPS board must submit with its application a plan for DPI's approval describing the initiatives for which the grant will be used, describing the research showing that the initiatives have a positive effect on pupil academic achievement, and including criteria for evaluating the effectiveness of the initiatives, such as high school graduation rates or the results of the Wisconsin knowledge and concepts exam.

[Act 32 Sections: 531 and 2552]

**3. ACROSS-THE-BOARD 10% REDUCTIONS**

GPR	- \$15,011,400
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**Governor/Legislature:** Delete \$7,505,700 annually as part of an across-the-board 10% reduction in most smaller GPR categorical aid appropriations.

<u>Appropriation</u>	<u>Base</u>	<u>Annual Reduction</u>
Pupil Transportation	\$26,337,300	-\$2,633,700
Sparsity Aid	14,948,100	-1,494,800
Bilingual-Bicultural	9,544,200	-954,400
Tuition Payments/Open Enrollment Transfer	9,158,800	-915,900
Head Start Supplement	6,960,100	-696,000
School Breakfast	2,789,400	-278,900
Four-year-old Kindergarten	1,500,000	-150,000
Mentoring for Initial Educators	1,302,700	-130,300
School Day Milk	685,700	-68,600
Aid for Transportation--Open Enrollment	482,500	-48,300
Peer Review and Mentoring	482,500	-48,200
Cooperative Educational Service Agencies	289,500	-28,900
Gifted and Talented	263,500	-26,300
SAGE--Debt Service	148,500	-14,800
Second Chance Partnership	147,500	-14,700
Aid for Transportation--Youth Options	9,300	-1,900

**4. DELETE PRESCHOOL TO GRADE 5 PROGRAM [LFB Paper 536]**

GPR	- \$14,192,800
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**Governor:** Delete \$7,096,400 annually to eliminate base level funding for the preschool to grade 5 (P-5) program. Delete related statutory language.

Since 1986-87, P-5 grants have supported programs designed to improve education of pupils enrolled in school districts with high concentrations of low-income and low-achieving pupils. A district receiving a grant must ensure that each elementary school has class sizes of no more than 25 pupils per teacher, annual testing in basic skills, 4-year-old kindergarten, identification of pupils in need of remedial assistance, parental involvement, in-service training, and staff evaluations. Thirty-eight elementary schools in the school districts of Beloit, Kenosha, Milwaukee, and Racine participate in the program.

**Joint Finance/Legislature:** Modify the Governor's recommendation to permit schools that participated in P-5 in 2010-11 to instead join the student achievement guarantee in education (SAGE) class size reduction program in 2011-12. Schools would be required to reduce class sizes to 18 in grades kindergarten and one in 2011-12, kindergarten through two in 2012-13, and kindergarten through three in 2013-14 through 2015-16. Contracts could be renewed after five years, as is the case for all participating SAGE schools under current law. No additional funding would be provided under SAGE, but current funding would be prorated among all participating schools.

[Act 32 Sections: 534, 2457, 2507b thru 2507y, and 2533]

**5. DELETE ALTERNATIVE EDUCATION GRANTS**

GPR	- \$9,650,000
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**Governor:** Delete \$4,825,000 annually to eliminate base level funding for alternative education grants. Under the alternative education grant program, school districts and consortia apply for funding for alternative or adaptive school structures and teaching techniques designed for pupils having difficulty succeeding in the regular school setting, as evidenced by academic failure, truancy, expulsion or suspension, disruptive behavior, criminal involvement, violent behavior, or alcohol or other drug abuse. Currently, alternative education grants are awarded for five years, per administrative rule, with awards generally totaling 100% in the first through third years, 60% in the fourth year, and 40% in the fifth year.

**Joint Finance/Legislature:** Restore the statutory authorization for alternative education grants. However, no funding would be restored.

**6. DELETE ALCOHOL AND OTHER DRUG ABUSE GRANTS**

GPR	- \$8,723,600
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**Governor/Legislature:** Delete \$4,361,800 annually to eliminate GPR base level funding for the alcohol and other drug abuse (AODA) grant program. There is a separate AODA program appropriation funded with program revenue from penalty assessment surcharge revenues, with base level funding of \$1,427,500 PR, that would not be affected by this provision. The bill would also delete current law providing that, for a deferred prosecution agreement, as a condition in a consent decree, or as a recommended intervention under the juvenile justice code, the court could permit the juvenile to participate in a court-approved AODA pupil assistance program provided by the juvenile's school board, subject to the approval of the school board. For an adjudicated delinquent, delete provisions permitting a court's order to include an AODA program provided by the juvenile's school district.

The AODA program provides block grants to address alcohol and other drug abuse among school-age children. Emphasis is placed on both AODA prevention and intervention, including K-12 curriculum development, family involvement, drug abuse resistance education, and pupil-designed AODA prevention or intervention projects.

[Act 32 Sections: 533, 2438, 2440, 2451, 2533, 3512, 3515 thru 3517, and 3519 thru 3525]

**7. DELETE CHILDREN-AT-RISK AID**

GPR	- \$6,755,000
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**Governor:** Delete \$3,377,500 annually to eliminate base level funding for aid for children-at-risk programs. Delete related statutory language, but retain the definition of a child-at-risk for the purposes of other state programs. Under the bill, the definitions of a child-at-risk and the definition of a dropout would apply to the K-12 education statutes. For an adjudicated delinquent, delete the provision that permits a court's disposition to include a children-at-risk program provided by the juvenile's school district. Delete the requirement that a school district develop a plan for children-at-risk, which is one of the 20 school district standards. No state aid

may be paid in any year to a school district that fails to meet the requirements found under the 20 standards.

Since 1987-88, certain school districts have received aid for programs for pupils who are considered at-risk of not completing high school because they are: (a) behind their age group in the number of high school credits attained; (b) behind two or more years in basic skill levels or not promoted from 8th to 9th grade; (c) habitual truants; (d) parents; or (e) adjudicated delinquents. Eligibility for aid is based on a district's prior year dropout statistics (districts with 30 or more dropouts or a dropout rate exceeding 5% may apply for aid). Districts receive aid for each at-risk pupil who meets performance standards, such as minimum days in attendance and credits earned. For each pupil meeting the performance criteria, the district receives an amount equal to 10% of its prior year's equalization aid per pupil.

**Joint Finance/Legislature:** Restore the statutory authorization for children-at-risk programs. Also, modify current law to delete the 30% limit on the portion of enrolled children-at-risk that may be served by outside agencies under contract with a school district. However, no funding would be restored.

[Act 32 Section: 2482m]

## 8. DELETE SMALLER CATEGORICAL AID PROGRAMS

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$1,228,400	\$200,000	- \$1,028,400

**Governor:** Delete \$614,200 annually to eliminate base level funding for the following categorical aid programs: (a) grants for nursing services (\$241,200 annually); (b) supplemental aid (\$120,600 annually); (c) advanced placement grants (\$96,500 annually); (d) English for Southeast Asian pupils (\$96,500 annually); and (e) grants for science, technology, engineering, and mathematics (STEM) (\$59,400 annually).

Beginning in 2007-08, grants for nursing services provide competitive grants to school districts, except Milwaukee, to employ additional school nurses or contract for nursing services. Grants must be awarded to districts with the greatest demonstrated need for nursing services, including high ratios of pupils to nurses, prevalence of health problems, and concentrations of low-income pupils. Eight districts received grants in 2009-10.

A school district is eligible for supplemental aid if it satisfies all of the following criteria: (a) the school district had an enrollment of fewer than 500 pupils in the previous school year; (b) the school district is at least 200 square miles in area; and (c) at least 80% of the real property in the district is exempt from property taxation, taxed as forest croplands, owned or held in trust by a federally recognized American Indian tribe, or owned by the federal government. Aid is equal to \$350 per pupil. One school district, Laona, receives funding under the program.

Advanced placement (AP) grants provide funding to school districts to partially reimburse the costs related to offering AP courses for the first time, or for expanding the number of AP courses offered. A grant cannot exceed \$300 per pupil enrolled in AP courses, but in 2009-10 grants were prorated to \$66 per pupil for 40 school districts.

Aid is provided to the Wausau School District for English as second language for 3-, 4-, and 5-year-old Southeast Asian children. Payments were originally funded from Temporary Assistance for Needy Families (TANF) funds under the Department of Workforce Development. Under 2005 Act 25, funding was shifted to GPR in a new appropriation under DPI.

Under 2007 Act 20, a program was created for STEM grants to school districts for the following activities: (a) to develop innovative instructional programs in science, technology, engineering, and mathematics; (b) to support pupils who are typically under-represented in these subjects; and (c) to increase the academic achievement of pupils in these subjects. Twelve school districts have been awarded grants for the current school year.

**Joint Finance/Legislature:** Restore \$100,000 annually and the supplemental aid program, which provides aid to the Laona school district.

[Act 32 Sections: 527, 532, 538, 539, 2439, and 2441 thru 2443]

## 9. CONSOLIDATE EDUCATOR MENTORING PROGRAMS

**Governor/Legislature:** Repeal the mentoring for initial educators grant program as of July 1, 2012. Transfer \$1,172,400 of funding in 2012-13 from this program to the peer review and mentoring grant program, which would result in \$1,608,700 of funding in 2012-13 for the peer review program. Funding for these programs would be reduced by 10% in an earlier entry relating to across-the-board 10% reductions, and the remaining funding in 2012-13 would be consolidated into the peer review and mentoring grant program.

Under current law, the mentoring for initial educators grant program provides grants to each employer of an initial educator, as defined under Chapter PI 34 of the Administrative Code. The amount of the grant is equal to the amount that the employer is spending to provide a mentor for the initial educator, but not more than \$375. This program would be eliminated under the bill. Base level funding is \$1,302,700 annually.

Under the current law peer review and mentoring program, a cooperative educational service agency or a consortium consisting of two or more school districts or cooperative educational service agencies, or a combination thereof, may apply to DPI for a grant to provide technical assistance and training for teachers who are licensed or have been issued a permit to implement peer review and mentoring programs. As a condition of receiving a grant, a cooperative educational service agency or a consortium is required to provide matching funds in an amount equal to at least 20% of the amount of the grant awarded. The matching funds may be in the form of money or in-kind services or both. Funding for this program would be increased under the bill. Base level funding is \$482,500 annually.

[Act 32 Sections: 541, 2454, and 9437(1)]

**10. SCHOOL LIBRARY AIDS REESTIMATE**

SEG	- \$7,200,000
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**Governor/Legislature:** Reduce school library aids by \$4,600,000 in 2011-12 and \$2,600,000 in 2012-13 as a reestimate of available funding, from base level funding of \$39,600,000. Aid comes from interest earned yearly by the Common School Fund, created under Article X of the State Constitution. Estimates of the amounts that will be available for distribution are made by the Board of Commissioners of Public Lands.

**11. AODA FUNDING REDUCTION**

PR	- \$285,600
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**Governor/Legislature:** Reduce funding by \$142,800 annually (10%) from base level funding of \$1,427,500 for alcohol and other drug abuse programs, which are supported from penalty assessment funding. Specify that any unencumbered balance on June 30 of each year would revert to the penalty surcharge appropriation under the Department of Justice.

[Act 32 Section: 540]

**12. REDUCE TRIBAL LANGUAGE GRANTS**

PR	- \$49,400
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**Governor/Legislature:** Reduce funding by \$24,700 annually (10%) from base level funding of \$247,500 for tribal language revitalization grants. The program revenue is from tribal gaming revenues transferred from DOA. Tribal language revitalization grants are grants to school districts and cooperative educational service agencies (CESAs) that, in conjunction with a tribal education authority, may apply to DPI for a grant for the purpose of supporting innovative, effective instruction in one or more American Indian languages.

**13. GRANTS FOR GIFTED AND TALENTED EDUCATION**

**Governor:** Modify the current law grants program for gifted and talented education to also allow the University of Wisconsin-Madison to receive grants. Modify the purpose of the grants from providing advanced curriculum and assessments for gifted and talented pupils, to instead provide services and activities not ordinarily provided in a regular school program that allow such pupils to fully develop their capabilities. Under current law, nonprofit organizations, cooperative educational service agencies, and the Milwaukee Public Schools can receive grants.

**Joint Finance/Legislature:** Modify the Governor's provision to instead allow all institutions within the University of Wisconsin System to receive grants.

[Act 32 Section: 2489]

## **School District Operations**

### **1. REPEAL 180 DAYS OF INSTRUCTION REQUIREMENT**

**Governor:** Repeal the requirement that a school board schedule at least 180 school days during the school term. Repeal a provision that allows not more than five Saturdays to be counted as school days in any school year with the consent of the school board. Current law requiring at least 437 hours of instruction in kindergarten, 1,050 hours of instruction in grades one to six, and 1,137 hours of instruction in grades seven to 12 would be retained. Permit a school board to schedule up to 35 hours of instruction on Saturdays.

Require each school district to hold school for the minimum required hours of instruction (rather than the required days, as under current law) in order to receive state aid, less: (a) any hours the State Superintendent determines school is not held as the result of a strike; (b) hours during which school is closed by order of the school district administrator because of inclement weather and hours during which parent-teacher conferences are held, not to exceed 35 hours during the school term; (c) hours during which school is closed by order of a local health officer or the Department of Health Services; or (d) hours during which school is closed by order of the school district administrator because of a threat to the health or safety of pupils or school personnel, but not including inclement weather, unless the school board determines that the hours will not count as hours of pupil instruction.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

### **2. DELETE REQUIREMENT FOR READING SPECIALIST**

**Governor:** Delete the requirement that each school district employ a certified reading specialist to develop and coordinate a comprehensive reading curriculum in grades kindergarten to 12. Delete the duties assigned to a reading specialist, and instead require that a school board develop and implement a reading curriculum in grades kindergarten to 12 and coordinate the reading curriculum with other reading programs and other support services within the school district.

These board duties under the bill, which currently apply to the reading specialist, would be added to the current duties of the board to develop a program of reading goals, to make an assessment of existing reading needs, and to make an annual evaluation of the district's reading curriculum.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

### **3. DRUG ADMINISTRATION TRAINING**

**Governor:** Repeal the current law requirement that for school staff, training to administer nonprescription drug products and prescription drugs must be approved by DPI. Under current

law, no school bus driver, employee, or volunteer may administer a nonprescription drug product or prescription drug, use an epinephrine auto-injector, or administer glucagon unless he or she has received training approved by DPI in administering nonprescription drug products and prescription drugs. Training in such administration would still be required under the bill, but would not need to be approved by DPI. These provisions do not apply to health care professionals.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

#### **4. SCHOOL NURSES**

**Governor:** Delete the current law requirement that school nurses meet qualifications for school nurses prescribed by DPI by rule. Under current law, in addition to the DPI rule, a school nurse must be a registered nurse licensed either under state law or in a party state to the Nurse Licensure Compact.

Under the DPI rule, school nurse means a person who is a registered nurse licensed in Wisconsin, or in a party state, and has a bachelor's or master's degree from a nursing program that is approved by the board of nursing or accredited by the Commission on Collegiate Nursing Education and that includes preparation in public health nursing or community health nursing. An individual is considered a school nurse if he or she was employed by, or under contract with, a school board, a board of control of a cooperative educational service agency, a county children with disabilities education board, or an operator of an independent, charter school as a school nurse on January 1, 2011.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

#### **5. INDOOR ENVIRONMENTAL QUALITY**

**Governor:** Delete the requirement that each school board of a public school district and each private school participating in the Milwaukee parental choice program develop and implement a plan for maintaining indoor environmental quality in its schools. Delete the requirement that such plans be provided to any person upon request. Delete the requirement that DPI establish a model management plan and practices for maintaining indoor environmental quality in public and private schools, based on the recommendations of an indoor environmental quality in schools task force established under 2009 Act 96.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

#### **6. MPS TEACHING DAYS**

**Governor:** Repeal the current law provision that the period of teaching service in the regular day schools for the Milwaukee Public Schools (MPS) cannot exceed 200 days, including the legal holidays and educational convention days on which the schools are closed.

Under current law, the Milwaukee Public Schools board may determine the school calendar and vacation periods for each school year for the regular day schools, summer schools, social centers, and playgrounds, except that: (a) the period of teaching service in the regular day schools cannot exceed 200 days, including the legal holidays and educational convention days on which the schools are closed; and (b) the board may close any school or dismiss any class in the event of an emergency, fire or other casualty, quarantine or epidemic.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## **7. RESIDENCY REQUIREMENTS FOR TEACHERS**

**Governor:** Prohibit a school board from requiring that a teacher, meaning any person holding a license or permit issued by the State Superintendent whose employment by a school district requires that he or she hold that license or permit, reside within the school district as a condition of employment. Provide that such residency requirements are a prohibited subject of collective bargaining. Provide that these provisions would first apply to teachers covered by a collective bargaining agreement that is in effect on the effective date of the bill upon the expiration, extension, renewal, or modification of the agreement. A technical correction would be needed to accomplish the intent of the bill.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## **8. PROPERTY TAX LEVY CERTIFICATION DATE**

**Governor:** Modify the date by which the clerk of a common or union high school district must certify the district's levy to the clerk of each municipality having territory within the district from November 6 to the 7<sup>th</sup> calendar day after the day of the general election, in those years in which a general election is held.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## **9. TRANSPORTATION PAYMENTS TO PARENTS**

**Governor:** Allow all school districts to combine parental contracts relating to transportation of pupils residing in the same household and attending the same private school, rather than only Milwaukee Public Schools as under current law. Specify that this provision would first apply to contracts entered into after the bill's effective date.

Under current law, except for Milwaukee Public Schools, such a payment is made for each such private school pupil so transported. The payment cannot exceed the actual cost of the transportation. A school board may offer this type of contract only if the estimated cost to transport the private school pupil is more than 1.5 times the school district's average cost per pupil for regular bus transportation in the previous school year, and the board meets certain parent notification requirements.

Under 2009 Act 28, the Milwaukee Public Schools were allowed to combine parental contracts for pupils residing in the same household and attending the same private school.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## 10. RACE-BASED NICKNAMES, LOGOS, MASCOTS, AND TEAM NAMES

**Assembly/Legislature:** Specify that a school district that is subject to a decision and order issued by the State Superintendent to terminate the use of a race-based nickname, logo, mascot, or team name on or before the effective date of the bill would not be required to comply with the terms of that decision and order until January 15, 2013. Under current law, districts are generally required to comply within 12 months after a decision and order, with provisions allowing for extensions of up to 24 or 96 months under certain circumstances.

[Act 32 Sections: 2476p and 2476r]

## Choice, Charter, and Open Enrollment

### 1. MILWAUKEE PARENTAL CHOICE PROGRAM -- PAYMENT AND REESTIMATE [LFB Paper 550]

GPR	\$3,221,000
MPS Aid Reduction	<u>1,236,900</u>
Net GPR	\$1,984,100

**Governor/Legislature:** Provide \$644,200 in 2011-12 and \$2,576,800 in 2012-13 over base year funding of \$132,061,000 in the appropriation for payments for the Milwaukee parental choice program, based on: (a) reestimates of pupil participation under current law to 20,600 pupils in 2011-12 and 20,900 pupils in 2012-13; and (b) a bill provision to maintain the maximum per pupil payment under the program at \$6,442 for the 2011-12 and 2012-13 school years and to resume the indexing of the choice payment to the change in the general school aids appropriation beginning in 2013-14.

Under current law, the maximum amount paid per pupil under the choice program is \$6,442 in 2010-11. Beginning in 2011-12, the maximum amount paid per pupil in a given school year would equal the maximum amount paid per pupil in the prior school year adjusted by the percent change, if non-negative, in the general school aids appropriation from the previous school year to the current school year.

Under current law, the estimated cost of the payments from the choice program appropriation is partially offset by a net reduction (after consideration of aid paid to the City to defray the choice levy) in the general school aids otherwise paid to the Milwaukee Public Schools (MPS) by an amount equal to 38.4% of the total cost of the choice program. Under revenue limits, MPS may levy property taxes to make up for the amount of general aid lost due to this reduction, less the amount of high poverty aid paid to MPS. Under this item, the MPS choice reduction would increase by \$247,400 in 2011-12 and \$989,500 in 2012-13 over the base

choice reduction amount of \$50,711,400. The net general fund fiscal effect of this item would be increased expenditures of \$396,800 in 2011-12 and \$1,587,300 in 2012-13.

[Act 32 Section: 2542]

**2. MILWAUKEE PARENTAL CHOICE PROGRAM -- PROGRAM EXPANSION [LFB Paper 551]**

GPR	\$19,326,000
MPS Aid	
Reduction	<u>7,421,200</u>
Net GPR	\$11,904,800

**Governor:** Provide \$6,442,000 in 2011-12 and \$12,884,000 in 2012-13 over base year funding of \$132,061,000 in the appropriation for payments for the Milwaukee parental choice program and make the following changes to program eligibility.

a. *Pupil Participation Limit.* Delete the limit on the number of pupils that may participate in the choice program.

Under current law, no more than 22,500 full-time equivalent (FTE) pupils may participate in the program. Additional statutory provisions govern what the State Superintendent must do when he or she determines that the limit has been reached and when the number of choice pupils has fallen below the limit, and the priority order in which pupils must be accepted when schools have been notified that they may begin accepting additional pupils. The bill would eliminate all of these provisions.

b. *Family Income Limit.* Beginning in the 2011-12 school year, specify that there would be no income limit for participation in the choice program for a pupil who did not attend a school participating in the choice program in the 2010-11 school year. For such a pupil, prohibit a choice school from charging or receiving any payment other than the state choice payment if the pupil's total family income does not exceed 325% of the federal poverty level. Allow a choice school to charge a pupil tuition and fees in an amount determined by the school (in addition to the state choice payment) if the pupil's total family income exceeds 325% of the federal poverty level.

Require a choice school, in its letter of acceptance, to indicate the amount of the state choice payment the parent of the pupil will receive.

Current law provisions would apply under the bill for pupils that attended a choice school in the 2010-11 school year. Under current law, to be eligible to attend a choice school for the first time, a pupil's total family income must not exceed 175% of the federal poverty level (\$39,630 for a family of four in 2010-11). A choice pupil remains eligible to participate in the program if his or her family income is less than 220% of the federal poverty level (\$49,818 for family of four in 2010-11). A sibling of a choice pupil is initially eligible to participate in the choice program if his or her family income is under 220% of the federal poverty level. A pupil who leaves the program would need to meet the family income requirement of 175% of the federal poverty level to re-enter the program, unless the pupil has a sibling still in the program, in which case the 220% threshold would apply. Similar to current law, a choice school would not be able to charge or receive any payment for a pupil other than the state choice payment.

c. *School Eligibility.* Allow schools in Milwaukee County to participate in the choice program, beginning in the 2012-13 school year. Modify the statutory references to the certificate of occupancy that schools must submit to the Department to require that the certificate be from the municipality in which the school is located.

Under current law, schools must be located in the City of Milwaukee to be eligible to participate in the program. A school must submit to DPI a copy of its current certificate of occupancy issued by the City by certain dates prior to beginning participation in the program or if a school moves to a new location.

d. *Combined Fiscal Effect.* As a result of these three items, the administration estimates that an additional 1,000 pupils in 2011-12 and 2,000 pupils in 2012-13 above the current law reestimate would participate in the choice program. The estimated increase in the cost of payments from the choice program appropriation would be partially offset by a net reduction (after consideration of aid paid to the City to defray the choice levy) in the general school aids otherwise paid to the MPS by an amount equal to 38.4% of the total cost of the choice program. Under revenue limits, MPS may levy property taxes to make up for the amount of general aid lost due to this reduction, less the amount of high poverty aid paid to MPS. Under this item, the MPS choice reduction would increase by \$2,473,700 in 2011-12 and \$4,947,500 in 2012-13 over the base choice reduction amount. The net general fund fiscal effect of this item would be increased expenditures of \$3,968,300 in 2011-12 and \$7,936,500 in 2012-13.

Under the bill, it is estimated that a total of 21,600 pupils in 2011-12 and 22,900 pupils in 2012-13 will participate in the choice program. The appropriation for payments for the choice program would be funded at \$139,147,200 in 2011-12 and \$147,521,800 in 2012-13.

**Joint Finance/Legislature:** Make the following modifications to the bill:

*Family Income Limit.* Delete provision. Instead, specify that a pupil would be eligible to participate in the choice program if their family income does not exceed 300% of the federal poverty level. Specify that family income would include the income of the pupil's parents or legal guardians. Provide that family income for a married couple would be reduced by \$7,000 before applying the income eligibility tests.

To determine income eligibility for the choice program, require a choice school to submit names, addresses, social security numbers, and tax identification numbers obtained through the application process to the Department of Revenue (DOR). Specify that DOR may only determine whether a pupil is or is not eligible for the program, and that DPI would not be able to require additional income verification beyond the DOR determination. Specify that DPI establish a procedure for determining income eligibility for those pupils that do not provide a social security number or tax identification number.

Specify that once a pupil is determined to be eligible to participate in the choice program, he or she remains eligible to participate in the program in future years.

Prohibit a choice school from charging or receiving any payment other than the state choice payment if the pupil is in grades K-8 or if the pupil is in grades 9-12 and has a family

income that does not exceed 220% of the federal poverty level. Allow a choice school to charge a pupil tuition and fees in an amount determined by the school (in addition to the state choice payment) if the pupil is in grades 9-12 and has a family income greater than 220% of the federal poverty level.

Specify that a choice school is responsible for determining family income for the purposes of determining whether tuition may be charged. Require each choice school to establish an appeals process to the governing body of the school relating to determination of family income.

*School Eligibility.* Delete provision. Instead, specify that there would be no geographic requirement for schools participating in the choice program, beginning in the 2011-12 school year. (The current law requirement that pupils reside in the City would still apply.) Specify that a school outside the City that intends to participate in the 2011–12 school year would be required to notify DPI of its intent to participate and pay the auditor fee by August 1, 2011, and that the State Superintendent could issue an order barring a school from participating in the program in the current school year if it fails to do so. Require that the notice specify the number of choice pupils for which the school has space. Modify the statutory references to the certificate of occupancy that schools must submit to DPI to require that the certificate be from the municipality in which the school is located.

**Veto by Governor [B-16]:** Delete the reference to DOR from the requirement for choice schools to submit names, addresses, social security numbers, and tax identification numbers obtained through the application process. As a result, choice schools would submit this information to DPI, which would then provide it to DOR, for DOR to determine income eligibility of pupils.

[Act 32 Sections: 2536 thru 2536p, 2539, 2540m, 2545, 2546, 2549s, and 9337(3)&(4)]

[Act 32 Vetoed Section: 2536g]

### **3. MILWAUKEE PARENTAL CHOICE PROGRAM -- REQUIRED TESTS [LFB Paper 552]**

**Governor:** Delete the requirement that schools participating in the choice program annually administer the 4th, 8th, and 10th grade Wisconsin knowledge and concepts examination and all tests in reading, mathematics, and science that are required for public school pupils under the federal No Child Left Behind Act (NCLB) to all pupils in the relevant grades attending the school under the choice program. Instead, require that choice schools annually administer a nationally-normed standardized test in reading, mathematics, and science to choice pupils in the 4th, 8th, and 10th grades. (The bill would need to be modified in order to achieve the administration's intent.)

NCLB currently requires that all students be tested in reading and mathematics each year in 3rd through 8th grades and once in high school, and in science once each in elementary, middle, and high school.

**Joint Finance/Legislature:** Delete provision. Also, require that DPI calculate the

percentage of choice students at each proficiency level using the number of students to whom the WKCE examinations were administered at each grade level in the school rather than the total number of students enrolled at each grade level.

[Act 32 Section: 2488pt]

#### **4. MILWAUKEE PARENTAL CHOICE PROGRAM -- GOING CONCERN DETERMINATION**

**Governor:** Specify that evidence of any of the following circumstances may indicate that a school participating in the choice program does not utilize sound fiscal practices, is not financially viable, or does not have the financial ability to continue educational programming operations:

a. the school's budget and statement of cash flows reveal that the school has inadequate revenues and other financial resources to fund current operations;

b. the audit opinion statement submitted by the school as required under current law contains a qualification as to the school's ability to continue as a going concern;

c. the school failed to make a payment to a vendor for services provided to the school or to an employee or other individual for expenses incurred on behalf of the school within ninety days of receipt of invoice or payment request or as per written agreement, or has failed to make payments to an employee pursuant to a written document specifying compensation and dates for payment, as indicated in writing from the vendor, employee, or other individual;

d. the school failed to make a filing with or withholding payment to the Internal Revenue Service or the Departments of Revenue or Workforce Development as indicated in writing from one of these agencies;

e. an audit that is required of the school by a federal or state agency or local governmental unit and provided to DPI in compliance with reporting requirements promulgated by the Department contained questioned costs or findings related to compliance that may affect the school's ability to continue; and

f. the school failed to refund to DPI the amount of any overpayment made to the school related to the state choice payment, or the amount of any payment made to the school for a pupil ineligible by law to attend the school.

Specify that if DPI determines that any of the above circumstances applies to a school, the school shall, upon written request, provide the Department with any information required by the Department, including an audit of the school's financial statements in accordance with generally accepted accounting principles, to permit the Department to determine whether the school is utilizing sound fiscal practices, is financially viable, or is financially able to continue educational programming operations.

Require a choice school to immediately notify the Department of a decision to cease

educational programming operations.

Under current law, by August 1 before the first school year a new school participates in the program, or by May 1 if the school begins participating in the program during summer school, each school participating in the program must submit to DPI evidence of financial viability. Annually, by September 1 following a school year in which a school participated in the choice program, the school must submit to DPI evidence of sound fiscal practices and an independent financial audit of the school conducted by a certified public accountant.

The State Superintendent may issue an order barring a school from participating in the program in the current school year if he or she determines that the school has failed to provide the independent financial audit or evidence of sound fiscal practices, misrepresented information relating to the evidence of financial viability, or failed to refund to the state any overpayment made by the date specified by DPI rule.

**Joint Finance/Legislature:** Delete provision.

#### **5. MILWAUKEE PARENTAL CHOICE PROGRAM -- NOTICE OF ADMINISTRATIVE CHANGES**

**Governor:** Require the Department to notify each school participating in the choice program and the parents and guardians of each pupil attending a choice school under the choice program of any proposed changes to the choice program or to administrative rules governing the program prior to the beginning of the school year in which the change takes effect. Specify that this would include changes to application or filing deadlines, but would not include changes to provisions governing health or safety.

**Joint Finance/Legislature:** Delete the requirement that choice schools provide notice to parents and guardians of choice pupils.

[Act 32 Sections: 2550 and 2551]

#### **6. MILWAUKEE PARENTAL CHOICE PROGRAM -- PROGRAM PAYMENTS AND AUDITS**

**Joint Finance/Legislature:** Specify that if more than one pupil from the same family applies to attend the same choice school, the pupils may use a single application.

Allow DPI to directly pay each choice school in which a pupil is enrolled on behalf of the pupil's parent or guardian. Specify that each installment could consist of a single check for all choice pupils attending the choice school. Delete the current law requirement that a child's parent or guardian restrictively endorse the check for the use of the school.

Require DPI to make the summer school payment to a school with the November quarterly installment, but as a separate check from the November installment.

In calculating the choice summer school payment, require DPI to: (a) determine the choice school's operating and debt service cost per pupil in summer school that is related to educational programming; (b) multiply that amount by 40%; and (c) multiply that amount by the summer choice FTE.

Place in statute the five offsetting revenue categories currently in DPI rule for determining a school's educational programming cost: (a) fees charged to pupils for books and supplies used in classes and programs; (b) rentals for school buildings; (c) food service revenues; (d) governmental financial assistance revenues; and (e) interest earnings and other income resulting from the investment of debt proceeds. Specify that only those categories could be subtracted, up to the actual cost of the service or material related to each item.

In determining operating and debt service cost per pupil, require DPI to include an amount equal to 10.5% of the fair market value of the school and its premises if: (a) legal title to the school's buildings and premises is held in the name of the school's parent organization or other related party; (b) there is no other mechanism to include the school's facilities costs in the calculation of its operating and debt service cost; and (c) the school requests that the Department do so. Specify that any request made by a school would remain effective in subsequent school years and may not be withdrawn by the school. Specify that if immediately prior to the effective date of the bill, a school's operating and debt service costs, as determined by DPI, included the amount described above, that amount would continue to be included in subsequent school years.

Specify that the certified public accountant conducting the audit of the school be independent. Require the auditor to conduct his or her audit, including determining sample sizes and evaluating financial viability, in accordance with the auditing standards established by the American Institute of Certified Public Accountants. Prohibit DPI from promulgating rules that establish standards exceeding the standards established by the American Institute of Certified Public Accountants. Prohibit the Department from requiring an auditor to comply with standards that exceed the scope of the standards established by the American Institute of Certified Public Accountants.

Require a choice school to submit evidence of internal control practices. Require an auditor engaged to evaluate the school's fiscal and internal control practices to conduct his or her evaluation, including determining sample sizes, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Specify that the provisions would first apply to applications to attend a school and payments made to schools in the 2012-13 school year.

[Act 32 Sections: 2540b, 2541m thru 2544w, 2549u, 2550, and 9337(5q)&(5r)]

## **7. MILWAUKEE PARENTAL CHOICE PROGRAM -- ACCREDITATION AND PREACCREDITATION**

**Joint Finance/Legislature:** Delete the current law provisions under which a choice school must ensure that an accrediting agency reviews and reports to DPI on the school's

compliance with the requirements to: (a) issue high school diplomas to choice pupils who complete the necessary requirements; and (b) maintain progress records for each choice pupil while the pupil attends the school and for at least five years after the pupil ceases to attend the school.

Authorize a new choice school to obtain preaccreditation from any of the statutorily-recognized accrediting agencies as well as from the Institute for the Transformation of Learning (ITL) at Marquette University. Under current law, new schools can only obtain preaccreditation from ITL. The statutorily-recognized accrediting agencies are the Wisconsin North Central Association, the Wisconsin Religious and Independent Schools Accreditation, the Independent Schools Association of the Central States, the Archdiocese of Milwaukee, or any other organization recognized by the National Council for Private School Accreditation.

[Act 32 Sections: 2536t, 2536x, 2544x, 2549e, and 2549m]

**8. PARENTAL CHOICE PROGRAMS FOR ELIGIBLE SCHOOL DISTRICTS**

GPR	\$4,831,500
RUSD Aid	
Reduction	<u>1,855,300</u>
Net GPR	\$2,976,200

**Joint Finance:** Create a Racine parental choice program. With the following exceptions, all the provisions of the Milwaukee parental choice program, as modified by the bill, would apply to the Racine program.

Specify that no more than 250 full-time equivalent pupils in the 2011-12 school year and 500 full-time equivalent pupils in the 2012-13 school year may participate in the program. Specify that there would be no limit on pupil participation beginning in the 2013-14 school year. Specify that the current law statutory language governing the pupil participation limit for the Milwaukee program regarding what the State Superintendent must do when he or she determines that the limit has been reached and when the number of choice pupils has fallen below the limit, and the priority order in which pupils must be accepted when schools have been notified that they may begin accepting additional pupils, would apply to the Racine program for 2011-12 and 2012-13. Specify that priority would be given to students eligible for free or reduced price lunch in the 2010-11 school year attending a school in the program in 2011-12 if random selection is required.

Specify that a pupil must live in the Racine Unified School District (RUSD) to be eligible for the program. Specify that a pupil would be eligible to participate if he or she was: (a) enrolled in RUSD in the prior year; (b) not enrolled in school in the prior year; (c) was enrolled in the Racine choice program in the prior year; or (d) is enrolling in kindergarten, first grade, or ninth grade in a school participating in the program in the current year.

Create a sum sufficient appropriation from the general fund to make the payments to private schools under the Racine program. Based on the \$6,442 maximum per pupil payment and the participation limits under the bill, provide \$1,610,500 in 2011-12 and \$3,221,000 in 2012-13 in the Racine program appropriation. Under the net 38.4% aid lapse, the resulting RUSD general aid reduction would be \$618,400 in 2011-12 and \$1,236,900 in 2012-13. The net general fund fiscal effect would be \$992,100 in 2011-12 and \$1,984,100 in 2012-13.

Specify that the State Superintendent shall extend any required deadlines for entry in the Racine program in 2011-12 by 31 days.

**Assembly/Legislature:** Modify provisions to create a parental choice program that would apply to eligible school districts other than Milwaukee Public Schools.

Specify that pupils in a district would be eligible to participate in a parental choice program similar to the Milwaukee parental choice program, with certain exceptions described below, if the district meets the following criteria:

- a. in the most recent October 15 equalization aid run, the district's equalized value per member was no more than 80% of the statewide average;
- b. in the most recent October 15 equalization aid run, the district's shared cost per member was no more than 91% of the statewide average;
- c. the district was eligible for high poverty aid in the most recent determination of eligibility for that program (at least 50% of the district's enrollment is eligible for the free or reduced-price lunch program); and
- d. the district is located, in whole or in part, in a city of the second class.

Within ten days of the effective date of the bill, require DPI to make the determination described above using the October 15, equalization aid run for 2010-11 and the high poverty aid eligibility for 2010-11. Specify that pupils in a district that meets all of the criteria could participate in the choice program for other eligible districts beginning in 2011-12. It is estimated that the Racine Unified School District would be the only district to meet these criteria.

On an ongoing basis thereafter, by November 15 of the second year of each fiscal biennium, require DPI to compile a list of school districts that meet all of the criteria and specify that pupils in eligible districts would be eligible to participate in the choice program for other eligible districts beginning in the following school year.

Specify that once a district has been determined to meet the above criteria, pupils in that district remain eligible in future years for participation in the choice program for other eligible districts.

Specify that no more than 250 full-time equivalent pupils in the first school year of operation and 500 full-time equivalent pupils in the second school year of operation in an eligible district may participate in the program. Specify that there would be no limit on pupil participation beginning in the third school year of operation. Specify that the current law statutory language governing the pupil participation limit for the Milwaukee program regarding what the State Superintendent must do when he or she determines that the limit has been reached and when the number of choice pupils has fallen below the limit, and the priority order in which pupils must be accepted when schools have been notified that they may begin accepting additional pupils, would apply to the program for other eligible districts for first two years of operation. Specify that priority would be given to students eligible for free or reduced price

lunch in the prior school year attending a school in the program in the first year of operation if random selection is required.

Specify that a pupil must live in the eligible district to participate in the program. Specify that a pupil could participate in the program if he or she was: (a) enrolled in the eligible district in the prior year; (b) not enrolled in school in the prior year; (c) was enrolled in the choice program in the prior year; or (d) is enrolling in kindergarten, first grade, or ninth grade in a school participating in the program in the current year.

**Veto by Governor [B-16]:** Consistent with the veto for the Milwaukee program summarized in Item #2 above, delete the reference to DOR from the requirement for schools in the Racine program to submit names, addresses, social security numbers, and tax identification numbers obtained through the application process. As under the Milwaukee program, schools in the Racine program would submit this information to DPI, which would then provide it to DOR, for DOR to determine income eligibility of pupils.

[Act 32 Sections: 522m, 537m, 537v, 2476m, 2488b thru 2488p, 2488r thru 2488y, 2532m, 2536h, 2571d thru 2571t, 2664b, 2664d, 2977p, 3526m, 9137(3u), and 9337(5q)]

[Act 32 Vetoed Section: 2532m]

## **9. GREEN BAY PARENTAL CHOICE PROGRAM**

**Joint Finance:** Create a Green Bay parental choice program. With the following exceptions, all the provisions of the Milwaukee parental choice program, as modified by the bill, would apply to the Green Bay program.

Specify that the program would be created if a petition is signed by a sufficient number of electors in the Green Bay Area School District. Specify that the threshold would be equal to 25% of the number of pupils enrolled in the Green Bay Area School District in 2010-11. Specify that the committee, group, or individual initiating the petition would be required to file a registration statement with the Government Accountability Board (GAB), on or after September 1, 2011, stating the name and mailing address of the individual or the head of the committee or group initiating the petition. Specify that petitions could be circulated for 60 days after registration. Specify that certification statements of a circulator appearing at the bottom of each petition under s. 8.15(4)(a) for nominations for the September primary under current law would substantially apply, modified to reflect that the petition applies to a school district. Specify that petition signatures must be reviewed by GAB within 31 days after petition submission. Specify that a signature could not be counted for the reasons substantially similar to those listed under s. 9.10(2)(e) and (em) for recall petitions under current law, modified to reflect that the petition applies to a school district. If a sufficient number of signatures are obtained on the petition, require GAB to certify that result to DPI, and specify that DPI shall begin to administer the program beginning in the first school year following the GAB certification.

Specify that no more than 250 full-time equivalent pupils in the first school year of operation and 500 full-time equivalent pupils in the second school year of operation may

participate in the program. Specify that there would be no limit on pupil participation beginning in the third school year of operation. Specify that the current law statutory language governing the pupil participation limit for the Milwaukee program regarding what the State Superintendent must do when he or she determines that the limit has been reached and when the number of choice pupils has fallen below the limit, and the priority order in which pupils must be accepted when schools have been notified that they may begin accepting additional pupils, would apply to the Green Bay program for first two years of operation. Specify that priority would be given to students eligible for free or reduced price lunch in the prior school year attending a school in the program in the first year of operation if random selection is required.

Specify that a pupil must live in the Green Bay Area School District to be eligible for the program. Specify that a pupil would be eligible to participate if he or she was: (a) enrolled in the Green Bay Area School District in the prior year; (b) not enrolled in school in the prior year; (c) was enrolled in the Green Bay choice program in the prior year; or (d) is enrolling in kindergarten, first grade, or ninth grade in a school participating in the program in the current year.

Create a sum sufficient appropriation from the general fund to make the payments to private schools under the Green Bay program.

**Assembly/Legislature:** Delete provision.

## 10. INDEPENDENT CHARTER SCHOOL PROGRAM

GPR	\$16,305,000
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**Governor/Legislature:** Provide \$5,820,000 in 2011-12 and \$10,485,000 in 2012-13 over base level funding of \$56,125,000 as a reestimate of sum sufficient funding for the Milwaukee and Racine independent charter school program. Under current law, the Common Council of the City of Milwaukee, the Chancellor of the University of Wisconsin-Milwaukee, and the Milwaukee Area Technical College are authorized to operate or contract to operate charter schools located within Milwaukee Public Schools. The Chancellor of the University of Wisconsin-Parkside is authorized to operate or contract to operate one charter school located within the Racine Unified School District (RUSD). There are currently 19 charter schools participating in the program, including one in Racine. A total of 7,200 pupils attend these schools in 2010-11, and the aid per pupil is \$7,775.

This estimate assumes that 7,800 pupils will be enrolled in the current law program in 2011-12 and that the aid per pupil will be \$7,775. In 2012-13, it is assumed that 8,400 pupils will be enrolled in the current program, at a per pupil cost of \$7,775. Funding for a related current law aid payment to the Racine Unified School District of \$1,300,000 annually is included as well. This separate aid payment would be eliminated, which is summarized in a following item.

Under current law, payments to the charter schools, and a separate aid payment to Racine Unified School District related to the Racine charter school, are fully offset by a proportionate reduction in the general school aids of all school districts in the state through the 2010-11 school year. Beginning in 2011-12, under the current law provision, the amount of the reduction in school aids is capped at the amount of the reduction taken in 2010-11. Any amount over that

base amount would be funded directly from the general fund. Under current law revenue limits, and under the bill, school districts may levy property taxes to make up for the amount of revenue lost to the aid reduction.

**11. INDEPENDENT CHARTER SCHOOL PROGRAM -- GENERAL AID OFFSET [LFB Paper 553]**

Statewide Aid Reduction	\$16,305,000
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**Governor/Legislature:** Delete the current law provision that would have capped the reduction in general school aid for all school districts, related to the independent charter school program, at the amount of the reduction taken for the 2010-11 school year and paid additional amounts for the program in future years from the general fund. Instead, for the entire amount paid to independent charter schools in a given school year, the bill would reduce general aid for all school districts by an equal amount.

[Act 32 Section: 2571]

**12. EXPAND INDEPENDENT CHARTER SCHOOL PROGRAM [LFB Paper 553]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$4,665,000	-\$4,665,000	\$0
Statewide Aid Reduction	<u>4,665,000</u>	<u>- 4,665,000</u>	<u>0</u>
Net GPR	\$0	\$0	\$0

**Governor:** Authorize the Chancellor of any University of Wisconsin System institution and the Chancellor of UW-Madison to establish and operate independent charter schools. It is estimated that this expansion of the program would add approximately 600 pupils in 2012-13 at a per pupil payment of \$7,775, which would equal \$4,665,000 in 2012-13 in increased expenditures. Under the bill, additional expenditures for this program would be deducted from the general school aids for all school districts, resulting in no net GPR cost. For this purpose, an institution would be defined as any University or an organizational equivalent designated by the Board of Regents and the University of Wisconsin Colleges. Specify that the chancellors of institutions within the UW System could not establish a charter school without the approval of the Board of Regents of the University of Wisconsin System. Delete current law that specifically authorizes the Chancellors UW-Milwaukee and UW-Parkside to establish and operate independent charter schools as well as provisions that prohibit UW-Milwaukee from establishing a charter school located outside Milwaukee Public Schools, and that prohibit UW-Parkside from establishing a charter school located outside Racine Unified School District.

Provide that if the Chancellor of any UW System institution contracts for the establishment of a charter school, then the Board of Regents of the UW System may employ instructional staff for the school. Specify that annual leave of absence with pay for charter school instructional staff employed by the Board of Regents must be determined by the governing board of the charter school, as approved by the Chancellor of the UW System institution that

established the school, and subject to the terms of any applicable collective bargaining agreement. Under current law, these provisions apply only to UW-Parkside.

Delete current law provisions specific to UW-Parkside requiring that the contract for the establishment of a charter school provide that the school be operated by a governing board and that the Chancellor or his or her designee must be a member of the governing board. Delete requirements that if the contract provides that the instructional staff of the charter school shall consist of employees of the Board of Regents of the UW System, the contract must also include provisions that: (a) delegate to the governing board of the charter school the Board of Regents' authority to establish and adjust all compensation and fringe benefits of instructional staff; and (b) authorize the governing board of the charter school to perform specified duties for the Board of Regents with respect to the instructional staff. Delete current law restrictions on the number and enrollment of charter schools established by UW-Parkside. Delete the current law requirement that the Chancellor of UW-Parkside submit a biennial report to the Legislature on the academic performance of the pupils who attend the charter school and on the success of the governance structure of the charter school.

**Joint Finance/Legislature:** Delete provision, except repeal the UW-Parkside biennial report requirement as under the Governor's recommendations.

[Act 32 Section: 2503]

### 13. SEPARATE AID PAYMENT TO RUSD

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$2,600,000	\$1,750,000	-\$850,000
Statewide			
Aid Reduction	<u>-2,600,000</u>	<u>1,750,000</u>	<u>- 850,000</u>
Net GPR	\$0	\$0	\$0

**Governor:** Delete \$1,300,000 GPR annually and the current law requirement that DPI pay to Racine Unified School District (RUSD) an amount equal to RUSD's school aid payment per pupil in the current year multiplied by the number of pupils attending the UW-Parkside charter school who were previously enrolled in RUSD. For 2010-11, it is estimated that RUSD will receive \$1,300,000 under this provision.

Reduce estimated funding for the charter school appropriation by \$1,300,000 annually and reduce the related statewide aid reduction correspondingly.

**Joint Finance/Legislature:** Restore the aid payment to Racine Unified, and corresponding general school aids reduction associated with the Milwaukee/Racine charter school program. However, limit the total payment amount to \$1,000,000 in 2011-12 and \$750,000 in 2012-13, and provide that no aid may be paid under this provision after 2012-13.

[Act 32 Section: 2502m]

**14. PER PUPIL PAYMENT FOR INDEPENDENT CHARTER SCHOOLS** [LFB Paper 553]

**Governor/Legislature:** Specify that in 2011-12 and in 2012-13, independent charter schools would receive their prior year per pupil payment plus the amount of any per pupil increase provided to private schools participating in the Milwaukee Parental Choice Program (MPCP). Because the bill would maintain the MPCP per pupil payment at the 2010-11 amount of \$6,442 in 2011-12 and 2012-13, the effect of the change would be to retain the current per pupil charter school payment of \$7,775 for the 2011-12 and 2012-13 school years. Provide that independent charter schools, beginning in the 2013-14 school year, would receive a per pupil payment equal to the prior year's payment plus the per pupil adjustment allowable under revenue limits in the current year.

[Act 32 Sections: 2499 thru 2501]

**15. VIRTUAL CHARTER ENROLLMENT** [LFB Paper 554]

**Governor/Legislature:** Repeal the limit of 5,250 pupils who may attend a virtual charter school through the open enrollment program.

[Act 32 Sections: 2507 and 2513b thru 2515]

**16. INDEPENDENT CHARTER SCHOOL TEACHER LICENSURE**

**Governor:** For persons teaching in an independent, non-school district sponsored charter school, delete the requirement that the person first procure a license or permit to teach from DPI. Instead, require that independent charter school authorizers ensure that all instructional staff for the schools have a bachelor's degree from an accredited institution of higher education. Instructional staff for charter schools sponsored by school districts would still be required to procure a license or permit from DPI.

Under current law, any person seeking to teach in a public school, including a charter school, or in a school or institution operated by a county or the state must first procure a license or permit from the Department. All licenses and permits require at least a bachelor's degree, in addition to other requirements.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

**17. OPEN ENROLLMENT PROGRAM -- TIMELINES AND REQUIREMENTS** [LFB Paper 555]

**Governor:** Modify the timelines and procedures for the current law full-time open enrollment program as follows:

- a. Move the last day in which a pupil may apply to attend a nonresident district from

the third Friday following the first Monday in February under current law to the last weekday in April. (The first day would remain the first Monday in February.)

b. Move the date by which the nonresident district must send a copy of the application to the resident district and the Department from the fourth Monday in February under current law to the end of the first weekday following the last weekday in April.

c. Move the date on which a nonresident district may begin to act on applications received from the third Friday following the first Monday in February under current law to May 1.

d. Move the date by which the nonresident district must notify an applicant not chosen from a waiting list as to whether the application was accepted from the first Friday following the first Monday in April under current law to the same day in June.

e. Move the date by which the nonresident district must identify the specific school or program an accepted applicant may attend in the following school year from the second Friday following the first Monday in May under current law to the first Friday following the first Monday in June.

f. Move the date by which a resident district must notify the applicant and the nonresident district that an application has been denied from the first Friday following the first Monday in April under current law to the second Friday following the first Monday in June.

g. Move the date by which a pupil's parent must notify the nonresident district of the pupil's intent to attend school in that district from the first Friday following the first Monday in June under current law to the last Friday in June.

h. Move the date by which a nonresident district must report the names of the pupils accepted to the resident district from June 30 under current law to July 7.

i. Require districts to determine the number of regular education and special education spaces available within the district at the January meeting of the school board, except that for the 2011–12 school year the district must determine the number of regular education and special education spaces available within the district at the February meeting of the school board. This determination would be used as part of the criteria for accepting and rejecting applications from nonresident pupils.

j. Specify that a nonresident district may accept pupils from a waiting list allowed under current law until the third Thursday in September, but only if the pupil will be in attendance at the school or program in the nonresident district on the third Friday in September. Require the parent of a pupil accepted from a waiting list after the start of the school term to immediately notify the resident district of the pupil's intent to attend school in the nonresident district for the current school term.

Specify that a pupil accepted from a waiting list may attend the school or program in the nonresident district even if the pupil has attended a school or program in the pupil's resident district in the current school term, but not if the pupil has attended a school or program in a

nonresident district in the current school term.

Under current law, a nonresident district may create a waiting list of pupils whose applications were initially rejected by the district. DPI is required to promulgate rules to implement and administer the waiting list provision.

k. Require the resident district to provide the nonresident district to which a pupil has applied the disciplinary records required under current law by the first Friday following the first Monday in May and delete current law language under which these records would be provided on request by the nonresident district.

l. Create a requirement for the resident district to send the nonresident district a copy of the individualized education program for a child with a disability whose parent submitted an application by the first Friday following the first Monday in May.

m. Require the nonresident district to prepare an estimate of the costs to provide the special education or related services required in the individualized education program for a child with a disability whose parent has submitted an application. For an application submitted for a child with a disability, require the nonresident district to provide a copy of the estimate of costs to the resident district by the third Friday following the first Monday in May. Specify that if the nonresident district fails to comply with the requirement by the date specified, the nonresident district may not charge the resident district for any actual, additional costs incurred by the nonresident district to provide the special education and related services for the child with a disability. This provision would not apply, however, if the resident district fails to send the nonresident district a copy of the individualized education program by the required date.

**Joint Finance/Legislature:** Delete provision.

**18. OPEN ENROLLMENT PROGRAM -- ALTERNATIVE PROCEDURE [LFB Paper 555]**

**Governor:** Create a new procedure under which a pupil may attend a public school in a nonresident school district under the full-time open enrollment if certain criteria are met.

Allow the parent of a pupil to apply to a nonresident district under this alternative procedure only if the pupil meets one of the following criteria, and require the parent to describe the criteria that the pupil meets in the application:

a. The resident district determines that the pupil has been the victim of a violent criminal offense, as defined by the Department in rule. Specify that an application made on the basis of this criteria is not valid unless the nonresident district receives the application within 30 days after the determination of the resident district.

b. The pupil is or has been a homeless pupil in the current or immediately preceding school year. A homeless pupil would be defined as an individual who is included in the category of homeless children and youths as defined in the federal McKinney-Vento Act.

c. The pupil has been the victim of repeated bullying or harassment. Under this criteria, the pupil's parent would be required to have reported the bullying or harassment to the resident district, and that, despite any actions taken, the repeated bullying and harassment continues.

d. The place of residence of the pupil's parent and of the pupil has changed as a result of military orders. An application made on the basis of this criteria would not be valid unless the nonresident district receives the application no later than 30 days after the date on which the military orders changing the place of residence were issued.

e. The pupil has moved into the state. An application made on the basis of this criteria would not be valid unless the nonresident district receives the application no later than 30 days after moving into this state.

f. The place of residence of the pupil has changed as a result of a court order or custody agreement or because the pupil was placed in a foster home or with a person other than the pupil's parent, or removed from a foster home or from the home of a person other than the pupil's parent. An application made on the basis of this criteria would not be valid unless the nonresident district receives the application no later than 30 days after the pupil's change in residence.

g. The parent of the pupil and the nonresident district agree that attending school in the nonresident district is in the best interests of the pupil.

Specify that applications may be submitted by parents under the alternative procedure to no more than three nonresident districts in any school year.

Require a nonresident district that receives an application under the alternative procedure to immediately forward a copy of the application to the resident district and to notify the applicant, in writing, whether it has accepted the application no later than 20 days after receiving the application. Require the nonresident district, if it has accepted an application, to identify the specific school or program that the pupil may attend.

Specify that a resident district may notify an applicant under the alternative procedure that the pupil may not attend a school or program in the nonresident district only for the following reasons:

a. The resident district determines that the criteria relied on by the applicant from the seven listed above does not apply to the pupil.

b. The resident district determines that the costs of the special education or related services required in the individualized education program for a child with a disability whose parent has submitted an application under the alternative procedure, as proposed to be implemented by the nonresident district, would impose upon the resident district an undue financial burden in light of the resident district's total economic circumstances. Those circumstances would include its revenue limit, its ability to pay tuition costs for the pupil, and the per pupil special education or related services costs for children with disabilities continuing

to be served by the resident district. Specify that this would not apply to a parent who indicated in the application that the pupil has been the victim of a violent criminal offense.

Specify that if an application is accepted by the nonresident district, the pupil may immediately begin attending the school or program in the nonresident district and must begin attending the school or program no later than the 15th day following receipt by the parent of the pupil of the notice of acceptance. Specify that if the pupil has not enrolled in or attended school in the nonresident district by the specified day, the nonresident district may notify the pupil's parent, in writing, that the pupil is no longer authorized to attend the school or program in the nonresident district.

Require the resident district to provide the nonresident district to which a pupil has applied the required disciplinary records under current law within ten days of receiving an application under this procedure.

Require the nonresident district to prepare an estimate of the costs to provide the special education or related services required in the individualized education program for a child with a disability whose parent has submitted an application under the alternative procedure. Require the nonresident district to provide a copy of the estimate of costs to the resident district within ten days after receiving or developing the individualized education program for the applicant. Specify that if the nonresident district fails to comply with the requirement by the date specified, the nonresident district may not charge the resident district for any actual, additional costs incurred by the nonresident district to provide the special education and related services for the child with a disability.

Require DPI to prepare, distribute to districts, and make available to parents an application form to be used by parents under the alternative procedure. Modify the information required in the report on open enrollment that the Department is required to provide annually to the Governor and the appropriate standing committees of the Legislature to include: (a) the number of applications received under the current law and the alternative procedures; (b) for the applications received under the alternative procedure, the number using each of the seven criteria listed above; (c) the number of pupils attending nonresident districts whose applications were accepted under the current law and the alternative procedures; and (d) for the pupils attending nonresident districts whose applications were accepted under the alternative procedure, the number attending under each of the seven criteria listed above.

Specify that the following current law open enrollment provisions would also apply to the alternative procedure: (a) provisions governing the permissible criteria a nonresident district may use to accept or reject applications; (b) provisions specifying that pupils and siblings of pupils already attending the district and pupils currently attending an underlying K-8 district and applying to a union high school district may be included in its count of occupied spaces; and (c) provisions governing the appeal of a rejected application.

Create a revenue limit adjustment related to open enrollment pupils that are not included in a resident district's third Friday of September count date for revenue limits. The details of the calculation can be found under "Public Instruction -- General School Aids and Revenue Limits"

**Joint Finance/Legislature:** Delete provision.

## 19. STUDY OF OPEN ENROLLMENT AID TRANSFER

**Joint Finance/Legislature:** Require the Legislative Audit Bureau (LAB) to prepare a report on the aid transfer amount under the open enrollment program. Specify that the report discuss: (a) the history of the transfer amount; (b) alternatives for increasing the amount based on the costs to nonresident districts of educating transfer pupils and the amount of funding the resident district retains for their fixed costs; and (c) alternatives for transferring the resident district's revenue limit amount or state aid amount to the nonresident district. Specify that the report discuss those issues and alternatives relative to districts that either gain or lose a relatively large proportion of pupils under the program. Require LAB to submit the report to the Governor, the co-chairs of the Joint Committees on Finance and Audit, and the chairs of the appropriate standing committees of the Legislature before January 1, 2012.

[Act 32 Section: 9130(1u)]

## Administrative and Other Funding

### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Adjust the base budget by \$1,480,900 GPR annually, \$1,218,200 FED in 2011-12 and \$937,500 FED in 2012-13, \$726,400 PR annually, \$20,900 SEG annually, delete 5.5 FED positions in 2012-13, for the following:

(a) turnover reduction (-\$384,600 GPR and -\$426,600 FED annually); (b) removal of noncontinuing items from the base (-\$234,700 GPR annually and -\$32,900 FED in 2011-12 and -\$313,600 FED and -5.5 FED positions in 2012-13); (c) full funding of continuing salaries and fringe (\$1,723,100 GPR, \$1,623,800 FED, \$711,900 PR and \$20,900 SEG annually); (d) overtime (\$285,600 GPR, \$52,200 FED, and \$14,300 PR annually); (e) night and weekend differential pay (\$57,700 GPR, \$400 FED, and \$200 PR annually); (f) full funding of lease and directed moves costs (\$33,800 GPR and \$1,300 FED annually); and (g) minor transfers within appropriations.

	Funding	Positions
GPR	\$2,961,800	0.00
FED	2,155,700	- 5.50
PR	1,452,800	0.00
SEG	41,800	0.00
Total	\$6,612,100	- 5.50

### 2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

**Governor/Legislature:** Delete \$2,781,800 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage.

GPR	-\$2,165,000
FED	- 2,635,000
PR	- 763,600
Total	-\$5,563,600

The reductions would include \$1,082,500 GPR, \$1,317,500 FED, and \$381,800 PR annually. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. ELIMINATE LONG-TERM VACANCIES [LFB Paper 560]**

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
GPR	-\$1,243,800	- 11.21	\$0	0.00	-\$1,243,800	- 11.21
FED	- 483,800	- 5.13	0	0.76	- 483,800	- 4.37
PR	<u>- 150,800</u>	<u>- 1.63</u>	<u>0</u>	<u>0.13</u>	<u>- 150,800</u>	<u>- 1.50</u>
Total	-\$1,878,400	- 17.97	\$0	0.89	-\$1,878,400	- 17.08

**Governor:** Delete \$939,200 (all funds) and 17.97 positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$621,900 GPR and 11.21 GPR positions, \$241,900 FED and 5.13 FED positions, and \$75,400 PR and 1.63 PR positions annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**Joint Finance/Legislature:** Restore 0.13 PR position to the publications appropriation and 0.76 FED position to the federal indirect cost reimbursement appropriation.

**4. ACROSS-THE-BOARD REDUCTIONS [LFB Paper 562]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$2,352,600	\$0	-\$2,352,600
PR	- 3,932,400	0	- 3,932,400
SEG	<u>- 4,082,200</u>	<u>695,400</u>	<u>- 3,386,800</u>
Total	-\$10,367,200	\$695,400	-\$9,671,800

**Governor:** Delete \$1,176,300 GPR, \$1,966,200 PR, and \$2,041,100 SEG annually as part of an across-the-board reduction in most GPR appropriations. The reductions by appropriation are shown below:

<u>Fund</u>	<u>Appropriation</u>	<u>Base</u>	<u>Annual Reduction</u>	<u>Percent Change</u>
GPR	General program operations	\$10,630,800	-\$233,600	-2.2%
GPR	Residential schools for deaf and blind	11,765,700	-101,400	-0.9
GPR	Residential schools--energy costs	716,100	-71,600	-10.0
GPR	Pupil assessment	3,106,500	-310,700	-10.0
GPR	Adult literacy grants	69,300	-6,900	-10.0
GPR	Grants for national teacher certification	2,099,600	-210,000	-10.0
GPR	Elks and Easter Seals respite center	82,100	-8,200	-10.0
GPR	Milwaukee Public Museum	46,900	-4,700	-10.0
GPR	Interstate compact on military children	1,000	-100	-10.0
GPR	Very special arts	70,300	-7,000	-10.0
GPR	Special Olympics	75,000	-7,500	-10.0
GPR	Precollege scholarships	2,146,100	-214,600	-10.0
PR	Student activity therapy	900	-100	-11.1
PR	Residential schools--services	69,300	-6,900	-10.0
PR	Residential schools--pupil transportation	1,597,200	-159,700	-10.0
PR	Personnel licensure	3,132,500	-108,700	-3.5
PR	GED and HSED	99,800	-3,500	-3.5
PR	Services for drivers	270,600	-13,000	-4.8
PR	Publications	234,100	-8,200	-3.5
PR	Library products and services	234,600	-23,500	-10.0
PR	Choice--financial audits	92,900	-1,800	-1.9
PR	School lunch handling charges	14,844,800	-1,462,400	-9.9
PR	Professional services center charges	164,200	-16,400	-10.0
PR	State agency library processing center	38,300	-1,200	-3.1
PR	Data processing	3,841,300	-160,800	-4.2
SEG	Badgerlink/Newsline for the blind	2,560,000	-256,000	-10.0
SEG	Aid to public library systems	16,681,200	-1,668,100	-10.0
SEG	Library service contracts	1,169,800	-117,000	-10.0

**Joint Finance/Legislature:** Provide \$256,000 SEG annually to restore the 10% reduction in the Badgerlink/Newsline for the Blind appropriation, and provide \$91,700 SEG annually to restore the 10% reduction in funding for the Regional Library for the Blind and Physically Handicapped, funded under the library service contracts appropriation.

## 5. STUDENT INFORMATION SYSTEM [LFB Paper 563]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$15,000,000	-\$15,000,000	\$0

**Governor:** Provide \$15,000,000 in 2011-12 in a new biennial appropriation for a student information system. Require that the State Superintendent, working with the Office of the Governor, establish a student information system to collect and maintain information about pupils enrolled in public schools, including their academic performance and demographic information, aggregated by school district, school, and teacher. Annually by May 1, require the State Superintendent submit to the Governor a plan for the expenditure of moneys appropriated

for this purpose in the succeeding fiscal year. Provide that the State Superintendent may not expend or encumber moneys appropriated for this purpose in any fiscal year unless the Governor approves the plan for that fiscal year. Require the State Superintendent to charge a fee, on a per pupil basis, to any school district that uses the student information system. Permit the State Superintendent to charge a fee to any other person that uses the system. Provide that all fees be credited to the appropriation for professional services center charges under DPI. Require the State Superintendent to submit a plan to the Governor for the expenditure of moneys from this appropriation in the 2011-12 fiscal year by October 1, 2011.

**Joint Finance/Legislature:** Modify the Governor's recommendation to delete funding under DPI and, instead, provide \$15,000,000 GPR in 2011-12 in the Joint Committee on Finance's reserve appropriation (under "Program Supplements"). Require the State Superintendent to submit a plan for the expenditure of these moneys in the 2011-12 fiscal year to the Governor for approval. By October 1, 2011, require the State Superintendent and the Governor to submit the approved plan to the Joint Committee on Finance for its approval. The State Superintendent may not expend or encumber the moneys unless Joint Finance approves the plan. Require the State Superintendent to ensure that within five years of the establishment of the statewide system, every school district is using the system. Authorize the State Superintendent to promulgate rules authorizing DPI to charge a fee to any person that uses the system.

[Act 32 Sections: 520, 2437, and 9137(1)]

**6. KNOWLEDGE AND CONCEPTS EXAMINATIONS [LFB Paper 561]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$4,626,800	- \$2,844,300	\$1,782,500

**Governor:** Provide \$2,313,400 annually above base level funding of \$3,106,500 for standardized pupil assessments to contract for and administer the Wisconsin knowledge and concepts exams required by state law in grades 3, 4, 8, and 10. This appropriation is also subject to across-the-board reductions.

**Joint Finance/Legislature:** Reduce funding by \$2,313,400 in 2011-12 and \$530,900 in 2012-13. Total funding in the pupil assessment appropriation would equal \$2,795,800 in 2011-12 and \$4,578,300 in 2012-13. (DPI could use federal carryover funds to cover the difference from the Governor's funding level.)

**7. DEVELOPMENT OF NEW PUPIL ASSESSMENTS [LFB Paper 561]**

**Joint Finance/Legislature:** Beginning in 2014-15, require DPI to replace the Wisconsin knowledge and concepts examination with pupil assessments developed by the Smarter Balanced Assessment Consortium, or by an entity selected by DPI through a request for proposals process. Require the new assessment to be standards-based, measure mastery of the Common Core

Standards, be designed so as to begin the transition to online testing; and allow for the results of multiple-choice questions to be provided within one week and the results of open-ended questions to be provided within six weeks, or as soon as practicable. Also provide that, beginning in 2014-15, DPI must ensure that benchmark assessments are administered to pupils annually prior to the administration of summative assessments. Require that, by January 1, 2012, and by January 1, 2013, DPI must report to the cochairs of Joint Finance on the progress of the transition from the current pupil assessment system to the new pupil assessment system. Require that DPI ensure that a stand-alone field test of new assessment items be conducted no later than the spring of 2014.

[Act 32 Sections: 2488pq and 9137(1u)]

**8. MASTER EDUCATORS AND NATIONAL TEACHER CERTIFICATION REESTIMATE**

GPR	\$420,900
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**Governor/Legislature:** Provide \$79,900 in 2011-12 and \$341,000 in 2012-13 over base level funding of \$2,099,600 as a reestimate of payments to teachers who are certified by the National Board for Professional Teaching Standards or certified as a master educator under the state assessment process. The program provides initial grants in an amount equal to the costs of obtaining certification, up to \$2,000. For nine consecutive years following the initial grant, DPI awards annual grants of \$2,500 to qualifying teachers. In addition, higher grant awards totaling \$5,000 are provided to continuing nationally certified or master educators working in schools with at least 60% pupil eligibility for free and reduced-price lunch. The Department is also required by the IRS and State Controller's Office to pay Medicare and Social Security taxes on the grants at 7.65%.

It is estimated that 770 new and continuing educators will qualify for grants in 2011-12, and 858 will qualify in 2012-13. Of the total, approximately 69 educators working in high poverty schools will qualify for higher grant awards for in 2011-12, and 78 will qualify in 2012-13.

**9. ENVIRONMENTAL EDUCATION CONSULTANT**

	Funding	Positions
SEG	- \$237,000	- 1.00

**Governor/Legislature:** Delete \$118,500 annually and 1.0 position and repeal the appropriation for an environmental education consultant position. Segregated funding is from the normal school fund.

[Act 32 Sections: 524 and 866]

**10. AODA FUNDING REDUCTION**

PR	- \$137,800
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**Governor/Legislature:** Reduce funding by \$68,900 annually from base level funding of \$658,200 for alcohol and other drug abuse state operations, which are supported from penalty assessment funding. Specify that any unencumbered balance on June 30 of each year would

revert to the penalty surcharge appropriation under the Department of Justice.

[Act 32 Section: 523]

**11. FEDERAL REVENUE REESTIMATES**

FED	- \$256,417,200
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**Governor/Legislature:** Reestimate federal revenues by -\$118,580,900 in 2011-12 and -\$137,836,300 in 2012-13 for the following: (a) federal aids -- program operations (\$2,999,300 in 2011-12 and \$3,712,400 in 2012-13); (b) indirect cost reimbursements (\$180,500 in 2011-12 and \$312,000 in 2012-13); (c) federal aids -- local aid (\$49,926,900 annually); (d) federal aid -- economic stimulus funds (-\$174,000,000 in 2011-12 and -\$194,100,000 in 2012-13); (e) federal funds -- local assistance (\$92,200 annually); and (f) federal funds -- individuals and organizations (\$2,220,200 annually).

**12. PROGRAM REVENUE REESTIMATES**

PR	\$1,676,900
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**Governor/Legislature:** Reestimate PR expenditures by \$737,600 in 2011-12 and \$939,300 in 2012-13 for the following: (a) Milwaukee parental choice program financial audits (\$16,100 in 2011-12 and \$18,200 in 2012-13); (b) publications (-\$31,400 annually); (c) state agency library processing center (-\$8,300 annually); (d) general educational development and high school graduation equivalency (\$14,800 in 2011-12 and \$14,400 in 2012-13); (e) data processing (\$700,000 in 2011-12 and \$900,000 in 2012-13); (f) funds transferred from other state agencies -- program operations (\$150,100 annually); (g) library products and services (-\$70,000 annually); (h) program for the deaf and center for the blind -- pupil transportation (-\$297,200 annually); (i) program for the deaf and center for the blind -- leasing of space (-\$10,000 annually); (j) program for the deaf and center for the blind -- services (-\$30,000 annually); and (k) funds transferred from other state agencies -- local aids (\$303,500 annually).

**13. FUEL AND UTILITIES REESTIMATE**

GPR	- \$89,900
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**Governor/Legislature:** Delete \$67,500 in 2011-12 and \$22,400 in 2012-13 to reflect estimated costs for fuel and utilities for the state residential schools. Base level funding is \$716,100.

**14. DEBT SERVICE REESTIMATE [LFB Paper 183]**

GPR	\$77,600
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**Governor/Legislature:** Provide \$55,800 in 2011-12 and \$21,800 in 2012-13 as a reestimate of debt service payments. Base level funding is \$900,100.

**15. GPR DEBT RESTRUCTURING -- DEBT SERVICE [LFB Paper 175]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$660,000	\$182,700	- \$477,300

**Governor:** Decrease funding \$690,300 in 2011-12 and increase funding by \$30,300 in 2012-13 to reflect the changes to estimated GPR debt service costs associated with the proposed restructuring of general obligation bond and commercial paper GPR principal amounts that would otherwise be paid off in 2011-12. Under the bill, the state would issue refunding bonds to restructure a portion of its outstanding general obligation GPR principal debt and would rollover the principal due on its outstanding commercial paper in 2011-12. The increase in debt service for 2012-13 is associated with the initial interest amount due on the additional debt issued to replace the restructured 2011-12 principal amounts. (See "Building Commission" for additional information regarding this provision.)

**Joint Finance/Legislature:** Modify debt service funding by \$190,200 in 2011-12 and -\$7,500 in 2012-13 associated with a \$100,100,000 reduction in restructuring bonding in 2011-12.

**16. UNCLASSIFIED POSITION AUTHORITY**

**Governor/Legislature:** Transfer 0.4 unclassified position authority from federal funding to program revenue-service funding. This item would reduce 0.2 position from the federal aids--program operations and 0.2 position from the indirect cost reimbursements appropriations, and transfer those positions to the personnel licensure and data processing appropriations. The transfers would allow the positions' funding to reflect the work each division administrator is currently performing.

	<b>Positions</b>
FED	- 0.40
PR	<u>0.40</u>
Net	0.00

**17. SERVICES FOR DRIVERS POSITIONS**

**Governor/Legislature:** Provide 0.30 position in the services for drivers appropriation for traffic safety education. DPI requested position authority with no additional funding because current spending authority within the appropriation was adequate. This appropriation is subject to across-the-board reductions.

	<b>Positions</b>
PR	0.30

**18. MAINTENANCE OF EFFORT REQUIREMENT FOR PUBLIC LIBRARY SYSTEM MEMBERSHIP [LFB Paper 562]**

**Governor/Legislature:** Repeal the current law requirements under the statutory standards to be met by public library systems, that each county maintain its support for public library services at a level not lower than the average of the previous three years. Eliminate related provisions governing the calculation of that three-year average for a city, village, town or school

district that gains an exemption from the county tax under a separate section of the statutes. Delete the provision that requires DPI to adjust the three-year average in any year, as necessary, to reflect cost savings realized as a result of consolidation or sharing of library services, under certain conditions. Repeal the requirement that a library receive funding from its governing body not less than the average of the previous three years in order to retain membership in a public library system. Each county proposed to be included within a public library system would continue to be required, as under current law, to demonstrate to the satisfaction of DPI its ability to provide adequate funding for libraries in order to implement a plan for library services.

[Act 32 Sections: 1171 thru 1176]

## **19. DELETE INACTIVE APPROPRIATIONS**

**Governor/Legislature:** Delete the appropriation for hospitalization of pupils attending the Wisconsin Educational Services Program for the Deaf and Hard of Hearing and the Wisconsin Center for the Blind and Visually Impaired. Also delete the appropriation for an administrative leadership academy for mid-career school district administrators and principals, and the related statutory language. In its agency biennial budget request, DPI requested that both appropriations, and related statutory language, be repealed, as they have been inactive for several years.

The bill retains current language that authorizes the State Superintendent to apply for admission to UW Hospital and Clinics of any pupil enrolled at the state residential schools. The bill repeals language that authorizes the State Superintendent to pay for such hospital treatment.

Delete appropriations for the following categorical aids: (a) school district grants; (b) Global Academy; and (c) distance learning. All three were created under 2009 Act 28 as one-time grants for the 2009-10 school year.

[Act 32 Sections: 521, 522, 530, 535, 536, 2453, and 2458 thru 2460]

## **20. COMMUNITY PARTNERSHIPS**

**Joint Finance/Legislature:** Require the Department of Administration to submit a plan to the Committee by January 10, 2012, that includes the following: (a) a plan prepared by the Department of Public Instruction for providing funding to community-based nongovernmental organizations for the establishment of partnerships with local school districts that center on those organizations providing advocacy for students and serving as liaison between families and staff of those school districts; and (b) a plan prepared by the Department of Children and Families for providing funding to community-based nongovernmental organizations for the establishment of partnerships with agencies that license foster homes that center on those organizations providing advocacy for children and serving as liaison between families and staff of those agencies. The goal for both plans should be improving educational outcomes and promoting and teaching greater self-sufficiency.

[Act 32 Section: 9101(3i)]

## PUBLIC SERVICE COMMISSION

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
FED	\$582,000	\$1,176,000	\$1,176,000	\$1,176,000	\$1,176,000	\$594,000	102.1%
PR	36,405,800	33,669,600	33,852,000	33,852,000	33,852,000	- 2,553,800	- 7.0
SEG	<u>13,116,600</u>	<u>13,118,200</u>	<u>13,118,200</u>	<u>13,118,200</u>	<u>13,118,200</u>	<u>1,600</u>	0.0
<b>TOTAL</b>	<b>\$50,104,400</b>	<b>\$47,963,800</b>	<b>\$48,146,200</b>	<b>\$48,146,200</b>	<b>\$48,146,200</b>	<b>- \$1,958,200</b>	<b>- 3.9%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
FED	5.00	5.00	5.00	5.00	5.00	0.00
PR	156.00	141.00	141.00	141.00	141.00	- 15.00
SEG	<u>6.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>- 1.00</u>
<b>TOTAL</b>	<b>167.00</b>	<b>151.00</b>	<b>151.00</b>	<b>151.00</b>	<b>151.00</b>	<b>- 16.00</b>

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide standard budget adjustments totaling \$318,900 FED and \$109,000 SEG annually, and \$340,600 PR in 2011-12 and \$317,500 PR and -1.0 PR position in 2012-13. Adjustments are for: (a) turnover reduction (-\$274,900 PR annually); (b) removing noncontinuing elements from the base (-\$23,100 PR and -1.0 PR position in 2012-13); (c) full funding of continuing salaries and fringe benefits (\$318,900 FED, \$597,900 PR, and \$109,000 SEG annually); and (d) full funding of lease costs and directed moves (\$17,600 PR annually).

	Funding	Positions
FED	\$637,800	0.00
PR	658,100	- 1.00
SEG	<u>218,000</u>	<u>0.00</u>
<b>Total</b>	<b>\$1,513,900</b>	<b>- 1.00</b>

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE [LFB Paper 565]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
FED	- \$43,800	\$0	- \$43,800
PR	- 1,544,800	8,400	- 1,536,400
SEG	<u>- 56,400</u>	<u>0</u>	<u>- 56,400</u>
Total	- \$1,645,000	\$8,400	- \$1,636,600

**Governor:** Delete \$822,500 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$21,900 FED, \$772,400 PR, and \$28,200 SEG. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**Joint Finance/Legislature:** Increase funding by \$4,200 annually in the stray voltage appropriation to ensure that the Public Service Commission (PSC) can generate its required lapse amount.

**3. ELIMINATE LONG-TERM VACANCIES [LFB Paper 565]**

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
PR	- \$1,848,400	- 15.00	\$149,800	0.00	- \$1,698,600	- 15.00
SEG	<u>- 160,000</u>	<u>- 1.00</u>	<u>0</u>	<u>0.00</u>	<u>- 160,000</u>	<u>- 1.00</u>
Total	- \$2,008,400	- 16.00	\$149,800	0.00	- \$1,858,600	- 16.00

**Governor:** Delete \$1,004,200 (all funds) and 16.00 positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$924,200 PR and 15.00 PR positions, and \$80,000 SEG and 1.00 SEG positions annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**Joint Finance/Legislature:** Increase funding by \$74,900 PR annually in the stray voltage appropriation to ensure that the PSC can generate its required lapse amount.

**4. FUNDING REDUCTIONS [LFB Paper 565]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	- \$24,200	\$24,200	\$0

**Governor:** Delete \$12,100 PR annually to reduce funding for supplies and services in the stray voltage program appropriation.

**Joint Finance/Legislature:** Restore the funding deleted by the Governor to ensure that the PSC can generate its required lapse amount.

**5. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS**

**Governor/Legislature:** Delete 3.0 PR classified positions and provide 3.0 PR unclassified positions under the PSC's utility regulation appropriation.

Under 2011 Act 10, 38 classified positions were transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) would be moved from classified to unclassified service within specified agencies. The revised unclassified positions would be renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions would be at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of Act 10 in regards to the transfer of classified positions to unclassified positions as recommended by the Governor.

**6. OFFICE OF THE COMMISSIONER OF RAILROADS PROJECT POSITION CONVERSION**

	<b>Funding</b>	<b>Positions</b>
PR	\$23,100	1.00

**Governor/Legislature:** Provide \$23,100 and 1.00 position in 2012-13 to reflect the conversion of an agency liaison project position, which expires on March 31, 2013, to a permanent policy advisor position. The fiscal effect of this item reflects the restoration of funding and a position deleted under standard budget adjustments (removal of noncontinuing elements) upon the expiration of the project position. Total base salary and fringe benefit funding for the position is \$92,400.

**7. INTERVENOR GRANTS**

**Joint Finance/Legislature:** Modify the current law provision that requires the PSC to

make an annual grant of \$300,000 to a nonstock, nonprofit corporation by allowing, rather than requiring, the PSC to make the grant and by allowing the \$300,000, in aggregate, to be distributed to more than one corporation. Modify the provision that limits the grant to a corporation that has a history of advocating on behalf of residential ratepayers to instead require the corporation to have a history of advocating at the Commission on behalf of ratepayers of this state. Finally, authorize the Commission to impose additional conditions on a grant and to revoke a grant if the Commission finds that the grant conditions are not being met.

[Act 32 Section: 2707m]

## **8. UTILITY CONTRIBUTIONS FOR ENERGY EFFICIENCY AND RENEWABLE RESOURCE PROGRAMS**

**Joint Finance/Legislature:** Repeal the current law provisions that authorize the PSC to require energy utilities to spend more than 1.2% of their annual operating revenues on energy efficiency and renewable resource programs, if approved by the Joint Committee on Finance. Effective January 1, 2012, prohibit the PSC from requiring any energy utility to spend more than 1.2% of its annual operating revenues on energy efficiency and renewable resource programs. This provision both removes the mechanism that allows higher contribution levels to be approved in the future by the Joint Committee on Finance through the review process authorized under s. 13.10 of the statutes and reverses the higher contribution levels approved by the Committee in December, 2010. At that time, the Committee voted to require contribution levels of \$120 million in 2011, \$160 million in 2012, \$204 million in 2013, and \$256 million in 2014 and thereafter. At that time, PSC staff estimated that the 1.2% requirement would generate contribution levels of approximately \$100 million in 2011 and 2012. Therefore, this provision would reduce 2012 contributions from \$160 million to approximately \$100 million. Future changes in contributions will be dependent on changes in utility rates and energy consumption. Under the 2010 s. 13.10 approval, contributions as a percent of utility revenues were estimated to increase from 1.2% in 2010 to 1.5% in 2011, 1.9% in 2012, 2.5% in 2013, and 3.2% in 2014.

[Act 32 Sections: 2710c thru 2710g, and 9439(1q)]

## **9. AUDIT OF UNIVERSAL SERVICE FUND PROGRAMS**

**Governor:** Require the Legislative Audit Bureau (LAB) to annually prepare a financial and performance evaluation audit of at least one program funded by the universal service fund (USF) by June 30 of each year. Direct the LAB to file copies of the audit report with the Chief Clerk of each house of the Legislature, the Governor, DOA, the Legislative Reference Bureau, the Joint Committee on Finance, the Legislative Fiscal Bureau, and the Public Service Commission (PSC). The USF was established to ensure that all state residents receive essential telecommunications capabilities, such as the internet. The USF supports 14 programs, eight of which are administered by the PSC. Current law requires the PSC to obtain an annual independent audit of the USF, and the LAB has performed that function at the request of the Commission.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## REVENUE

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$191,297,400	\$182,215,600	\$183,574,200	\$183,574,200	\$183,574,200	- \$7,723,200	- 4.0%
PR	29,677,000	28,086,300	28,421,500	28,421,500	28,421,500	- 1,255,500	- 4.2
SEG	<u>140,198,800</u>	<u>136,913,200</u>	<u>137,171,200</u>	<u>137,171,200</u>	<u>137,171,200</u>	<u>- 3,027,600</u>	- 2.2
<b>TOTAL</b>	<b>\$361,173,200</b>	<b>\$347,215,100</b>	<b>\$349,166,900</b>	<b>\$349,166,900</b>	<b>\$349,166,900</b>	<b>- \$12,006,300</b>	<b>- 3.3%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change
						Over 2010-11 Base
GPR	892.73	848.28	859.28	859.28	859.28	- 33.45
PR	106.50	87.10	90.10	90.10	90.10	- 16.40
SEG	<u>115.20</u>	<u>100.70</u>	<u>102.70</u>	<u>102.70</u>	<u>102.70</u>	<u>- 12.50</u>
<b>TOTAL</b>	<b>1,114.43</b>	<b>1,036.08</b>	<b>1,052.08</b>	<b>1,052.08</b>	<b>1,052.08</b>	<b>- 62.35</b>

### Budget Change Items

### Departmentwide

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide adjustments of \$2,912,700 GPR, \$474,800 SEG, and -7.00 PR positions annually, and \$466,500 PR in 2011-12 and \$260,200 PR in 2012-13 as standard budget adjustments. Adjustments are for: (a)

turnover reduction (-\$1,428,400 GPR and -\$122,800 SEG annually); (b) removing non-continuing elements from the base (-\$206,300 PR and -7.0 PR positions in 2011-12, and -\$412,600 PR and -7.0 PR positions in 2012-13); (c) full funding of continuing position salaries and fringe benefits (\$4,451,800 GPR, \$672,600 PR, and \$637,900 SEG annually); (d) full

	Funding	Positions
GPR	\$5,825,400	0.00
PR	726,700	- 7.00
SEG	<u>949,600</u>	<u>0.00</u>
<b>Total</b>	<b>\$7,501,700</b>	<b>- 7.00</b>

funding of lease and directed moves costs (-\$110,700 GPR, \$200 PR, and -\$40,300 SEG annually); and (e) minor transfers within the same alpha appropriation.

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

GPR	- \$7,651,400
PR	- 804,400
SEG	- 891,000
Total	- \$9,346,800

**Governor/Legislature:** Delete \$4,673,400 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$3,825,700 GPR, \$402,200 PR, and \$445,500 SEG. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. ELIMINATE LONG-TERM VACANCIES [LFB Paper 570]**

	<b>Governor</b>		<b>Jt. Finance/Leg.</b>		<b>Net Change</b>	
	<b>(Chg. to Base)</b>		<b>(Chg. to Gov)</b>			
	<b>Funding Positions</b>		<b>Funding</b>	<b>Positions</b>	<b>Funding Positions</b>	
GPR-REV			\$9,300,000		\$9,300,000	
SEG-REV			550,000		550,000	
GPR	- \$4,941,800	- 44.45	\$1,358,600	11.00	- \$3,583,200	- 33.45
PR	- 1,145,000	- 12.40	197,200	2.00	- 947,800	- 10.40
SEG	- 1,671,200	- 14.50	258,000	2.00	- 1,413,200	- 12.50
Total	- \$7,758,000	- 71.35	\$1,813,800	15.00	- \$5,944,200	- 56.35

**Governor:** Delete \$3,879,000 (all funds) and 71.35 positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$2,470,900 GPR and 44.45 GPR positions, \$572,500 PR and 12.40 PR positions, and \$835,600 SEG and 14.50 SEG positions annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**Joint Finance/Legislature:** Restore deleted positions in two separate actions as follows:

a. Provide annual funding of \$322,700 GPR and 5.0 GPR positions under DOR's administrative services and space rental GPR appropriation [s. 20.566(3)(a)], including an accountant, revenue administrative manager, human resource specialist, economist, and human resources assistant position. Instead, delete \$304,500 GPR and 5.0 GPR positions under the Department's collection of state taxes GPR appropriation [s. 20.566(1)(a)], including two revenue field auditors, and two revenue audit supervisors, and a revenue auditor. The positions that would be restored were approved to be filled between the time they were identified for deletion as long-term vacancies and the introduction of the budget.

b. Provide \$129,000 SEG, 1.0 SEG revenue field agent, and 1.0 SEG revenue field

auditor, \$98,600 PR, 2.0 PR revenue agents, and \$661,100 GPR, and 2.0 GPR revenue audit supervisors, 2.0 GPR revenue field auditors, 1.0 GPR revenue auditor, 3.0 GPR revenue field agents, and 3.0 GPR revenue agents annually to restore deleted positions in the Audit, Compliance, and Tax Operations Bureaus. It is estimated that these positions would generate \$9,300,000 in general fund tax revenues and \$550,000 in segregated motor fuel tax revenues in 2012-13.

In total, \$679,300 GPR, 11.0 GPR positions, \$98,600 PR, 2.0 PR positions, \$129,000 SEG, and 2.0 SEG positions for audit and compliance activities would be restored in each year.

**4. FUNDING REDUCTIONS**

GPR	- \$2,204,800
PR	<u>- 510,800</u>
Total	- \$2,715,600

**Governor/Legislature:** Delete \$1,102,400 GPR and \$255,400 PR annually to reduce funding for supplies and services, and certain funding for permanent property and unallotted reserve, in the following appropriations: collection of state taxes, general program operations; administration of the county sales tax; business tax registration; debt collection; administration of liquor tax and alcohol beverages enforcement; collections by the department; collections from the financial records matching program; administration of income tax voluntary check-offs; state and local finance, general program operations; manufacturing property assessment; municipal finance report compliance; reassessments; administrative services and space rental, general program operations; expert professional services; services; and reciprocity agreement and publications (Minnesota).

**5. MINOR TRANSFERS BETWEEN APPROPRIATIONS**

GPR	- \$109,200
PR	112,800
SEG	<u>- 3,600</u>
Total	\$0

**Governor/Legislature:** Delete \$54,600 GPR and \$1,800 SEG annually, and provide \$56,400 PR annually to reflect: (a) adjusting space rental budgets for estimated costs in the next biennium; (b) realigning positions and funding to the correct program and appropriation; and (c) realigning budget authority between appropriations for proper accounting of costs for the Department's integrated tax processing system (WINPAS) and Financial Data Matching program.

**6. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS**

**Governor/Legislature:** Delete 2.55 GPR and 0.45 SEG classified positions and provide 2.0 GPR and 0.45 SEG unclassified positions under DOR's administrative services, general program operations and lottery, general program operations appropriations.

Under 2011 Act 10, 38 classified positions were transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) would be moved from classified to

unclassified service within specified agencies. The revised unclassified positions would be renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions would be at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of Act 10 in regards to the transfer of classified positions to unclassified positions as recommended by the Governor.

## Tax Administration

### 1. CIGARETTE TAX STAMPS FUNDING INCREASE

PR	\$30,000
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**Governor/Legislature:** Provide expenditure authority of \$15,000 annually to fund printing and shipping costs for cigarette tax stamps.

Wisconsin imposes an excise tax (generally \$2.52 per pack) on the sale of cigarettes. The tax is paid through the purchase of tax stamps from the Department of Revenue (DOR), typically by a manufacturer or distributor. The tax stamp must be affixed to each pack of cigarettes prior to its first sale in the state. Manufacturers and distributors receive a 0.7% discount on stamp purchases (or tax payments) as compensation for their administrative costs. Manufacturers and distributors are also charged by DOR for the costs of printing and shipping the stamps. Amounts collected by the Department are placed in a separate program revenue appropriation used to fund the printing and shipping costs.

### 2. ALCOHOL AND TOBACCO ENFORCEMENT SPECIAL AGENT

	Funding	Positions
PR	\$161,000	1.00

**Joint Finance/Legislature:** Provide expenditure authority of \$73,200 in 2011-12, and \$87,800 in 2012-13, and 1.0 position in a newly-created program revenue appropriation. The appropriation would provide annual funding for a special agent position dedicated to alcohol and tobacco tax enforcement. The source of revenue for the appropriation would be the beer wholesaler's permit fee, which would be required to be paid to DOR. The fee would be determined by the Department in an amount not to exceed \$2,500 per year, or a fractional part, as established by the Department in an amount to pay for the special agent position.

[Act 32 Sections: 751m and 2604eq]

**3. REPEAL ADMINISTRATION OF REGIONAL TRANSIT AUTHORITY TAXES AND FEES**

PR	- \$23,000
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**Joint Finance/Legislature:** Delete \$11,500 annually, and the appropriations for administration of transit authority taxes, and administration of the southeastern regional transit authority fees to reflect the repeal of regional transit authorities.

[Act 32 Sections: 751g and 751h]

**4. DEBT OFFSET PROGRAM -- CONSOLIDATED SERVICES**

**Joint Finance/Legislature:** Provide that, for the purpose of the debt offset program for municipalities and counties, "municipality" would be defined to mean any city, village, or town, and includes any entity providing consolidated services among cities, villages, and towns. Under current law, the Department of Revenue is authorized to offset against state tax refunds municipal fines, fees, forfeitures and delinquent property taxes.

[Act 32 Section: 2131d]

**5. ADMINISTRATION OF ELECTRONIC MEDICAL RECORDS TAX CREDIT**  
[LFB Paper 238]

**Joint Finance/Legislature:** Transfer responsibility for administering the medical records tax credit from the Department of Commerce to the Department of Revenue. DOR would be required to implement a program to certify health care providers as eligible to claim the electronic medical records tax credit. After certifying health care providers as eligible, DOR would be required to allocate tax credits to individual claimants, subject to the annual total credit limit of \$10 million. DOR would be authorized to promulgate rules to administer the certification and tax credit allocation process.

On the effective date of the bill, all tangible personal property, including records, of the Department of Commerce that are primarily related to the functions of Commerce in administering the electronic medical records tax credit, as determined by the Secretary of Administration, would be transferred to DOR. All rules promulgated by Commerce that were in effect on the effective date of the bill would remain in effect until their specified expiration date, or until amended or repealed by DOR.

The electronic medical records tax credit equals 50% of the amount paid by a health care provider in a tax year for information technology hardware or software that is used to maintain medical records in an electronic form. Tax credits not entirely used to offset income and franchise taxes can be carried forward up to 15 years to offset future tax liabilities. The maximum total amount of electronic medical records tax credits that can be claimed in a tax year is \$10 million. The electronic medical records tax credit can first be claimed for tax years beginning after December 31, 2011. Commerce is required to certify taxpayers, allocate tax credits, and verify credit claims.

[Act 32 Sections: 1878, 2008, 2119, 3355g, and 3355m]

## Lottery Administration

### 1. LOTTERY SALES PROJECTIONS [LFB Paper 575]

**Governor/Legislature:** Project lottery sales of \$480,385,700 in 2011-12 and \$480,056,700 in 2012-13. Projected lottery sales provide the basis for estimating the lottery property tax credit in the next biennium. In addition, the projected sales directly affect appropriations for retailer compensation and lottery vendor fees. The following table shows these projections, as well as 2009-10 actual lottery sales and 2010-11 estimated sales projected in October, 2010, for the purposes of certifying the amount available for the 2010(11) lottery property tax credit. The Governor's 2011-13 projected sales are based on sales models utilized by DOR to estimate both on-line and instant ticket games.

**Lottery Sales Projections**  
(\$ in Millions)

<u>Game Type</u>	<u>Actual</u> <u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Percent Change</u> <u>from 2010-11</u>	<u>2012-13</u>	<u>Percent Change</u> <u>from 2011-12</u>
Scratch	\$269.3	\$270.6	\$270.6	0.0%	\$270.6	0.0%
Pull-tab	3.9	4.0	4.0	0.0	4.0	0.0
Lotto	<u>207.7</u>	<u>205.5</u>	<u>205.8</u>	0.2	<u>205.5</u>	-0.2
Total	\$480.9	\$480.1	\$480.4	0.1%	\$480.1	-0.1%

### 2. SUM SUFFICIENT APPROPRIATIONS FOR RETAILER COMPENSATION AND VENDOR FEES

SEG	- \$1,669,400
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**Governor/Legislature:** Reduce funding by \$819,800 in 2011-12 and \$849,600 in 2012-13 to reestimate lottery sum sufficient appropriations for retailer compensation and vendor fees, as follows:

*Retailer Compensation.* Provide \$136,700 in 2011-12 and \$115,300 in 2012-13 to adjust base-level funding for retailer compensation, including payments to retailers under the retailer performance program, to reflect projected lottery sales in the 2011-13 biennium.

Basic retailer compensation rates under current law are 5.5% for lotto ticket sales and 6.25% for instant ticket sales. In addition, the retailer performance program provides an amount of up to 1% of for-profit sales as incentive payments to retailers (estimated at \$4.8 million in both 2011-12 and 2012-13, under the bill). Base level funding of \$33,607,800, established under 2009 Act 28, was based on estimated lottery sales of \$478.7 million in 2010-11. The lottery sales projections of \$480.4 million in 2011-12 and \$480.1 million in 2012-13 result in the increases to retailer compensation funding.

*Vendor Fees.* Reduce funding by \$956,500 in 2011-12 and \$964,900 in 2012-13 to adjust base-level funding for vendor fees to reflect projected lottery sales in the 2011-13 biennium and a lump-sum reduction in fees (\$1.0 million annually) from the vendor that took effect in 2009-

10. Base level funding for vendor fees is \$12,158,300.

Vendor fees are paid under a major procurement contract for the provision of data processing services relating to both lotto and instant lottery games. The fees are calculated on the basis of a percentage of total ticket sales. Under the bill, vendor fees would total 2.3% of lottery ticket sales in both 2011-12 and 2012-13.

### **3. LOTTERY FUND CONDITION STATEMENT [LFB Paper 575]**

**Governor:** The total revenue available for tax relief, minus a statutory reserve (2% of gross revenue), the amount appropriated for the lottery fund school levy tax credit, and lottery and gaming credit late applications payments, determines the amount available for the lottery and gaming tax credit. The following fund condition statement provides information on operating revenues, appropriated amounts for expenditures, estimates of interest earnings and gaming-related revenue, and the amounts available for tax relief credits under the bill. The bill would appropriate \$117,478,300 in 2011-12 and \$118,870,400 in 2012-13 for the lottery and gaming tax credit. [Due to a larger than anticipated opening balance, the certified amount of the lottery and gaming tax credit in 2010-11 is \$131,596,100.]

**Joint Finance/Legislature:** Modify the 2011-12 lottery fund opening balance from \$9,605,100 to \$13,518,500 and the 2011-12 lottery and gaming credit from \$117,478,300 to \$121,391,600. The modification to the 2011-12 opening balance reflects revised 2010-11 lottery sales estimates. It now appears that sales are likely to increase to \$498.0 million in 2010-11. This level of sales would increase the opening balance in 2011-12 by \$3,913,400, with a corresponding increase in the 2011-12 lottery and gaming credit under the bill. The following 2011-13 lottery fund condition statement reflects these modifications.

**Lottery Fund Condition Statement  
Act 32**

	<u>2011-12</u>	<u>2012-13</u>
Fiscal Year Opening Balance	\$13,518,500	\$9,611,700
<b>Operating Revenues</b>		
Ticket Sales	\$480,385,700	\$480,056,700
Retailer Fees and Miscellaneous	<u>198,500</u>	<u>239,600</u>
Gross Revenues	\$480,584,200	\$480,296,300
<b>Expenditures</b>		
Prizes	\$281,799,100	\$281,633,300
Retailer Compensation	33,744,500	33,723,100
Vendor Payments	11,201,800	11,193,400
General Program Operations	21,221,300	21,221,300
Appropriation to DOJ	373,100	373,100
Appropriation to DOR	276,900	276,900
Miscellaneous Expenses	26,200	26,200
Program Reserves	<u>154,700</u>	<u>310,800</u>
Total Expenditures	\$348,797,600	\$348,758,100
<b>Net Proceeds</b>	\$131,786,600	\$131,538,200
Interest Earnings	\$502,300	\$2,130,700
Gaming-Related Revenue	\$192,900	\$192,900
Total Available for Tax Relief *	\$146,000,300	\$143,473,500
<b>Appropriations for Tax Relief</b>		
Lottery and Gaming Tax Credit	\$121,391,600	\$118,870,400
School Levy Tax Credit (Lottery Fund)	14,850,000	14,850,000
Late Lottery and Gaming Credit Applications	<u>147,000</u>	<u>147,000</u>
Total Appropriations for Tax Relief	\$136,388,600	\$133,867,400
Gross Closing Balance	\$9,611,700	\$9,605,900
Reserve (2% of Gross Revenues)	\$9,611,700	\$9,605,900
Net Closing Balance	\$0	\$0

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

[Act 32 Section: 371]

## SAFETY AND PROFESSIONAL SERVICES

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$0	\$5,746,200	\$4,826,400	\$4,826,400	\$4,826,400	\$4,826,400	N.A.
FED	0	4,689,200	3,860,000	3,860,000	3,860,000	3,860,000	N.A.
PR	27,493,000	98,069,000	96,636,600	96,636,600	96,636,600	69,143,600	251.5%
SEG	<u>0</u>	<u>27,877,200</u>	<u>26,935,800</u>	<u>26,935,800</u>	<u>26,935,800</u>	<u>26,935,800</u>	N.A.
<b>TOTAL</b>	<b>\$27,493,000</b>	<b>\$136,381,600</b>	<b>\$132,258,800</b>	<b>\$132,258,800</b>	<b>\$132,258,800</b>	<b>\$104,765,800</b>	<b>381.1%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	0.00	4.00	1.00	1.00	1.00	1.00
FED	0.00	21.60	18.60	18.60	18.60	18.60
PR	122.32	285.70	283.70	283.70	283.70	161.38
SEG	<u>0.00</u>	<u>68.30</u>	<u>66.30</u>	<u>66.30</u>	<u>66.30</u>	<u>66.30</u>
<b>TOTAL</b>	<b>122.32</b>	<b>379.60</b>	<b>369.60</b>	<b>369.60</b>	<b>369.60</b>	<b>247.28</b>

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 580]

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>
	<b>Funding Positions</b>		<b>Funding Positions</b>		<b>Funding Positions</b>
PR	\$1,594,200	0.00	-\$228,000	-2.00	\$1,366,200 -2.00

**Governor:** Provide \$797,100 annually for standard budget adjustments as follows: (a) turnover reductions (-\$145,200 annually); (b) full funding of continuing salaries and fringe benefits (\$864,800 annually); and (c) full funding of lease costs and directed moves (\$77,500 annually).

**Joint Finance/Legislature:** Delete \$114,000 and 2.0 project positions related to expiring

project positions under the Medical Examining Board's operations.

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE** PR - \$1,058,200

**Governor/Legislature:** Delete \$529,100 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. AGENCY BUDGET REDUCTIONS** PR - \$919,400

**Governor/Legislature:** Reduce funding by \$459,700 annually associated with a 10% reduction to supplies and other non-personnel costs.

**4. ELIMINATE LONG-TERM VACANCIES** PR - \$257,800 - 2.75

**Governor/Legislature:** Delete \$128,900 and 2.75 positions annually to reflect the elimination of long-term vacant positions under the bill. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**5. TRANSFERS OF FUNCTIONS FROM OTHER AGENCIES** [LFB Papers 232, 236, 239, 240 thru 249, 251, and 488]

	<u>Governor</u>		<u>Jt. Finance/Leg.</u>		<u>Net Change</u>	
	<u>(Chg. to Base)</u>		<u>(Chg. to Gov)</u>		<u>Funding</u>	<u>Positions</u>
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
GPR	\$5,746,200	4.00	-\$919,800	- 3.00	\$4,826,400	1.00
FED	4,021,800	18.60	- 161,800	0.00	3,860,000	18.60
PR	70,982,400	164.00	- 1,204,400	0.00	69,778,000	164.00
SEG	<u>27,877,200</u>	<u>68.30</u>	<u>- 941,400</u>	<u>- 2.00</u>	<u>26,935,800</u>	<u>66.30</u>
Total	\$108,627,600	254.90	-\$3,227,400	- 5.00	\$105,400,200	249.90

**Governor:** Provide a total of \$2,873,100 GPR, \$2,010,900 FED, \$35,491,200 PR, and \$13,938,600 SEG and 4.0 GPR, 18.6 FED, 164.0 PR, and 68.3 SEG positions annually related to the transferring functions, duties, and personnel, as listed below to the Department of Regulation and Licensing (DRL), which would be renamed the Department of Safety and Professional Services (DSPS).

Under the bill, funding and personnel transferred from the Department of Commerce (Commerce) and the Department of Administration would be provided to three subprograms in

DSPS, as follows: (a) \$535,500 GPR, \$242,300 FED, and \$3,786,000 PR and 4.0 GPR, 3.0 FED, and 28.0 PR annually for Professional Regulation and Administrative Services; (b) \$2,338,600 GPR, \$363,900 FED, and \$31,591,700 PR and 1.9 FED and 134.64 PR positions annually for Safety and Buildings; and (c) \$1,404,700 FED, \$113,500 PR, and \$ 13,938,600 SEG and 13.7 FED, 1.36 PR, and 68.3 SEG positions annually for Environmental and Regulatory Services.

### **Department of Regulation and Licensing**

Rename the Department of Regulation and Licensing as the Department of Safety and Professional Services (DSPS). The authority, duties, attached boards and councils, and personnel of DRL would become authority, duties, attached boards and councils, and personnel of DSPS.

Specify that DSPS could have seven division administrators and 10 bureau directors. Under current law, DRL may have four division administrators and five bureau directors.

*Transfer of Department of Commerce Functions.* Modify statutory provisions related to activities currently performed by Commerce as follows:

Under current law, real estate brokers must establish an interest-bearing real estate trust accounts to hold client funds. The Department of Commerce and DRL (renamed as DSPS under the bill) may examine and audit these accounts and establish rules regarding the interest bearing accounts. Under the bill, the Commerce authority would be transferred to the Wisconsin Housing and Economic Development Authority (WHEDA).

Under the bill, WHEDA rather than Commerce would receive interest earnings (minus any service charges or fees) accruing from these accounts.

Statutory language relating to charges and deductions that may or may not be assessed by financial institutions on interest-bearing real estate trust accounts would become the authority of WHEDA rather than Commerce.

### **Department of Commerce**

*Division of Environmental Regulatory Services and Division of Safety and Buildings.* Provide \$49,557,000 and 217.9 positions all funds, including \$2,338,600 GPR, \$1,768,600 FED, 15.6 FED positions, \$31,705,200 PR, 136.0 PR positions, \$13,744,600 SEG and 66.3 SEG positions annually and transfer the Division of Safety and Buildings and Division of Environmental Regulatory Services from Commerce to DSPS. [See the entry under “Commerce” for a description of the transferred programs and funding.]

*Economic Development Functions and Executive and Administrative Services Personnel.* Provide \$4,756,800 and 36.0 positions all funds, including \$534,500 GPR, 4.0 GPR positions, \$242,300 FED, 3.0 FED positions, \$3,786,000 PR, 27.0 PR positions, \$194,000 SEG and 2.0 SEG positions to transfer certain economic development functions and executive and administrative services personnel from Commerce to DSPS. The transfer would include: (a) administration of the Women's Business Initiative Corporation grant program (\$99,000 GPR annually); (b) administration of the minority, woman-owned, and disabled veteran-owned certification programs (\$31,500 PR annually); (c) administration of small business innovation

research assistance grants, funded through the transfer of the minority business projects; repayments appropriation (\$510,500 PR annually); (d) the brownfields redevelopment activities appropriation (\$194,000 SEG and 2.0 SEG positions annually); (e) administrative services funding and position authority (\$435,500 GPR, 4.0 GPR positions, \$242,300 FED, 3.0 FED positions; \$3,244,000 PR, and 27.0 PR positions annually); and (f) the state Relocation Unit. [See the entry under “Commerce” for a description of the transferred programs and funding.]

### **Department of Natural Resources**

*Erosion Control.* Transfer from the Department of Natural Resources (DNR) to DSPS requirements to establish standards for erosion control at construction sites of public buildings and buildings that are places of employment (commercial buildings). Provide DSPS authority to delegate to municipalities any responsibilities for commercial construction site erosion control standards. Specify that all DNR rules and orders relating to commercial construction site erosion control, and in effect on the bill's effective date, remain in effect until modified or repealed by DSPS. Transfer from DNR to DSPS, beginning on the bill's effective date, all pending matters related to commercial construction site erosion control. [See the entry under “Natural Resources” for a description of the transferred programs.]

### **Department of Agriculture, Trade and Consumer Protection**

*Housing-Related Unfair Trade Practices.* Transfer to DSPS from the Department of Agriculture, Trade and Consumer Protection (DATCP) the authority to issue orders and promulgate rules related to: (a) remodeling or otherwise improving residential or noncommercial property; (b) basement waterproofing; (c) real estate advertising; (d) sales of mobile homes and renting mobile-home sites; and (e) renting residential dwelling units and mobile homes. Specify that DATCP rules and orders related to these subjects, and in effect on the bill's effective date, remain in effect until modified or repealed by DSPS. [See the entry under “Agriculture, Trade and Consumer Protection” for a description of the transferred programs.]

### **Department of Administration**

Provide 1.0 PR position annually and transfer \$62,400 PR from supplies to permanent salary and fringe benefits in the DSPS general operations appropriation for human resources and payroll services in DSPS. The position authority would be transferred from DOA. However, the bill does not provide specific protections for personnel currently holding this position. [See the entry under “Administration -- Transfers” for a description of the transferred personnel and funding.]

**Joint Finance/Legislature:** Modify provisions that would transfer certain functions to DSPS as follows:

a. Transfer the state relocation unit to the Department of Administration. Under the bill, the relocation unit would have been transferred to DSPS, but no additional funding or positions would have been provided.

b. Delete the Small Business Innovation Research (SBIR) grant program, and the

minority business development (MBD) program revenue repayments appropriation [s. 20.165(1)(ir)] and \$510,500 PR annual expenditure authority from DSPS. Under the bill, the MBD repayments appropriation would have been used to fund SBIR grants.

c. Transfer to the Bureau of Business Development in DOA the following Commerce programs, funding and positions that were transferred from Commerce to DSPS under the original bill: (1) the minority-owned business enterprise (MBE), woman-owned business enterprise (WBE), and disabled veteran-owned business enterprise (DVE) certification programs; (2) annual funding of \$184,600 GPR and 2.0 GPR economic development consultant positions; and (3) the disabled veteran-owned, woman-owned, and minority-owned business certification fees appropriation and annual expenditure of \$31,500 PR. In addition, annual funding of \$250,900 GPR and 2.0 GPR positions transferred from the Bureau of Minority Business Development in Commerce would be deleted. (The funding would be provided to WEDC where it would be used to fund the deleted positions.)

d. Delete administration of the WBIC grant program, including statutory provisions, the WBIC grants appropriation [s. 20.165(1)(fw)], and \$99,000 GPR annual funding, from DSPS. (This funding would be provided to WEDC, which could continue the grant program.)

e. Delete the brownfields redevelopment activities appropriation [s. 20.165(2)(qa)], including \$194,000 SEG annually and 2.0 SEG positions.

f. Delete \$80,900 FED, \$726,700 PR, and \$276,700 SEG annually to reflect fringe benefit cost reductions for Commerce Safety and Buildings Division, Environmental Regulatory Services Division, and administrative staff who are transferred to the Department of Safety and Professional Services (DSPS).

g. Transfer the manufactured housing rehabilitation and recycling program to DSPS (instead of deleting it) and make the following modifications: (a) amend the main Safety and Buildings general operations PR appropriation to specify the manufactured home title fees be deposited in that appropriation (instead of depositing in a separate appropriation as under Commerce); (b) provide expenditure authority of \$59,100 PR annually in the Safety and Buildings general operations PR appropriation for the program; and (c) transfer the 2010-11 unencumbered balance of the repealed separate appropriation to the Safety and Buildings general operations PR appropriation on the effective date of the bill.

h. Provide \$74,600 GPR and 1.0 GPR position annually to DSPS for administration of the private sewage system replacement and rehabilitation grant program. (The funding was provided to WEDC in error, and is deleted under WEDC.)

i. Provide \$494,400 PR in 2011-12 and \$744,400 PR in 2012-13 to reestimate the fire dues distribution to local governments that maintain eligible fire departments.

j. Delete the provision related to authorizing the Secretary of the Department of Administration (DOA) to reallocate funding within DSPS before July 1, 2013. DSPS and DOA could submit one or more requests, as needed, for changes in expenditure authority under s. 13.10 or s. 16.515.

k. Modify the provision related to unclassified division administrators and bureau directors to bring the authorization in Chapter 230 of the statutes in line with the number of unclassified positions in the budget system as follows: (a) provide statutory authorization under Chapter 230 for eight unclassified administrators in DSPS; (b) delete statutory authorization for four unclassified administrators in DRL; (c) provide statutory authorization for DSPS for two unclassified bureau directors; (d) delete statutory authorization for DRL for five unclassified bureau directors; (e) transfer two unclassified administrators from Commerce to DSPS; (e) provide civil service protections to the four classified incumbent bureau directors in Commerce if the incumbents are transferred to unclassified positions in DSPS; (f) delete the civil service protection to a classified administrator of the Commerce Division of Administrative Services transferred to an unclassified position in DSPS (no such position exists); and (g) include a technical correction to delete the current authorization for Commerce to employ six unclassified administrators.

L. Repeal the Thermal System Insulation Council, in addition to approving the Governor's recommendation to repeal the thermal system insulation installation regulation program.

m. Reestimate the total amount received by DSPS by -\$12,000 PR related to receipts for gifts and grants.

n. Adopt the Governor's recommendation to transfer erosion control oversight for commercial buildings from DNR to DSPS. In addition, require DNR and DSPS, by October 1, 2011, to enter into a memorandum of understanding delineating: (a) each agency's responsibilities in regulating erosion control activities at construction sites, both during and after construction; and (b) providing a means by which DSPS will require construction sites of one acre or larger, and involving construction of a public building or place of employment, to submit to DSPS notices of intent to seek permit coverage, consistent with DNR practices for review and permitting of non-commercial construction sites of one acre or larger.

o. Delete the transfer of administration of certain housing-related rules from DATCP.

**Veto by Governor [D-33]:** Provide authorization for five unclassified bureau directors in DSPS by striking out the deletion of "5" and striking out the creation of "2" unclassified bureau directors in the renamed DSPS.

[Act 32 Sections: 91, 121c, 129 thru 148, 151 thru 166, 250 thru 255, 275, 276, 282, 283, 297, 342 thru 353, 400m, 406, 413m, 430, 448d, 455, 494, 495, 716m, 808, 815, 872 thru 875, 917 thru 919, 923 thru 945, 1004, 1091, 1102, 1112, 1133, 1170, 1197, 1311, 1312, 1334, 1335, 1336, 1337, 1340, 1459, 1628 thru 1640, 1656 thru 1661, 1666, 1668, 1678, 1681, 1696, 2136 thru 2144, 2222, 2223, 2225, 2226, 2256, 2292, 2331, 2333, 2394 thru 2397, 2403, 2477, 2553, 2554, 2647, 2666 thru 2669, 2671, 2672, 2678, 2686, 2697, 2698, 2716 thru 2718, 2719, 2736, 2741 thru 2750, 2753m, 2756, 2757, 2760, 2765, 2783, 2784, 2831, 2832, 2872, 2873, 2879, 2897 thru 2905, 3195 thru 3197, 3198, 3201, 3203, 3204, 3206, 3209, 3210, 3212, 3266, 3267, 3281, 3317, 3319, 3320, 3321m, 3380m, 3381c, 3381f, 3395m, 3471, 3503, 3527, 3528, 3532, 3541, 9110(2u),(4)&(9u), 9135(2), and 9210(2q)]

[Act 32 Vetoed Section: 2760]

**6. TRANSFER STATE APPROVING AGENCY FUNCTIONS FROM VETERANS AFFAIRS [LFB Paper 767]**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding Positions		Funding	Positions	Funding	Positions
FED	\$667,400	3.00	-\$667,400	- 3.00	\$0	0.00

**Governor:** Provide \$333,700 FED and 3.0 FED positions annually related to the transfer of state academic institution and education program approving agency functions for veterans benefits from the Department of Veterans Affairs (DVA). Funding would include \$192,200 FED for salary and fringe benefits, \$76,300 FED for fringe benefits and \$65,200 FED for supplies and services annually.

Under the bill, a total of \$336,000 FED and 3.0 FED positions and \$74,400 SEG and 1.0 SEG position annually would be deleted from the DVA.

Currently, DVA operates as the state approval agency through a contract with the federal Department of Veterans Affairs. The state approval agency is responsible for meeting federal requirements for evaluating, approving, and monitoring of academic institutions and programs that are potentially eligible to receive funding from the Montgomery GI Bill. The Governor may designate the following programs as "veteran's education" under the state approval agency functions: (a) on-the job training and apprenticeship training programs at the Department of Workforce Development; (b) on-the-farm training programs at the Wisconsin Technical College System; and (c) funeral directors apprentices of the Funeral Directors Examining Board. These duties would be transferred.

As a technical modification, correct a current reference to the definition of tribal school (current statutes misnumber the referenced section).

*Nonstatutory Provisions.* Specify that the assets, liabilities and tangible property of DVA primarily related to the state approval agency, as determined by the DOA Secretary, would become assets, liabilities and tangible property of Department of Safety and Professional Services (DSPS) on the effective date of the bill.

Specify that all pending matters of DVA primarily related to the state approval agency, as determined by the DOA Secretary, would become pending matters of DSPS on the effective date of the bill. Materials submitted to or actions taken by DVA related to these programs would be considered to or taken by DOA.

All contracts entered into by the DVA related to the state approval agency, on the effective date of the bill, would become contracts of DSPS, as determined by the DOA Secretary. The DSPS would be responsible for carrying out the obligations of these contacts unless modified or rescinded by DSPS, to the extent allowed under the contract.

Under the bill, the administrative rules promulgated by the DVA primarily related to the state approval agency, as determined by the DOA Secretary, would remain in effect until the

expiration date of the rule or until amended or repealed by DSPS. All orders issued by the DVA related to the state approval agency, as determined by the DOA Secretary, would remain in effect until the end of their effective date or until modified or rescinded by DSPS.

Specify that the DOA Secretary would identify positions to transfer. The transferred individuals would retain their earned rights and status under the state employment relations laws. Any person transferred would not be required to go through a probationary period, if they had already obtained permanent status.

**Joint Finance/Legislature:** Delete provision.

## **7. LAPSES OF PROGRAM REVENUE BALANCES [LFB Paper 581]**

**Governor:** Modify the program revenue appropriations for the Medical Examining Board operations and the general agency operations to specify that unencumbered balances that are in excess of 10% of the expenditures made from those appropriations in the previous year would be lapsed to the general fund. Specify that fines and forfeitures would not be considered part of the received revenue.

**Joint Finance/Legislature:** Delete provision.

## **8. CREATE REAL ESTATE EXAMINING BOARD**

**Governor:** Delete the current Real Estate Board (REB) and create a Real Estate Examining Board (REEB). Specify that the REEB, rather than DRL, would be responsible for granting credentials, creating rules, and enforcing credential requirements for real estate brokers, salespersons, and business entities and timeshare salespersons as described below.

*Delete Real Estate Board.* Under current law there is a Real Estate Board in DRL, consisting of seven members appointed by the Governor to staggered four-year terms. Four of the members are real estate brokers or salespersons licensed by the Department, the remaining three are members of the public. Board members are entitled to a reimbursement of expenses of \$25 per day. The Board and the related duties would be deleted under the bill.

*Creation of a Real Estate Examining Board.* Create a seven member REEB appointed by the Governor to staggered four-year terms. Specify that five of the members would be real estate brokers or salespersons licensed by the Department and two would be members of the public. Specify that no members would be allowed to serve more than two terms.

*Transfer of Current Duties.* Specify that the REEB would be responsible for issuance, denial, suspension and reinstatement of credentials to the following professions: (a) real estate brokers; (b) real estate business entities; (c) real estate salespersons; and (d) timeshare salespersons. These professions would be required to submit applications prescribed by REEB rather than the Department.

The Examining Board would become responsible for the following duties relating to

timeshare salespersons: (a) specifying information that must be provided in order to determine competency in timeshare sales; (b) approving the form in which timeshare transactions may be made; and (c) approving applications for the transfer of timeshare salespersons from one licensed broker to another.

The Examining Board would become responsible for the following duties relating to real estate brokers and salespersons: (a) insuring that licenses are only granted to individuals that are competent to transact such a business; (b) advising the Secretary of the Department on matters relating to real estate practice; (c) conducting public hearings on forms used in real estate practice; (d) in consultation with the Council on Real Estate Curriculum and Examinations, promulgating rules that establish educational and training for the real estate professions; (e) in consultation with the Council on Real Estate Curriculum and Examinations, examining and grading credential applicants; (f) approving continuing education programs and courses; (g) in preparing a form for the offer to purchase a certain commercial real estate property, requiring the sales form include a statement from the seller acknowledging that the property is not an historical building; (h) preparing notices and bulletins and conducting clinics for the dissemination of information to licensees; (i) entering reciprocal agreements with other states and territories for the licensing of these professions; (j) specifying information that must be provided in order to determine competency in the profession; (k) ensuring that applicants have completed the required educational programs and meet statutory requirements for the profession; (l) except in the case of reciprocal licenses, ensuring that a broker applicant passes both the salesperson and broker examinations; (m) establishing rules for real estate salesperson apprentices; (n) approving applications for the transfer of real estate salespersons from one licensed broker to another; and (o) receiving irrevocable consent forms from nonresident credential holders that specify that the legal actions may be commenced against them if a cause for action arises.

Under current law, a real estate credential applicant (any of the related professions) may provide evidence of continued education upon proof of attendance at approved continuing education classes, or by passing the examination given for their profession. Under the bill, REEB would conduct that examination. The Examining Board would also be allowed to register applicants as "inactive licensees" if requested by a credential holder in good standing. These inactive licensees could request to REEB the reinstatement of their full credentials upon paying required fees and completing examination and credential requirements. The Examining Board would become responsible for promulgating rules that specified educational requirements for persons seeking reinstatement.

The Examining Board would become responsible for promulgating rules on the following: (a) guiding the real estate profession and defining professional conduct and unethical practice; and (b) specifying the supervisory duties of real estate brokers to their employees.

Under current law, DRL must, under its own determination or upon motion of REB, conduct investigations. If credible information is provided to DRL, regarding potential violations of statutes regulating real estate professions, DRL may hold hearings and make findings. Currently, the Department must present findings to REB for consideration. The Department may commence disciplinary proceedings. An investigation cannot be closed without a motion from

REB. Under the bill, REEB would be required to take such actions based on its own determination or upon motion of the agency Secretary. Under the bill, evidence could be provided to either the Department or to REEB. The Examining Board would become responsible for commencing disciplinary actions. Newly specify that such disciplinary proceeding could occur because of violations of administrative rules as well as statutory requirements of the real estate professions.

Delete the following current law requirements in regards to promulgating administrative rules: (a) a requirement that DRL submit proposed rules to REB for review and comments; (b) a requirement that DRL provide copies of rules to REB before official publication; (c) the ability of the REB to provide a co-chair to proposed rule public hearings; (d) the ability to file dissenting opinions to the Legislature regarding DRL's final proposals for rules; (e) a requirement that DRL provide staff assisting REB with the review of rules; and (f) the ability of REB to petition DRL for adoption, amendment, or repeal of a rule.

The Examining Board would have to maintain a register of brokers and salespersons that have had their licenses revoked within the previous two years.

Currently, information provided by the DRL Secretary, or the Secretary's designee, regarding the license status of an individual is taken as prima facie (considered to be truthful unless disproved by other evidence) evidence for the purpose of actions or proceedings concerning an individual. Under the bill, this evidence could be provided by the chair of REEB or the chair's designee.

Specify that REEB rather than REB would provide a member for the Council on Real Estate Curriculum and Examinations. The Department's rules defining uniform investigation of complaints and commencement of disciplinary proceedings would apply to REEB rather than REB. Prior to introduction, the Secretary of the Department would submit information to REEB rather than REB on proposed legislation proposed by the Department that relates to real estate professions.

*Nonstatutory Provisions.* The administrative rules promulgated by DRL relating to real estate professions would remain in effect until the expiration date of the rule or until amended or repealed by REEB. All orders issued by DRL related to real estate professions would remain in effect until the end of their effective date or until modified or rescinded by REEB.

Any matter pending with DRL of the effective date of the bill, which is primarily related to real estate professions, as determined by the Secretary of DRL, regarding an action, would be transferred to REEB. All materials submitted to DRL, relating to real estate professions, would be considered as submitted REEB. All actions taken by DRL, relating to real estate professions, would be considered actions of REEB. All contracts entered into by DRL that are primarily related to real estate professions would remain in effect and would be transferred to REEB. The Examining Board would be required to carry out obligations of the contract until the contract is modified or rescinded to the extent allowed under the contract.

The initial appointments of REEB would be as follows: (a) one licensed real estate broker or salesperson and one public member whose terms would expire on July 1, 2012; (b) one

licensed real estate broker or salesperson and one public member whose terms would expire on July 1, 2013; and (c) three licensed real estate brokers or salespersons whose terms would expire on July 1, 2014.

**Joint Finance/Legislature:** Require the Real Estate Examining Board to create one or more councils on forms to meet on a regular basis and be chaired by a member of the Board and report to the Board. Delete the authority of the Department to create a council on forms. Delete the requirement that a council on forms report to the Department Secretary.

Specify that the Council on Real Estate Curriculum and Examinations must do the following: (a) advise the Real Estate Examining Board on establishing continuing education requirements; and (b) not less than annually, review subjects covered on examinations for licensure under the Real Estate chapters and on the qualifications for instructors of and performance evaluations for educational and continuing educational programs, training sessions and courses.

Specify that real estate broker and salesperson license renewal applicants could no longer take an examination on subjects covered in the continuing education programs. Currently, these applicants may take the examination in lieu of attending and successfully completing continuing education programs.

Specify that individuals who have an inactive real estate broker or salesperson license on or after November 1, 1990, must complete the education requirements established by the Real Estate Examining Board, in order to be reinstated. Delete a specific reference to the number of hours (12 hours) that must be completed.

Delete a specific reference to the Real Estate Examining Board under s. 440.03(1) of the statutes, which currently specifies that the Department of Regulation and Licensing may promulgate rules defining uniform procedures for receiving, filing, and investigating complaints, for commencing disciplinary proceedings, and conducting hearings.

[Act 32 Sections: 86 thru 90, 149, 150, 163, 3199, 3202, 3207, 3208, 3217 thru 3255, 3256 thru 3265, 3276 thru 3280, and 9140(1) thru (4)]

## **9. REAL ESTATE RENEWAL FEE TRANSFER TO UW-MADISON**

**Governor:** Require the Department to transfer \$10 to the UW-Madison's School of Business from each renewal fee paid for credentials in the following professions: (a) real estate brokers; (b) real estate business entity; (c) real estate salesperson; and (d) timeshare salesperson. Specify that the funding would be used to support the School's Center for Urban Economics.

An estimated \$27,600 GPR-Earned and \$248,200 PR-Rev biennially would be deducted from the Department revenues and an estimated \$275,800 PR biennially would be transferred to UW-Madison. The amounts transferred are not reflected in related appropriations under the bill.

**Joint Finance/Legislature:** Transfer fees to UW System rather than UW-Madison.

[Act 32 Section: 3255m]

**10. REAL ESTATE BOARD FUNDING REDUCTIONS**

PR	- \$10,000
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**Governor/Legislature:** Delete \$5,000 annually from general program operations related to conducting at least two board meeting annually through the Internet (-\$3,000 annually) and general unspecified reductions (-\$2,000 annually)

**11. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS**

**Governor/Legislature:** Delete 2.0 PR classified positions and provide 2.0 PR unclassified positions under DRL's program operations appropriation.

Under 2011 Wisconsin Act 10, 38 classified positions are transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) will be moved from classified to unclassified service within the specified agencies. The revised unclassified positions were renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions are at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of 2010 Wisconsin Act 10 in regards to the transfer of classified positions to unclassified positions.

**12. GIFTS AND GRANTS APPROPRIATION [LFB Papers 242 and 582]**

**Governor:** Create a PR-continuing gifts and grants appropriation. Specify that the Department may use the appropriation for the expenditure of all funds received from the following: (a) gifts, grants, and bequests; (b) other than fines and forfeitures, settlements of actions for violations related to the regulation of credential holders; and (c) fees or other charges for photocopies, generation of copies of documents from electronic storage and other storage media, conferences, sales of publications, sales of lists of credential holders, sales of promotional materials, sales of other materials, other services provided that are incidental to the licensing, rule making, and regulatory functions of the Department.

**Joint Finance/Legislature:** Delete provision.

### 13. SUBSTITUTION OF DRUG EQUIVALENTS AT SKILLED NURSING FACILITIES

**Governor:** Modify the definition of "practice of pharmacy" related to making therapeutic alternate drug selections to delete the requirement that such selections be: (a) approved by a hospital's medical staff; and (b) be approved for use during a patient's stay within a hospital by the patient's physician or advanced practice nurse prescriber. In addition, allow therapeutic alternate drug selections to be made by a skilled nursing facility or an intermediate care facility for persons with mental retardation, in accordance with such a facility's guidelines or procedures. Delete the requirement for approval of a patient's physician or advanced practice nurse prescriber for the use of therapeutic alternate drug selections.

Under current law, the definition of the practice of pharmacy includes making therapeutic alternate drug selections, if made in accordance with written guidelines or procedures previously established by a pharmacy and therapeutics committee of a hospital and approved by the hospital's medical staff. Use of the therapeutic alternate drug selection for a patient during the period of the patient's stay within the hospital must be approved by the patient's physician or the patient's advanced practice nurse prescriber, if the advanced practice nurse prescriber has entered into a written agreement to collaborate with a physician. These provisions do not currently apply to skilled nursing facilities or intermediate care facilities for persons with mental retardation.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

### 14. MEDICAL EXAMINING BOARD POSITIONS [LFB Paper 580]

	Funding	Positions
PR	\$228,000	2.00

**Governor/Legislature:** Provide \$114,000 and annually to extend 2.0 project positions that were approved under 2009 Act 28. The Legislature approved 2.0 investigator project positions for investigating complaints against medical professions. The Department filled 1.0 project position with an investigator and 1.0 with a paralegal. The Governor's recommendation would extend these positions to the end of the 2011-13 biennium.

### 15. MEDICAL EXAMINING BOARD INVESTIGATOR

	Funding	Positions
PR	\$16,800	0.13

**Governor/Legislature:** Provide \$8,400 and 0.13 position annually for a partial investigator position increase to the medical examining board operations.

### 16. REIMBURSEMENT OF BOARD TRAVEL COSTS

**Joint Finance/Legislature:** Specify that the duties of the Department Secretary include controlling the allocation, disbursement, and budgeting of the funds received by the examining boards and affiliated examining boards in regards to board member travel and reimbursement of costs incurred in the performance of their duties.

[Act 32 Section: 3205m]

## 17. PRIVATE SEWAGE SYSTEM REPLACEMENT REQUIREMENTS AND GRANT ELIGIBILITY

**Joint Finance:** Specify that DSPS, DNR or the appropriate local government may only require a property owner to replace or rehabilitate a failing residential private sewage system if one of the following applies:

a. If the private sewage system fails by discharging sewage to the surface water, groundwater, drain tiles, bedrock, or zones of saturated soils and if the discharge of sewage reaches a property owned by a different person than the owner of the private sewage system, the owner of the failing private sewage system would have to replace or rehabilitate the private sewage system so that it does not discharge to the other property.

b. If the owner of the failing private sewage system is eligible for a private sewage system replacement or rehabilitation grant, and receives a grant equal to 75% of eligible costs, the owner would have to replace or rehabilitate the system.

c. The owner's family income exceeds 300% of the federal poverty level.

d. Upon transfer of ownership of the property.

Amend the private sewage system replacement or rehabilitation grant program as follows:

a. Require DSPS to provide a grant equal to 75% of the eligible work components and costs for replacement or rehabilitation of the residential private sewage system. (Current administrative rules establish grant funding tables with funding components intended to provide grants equal to 60% of eligible costs. Those tables would no longer apply for residential systems, but would continue to apply for small commercial establishments.)

b. Increase the maximum family income to 300% of the federal poverty level. (This would be approximately \$67,000 for a family of four. The current maximum family income is \$45,000.)

c. Require the Department to promulgate rules for awarding grants under the grant program that establish a priority system for funding that places the highest priority for private sewage systems that received a written enforcement order by the appropriate local governmental unit, DSPS, or DNR to correct a violation of the private sewage system statutes and rules. Allow DSPS to promulgate an emergency rule, without the finding of an emergency, to implement the program changes.

d. Make the changes effective for applications received by Commerce under the grant program after June 1, 2011. (Applications for 2011-12 grants were due to Commerce by February 1, 2011.)

e. Repeal the current proration of available funding for residential systems, under which Commerce prorates grant awards within the available funds. (The funding priority list would replace the current proration of funding. Small commercial establishments would continue to be prorated to stay within 10% of available funding.)

It is expected that approximately 450 property owners would qualify for a grant annually (assuming a \$5,200 average grant) beginning in 2012-13.

Currently, replacement or rehabilitation of a private sewage system serving a home or small commercial establishment may be eligible for financial assistance under the grant program if: (a) the system was installed before July 1, 1978; (b) the residence is not located in an area served by a municipal sewer; (c) the residence or small commercial establishment is occupied at least 51% of the year by the owner; (d) the owner of the residence or small commercial establishment meets certain income criteria, including a maximum family income for a residence of \$45,000; (e) the private sewage system is failing by: (1) discharging sewage to surface water, groundwater, drain tiles, bedrock or zones of saturated soils, (these systems are called "category one systems" and receive the highest priority for grant assistance); or (2) discharging sewage to the surface of the ground (called "category two systems," these systems receive a lower priority for grant funding). A system that fails by causing backup of sewage into the structure served is not eligible for grant assistance. In addition, a determination of failure must be made prior to the rehabilitation or replacement of the failing private sewage system. A "determination of failure" is defined as either: (a) a determination that the system is failing based on an inspection by an employee of the state or a governmental unit who is certified to inspect private sewage systems by Commerce (DSPS under the bill); or (b) the owner has been issued a written enforcement order by the appropriate local governmental unit, DSPS, or DNR, to correct a violation of the private sewage system statutes and rules.

**Assembly/Legislature:** Delete provision.

## **18. BUILDING CODE CHANGES THAT INCREASE THE COST OF ONE- AND TWO-FAMILY DWELLINGS**

**Joint Finance/Legislature:** Prohibit DSPS from promulgating any rule, if the proposed rule increases the cost of constructing or remodeling a one- or two-family dwelling by more than \$1,000, unless the following procedures are followed:

a. Require that when the Department performs an economic impact analysis under the requirements of 2011 Act 21, it must include an analysis of whether the proposed rule would add more than \$1,000 to the cost of constructing or remodeling a one- or two-family dwelling.

b. Provide that a standing committee of the Legislature may object to a proposed rule that would increase costs by over \$1,000. If the Joint Committee for Review of Administrative Rules (JCRAR) determines that the rule would add more than \$1,000 to the cost of a one- or two-family dwelling, the Department could not promulgate the rule, unless legislation is enacted to authorize the Department to promulgate the rule.

c. Specify that any member of the Legislature could introduce a bill to authorize DSPS to promulgate the rule. If a bill is enacted authorizing the Department to promulgate the rule change that increases the cost of constructing or remodeling a one- or two-family dwelling by more than \$1,000, the Department may promulgate the administrative rule.

d. Specify that the procedures would apply notwithstanding the s. 101.60 purpose clause of the one- and two-family dwelling code related to promoting interstate uniformity in construction standards.

e. The provision would first apply to proposed administrative rules submitted to the Legislative Council staff under s. 227.15 (1) on the effective date of the biennial budget act.

[Act 32 Sections: 2738k, 2739c thru 2739L, and 9310(1i)]

## 19. REGULATION OF RESIDENTIAL CONVEYANCES

**Joint Finance/Legislature:** Exclude the following from the definition of conveyances for purposes of regulation under the safety code, licensing, and permitting requirements for persons who install conveyances: (a) a vertical platform lift, inclined platform lift, and stairway chair lift serving an individual residential dwelling unit; (b) a personnel hoist; and (c) a material hoist.

Currently, the Division of Safety and Buildings is required to promulgate administrative rules for the safe installation and operation of conveyances, and licensing requirements for persons who construct, install, alter, service, replace, or maintain conveyances. Under s. 101.981 (1)(c) of the statutes, "conveyance" means an elevator, an escalator, a dumbwaiter, a belt manlift, a moving walkway, a platform lift, a personnel hoist, a material hoist and a stairway chair lift, and any other similar device, such as an automated people mover, used to elevate or move people or things, as provided in the rules of the Department. "Conveyance" does not include a grain elevator, a ski lift or towing device, or an amusement or thrill ride.

Under s. 101.981 (2), the Department is required to promulgate rules with additional definitions, to the extent the Department deems necessary for the proper administration and enforcement of the subchapter. The Department is authorized to, by rule, modify the definitions described above and other definitions of conveyances. The Department is required, to the extent practicable, to ensure that any definitions or modifications promulgated in rule are consistent with national, industry-wide safety standards governing matters regulated by the subchapter. Commerce promulgated rule Comm 5.003 (10g), effective in 2009, which excludes from the definition of conveyances: (a) a platform lift, stairway chair lift and any other similar device serving an individual residential dwelling unit; (b) a personnel hoist; and (c) a material hoist.

[Act 32 Sections: 2378m and 2389g thru 2389r]

## 20. UNDERGROUND STORAGE TANK REGULATIONS FOR SECONDARY CONTAINMENT

**Joint Finance/Legislature:** Prohibit DSPTS from requiring owners or operators of existing underground storage tank systems with pipe connections, that were installed or in place on or before February 1, 2009, at the top of the storage tank and beneath all freestanding pumps and dispensers that routinely contain a flammable or combustible liquid or federally regulated hazardous substance, to place the pipe connections within secondary containment sumps before

December 31, 2020. Secondary containment is a barrier that is installed around a storage tank system and is designed to prevent a leak from a primary tank or piping from coming into contact with the earth or waters. Administrative rule Comm 10.500 (5)(d) requires owners or operators of existing underground storage tank systems to place existing pipe connections at the top of the tank and beneath all freestanding pumps and dispensers, that routinely contain product, within secondary containment sumps by December 31, 2014. The act delays that requirement by six years until December 31, 2020. The act would not affect current administrative rule Comm 10.500(5)(c) that requires all pipe connections provided at the dispenser and at the top of the tank, that routinely contain product and are installed or replaced on or after February 1, 2009, to be placed within a secondary containment sump.

[Act 32 Sections: 2330c and 2330g]

## **21. BAIL BOND SURETY COMPENSATION AND LICENSING FEES**

**Joint Finance/Legislature:** Create a "Bail Bond Sureties" subchapter under Chapter 440 of the statutes (Department of Safety and Professional Services). Modify the current law definition of surety to include a natural person who is a resident of this state, or a surety corporation or its agent licensed under the new "Bail Bond Sureties" subchapter. Specify that a licensed surety corporation or its agent must be compensated at a rate of 10% of the amount of the bond set.

Specify that a "licensed bail bond surety agent" or "bail bond surety agent" means a person that the Department of Safety and Professional Services (DSPS) has granted a license as a bail bond surety agent if all the following apply:

- a. The person submits an application to DSPS on a form provided by the Department;
- b. The person pays the initial credential fee of \$1,000; and
- c. In addition to any other information required by the Department, the person submits evidence satisfactory to DSPS that the person is an agent of a licensed bail bond surety corporation.

Specify that a "licensed bail bond surety corporation" or "bail bond surety corporation" means a business entity that DSPS has granted a license as a bail bond surety corporation if all the following apply:

- a. The business submits an application to DSPS on a form provided by the Department;
- b. The business pays the initial credential fee of \$1,000; and
- c. In addition to any other information required by DSPS, the business submits evidence satisfactory to DSPS, including financial information, that the business is qualified to act as a surety for others in this state, except that the business is not required to be organized under the laws of this state.

Create an annual appropriation under DSPS for administration of surety bail bond corporation and agent licenses. Specify that the licensing fees for surety corporations and surety agents would be deposited into this appropriation. No funding is provided under the provision.

Specify the renewal dates for licenses to be December 1st of each year for bail bond surety corporations and June 1st of each year for bail bond surety agents. To renew a license, a bail bond surety corporation must submit, in addition to any other information required by DSPS, its renewal application with evidence satisfactory to DSPS, including financial information, that the bail bond surety corporation continues to be, at the time the surety corporation applies for renewal, a business that is qualified to act a surety for others in this state. To renew a license for a bail bond surety agent, the agent must submit, in addition to any other information required by DSPS, the renewal application with evidence satisfactory to DSPS, that the agent, at the time the surety agents applies for renewal, is an agent of a licensed bail bond surety corporation in good standing with DSPS.

Require DSPS to provide a list of all licensed bail bond surety corporations and agents to the clerk of circuit court in each county. Require DSPS to promulgate emergency rules prior to promulgation of permanent rules necessary to administer the new subchapter, including rules of conduct by bail bond surety corporations and agents.

Specify that DSPS may conduct investigations and hearings to determine whether a violation has occurred under the new subchapter, or rules promulgated under the new subchapter, or any other law applicable to bail bond corporations or agents. Specify DSPS may reprimand a bail bond surety corporation or agent or deny, limit, suspend, or revoke a license granted under the new subchapter if DSPS finds that an applicant or licensed bail bond corporation or agent has done any of the following:

- a. Intentionally made a material misstatement in an application for a license or for renewal of a license;
- b. Advertised in a manner that is false or misleading;
- c. In the course of acting as a bail bond surety corporation or agent, made a substantial misrepresentation that was relied upon by another person;
- d. Obtained or attempted to obtain compensation through fraud or deceit;
- e. Violated any law of this state or federal law that substantially related to acting as a surety for others or acting as a bail bond surety corporation or agent, violated the new subchapter or rules promulgated under the new subchapter; or
- f. Engaged in unprofessional conduct.

Specify that DSPS may, in addition to, or in lieu of, a reprimand or other action described above, establish by rule other penalties, including forfeiture, for violations.

**Veto by Governor [D-32]:** Delete provision.

[Act 32 Vetoed Sections: 373 (as it relates to s. 20.165(1)(gk)), 496m, 3205p, 3205r, 3212m, 3541g, 3541r, and 9140(5c)]

## **22. PHARMACIST VACCINATIONS TO CHILDREN**

**Assembly/Legislature:** Specify that pharmacists may provide vaccinations to individuals six and older. Under current law pharmacists may not provide vaccinations to individuals under the age of 18.

[Act 32 Section: 3212q]

## **23. CHIROPRACTIC EXAMINATIONS**

**Assembly/Legislature:** Specify that individuals applying for chiropractic license would not have to complete an examination administered by the Chiropractic Examining Board until January 1, 2012. Specify that applicants for a chiropractic license would have to complete an examination approved by the Examining Board that tests the applicant's knowledge of the laws of this state relating to the practice of chiropractic care as defined under the statutes and rules promulgated under the statutes relating to this practice.

[Act 32 Sections: 3212o and 3212p]

## SECRETARY OF STATE

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
PR	\$1,451,400	\$1,027,200	\$1,027,200	\$1,027,200	\$1,027,200	-\$424,200	- 29.2%

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change
						Over 2010-11 Base
PR	7.50	4.00	4.00	4.00	4.00	- 3.50

### Budget Change Items

**1. STANDARD BUDGET ADJUSTMENTS**

PR	\$99,000
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**Governor/Legislature:** Provide adjustments of \$49,500 annually for: (a) full funding of continuing position salaries and fringe benefits (\$44,700 annually); and (b) full funding of leases and directed moves costs (\$4,800 annually).

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

PR	-\$56,200
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**Governor/Legislature:** Delete \$28,100 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. FUNDING AND POSITION REDUCTIONS AND TRANSFER OF ADMINISTRATIVE FUNCTIONS TO DOA [LFB Paper 590]**

	Funding	Positions
PR	-\$252,800	- 1.50

**Governor/Legislature:** Delete \$22,500 annually to reflect a 10% reduction in supplies and services funding and unallotted reserve funding. Delete \$103,900, 1.0 accountant position, and 0.5 office associate position annually, and transfer administrative services functions of the Office of the Secretary of State (Office) to the Department of Administration (DOA). In addition, delete the authority for the Secretary of State, as an elected official, to appoint an unclassified stenographer position.

On the effective date of the bill, the assets and liabilities of the Office of the Secretary of State that were primarily related to administrative services, as determined by the Secretary of Administration (Secretary), would become the assets and liabilities of DOA. All tangible personal property, including records, that are primarily related to administrative services, as determined by the Secretary, would become the tangible personal property of DOA. All contracts entered into by the Office in effect, that were primarily related to administrative services, as determined by the Secretary, would remain in effect and be transferred to DOA. DOA would be required to carry out any obligations under a contract until it was modified or rescinded by DOA, to the extent allowed under the contract. Any pending matter with the Office that was primarily related to administrative services, as determined by the Secretary, would be transferred to DOA. All materials submitted to, or actions taken by, the Office with respect to the pending matter would be considered as having been submitted to, or taken by, DOA. All rules promulgated by the Office that were primarily related to administrative services, as determined by the Secretary, would remain in effect until amended or repealed by DOA. All orders issued by the Office that were primarily related to administrative services, as determined by the Secretary, would remain in effect until their specified expiration date, or until modified or rescinded by DOA.

[Act 32 Sections: 812, 2758, 2764, and 9142(2)]

**4. TRANSFERS TO THE DEPARTMENT OF FINANCIAL INSTITUTIONS [LFB Paper 590]**

	Funding	Positions
PR	-\$214,200	- 2.00

**Governor/Legislature:** Delete \$107,100 PR and 2.0 PR positions annually to reflect the transfer of administrative responsibilities for issuing notary public commissions and registering trademarks, trade-names, and brands to the Department of Financial Institutions (DFI). The bill would transfer \$57,000 PR and 1.0 PR position to DFI annually for related administrative responsibilities. In addition, the annual transfer of PR funding from DFI to the Office of the Secretary of State (Office) would be increased from \$200,000 to \$325,000.

The bill specifies that on its effective date:

- a. The assets and liabilities of the Office relating to the Office's trademark or notary functions would become the assets and liabilities of DFI.

b. 1.0 PR position relating to the Office's trademark or notary functions and the incumbent employee, identified by the Secretary of Administration, holding that position would be transferred to DFI.

c. The employee who was transferred would have the same rights and status in DFI that the position enjoyed in the Office, and if the employee transferred had attained a permanent status he or she would not be required to serve a probationary period.

d. The remaining 1.0 PR position of the Office relating to the Office's trademark or notary functions that was not transferred to DFI would be de-authorized.

e. All tangible personal property, including records, of the Office relating to the Office's trademark or notary functions would be transferred to DFI.

f. All contracts entered into by the Office, in effect, relating to the Office's trademark or notary functions, would remain in effect and be transferred to DFI. DFI would be required to carry out these contractual obligations until the contract was modified or rescinded by DFI, to the extent allowed under the contract.

g. Any pending matter related to the Office's trademark or notary functions would be transferred to DFI, and all materials submitted to, or actions taken by, the Office with respect to the pending matter would be considered as having been submitted to, or taken by, DFI.

h. All rules and orders promulgated or issued by the Office relating to the Office's trademark or notary functions would remain in effect until their specified expiration dates, or until amended or repealed by DFI

i. In the case of disagreement between the Office and DFI related to the transfer, DOA would be required to determine the matter, and develop a plan for an orderly transfer.

The Office of the Secretary of State is responsible for issuing notary public commissions, issuing authentications and apostilles, registering trademarks and trade names, recording annexations and charter ordinances of municipalities, publishing state laws, filing oaths of office, and filing deeds for state lands and buildings.

The office issues a certificate of appointment as a notary public to qualified applicants. Generally, a commission is for four years. However, the commission is permanent for persons licensed to practice law. Authentications and apostilles are issued to confirm the notary public, and are typically issued for documents sent to other states or foreign countries.

A person, firm, partnership, corporation, association, or union of workingmen may apply to the Office for state trademark or service mark registration. If application requirements are met, the office issues a certificate of registration of the mark. Generally, the registration is for 10 years. The Office is also required to record beverage brands used on beverage containers. A lodge, fraternal society, or similar organization may register identifying information with the Office, including name, motto, emblem, or other insignia.

Fees charged for services provided are the primary source of funding for the Office. Fees are charged for notary public commissions, certificates of authentication and apostilles, and

registration and assignment of trademarks or trade names. The fees range from \$10 to \$50, depending upon the type of transaction. Specific filing fees include (a) \$20 for four-year notary public commissions and renewals; (b) \$50 for permanent notary public commissions; (c) \$10 for authentication certificates and apostilles; and (d) \$15 for trademark and trade name registrations and renewals. In addition, the Office receives an annual transfer of \$200,000 from DFI. Fee revenues and transferred funding are placed in a program revenue appropriation and any year-end unencumbered amount in the appropriation balance in excess of 10% of the prior year's expenditures is transferred to the general fund.

[Act 32 Sections: 490, 754, 2310, 2605 thru 2637, and 9142(1)]

**5. GPR-EARNED REESTIMATE** [LFB Paper 590]

GPR-Earned	\$148,300
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**Joint Finance/Legislature:** Reestimate the lapse to the general fund from the Office's program fees appropriation to increase by \$83,500 in 2011-12, and \$64,800 in 2012-13.

## SHARED REVENUE AND TAX RELIEF

<b>Budget Summary by Funding Source</b>							
	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over <u>Base Year Doubled</u>	
						Amount	Percent
<b>Direct Aid Payments</b>							
Expenditure Restraint	\$116,291,400	\$116,291,400	\$116,291,400	\$116,291,400	\$116,291,400	\$0	0.0%
Shared Revenue	92,000,000	95,403,600	0	0	0	-92,000,000	-100.0
County and Municipal Aid	1,527,584,800	1,442,537,200	1,461,787,200	1,461,787,200	1,461,787,200	-65,797,600	-4.3
Public Utility Distribution	29,680,000	35,922,400	131,326,000	131,326,000	131,326,000	101,646,000	342.5
State Aid; Tax Exempt Property	153,400,000	165,630,500	167,989,700	167,989,700	167,989,700	14,589,700	9.5
Interest Payments on Overassessments of Manufacturing Property	20,000	20,000	20,000	20,000	20,000	0	0.0
Payments for Municipal Services	41,298,400	37,168,400	37,168,400	37,168,400	37,168,400	-4,130,000	-10.0
<b>Property Tax Credits</b>							
Homestead Tax Credit	254,000,000	265,800,000	259,900,000	259,900,000	259,900,000	5,900,000	2.3
Farmland Preservation Credit	800,000	1,400,000	1,400,000	1,400,000	1,400,000	600,000	75.0
Farmland Preservation Credit; 2010 and Beyond	54,014,400	54,014,400	54,014,400	54,014,400	54,014,400	0	0.0
School Levy Tax Credit and First Dollar Credit	1,755,100,000	1,765,100,000	1,762,732,600	1,762,732,600	1,762,732,600	7,632,600	0.4
<b>Other Credits</b>							
Claim of Right Credit	200,000	544,000	544,000	544,000	544,000	344,000	172.0
Jobs Tax Credit	0	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	N.A.
Woody Biomass Harvesting and Processing Credit	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	0	0.0
Meat Processing Facility Investment Credit	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	0	0.0
Food Processing Plant and Food Warehouse Investment Credit	2,400,000	1,400,000	1,400,000	1,400,000	1,400,000	-1,000,000	-41.7
Film Production Company Investment Credit	0	200,000	200,000	200,000	200,000	200,000	N.A.
Film Production Services Credit	1,000,000	800,000	800,000	800,000	800,000	-200,000	-20.0
Dairy Manufacturing Facility Investment Credit	1,314,200	1,314,200	1,314,200	1,314,200	1,314,200	0	0.0
Dairy Manufacturing Facility Investment Credit; Dairy Cooperatives	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	0	0.0
Enterprise Zone Jobs Credit	10,400,000	47,900,000	47,900,000	47,900,000	47,900,000	37,500,000	360.6
Veterans and Surviving Spouses Property Tax Credit	15,200,000	29,300,000	39,000,000	39,000,000	39,000,000	23,800,000	156.6
Beginning Farmer and Farm Asset Owner Tax Credit	0	2,060,500	2,060,500	2,060,500	2,060,500	2,060,500	N.A.
Cigarette & Tobacco Products Tax Refunds	86,000,000	97,500,000	97,500,000	97,500,000	97,500,000	11,500,000	13.4
Earned Income Tax Credit	<u>247,671,600</u>	<u>146,071,600</u>	<u>145,471,600</u>	<u>145,471,600</u>	<u>145,471,600</u>	<u>-102,200,000</u>	<u>-41.3</u>
<b>GPR TOTAL</b>	<b>\$4,392,974,800</b>	<b>\$4,319,978,200</b>	<b>\$4,342,420,000</b>	<b>\$4,342,420,000</b>	<b>\$4,342,420,000</b>	<b>-\$50,554,800</b>	<b>-1.2%</b>
<b>Other Credits</b>							
Earned Income Tax Credit; Temporary Assistance for Needy Families	<u>\$13,328,400</u>	<u>\$87,328,400</u>	<u>\$87,328,400</u>	<u>\$87,328,400</u>	<u>\$87,328,400</u>	<u>\$74,000,000</u>	<u>555.2%</u>
<b>PR TOTAL</b>	<b>\$13,328,400</b>	<b>\$87,328,400</b>	<b>\$87,328,400</b>	<b>\$87,328,400</b>	<b>\$87,328,400</b>	<b>\$74,000,000</b>	<b>555.2%</b>
<b>Direct Aid Payments</b>							
County and Municipal Aid Account; Police and Fire Protection Fund	\$122,066,800	\$111,114,400	\$111,114,400	\$111,114,400	\$111,114,400	-\$10,952,400	-9.0%
<b>Property Tax Credits</b>							
Lottery & Gaming Credit	\$235,914,000	\$236,348,700	\$240,262,100	\$240,262,100	\$240,262,100	\$4,348,100	1.8%
School Levy Tax Credit; Lottery Fund	29,700,000	29,700,000	29,700,000	29,700,000	29,700,000	0	0.0
Lottery & Gaming Credit; Late Applications	<u>720,000</u>	<u>294,000</u>	<u>294,000</u>	<u>294,000</u>	<u>294,000</u>	<u>-426,000</u>	<u>-59.2</u>
<b>SEG TOTAL</b>	<b>\$388,400,800</b>	<b>\$377,457,100</b>	<b>\$381,370,500</b>	<b>\$381,370,500</b>	<b>\$381,370,500</b>	<b>-\$7,030,300</b>	<b>-1.8%</b>
<b>TOTAL</b>	<b>\$4,794,704,000</b>	<b>\$4,784,763,700</b>	<b>\$4,811,118,900</b>	<b>\$4,811,118,900</b>	<b>\$4,811,118,900</b>	<b>\$16,414,900</b>	<b>0.3%</b>

## Direct Aid Payments

### 1. COUNTY AND MUNICIPAL AID -- CURRENT LAW FUNDING REESTIMATE

GPR	\$10,952,400
SEG	<u>- 10,952,400</u>
Total	\$0

**Governor/Legislature:** Reduce funding by \$5,846,900 SEG in 2011-12 and \$5,105,500 SEG in 2012-13 for the county and municipal aid program to reflect a reestimate of the police and fire protection fund appropriation for the program, and provide a corresponding increase of \$5,846,900 GPR in 2011-12 and \$5,105,500 GPR in 2012-13 from the county and municipal aid account of the general fund to offset this reduction. Under current law, the total amount distributed under the county and municipal aid program is established by statute. The funding for making the aid payments is provided from three sources: (a) \$5,000,000 annually from the medical assistance program to reimburse municipalities and counties for the provision of transportation for medical care by those local governments (which has the effect of reducing the aid payment for those local governments by an equal amount); (b) revenues generated by the police and fire protection fee (a \$0.75 monthly fee on retail wireless phone plans) that is deposited in the police and fire protection fund; and (c) a sum sufficient amount from the general fund (county and municipal aid account) to provide the balance of payments. This item reflects a reduction in the estimate of the police and fire protection fund revenues, to \$55,186,500 in 2011-12 and \$55,927,900 in 2012-13, which would have the effect of increasing the GPR appropriation from the county and municipal aid account to \$769,639,300 in 2011-12 and \$768,897,900 in 2012-13. A separate item, summarized below, would decrease the total distribution of aid payments under the program for 2012 by \$96,000,000, which would have the effect of reducing the GPR appropriation in 2012-13 by that amount.

### 2. COUNTY AND MUNICIPAL AID -- FUNDING REDUCTION [LFB Paper 595]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$96,000,000	\$19,250,000	-\$76,750,000

**Governor:** Reduce funding by \$96,000,000 in 2012-13 for making 2012 payments under the county and municipal aid program, a reduction of 11.6% relative to total 2011 payments. Specify that, of this amount, payments to municipalities (towns, villages, and cities) would be reduced by \$59,500,000 (an 8.8% reduction) and payments to counties would be reduced by \$36,500,000 (a 24.1% reduction). The formula for determining aid reductions for individual municipalities and counties is described in the following sections. Specify that aid payments to individual counties and municipalities in 2013 and thereafter would be equal to the amount each county and municipality received in 2012.

The intent of the provision was to make adjustments to the total 2011 aid payments to each county and municipality. As drafted, however, the aid reductions are calculated using the

aid distribution from the county and municipal aid account of the general fund. However, total aid distributions are made from this account, as well as from other sources (the medical assistance program and the police and fire protection fund). In order to accurately reflect the administration's intent, the bill would need to be modified to specify that the total county and municipal aid payment from all sources is the basis for the reduction calculation.

### **Municipal Aid Reduction Formula**

For the purpose of determining aid reductions to individual municipalities, the bill would establish five tiers, based on the following population ranges: (a) less than 2,500; (b) equal to or greater than 2,500, but no greater than 10,000; (c) greater than 10,000, but no greater than 50,000; (d) greater than 50,000, but no greater than 110,000; and (e) greater than 110,000.

For each municipality, the aid reduction formula, with certain exceptions, consists of two components, one based upon population and the other based on equalized property value. The final aid adjustments are also constrained by a maximum reduction factor that limits the aid loss to the lesser of either 50% of the municipality's 2011 aid payment or an amount based on equalized property value. These three components of the formula are described below.

#### *Population-Based Aid Reduction*

The population-based reduction factor is determined by multiplying population by a per capita formula constant and then multiplying the result by a coefficient index. The per capita formula constant is established at a level such that the total reduction from all municipalities equals \$59,500,000. Using 2010 equalized value and Census population data, that formula constant is approximately -\$9.58 per capita. The coefficient index ranges from 0 to 1, depending upon where an individual municipality's population falls within the population range of its tier. That is, for municipalities at the bottom of the range for their tier, the coefficient would approach 0, for those in the middle of the range, it would be around 0.5, and for those at the top of the range, it would approach 1. Consequently, the total population-based reduction (formula constant X coefficient index) will range from \$0 to -\$9.58 per capita. The exception to this formula is that the coefficient is 1 for all municipalities in the top tier (the cities of Madison and Milwaukee), so the aid reduction under this component for those municipalities would be -\$9.58 per capita.

The specific formula for determining the population reduction component is as follows:

[Municipal Population (P)] multiplied by [Formula Constant (-\$9.58)] multiplied by [Coefficient Index], where the Coefficient Index is established as follows:

<u>Population Tier</u>	<u>Coefficient Index</u>
< 2,500	$\frac{P}{2,500}$
2,500 to 10,000	$\frac{P - 2,500}{7,500}$
10,000 to 50,000	$\frac{P - 10,000}{40,000}$
50,000 to 110,000	$\frac{P - 50,000}{60,000}$
> 110,000	1

*Property Value-Based Aid Reduction*

Under the property value-based aid reduction formula component, a mill rate reduction factor, which differs for each population tier, is multiplied by the municipality's equalized value. The resulting reduction is added to the population-based reduction component. For municipalities in the smallest population tier (population under 2,500), there is no property value-based reduction component (in effect, a mill rate reduction factor of \$0.00).

The specific formula for determining the property value-based aid reduction is as follows:

[Each \$1,000 of Equalized Value] multiplied by [Mill Rate Reduction Factor], where the Mill Rate Reduction Factor is established as follows:

<u>Population Tier</u>	<u>Mill Rate Reduction Factor</u>
< 2,500	\$0.00
2,500 to 10,000	-\$0.10
10,000 to 50,000	-\$0.15
50,000 to 110,000	-\$0.25
> 110,000	-\$0.30

*Maximum Reduction Limits*

The aid reduction for each municipality is limited to the lesser of 50% of the municipality's 2011 county and municipal aid payment or a maximum property value-based aid reduction, which differs by tier.

The formula for determining the maximum aid reduction is as follows:

Lesser of: [50% of 2011 Aid Payment] or [(Each \$1,000 of Equalized Value) multiplied by (Maximum Reduction Mill Rate Factor)], where the Maximum Reduction Mill Rate Factor is established as follows:

<u>Population Tier</u>	<u>Maximum Reduction Mill Rate Factor</u>
< 2,500	-\$0.10
2,500 to 10,000	-\$0.15
10,000 to 50,000	-\$0.25
50,000 to 110,000	-\$0.30
> 110,000	-\$0.35

Although DOA indicates that the intention was to limit the aid payment reductions as shown in the previous formula, a drafting change may be advisable to clearly reflect this intent with respect to the aid reduction formula for the largest population tier.

### **County Aid Reduction Formula**

For each county, the aid payment reduction is calculated by multiplying a per capita formula constant by the county's population, subject to a maximum reduction provision. This reduction is subject to a maximum reduction factor, which is equal to the lesser of 50% of the county's 2011 county and municipal aid payment or -\$0.15 multiplied by each \$1,000 of the county's equalized value. The formula constant is established at a level such that the total reduction for all counties equals \$36,500,000. Based on 2010 Census population and equalized value data, the formula constant would be approximately -\$8.78 per capita.

**Joint Finance/Legislature:** Provide \$19,250,000 in 2012-13 for the program, to provide a net reduction of \$76,750,000. Specify that, of that amount, payments to municipalities would be reduced by \$47,663,400 and payments to counties would be reduced by \$29,086,600 (instead of \$59,500,000 and \$36,500,000, respectively, under the Governor's bill). Modify the percentage of 2011 aid component of the maximum reduction factor in the formula used to allocate proposed reductions to individual counties and municipalities, as follows: (a) reduce the percentage from 50% to 15% for cities with a population less than 110,000; and (b) reduce the percentage from 50% to 25% for cities with a population exceeding 110,000 and for all counties, towns, and villages.

Make technical modifications to the formula to: (a) specify that references to 2011 aid payments to individual local governments means the total payment received under the program, instead of the portion of the payment made from the county and municipal aid account; and (b) clarify the intent that the maximum reduction provision should apply to all municipal population tiers.

Repeal obsolete provisions related to shared revenue formulas that are no longer used to distribute aid payments and to one-time formulas used to allocate previous county and municipal aid reductions.

[Act 32 Sections: 770d, 770f, 770g, 770h thru 770m, 896d, 947h, 1323d, 1323g, 2188, 2188e thru 2188k, 2188L thru 2191k, 2192c thru 2193d, 2195g, 2195k, 9341(1i), and 9441(2i)]

**3. STATE AID FOR TAX EXEMPT COMPUTERS, CASH REGISTERS, AND FAX MACHINES -- SUM SUFFICIENT REESTIMATE [LFB Paper 596]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$12,230,500	\$2,359,200	\$14,589,700

**Governor:** Increase estimated payments by \$4,374,000 in 2011-12 and \$7,856,500 in 2012-13 to reflect: (a) changes in tax rates and the value of exempt computers, cash registers, and fax machines under current law provisions (\$4,374,000 in 2011-12 and \$10,296,000 in 2012-13) and (b) lower estimated property tax levels associated with the proposed local fiscal controls (-\$2,439,500 in 2012-13). No fiscal effect associated with the proposed local fiscal controls is reflected for 2011-12 because those aid payments will be based on tax levies for 2010(11), prior to the proposed local fiscal controls taking effect. With these adjustments, base level funding of \$76,700,000 would increase to \$81,074,000 in 2011-12 and \$84,556,500 in 2012-13.

**Joint Finance/Legislature:** Increase estimated payments by \$915,700 in 2011-12 and \$1,443,500 in 2012-13. Total aid payments are estimated at \$81,989,700 in 2011-12 and \$86,000,000 in 2012-13.

**4. PUBLIC UTILITY AID -- SUM SUFFICIENT ESTIMATES**

GPR	\$9,646,000
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**Governor/Legislature:** Increase estimated payments by \$1,305,600 in 2011-12 and \$2,098,000 in 2012-13 under the public utility aid component of the shared revenue program to reflect estimated changes in the value of utility-owned property eligible for state aid under the three and six mill distribution formula. Estimate total payments under this distribution at \$47,305,600 in 2011-12 and \$48,098,000 in 2012-13. Increase estimated payments by \$2,707,200 in 2011-12 and \$3,535,200 in 2012-13 under the public utility distribution account to reflect changes in the number and types of property eligible for aid under the capacity-based distribution formula for production plants that began operating after 2003. Estimate total payments under this distribution formula at \$17,547,200 in 2011-12 and \$18,375,200 in 2012-13.

**5. PUBLIC UTILITY AID PAYMENTS**

**Joint Finance/Legislature:** Combine the utility aid payments under the shared revenue account with the utility aid payments under the public utility distribution account by making both payments from the public utility distribution account appropriation and repealing the shared revenue account appropriation. Transfer \$44,305,600 GPR in 2011-12 and \$48,098,000 GPR in 2012-13 from the shared revenue account appropriation to the public utility distribution account appropriation to reflect this change.

[Act 32 Sections: 770e, 770gh, 1719d, 2187p, 2188d, 2191L, and 2191n]

**6. PAYMENTS FOR MUNICIPAL SERVICES [LFB Paper 597]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR-Earned	- \$2,044,400	\$93,400	- \$1,951,000
GPR	- \$4,130,000	\$0	- \$4,130,000

**Governor:** Reduce funding by \$2,065,000 annually for the payments for municipal services program, from a base level of \$20,649,200 to \$18,584,200, which represents a 10% reduction. This program provides annual payments to reimburse municipalities for all or a portion of property tax supported expenses incurred in providing services to state facilities, which are exempt from property taxation. Reduce estimated GPR-Earned through agency chargebacks under the program by \$1,022,200 annually, from \$10,399,000 to \$9,376,800, to reflect the reduced funding level for payments.

**Joint Finance/Legislature:** Increase GPR-Earned by \$46,700 annually to reflect the reestimate of agency chargeback amounts based on the actual 2010-11 chargeback amounts.

**7. EXPENDITURE RESTRAINT PROGRAM BUDGET TEST**

**Governor/Legislature:** Modify the inflation factor under the expenditure restraint program's budget test by decreasing the factor's minimum value from 3% to 0%, effective with aid payments for 2013. The budget test is one of two criteria that municipalities must satisfy to receive an expenditure restraint payment. It requires a municipality to limit the increase in its budget in the year prior to the aid payment to a percentage equal to the inflation factor, defined as the change in the consumer price index, plus 60% of the change in the municipality's equalized value due to new construction (the new construction factor cannot be less than 0% nor more than 2%). Last session, 2009 Wisconsin Act 28 established a floor for the inflation factor equal to not less than 3%. This provision would lower the floor to 0%. That is, the inflation factor could not be negative. This would first affect municipal budgets adopted for 2012.

[Act 32 Sections: 2195 and 9341(2)]

**8. REPEAL EMERGENCY SERVICES MAINTENANCE OF EFFORT**

**Joint Finance/Legislature:** Eliminate a current law provision that requires counties and municipalities, in each year, to maintain at least the level of spending for emergency services that the county or municipality had in 2009.

[Act 32 Section: 2195L]

## Property Tax Credits

### 1. HOMESTEAD TAX CREDIT -- CURRENT LAW REESTIMATE [LFB Paper 605]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$19,900,000	- \$400,000	\$19,500,000

**Governor:** Provide increases of \$7,400,000 in 2011-12 and \$12,500,000 in 2012-13 for the homestead tax credit sum sufficient appropriation to reflect anticipated costs of the current law credit in the biennium. The cost of the credit is projected to increase due primarily to the indexing of the credit formula factors, beginning in tax year 2010, as required under 2009 Act 28. The reestimated credit amounts also factor in projected changes in property taxes and household income in the biennium. With these adjustments, estimated total funding for the current law credit would increase from an adjusted base level of \$127,000,000 to \$134,400,000 in 2011-12 and \$139,500,000 in 2012-13.

**Joint Finance/Legislature:** Decrease funding by \$600,000 in 2011-12 and increase funding by \$200,000 in 2012-13 to reflect reestimated changes in income and property taxes under the current law credit provisions. With these changes, estimated total funding for the current law credit would be \$133,800,000 in 2011-12 and \$139,700,000 in 2012-13.

### 2. HOMESTEAD TAX CREDIT -- REPEAL INDEXING OF FORMULA FACTORS [LFB Paper 605]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$8,100,000	- \$5,500,000	- \$13,600,000

**Governor:** Decrease the cost of the homestead tax credit by \$2,000,000 in 2011-12 and \$6,100,000 in 2012-13 associated with repealing the annual indexing of the credit's formula factors, beginning with tax year 2011. Under current law, the income threshold (\$8,160 for 2011), the maximum income level (\$24,990 for 2011), and the maximum property taxes or rent constituting property taxes (\$1,480 for 2011), are indexed annually, as required under 2009 Act 28. Under the bill, the formula factors would no longer be indexed for 2011 and thereafter. Instead, the factors would remain at the 2010 tax year amounts of \$8,060 for the income threshold, \$24,680 for the maximum income level, and \$1,460 for the maximum property taxes or rent constituting property taxes, with the reduction to eligible property taxes or rent constituting property taxes set at 8.785% of household income above \$8,060. Repealing the annual indexing adjustments to the credit formula factors would reduce the estimated cost of the credit from \$134,400,000 to \$132,400,000 in 2011-12 and from \$139,500,000 to \$133,400,000

in 2012-13.

**Joint Finance/Legislature:** Decrease funding by an additional \$1,100,000 in 2011-12 and \$4,400,000 in 2012-13 to reflect the reestimated impact on the cost of the credit associated with repealing the annual indexing of the credits formula factors. The reestimated amounts reflect an updated projection of the formula factors that would exist if indexing would be retained. With these changes, the repeal of the formula factor indexing would decrease the estimated cost of the credit from \$133,800,000 to \$130,700,000 in 2011-12 and from \$139,700,000 to \$129,200,000 in 2012-13.

[Act 32 Sections: 2124 thru 2128]

### 3. **FIRST DOLLAR CREDIT** [LFB Paper 606]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$10,000,000	-\$2,367,400	\$7,632,600

**Governor:** Provide \$5,000,000 annually to provide full funding for the first dollar credit in the 2011-13 biennium. The 2009-11 biennial budget act (2009 Act 28) increased the statutory amount of the first dollar credit by \$5,000,000 annually, from \$145,000,000 to \$150,000,000, beginning with credits applied against property taxes levied in 2010, but payable in 2011. Because the payment of first dollar credits is made in July of each year, the payment of the 2011 credits (for 2010 property tax levies), will be made in 2011-12 and payment of the 2012 credits (for 2011 property tax levies) will be made in 2012-13. Consequently, the increase to the base level funding for the first dollar credit was not established under Act 28. Payments of the first dollar credit are provided from the same appropriation used to make the state's school levy tax credit payments.

**Joint Finance/Legislature:** Decrease funding by \$2,367,400 in 2011-12 to reflect the \$147,632,600 actual amount of property tax year 2010(11) credits to be distributed in July, 2011, based on the \$6,900 credit base established by DOR and the number of eligible parcels on which the credit will be claimed.

### 4. **PRE-2010 FARMLAND PRESERVATION CREDIT**

GPR	\$600,000
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**Governor/Legislature:** Provide increases of \$400,000 in 2011-12 and \$200,000 in 2012-13 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. Beginning with tax year 2010, 2009 Act 28 deleted the existing farmland preservation tax credit for most claimants and replaced the credit with a new, per acre, farmland preservation tax credit. However, landowners with an existing farmland preservation agreement can continue to file for the pre-2010 credit under that agreement. The cost of the credit is projected to be higher than the \$400,000 adjusted base level funding for the credit due to increases in the

expected number of agreement holders and in the average credit for those who will file for the pre-2010 credit. As a result, the estimated funding for pre-2010 farmland preservation credit claims would total \$800,000 in 2011-12 and \$600,000 in 2012-13.

**5. LOTTERY AND GAMING CREDIT REESTIMATE [LFB Paper 575]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$434,700	\$3,913,400	\$4,348,100

**Governor:** Provide a decrease of \$478,700 in 2011-12 and an increase of \$913,400 in 2012-13 to the sum sufficient appropriation to reflect estimates of lottery proceeds available for distribution. With these adjustments, estimated total funding would decrease from an adjusted base level of \$117,957,000 to \$117,478,300 in 2011-12 and then increase to \$118,870,400 in 2012-13.

**Joint Finance/Legislature:** Increase funding for the credit by \$3,913,400 in 2011-12 to reflect an increase in the estimated 2011-12 opening balance of the lottery fund based on 2010-11 lottery sales. The higher opening balance in the fund would result in a corresponding increase in the amounts available for the lottery credit in 2011-12. With this increase, estimated total funding for the credit in 2011-12 would be \$121,391,700.

**6. LOTTERY AND GAMING CREDIT; LATE APPLICATIONS**

SEG	- \$426,000
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**Governor/Legislature:** Provide a decrease in funding of \$213,000 annually for the sum sufficient appropriation to reflect estimates of the amount of credits to be paid to persons who apply for the credit after tax bills have been issued. As a result, tax credit distributions for late applications would decrease from an adjusted base level of \$360,000 to \$147,000 annually.

**Property Taxation**

**1. LEVY LIMIT FOR COUNTIES AND MUNICIPALITIES [LFB Paper 610]**

**Governor:** Modify the levy limit program by: (a) changing the program's sunset from December, 2010, to December, 2012, so that the program extends to levies for 2011(12) and 2012(13); (b) changing the base year levy, which is used to calculate allowable levy increases, from the prior year's maximum allowable levy to the prior year's actual levy; and (c) changing the minimum allowable levy increase under the inflation factor from 3% to 0%. Require a county or municipality to decrease its allowable levy if its current year levy for debt service on debt issued before July 1, 2005, is less than its prior year levy for debt service on such debt, by an

amount equal to the decrease. As modified, the levy limit for 2011(12) and 2012(13) would be structured as follows:

*Imposition.* Prohibit any political subdivision, defined as a city, village, town, or county, from increasing its base municipal or county tax levy by more than a percentage that exceeds the local government's valuation factor. Define the base levy as the local government's actual levy for the immediately preceding year. Define the valuation factor as the percentage equal to the greater of 0% or the percentage change in the local government's equalized value due to new construction, less improvements removed, as determined for January 1 equalized values in the year of the levy. [The prior law levy limit had a 3% floor for the allowable increase and based the limit on the maximum allowable levy for the prior year, rather than the actual levy.]

*Exclusions.* Exclude from the limitation any amounts levied: (a) as tax increments by a city, village, or town; (b) for the payment of any general obligation debt service on debt authorized on or after July 1, 2005, and secured by the full faith and credit of the city, village, town, or county; (c) for a county children with disabilities education board by a county; (d) for school purposes by a first class city; (e) for town bridge and culvert construction and repair by a county; (f) for payment by a county to an adjacent county for library services; (g) for a countywide emergency medical system by a county; (h) for any revenue shortfall for debt service on a revenue bond issued by a political subdivision; (i) for any revenue shortfall for debt service on a revenue bond issued by a joint fire department if the joint fire department uses the bond proceeds to pay for a fire station, if the joint fire department assesses the political subdivision its share of the debt under an intergovernmental cooperation agreement, and if the political subdivision is responsible for the repayment of the debt, even though the debt was incurred by the joint fire department; (j) for the payment of debt service on appropriation bonds issued to fund a county or municipal employee retirement system liability by a county having a population of 500,000 or more or by a first class city; (k) for police protection services by a village in the year immediately after the village's incorporation, provided the village did not have a police force when it was a town; (l) for unreimbursed expenses related to a declared emergency, including any amount levied to replenish cash reserves used to pay those unreimbursed expenses, provided the amount is levied in the year the emergency occurred or in the next year; or (m) for fire charges assessed by a joint fire department that would cause the municipality to exceed its allowable levy, provided that the joint fire department's total charges increase relative to the prior year by a rate less than or equal to 2% plus the percentage change in the consumer price index and the governing body of each municipality served by the joint fire department adopts a resolution in favor of the municipality exceeding its limit. Define joint fire department, by way of cross-reference, as a joint fire department created by a village with a population of 5,000 or more with a city or town or with another village, by a city with another city, or by a municipality with another governmental unit or Indian tribe through an intergovernmental cooperation contract. [All of these exclusions were included under prior law.]

*Adjustments.* Specify that the levy limit shall be adjusted, as determined by the Department of Revenue (DOR), as follows: (a) if a municipality or county transfers to another governmental unit responsibility for providing any service that it provided in the preceding year, the levy increase limit otherwise applicable to the municipality or county is decreased to reflect the cost that the municipality or county would have incurred to provide the service; (b) if a municipality or county increases the services that it provides by adding responsibility for

providing a service transferred to it from another governmental unit, the levy increase limit otherwise applicable to the municipality or county is increased to reflect the cost of providing that service; (c) if a service has been provided in part of the county by the county and in part of the county by a separate governmental unit and the provision of the service is consolidated at the county level, the levy increase limit otherwise applicable to the county is increased to reflect the total cost of providing the service; (d) if a city or village annexes property from a town, the annexing municipality's levy increase limit is increased by an amount equal to the town levy on the annexed territory in the preceding year and the levy increase limit for the town from which the property was annexed is decreased by the same amount; (e) if two political subdivisions enter an intergovernmental cooperation agreement to jointly provide a service on a consolidated basis and if one subdivision agrees to increase its levy and the other subdivision agrees to decrease its levy by the same amount to achieve a more equitable distribution of payments for the service, then the levy increase limits for the two subdivisions are increased and decreased by the agreed amounts; (f) if the amount of a lease payment related to a lease revenue bond in the preceding year is less than the amount of the lease payment needed in the current year, as the result of the issuance of a lease revenue bond before July 1, 2005, the levy increase limit is increased by the difference between the two amounts; (g) if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, as the result of the city, village, town, or county adopting a resolution before July 1, 2005, authorizing the issuance of debt, the levy increase limit is increased by the difference between the two amounts; and (h) if the amount of debt service in the preceding year on debt originally issued before July 1, 2005, is more than the amount of debt service needed in the current year for such debt, the levy increase limit is decreased by the difference between the two amounts. Specify that debt service includes debt service on debt issued or reissued to fund or refund outstanding obligations, interest on outstanding obligations, or the payment of related issuance costs or redemption premiums. Finally, provide an adjustment to the levy limit of a political subdivision if the subdivision contained a tax increment district for the immediately preceding year and DOR does not certify a value increment for the district in the current year because of the district's termination. Set the adjustment equal to the political subdivision's allowable levy for the preceding year multiplied by a percentage equal to half of the tax increment district's value increment in the previous year divided by the political subdivision's equalized value in the previous year. [The adjustment under (h) was not included under the prior law levy limit. All of the other adjustments were included under prior law.]

*Referendum.* Create a procedure under which a city, village, town, or county may exceed its levy increase limit if the local government's governing body adopts a resolution to that effect and the electors of the municipality or county approve the resolution in a referendum. Require the resolution and referendum to specify the proposed amount of the levy increase above the limit and whether the amount of the proposed increase is for a single year only or is ongoing. Authorize the local government to hold a special referendum, with regard to a referendum relating to the levy in an odd-numbered year. Require the local government to hold a referendum at the same time as the next spring primary or election or September primary or general election, with regard to a referendum relating to the levy in an even-numbered year. Require the referendum to be held in accordance with current law provisions enumerated in chapters 5 to 12 of the state statutes.

Require the referendum question to be submitted to the electors as follows: "Under state law, the increase in the levy of the .... (name of county or municipality) for the tax to be imposed for the next fiscal year, .... (year), is limited to ....%, which results in a levy of \$.... Shall the .... (name of the county or municipality) be allowed to exceed this limit and increase the levy for the next fiscal year, .... (year), by a total of ....%, which results in a levy of \$....?". Specify that a town with a population below 2,000 may exceed its levy increase limit if the annual town meeting or a special town meeting adopts a resolution to that effect and if the town board has adopted a resolution supporting the increase and placing the question on the meeting's agenda. Require the clerk of the municipality or county to publish notices regarding the referendum or town meeting prior to the time it is held and to certify the results of the referendum or town resolution to DOR within 14 days of the referendum or meeting. [The referendum and town meeting provisions are the same as those under the prior law levy limit.]

*Penalty.* Require DOR to reduce the county and municipal aid payment of any municipality or county that imposes a tax levy in excess of the amount allowed under these provisions. Establish the reduction as the amount equal to the excess tax levy, but exclude levies that exceed the allowable levy by less than \$500 from the penalty. Provide that the aid reduction be imposed in the year after the excess amount is levied, but specify that the amount of any penalty exceeding a local government's succeeding aid payment be applied to aid payments in subsequent years until the total penalty is subtracted. Provide that any withheld state aid amounts be lapsed to the general fund. Authorize DOR to waive penalties if it determines that a penalized excess is caused by a clerical error. Define clerical error as a penalized excess caused by DOR, through mistake or inadvertence, assessing to a county or a municipality in the current or previous year a greater or lesser valuation than should have been assessed, or by a county or municipal clerk, through mistake or inadvertence, in preparing or delivering the tax roll. [The penalty provisions are the same as those under the prior law levy limit.]

*Sunset.* Provide that the levy limit would not apply to levies imposed after December, 2012.

**Joint Finance/Legislature:** Approve the Governor's recommendation, but with the following modifications:

a. Authorize an adjustment for counties and municipalities equal to the difference between the prior year allowable levy and the prior year actual levy, but no more than 0.5% of the prior year actual levy. Specify that in 2011(12) and 2012(13) the allowable levy adjustment would be limited to counties and municipalities where the local governing body has approved use of the adjustment in the following manner: (a) by three-quarters vote of the governing body if the governing body is comprised of five or more members; (b) by two-thirds vote of the governing body if the governing body is comprised of fewer than five members; or (c) by majority vote of the annual town meeting or special town meeting, provided the town board has adopted a resolution by two-thirds vote or more in favor of using the adjustment.

b. Specify that any county or municipality that does not claim the allowable levy adjustment in 2011(12) is not required to decrease its allowable levy in that year by an amount equal to the decrease from the prior year to the current year in the amount of debt service on debt issued before July 1, 2005, under the adjustment proposed by the Governor, if that adjustment

would otherwise apply.

c. Repeal an obsolete adjustment created by 2009 Wisconsin Act 28 that extended to levies in 2009 and equaled the amount by which a local government's 2007 allowable levy exceeded its 2007 actual levy.

d. Create an exclusion equal to the amount of refunded or rescinded taxes, provided that the Department of Revenue has determined that the equalized value of the municipality or county is changed as a result of consideration of the valuation represented by the refunded or rescinded taxes, under current law provisions. Set the amount of the exclusion equal to the amount of the taxes charged back to the county or municipality, as determined by the Department of Revenue.

e. Create an adjustment for any municipality that experiences a shortfall in its general fund due to the loss of revenue from the sale of water or another commodity to a manufacturing facility as a result of the manufacturer discontinuing operations at the facility. Set the adjustment equal to the amount the municipality levies to make up for the revenue shortfall. Allow the municipality to claim the adjustment in more than one year, provided that the sum of all such adjustments does not exceed the revenue loss to the municipality's general fund in the year that the manufacturer discontinued operations at the facility.

f. Delete the provision that would sunset the levy limit program after levies are imposed for the 2012(13) property tax year, thereby making the control permanent. In property tax year 2013(14) and thereafter, change the minimum guaranteed allowable levy increase from 0% to 1.5%.

g. Suspend the tax rate limit for county operating levies for property tax years 2011(12) and 2012(13).

**Veto by Governor [F-45]:** Delete the provision that would change the minimum guaranteed allowable levy increase from 0% to 1.5%, beginning in property tax year 2013(14). As a result, the minimum guaranteed allowable levy increase will remain at 0%, and levy increases will be limited to each local government's percentage change in equalized value due to new construction, less improvements removed.

[Act 32 Sections: 1680m, 1721u thru 1722c, and 1723 thru 1725c]

[Act 32 Vetoed Sections: 1722b, 1722c, and 1722d]

## 2. PROPERTY TAX EXEMPTION FOR STUDENT HOUSING

**Joint Finance:** Repeal the current law provision that provides a property tax exemption for all real and personal property of a housing facility when: (a) the facility is owned by a nonprofit organization; (b) at least 90% of the facility's residents are students enrolled at the University of Wisconsin-Madison and the facility houses no more than 300 such students; and (c) the facility offers support services and outreach programs to its residents, the public or private institution of higher education at which the student residents are enrolled, and the public. Extend the repeal to

property tax assessments as of January 1, 2012.

**Assembly/Legislature:** Delay the repeal of the exemption from 2012 to 2013.

**Veto by Governor [F-46]:** Delete provision.

[Act 32 Vetoed Sections: 1747n, 1748d, 9341(4d), and 9441(4d)]

### 3. ANNEXATION OF TOWN TAX INCREMENTAL FINANCING DISTRICTS

**Joint Finance/Legislature:** Specify that if a town tax incremental financing (TIF) district, created under the auspices of a cooperative plan for future annexation or attachment, is annexed or attached by a city or village that the district would be administered by that city or village and all of the following current law provisions would apply to the district as if it was created by that city or village: (a) the 20- to 27-year lifespan of most districts and the termination requirements allowed for most TIF districts; (b) the project plan of the TIF district; (c) the procedures for amending a TIF district project plan; and (d) the procedures to extend the life of a TIF district. For the purposes of implementing these current law provisions, specify that the creation date of the annexed district would be the creation date of the district by the town. Allow the Department of Revenue to allocate positive tax increments to a city or village that annexes or attaches such a town TIF district.

Specify that if a city or village annexes or attaches such a town TIF district prior to the last day on which a boundary change may occur under the cooperative plan, the TIF district would have to remain in existence at least through the end of the last calendar year of the period during which the boundary change could have occurred. Specify that the city or village would be responsible for all contracts, agreements, and obligations entered into by the town relative to the TIF district.

Provide that if a city or village is in the process of annexing or attaching such a town TIF district, but has not completed the process, the city or village could enter into a contract or agreement relative to the district, with any person, or may assume an obligation of the district. However, specify that the town would continue to receive any tax increments for which it is eligible until the annexation or attachment process is complete. Specify that any contract, agreement, or obligation does not apply and could not be enforced until the annexation or attachment process is complete and the city or village begins to receive tax increments associated with the district.

Require DOR to exclude any parcel in a newly-annexed or attached town TIF district when determining the annexing or attaching city's or village's compliance with the existing limit on creation of TIF districts, which limits the equalized value of taxable property of the district plus the value increment of all existing districts to 12% of the total equalized value of taxable property within the city or village.

[Act 32 Sections: 1740g, 1740k, and 1741e thru 1741es]

#### 4. CITY OF NEW LISBON TIF DISTRICT

**Joint Finance/Legislature:** Specify that if the City of New Lisbon amends, or attempts to amend, its TIF District #12 on January 1, 2012, based on actions taken by the city council between July 1, 2011, and December 31, 2011, the TIF district base value would be redetermined by the Department of Revenue as if the TIF district had been amended on January 1, 2012, and DOR would not be allowed to certify a value increment that reflects the plan amendment before 2012. Exempt the TIF district amendment from the following current law requirements: (a) the time limits whereby a city clerk is required to submit the TIF district amendment application and required forms to DOR; and (b) that the equalized value of taxable property of a TIF district, plus the value increment of all of a city's other TIF districts, cannot exceed 12% of the total equalized value of taxable property in the city.

[Act 32 Section: 1740i]

### Local Government Services

#### 1. COMBINED MUNICIPAL PROTECTIVE SERVICES

**Governor/Legislature:** Specify that any second, third, or fourth class city, village, or town would be allowed to provide police and fire protection services in the following ways: (a) through a combined protective services department, which is neither a police or fire department, and in which the same person may be required to perform police and fire protection duties; or (b) with persons in a police or fire department who, alone, or in combination with persons designated as police officers or fire fighters, may be required to perform police and fire protection duties. Include a combined municipal protective services department in the lists of manners in which a town or a village can provide fire protection or law enforcement and under the provision for a town to establish a board of police and fire commissioners.

Under current law, villages have the authority to provide combined police and fire protection services in a similar manner if the department or arrangement for providing the services was created or established prior to January 1, 1987. The bill would delete this limitation and would modify the existing authority of a village to make it conform with the combined protective service authority being provided to cities and towns under the bill.

Specify that if a city creates a combined protective services department, the city would be required to create the office of chief of that department and abolish the offices of the chief of police and chief of the fire department. Provide that the chief of a city's combined protective services department is an officer of the city with the command of the combined protective services force, under the direction of the mayor. Specify that the city's combined protective services officers would possess the powers, enjoy the privileges, and be subject to the liabilities conferred and imposed by law upon constables. Provide that the city's chief of a combined protective services department would be in charge of all city jails, including that portion of any jail which is used by the city in a joint city-county building. These provisions parallel those

under current law for city police chiefs and officers.

Extend the current law requirement that city, village, or town police department staff cannot be required to perform nonemergency police protection duties for more than eight hours in each 24 hours to include the staff of a combined protective services department. Specify that the governing body of a city, village, or town that creates a combined protective services department or designates a person to perform both police and fire duties would be allowed to designate any person as primarily a police officer or fire fighter for the purposes of the following current law provisions:

a. *Police Rest Days.* The provision of rest days to police staff, defined as one full rest day of 24 consecutive hours during each 192 hours, except in cases of emergency, for fourth class cities, and two full rest days of 24 consecutive hours during each 192 hours, except in cases of emergency, for second and third class cities, villages, and towns.

b. *Fire Protection Rest Days.* For a fourth class city having a population of 5,000 or more, the provision of rest days for fire protection staff, defined as a period of 24 consecutive hours off duty during each 72 hours, except in cases of positive necessity by some sudden and serious fire, accident or other peril. Specify that these provisions would also apply to a person primarily designated a firefighter, but employed by a police department within a city, village, or town, as described under the combined protective services provisions of the bill.

c. *Hours of Labor.* For a second, third, or fourth class city, village, or town, the establishing of police hours of labor, defined as a working day of not more than eight hours in each 24 hour period, except in cases of emergency.

d. *Rules for Leaving City.* The establishment of rules, subject to governing body approval, which require fire fighters to obtain approval from the fire chief before leaving the municipality (this approval requirement would be extended to the police chief or combined protective services department chief, as it applies to fire fighters in a combined protective services department and to those designated as primarily acting as a firefighter).

Under current law, a town or village that has established a board of police or fire commissioners, or a joint board of police or fire commissioners, is subject to these same police rest day, hours of labor, and rules for leaving a city provisions.

Provide that if a combined protective services department is created, a city, village, or town board of police and fire commissioners would have the authority to appoint a chief of the department. In addition, the board of police and fire commissioners of a city, or a village, if approved at a village-wide referendum, would have the following authority relative to a combined protective services department: (a) to organize and supervise the department and to prescribe the rules and regulations for its control and management; (b) to contract for and purchase all necessary apparatus and supplies for the use of the department, exclusive of the erection and control of the combined services station buildings; and (c) to audit all bills, claims, and expenses of the department before they are paid by the municipal treasurer. Under current law, a police and fire commissioner board of a city, village, or town has the same authority relative to a municipal police or fire department.

Under current law, a town or village board that has not created a board of police

commissioners may not suspend, reduce, suspend and reduce, or remove the chief of police or other law enforcement officer who is not probationary, and who has no valid and enforceable collective bargaining contract that provides for a fair review prior to that suspension, reduction, suspension and reduction, or removal, unless certain conditions are met. A similar current law provision exists for cities of less than 4,000 in population. The bill would extend these provisions to a chief of the protective services department when a local government uses one of the combined protective services approaches allowed under the bill, but does not create a board of police and fire commissioners.

Extend the following current law provisions to include a combined protective services department:

- a. provisions that allow a city to abolish its police department if it enters into a contract with a county for the county sheriff to provide law enforcement in all parts of the city;
- b. the statements of legislative intent specifying that the enactment of laws governing police and fire departments is of statewide concern for purpose of providing uniform regulation of these departments;
- c. the provision that specifies that nothing relating to the construction of a joint county-city public safety building is construed as relieving, modifying, or interfering with the responsibilities for operating jails which are vested in sheriffs or chiefs of police;
- d. in the definition of "collective bargaining" under the municipal employment relations law;
- e. requirements related to notification of a law enforcement agency by persons repossessing a motor vehicle or collateral subject to a motor vehicle consumer lease;
- f. laws relating to the presumption of employment-connected heart or respiratory impairment or disease or cancer for firefighters or employment-connected infectious diseases for police officers and firefighters;
- g. laws relating to the harassment of police and fire animals;
- h. the use of the terms fire department, fire chief or chief of a fire department, firefighter, police department, police chief or chief of a police department, and police officers for the purposes of the rules for construction of the state statutes; and
- i. the term "protective occupation participant" for purposes of the Wisconsin Retirement System.

[Act 32 Sections: 1140, 1141, 1686 thru 1690, 1697 thru 1713, 1717, 1728, 2405p, 3194, 3495 thru 3498, 3539, and 3562 thru 3567]

## **2. METROPOLITAN SEWERAGE DISTRICT PER DIEMS**

**Joint Finance/Legislature:** Delete current law provisions for metropolitan sewerage districts, other than the Milwaukee Metropolitan Sewerage District, that set the per diem compensation for district commissioners at \$50 and allow commissioners to be reimbursed for

actual expenses they incur in carrying out the work of the commission. Instead, specify that per diem compensation may be paid to such commissioners in an amount that the commission specifies by resolution. Provide that any change in the per diem amount after its initial establishment applies only to subsequently appointed or reappointed commissioners. Specify that these changes would first apply to a commissioner who is appointed or reappointed after the general effective date of the bill, except that if a commission specifies by resolution a per diem amount that is at least equal to the per diem amount that is paid before the resolution takes effect, the amount specified in the resolution would apply to a commissioner on the resolution's effective date.

[Act 32 Sections: 2715s, 2715u, and 9332(2i)]

## **Local Revenue Options**

### **1. EXPENDITURE OF LOCAL ROOM TAX REVENUES IN CERTAIN PREMIER RESORT AREAS**

**Joint Finance/Legislature:** Require that the expenditure of local room tax revenues on tourism promotion and development would have to be done by the municipality's tourism entity, unless the municipality creates a tourism commission and forwards the revenue to the commission. Specify that this provision would only apply to a municipality that has the authority to impose up to a 1.0% premier resort area tax (the City of Wisconsin Dells and the Village of Lake Delton).

[Act 32 Sections: 1725m and 9332(2q)]

## **Other Credits**

Descriptions of the budget provisions related to the earned income tax credit, veterans and surviving spouses property tax credit, enterprise zone jobs tax credit, film production services credit, film production company investment credit, dairy manufacturing facility investment credits, beginning farmer and farm asset owner tax credit, food processing plant and food warehouse investment credit, claim of right credit, and cigarette and tobacco products tax refunds are provided under "General Fund Taxes."

## STATE FAIR PARK

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$4,726,200	\$4,560,400	\$5,209,400	\$5,209,400	\$5,209,400	\$483,200	10.2%
PR	<u>32,750,200</u>	<u>35,312,900</u>	<u>37,438,700</u>	<u>37,438,700</u>	<u>37,438,700</u>	<u>4,688,500</u>	14.3
<b>TOTAL</b>	<b>\$37,476,400</b>	<b>\$39,873,300</b>	<b>\$42,648,100</b>	<b>\$42,648,100</b>	<b>\$42,648,100</b>	<b>\$5,171,700</b>	<b>13.8%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change
						Over 2010-11 Base
GPR	0.00	0.00	0.00	0.00	0.00	0.00
PR	<u>38.90</u>	<u>39.90</u>	<u>39.90</u>	<u>39.90</u>	<u>39.90</u>	<u>1.00</u>
<b>TOTAL</b>	<b>38.90</b>	<b>39.90</b>	<b>39.90</b>	<b>39.90</b>	<b>39.90</b>	<b>1.00</b>

### Budget Change Items

**1. STANDARD BUDGET ADJUSTMENTS**

PR	\$1,977,800
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**Governor/Legislature:** Request \$988,900 annually for: (a) full funding of salary and fringe benefits [\$848,000 annually]; (b) overtime [\$140,200 annually]; and (c) night and weekend differential pay [\$700 annually].

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

PR	-\$395,000
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**Governor/Legislature:** Delete \$197,500 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance costs reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. BUDGET REDUCTIONS**

PR	- \$1,393,000
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**Governor/Legislature:** Reduce funding by \$696,500 annually associated with a 10% reduction to supplies and other non-personnel costs. The reductions include the following appropriations:

<u>Fund</u>	<u>Appropriation</u>	<u>Base</u>	<u>Annual Reduction</u>
PR	General operations	\$12,414,600	\$676,500
PR	Capital expenses	200,000	<u>20,000</u>
	Total		\$696,500

**4. WISCONSIN EXPOSITION CENTER OPERATIONS**

PR	\$2,211,600
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**Governor/Legislature:** Provide \$1,055,800 in 2011-12 and \$1,155,800 in 2012-13 for operations at the Wisconsin Exposition Center, including: (a) \$173,000 annually for salaries and fringe benefits for limited-term employees (LTEs); and (b) \$882,800 in 2011-12 and \$982,800 beginning in 2012-13 for utilities, supplies, maintenance and other operational services.

The Wisconsin Exposition Center is a 271,000-square-foot facility located within State Fair Park that opened in 2002. The Expo Center's construction was supported by \$44.9 million in industrial revenue bonds, and the nonprofit corporation State Fair Park Exposition Center, Inc., was created to operate the property. As part of a settlement with bondholders, the state purchased the property from Expo Center, Inc., in December, 2009, for \$13.9 million. In April, 2011, State Fair Park began paying for state debt issued for the purchase. Debt service is currently expected to average about \$1.1 million per year for 20 years, beginning in 2011-12.

In addition, the Joint Committee on Finance authorized 9.0 PR positions in March, 2010, for State Fair Park to staff Expo Center operations. The state staff replaced approximately 14 full-time positions previously used to operate the facility by the nonprofit corporation. The nine positions cover various responsibilities related to both Expo Center and other operations, including: (a) event direction and management; (b) event sales and marketing to prospective consumer and trade shows and other events; (c) finance; and (d) property maintenance. The annual salary-related costs of these positions are budgeted at approximately \$1 million and are included under standard budget adjustments.

The act is intended to reflect the remaining costs associated with the Expo Center's operations, and would result in total annual costs of approximately \$3 million. State Fair Park officials expect \$3.2 million in revenues for each year of the 2011-13 biennium. Park officials indicate the agency in its entirety may generate a yearly surplus of about \$700,000 in 2011-12 and \$800,000 in 2012-13. Park officials currently estimate a 2010-11 operating surplus of at least \$1 million.

**5. CURRENT LAW DEBT SERVICE REESTIMATE [LFB Papers 183 and 615]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$1,677,100	\$0	\$1,677,100
PR	<u>21,200</u>	<u>2,125,800</u>	<u>2,147,000</u>
Total	\$1,698,300	\$2,125,800	\$3,824,100

**Governor:** Provide \$761,200 GPR in 2011-12 and \$915,900 GPR in 2012-13, and provide \$3,600 PR in 2011-12 and \$17,600 PR in 2012-13 to reestimate debt service on general obligation bonds issued for the construction and maintenance of State Fair Park facilities. GPR debt service is primarily associated with agricultural and other exhibition facilities at State Fair Park, as well as various land acquisitions, infrastructure projects and the Tommy G. Thompson Youth Center. PR debt service is primarily associated with the Milwaukee Mile racetrack and grandstand, the Wisconsin Exposition Center and other general facilities improvements.

**Joint Finance/Legislature:** Provide \$1,062,800 PR in 2011-12 and \$1,063,000 PR in 2012-13 to reflect debt service obligations on the Wisconsin Exposition Center, which were not included in the initial estimates for State Fair Park's debt service.

**6. GPR DEBT RESTRUCTURING -- DEBT SERVICE [LFB Paper 175]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$1,842,900	\$649,000	-\$1,193,900

**Governor:** Decrease funding by \$1,927,700 in 2011-12 and increase funding by \$84,800 in 2012-13 to the reflect estimated GPR debt service costs associated with the proposed restructuring of general obligation bond and commercial paper GPR principal amounts that would otherwise be paid off in 2011-12. Under the original bill, the state would have issued refunding bonds to restructure a portion of its outstanding general obligation GPR principal debt and would have rolled over the principal due on its outstanding commercial paper in 2011-12. The increase in debt service for 2012-13 would reflect the initial interest amount due on the additional debt issued to replace the restructured 2011-12 principal amounts. [See "Building Commission" for additional information regarding this provision.]

**Joint Finance/Legislature:** Modify debt service by \$675,300 GPR in 2011-12 and -\$26,300 GPR in 2012-13 associated with a \$100,100,000 reduction in restructuring bonding in 2011-12.

**7. TRANSFER POSITION FROM DOA [LFB Paper 116]**

**Governor:** Provide \$140,100 beginning in 2012-13 with

	<b>Funding</b>	<b>Positions</b>
PR	\$140,100	1.00

1.0 human resources assistant position under State Fair Park's general operations appropriation. This position would be transferred from the Department of Administration (DOA) for various duties related to personnel management at State Fair Park, where the position is currently based. This action would partially reverse a provision of 2005 Act 25, under which various agencies' human resources and payroll functions were consolidated in DOA.

**Joint Finance/Legislature:** Include provision. Additionally, specify the employee transferred retains all rights and status under state employment relations laws as enjoyed immediately prior to the transfer. Specify the employee is not required to serve a probationary period if permanent status has been attained.

[Act 32 Section: 9101(4q)]

## **8. POSITION RECLASSIFICATION**

**Governor/Legislature:** Convert 0.15 PR position in State Fair Park's general operations appropriation from the classified service to unclassified. This conversion reconciles a discrepancy within the state budget system. The state personnel management system currently lists 24.9 PR State Fair Park positions as unclassified and 14.0 PR positions as classified. However, the state budget system previously showed 24.75 unclassified positions and 14.15 classified positions.

# STATE TREASURER

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
PR	\$10,032,600	\$9,722,200	\$9,722,200	\$9,722,200	\$9,722,200	- \$310,400	- 3.1%
SEG	<u>4,858,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>- 4,858,800</u>	- 100.0
<b>TOTAL</b>	<b>\$14,891,400</b>	<b>\$9,722,200</b>	<b>\$9,722,200</b>	<b>\$9,722,200</b>	<b>\$9,722,200</b>	<b>- \$5,169,200</b>	<b>- 34.7%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
PR	11.55	9.95	9.95	9.95	9.95	- 1.60
SEG	<u>3.15</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>- 3.15</u>
<b>TOTAL</b>	<b>14.70</b>	<b>9.95</b>	<b>9.95</b>	<b>9.95</b>	<b>9.95</b>	<b>- 4.75</b>

## Budget Change Items

### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide standard budget adjustments to base totaling -\$94,800 PR and \$14,200 SEG and -4.0 PR positions annually. Adjustments are for: (a) removal of non-continuing items (-\$184,000 PR and -4.0 PR positions annually); (b) full funding of continuing salaries and fringe benefits (\$85,200 PR and \$12,500 SEG annually); and (c) full funding of lease costs and directed moves (\$4,000 PR and \$1,700 SEG annually).

	Funding	Positions
PR	- \$189,600	- 4.00
SEG	<u>28,400</u>	<u>0.00</u>
Total	- \$161,200	- 4.00

### 2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

**Governor/Legislature:** Delete \$47,000 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would

PR	- \$65,400
SEG	<u>- 28,600</u>
Total	- \$94,000

include \$32,700 PR and \$14,300 SEG annually. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. AGENCY BUDGET REDUCTIONS [LFB Paper 620]**

	Funding	Positions
PR	- \$217,800	- 1.20
SEG	<u>- 281,600</u>	<u>- 1.55</u>
Total	- \$499,400	- 2.75

**Governor/Legislature:** Delete \$108,900 PR and 1.2 PR positions and \$140,800 SEG and 1.55 SEG positions annually associated with: (a) deleting salaries and fringe benefits related to the deletion of 1.0 SEG financial officer position for the college investment programs (EdVest, Tomorrow's Scholar, and the College Tuition and Expenses program); (b) deleting salaries and fringe benefits related to the deletion of 0.75 senior accountant position (0.50 PR and 0.25 SEG position); (c) deleting salaries and fringe benefits related to the deletion of 1.0 unclassified stenographer position (0.7 PR and 0.3 SEG position); (d) the deletion of \$13,100 PR and \$32,700 SEG in supplies and services; and (e) the deletion of \$8,500 PR in unallotted reserves.

Delete statutory language allowing an unclassified stenographer under State Treasurer and delete the specific stenographer position and related salary and fringe benefits. Under current law, each elected executive officer may appoint a stenographer. The stenographer is appointed under unclassified service with salaries set by the appointing authority, subject to other statutory restrictions and the compensation plan.

Under this provision, positions that are at least partially funded from programs other than unclaimed property and that were not transferred to DOA, would be deleted, as well as all remaining funding in the Office of the State Treasurer (salaries, fringe benefits, supplies and services and unallotted reserves) for the college savings programs and the local government investment pool program. This includes funding for 1.0 stenographer, 1.0 financial officer, and 0.75 senior accountant.

Under current law, several positions are partially funded by the programs administered by the Office: the college savings programs, the unclaimed property program, and the local government investment pool program. Under a separate item, the college savings programs and the local government investment pool would be transferred to DOA along with 1.0 position for each program. Under these provisions, portions of the position authority for the State Treasurer and the Deputy Treasurer would be moved to the remaining unclaimed property program. The bill would also transfer management functions of Office to DOA (also described separately).

[Act 32 Sections: 812, 2758, and 2764]

**4. PUBLIC FINANCING OF CAMPAIGNS FOR SUPREME COURT JUSTICE--DEMOCRACY TRUST FUND [LFB Paper 331]**

SEG	- \$3,200,000
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**Governor:** Delete \$1,600,000 SEG annually and transfer the SEG sum sufficient public

financing benefits; candidates for justice appropriation to the Government Accountability Board (GAB). As a result, this appropriation would have no authorized expenditure authority under GAB. Under current law, this appropriation provides payment of public financing benefits to eligible Supreme Court Justice candidates, funded from the Democracy Trust Fund (DTF).

In addition, delete the DTF administration appropriation under the State Treasurer which authorizes the Treasurer to expend the amounts to offset costs incurred to administer the DTF. Under current law, this appropriation has no expenditure authority.

Finally, provide that it would be the responsibility of GAB, and not the State Treasurer, to administer the DTF and to create and extend lines of credit to eligible candidates for Supreme Court Justice. The DTF provides public financing grants for eligible candidates for Supreme Court Justice.

**Joint Finance/Legislature:** Delete provision. Instead, eliminate the Democracy Trust Fund (DTF). Delete the SEG sum sufficient public financing benefits; candidates for justice appropriation and the DTF administration appropriation. As a result, no public financing of campaigns would be available for candidates for Supreme Court Justice. Instead, candidates for Supreme Court Justice would have to fund their campaigns exclusively from personal funds and private contributions. [See "Government Accountability Board."]

[Act 32 Sections: 756m, 757, and 884m]

**5. TRANSFER COLLEGE SAVINGS PROGRAMS TO DOA [LFB Paper 620]**

	Funding	Positions
PR	\$117,600	0.60
SEG	<u>- 1,377,000</u>	<u>- 1.60</u>
Total	- \$1,259,400	- 1.00

**Governor/Legislature:** Delete \$688,500 SEG and 1.6 SEG positions and provide \$58,800 PR and 0.6 PR positions annually related to transferring 1.0 SEG position responsible for college savings plan (EdVest) administration to the Department of Administration (DOA). The additional program revenue funding and position authority would move partial funding of the State Treasurer and the Deputy State Treasurer from the EdVest-supported administrative appropriation to the unclaimed property-supported administrative appropriation.

Specify that the College Savings Board would be attached to DOA rather than the State Treasurer and that the DOA Secretary or the Secretary's designee would serve as a member of the Board rather than the State Treasurer or the Treasurer's designee. Transfer the various appropriations, currently in the Office of the State Treasurer, to DOA's supervision and management functions.

*Transfer of the College Savings Programs.* Under current law, the Office of the State Treasurer operates two ongoing college savings programs: (a) EdVest; and (b) Tomorrow's Scholar. Administration of these programs would be transferred to DOA under the bill.

Under current law, the funds invested in the college savings programs can be used for tuition, fees, room and board, and educational supplies. Wisconsin residents may deduct up to

\$3,000 annually, per beneficiary. Parents, grandparents, great grandparents, aunts, and uncles of the beneficiary who made contributions to the program are eligible for the Wisconsin tax deduction. Account owners may also claim a deduction for contributions made to their own account. Investment earnings and distributions from an account established through a section 529 qualified program, including Wisconsin's EdVest and Tomorrow's Scholar, programs of other states, and private institutions, are exempt from both federal and Wisconsin income taxes if the withdrawals are used for qualified higher education expenses. The bill makes no change to either college savings program.

*Transfer of College Tuition and Expenses Program.* Transfer the College Tuition and Expenses program from the Office of the State Treasurer to the DOA.

The College Tuition and Expenses Program (also known as the tuition units purchase program) allowed individuals to purchase units of tuition. The value of each unit is equal to an estimate of 1% of weighted UW System tuition at the time of expected enrollment of the beneficiary. The funds can be used for any U.S. higher education institution. The program was available from July, 1997, through December, 2002, although some invested funds will remain in the program, through approximately 2024. The State Treasurer must make payments to the beneficiary or on the beneficiary's behalf in each semester of attendance the lesser actual costs or the amount of funding available. Under the bill, these duties would be transferred to DOA. The bill makes no other change to the program.

*Nonstatutory Provisions.* Specify that the assets, liabilities and tangible property of the Office of the State Treasurer related to the college savings programs and the College Tuition and Expenses program, as determined by the DOA Secretary, would become assets, liabilities and tangible property of DOA on the effective date of the bill.

Specify that all pending matters of the college savings programs and the College Tuition and Expenses program, as determined by the DOA Secretary, would become pending matters of DOA on the effective date of the bill. Materials submitted to, or actions taken by, the Office of the State Treasurer related to these programs would be considered to or taken by DOA.

All contracts entered into by the Office of the State Treasurer, on the effective date of the bill, would become contracts of DOA, as determined by the DOA Secretary. The Department would be responsible for carrying out the obligations of these contracts unless modified or rescinded by DOA, to the extent allowed under the contract.

Under the bill, the administrative rules promulgated by the Office of the State Treasurer, relating to the college savings programs and the College Tuition and Expenses program, would remain in effect until the expiration date of the rule or until amended or repealed by DOA. All orders issued by the Office of the State Treasurer related to the college savings programs and the College Tuition and Expenses program would remain in effect until the end of their effective date or until modified or rescinded by DOA. Under the bill, the DOA Secretary would determine which rules and orders are related to the college savings programs.

On the effective date of the bill, 1.0 SEG position from the Office of the State Treasurer, who is the incumbent employee for these programs, would be transferred to DOA. Specify that

the DOA Secretary would identify the position to transfer. The transferred person would retain their earned rights and status under the state employment relations laws. Any person transferred would not have to go through a probationary period, if he or she has already obtained permanent status.

[Act 32 Sections: 74, 75 thru 77, 207, 208, 758 thru 766, 868, 904 thru 907, 1756 thru 1760, 3491, 3492, and 9149(1)]

**6. TRANSFER LOCAL GOVERNMENT INVESTMENT POOL [LFB Paper 620]**

	Funding	Positions
PR	- \$364,800	- 1.00

**Governor/Legislature:** Delete \$223,200 and 1.4 classified position annually related to the transfer of the local government pooled-investment fund from the Office of the State Treasurer to the Department of Administration (DOA). Within the Office of the State Treasurer, provide \$40,800 and 0.4 unclassified position, related to partial funding of salaries and fringe benefits of the State Treasurer and the Deputy State Treasurer, from supported by the investment fund to funded from the unclaimed property revenues.

Under current law, an officer or employee of a local unit of government may deposit funds through the State Treasurer into an investment fund that is the pooled assets of the various local governments that have authorized deposits. The funds are invested by the State of Wisconsin Investment Board (SWIB) and managed along with cash balances of state agencies and excess cash of the retirement funds managed by SWIB. The local units of government can specify the period in which the funds are invested. The State Treasurer may prescribe the mechanisms and procedures for deposits and withdrawals. In cooperation with DOA, SWIB must provide information to the State Treasurer on the status of the fund. The Treasurer must make a monthly report to each local unit of government that has invested in the fund. The State Treasurer must deduct monthly from the earnings of the fund an amount sufficient to cover the actual and necessary expenses of administering the fund.

The duties of the State Treasurer would be transferred to DOA under the bill. There would be no programmatic changes to the local government pooled-investment fund program under the bill.

*Nonstatutory Provisions.* Specify that the assets, liabilities, and tangible property (including records) of the Office of the State Treasurer related to the local government pooled-investment fund, as determined by the DOA Secretary, would become assets, liabilities and tangible property of DOA on the effective date of the bill.

Specify that all pending matters of the local government pooled-investment fund, as determined by the DOA Secretary, would become pending matters of DOA on the effective date of the bill. Materials submitted to or actions taken by the Office of the State Treasurer related to this program would be considered to or taken by DOA.

All contracts entered into by the Office of the State Treasurer, related to the local government pooled-investment fund, on the effective date of the bill, would become contracts of

DOA, as determined by the DOA Secretary. The Department would be responsible for carrying out the obligations of these contacts unless modified or rescinded by DOA, to the extent allowed under the contract.

Under the bill, the administrative rules promulgated by the Office of the State Treasurer, relating to the local government pooled-investment fund would remain in effect until the expiration date of the rule or until amended or repealed by DOA. All orders issued by the Office of the State Treasurer related to the local government pooled-investment fund would remain in effect until the end of their effective date or until modified or rescinded by DOA. Under the bill, the DOA Secretary would determine the rules and orders that are related to the local government investment pool.

On the effective date of the bill, 1.0 PR position from the Office of the State Treasurer, who is the incumbent employee for the program, would be transferred to DOA. Specify that the DOA Secretary would identify the position to transfer. The transferred person would retain their earned rights and status under the state employment relations laws. Any person transferred would not be required to serve a probationary period, if he or she has already obtained permanent status.

[Act 32 Sections: 755, 896, 898 thru 903, and 9142(2)]

**7. TRANSFER OF STATE TREASURER MANAGEMENT FUNCTIONS TO DOA**  
[LFB Paper 620]

**Governor/Legislature:** Transfer the assets, liabilities, and tangible property (including records) of the Office of the State Treasurer that are primarily related to management services, as determined by the DOA Secretary, to DOA.

Specify that all pending matters of the Office of the State Treasurer that are primarily related to management services, as determined by the DOA Secretary, would become pending matters of DOA on the effective date of the bill. Materials submitted to or actions taken by the Office of the State Treasurer that are primarily related to management services would be considered to or taken by DOA.

All contracts entered into by the Office of the State Treasurer that are primarily related to management services, on the effective date of the bill, would become contracts of DOA, as determined by the DOA Secretary. The Department would be responsible for carrying out the obligations of these contacts unless modified or rescinded by DOA, to the extent allowed under the contract.

Under the bill, the administrative rules promulgated by the Office of the State Treasurer that are primarily related to management services, as determined by the DOA Secretary, would remain in effect until the expiration date of the rule or until amended or repealed by DOA. All orders issued by the Office of the State Treasurer that are primarily related to management services, as determined by the DOA Secretary, would remain in effect until the end of their effective date or until modified or rescinded by DOA.

[Act 32 Section: 9149(3)]

**8. UNCLAIMED PROPERTY PERMANENT POSITIONS**

	<b>Funding</b>	<b>Positions</b>
PR	\$409,600	4.00

**Governor/Legislature:** Provide \$204,800 and 4.0 classified positions annually for managing unclaimed property cash revenue accounts and database, claims review and processing, management reconciliation of stock portfolios, and security and sale of safe deposit contents. Under current law, these positions are provided on a temporary basis set to expire on June 30, 2011. [The Executive Budget Book indicates that these permanent positions would be deleted on June 30, 2013.]

## SUPREME COURT

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$29,684,200	\$28,856,700	\$30,620,300	\$30,620,300	\$30,620,300	\$936,100	3.2%
FED	1,848,000	1,791,800	1,829,200	1,829,200	1,829,200	- 18,800	- 1.0
PR	29,452,400	27,932,200	30,081,800	30,081,800	30,081,800	629,400	2.1
SEG	<u>1,536,200</u>	<u>1,498,000</u>	<u>1,533,400</u>	<u>1,533,400</u>	<u>1,533,400</u>	<u>- 2,800</u>	- 0.2
<b>TOTAL</b>	<b>\$62,520,800</b>	<b>\$60,078,700</b>	<b>\$64,064,700</b>	<b>\$64,064,700</b>	<b>\$64,064,700</b>	<b>\$1,543,900</b>	<b>2.5%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change
						Over 2010-11 Base
GPR	115.50	114.50	114.50	114.50	114.50	- 1.00
FED	5.00	5.00	5.00	5.00	5.00	0.00
PR	95.25	95.25	95.25	95.25	95.25	0.00
SEG	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>0.00</u>
<b>TOTAL</b>	<b>220.75</b>	<b>219.75</b>	<b>219.75</b>	<b>219.75</b>	<b>219.75</b>	<b>- 1.00</b>

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Adjust base funding by \$718,500 in 2011-12 and \$665,600 in 2012-13 and -2.0 positions annually for: (a) full funding of salaries and fringe benefits (\$437,000 GPR, -\$9,500 FED, \$230,900 PR and -\$6,300 SEG annually); (b) full funding of lease and directed moves costs (\$83,300 GPR, \$100 FED, \$83,800 PR, and \$4,900 SEG annually); and (c) removal of non-continuing items (-\$105,700 GPR in 2011-12 and -\$158,600 GPR in 2012-13 and -2.0 GPR positions annually).

	Funding	Positions
GPR	\$776,300	- 2.00
FED	- 18,800	0.00
PR	629,400	0.00
SEG	<u>- 2,800</u>	<u>0.00</u>
<b>Total</b>	<b>\$1,384,100</b>	<b>- 2.00</b>

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE [LFB Paper 626]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$1,268,800	\$1,268,800	\$0
FED	- 37,400	37,400	0
PR	- 884,400	884,400	0
SEG	<u>- 35,400</u>	<u>35,400</u>	<u>0</u>
Total	- \$2,226,000	\$2,226,000	\$0

**Governor:** Delete \$1,113,000 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$634,400 GPR, \$18,700 FED, \$442,200 PR, and \$17,700 SEG annually. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**Joint Finance/Legislature:** Convert the appropriation reductions under the Supreme Court to a biennial lapse requirement for the Supreme Court, Court of Appeals and Circuit Courts of \$16,960,400, applicable to both the 2011-13 and 2013-15 biennia. [See Supreme Court, Item #7]

**3. APPROPRIATION REDUCTIONS [LFB Paper 626]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$453,800	\$453,800	\$0
PR	<u>- 1,265,200</u>	<u>1,265,200</u>	<u>0</u>
Total	- \$2,226,000	\$2,226,000	\$0

**Governor:** Reduce funding by \$226,900 GPR and \$632,600 PR annually associated with a 10% reduction to supplies and other non-personnel costs, as follows:

<b>Director of State Courts</b>	
General Program Operations	\$90,500 GPR
Court Commissioner Training	2,100 PR
Court Interpreter Training and Certification	4,500 PR
Materials & Services	6,000 PR
Municipal Judge Training	5,900 PR
Court Information Systems	107,600 PR
Central Services	3,300 PR
Automated Information Systems	420,000 PR
<b>Bar Examiners &amp; Responsibility</b>	
Board of Bar Examiners	\$18,400 PR
Office of Lawyer Regulation	58,400 PR
<b>State Law Library</b>	
General Program Operations	\$136,400 GPR
Library Collection and Services	6,400 PR

**Joint Finance/Legislature:** Specify that the Chief Justice of the Supreme Court, acting as administrative head of the judicial system, must take actions during the 2011-13 and 2013-15 biennia to ensure that from general purpose and program revenue appropriations under the Circuit Courts, Court of Appeals, and Supreme Court amounts are lapsed from sum certain appropriation accounts or are subtracted from the expenditure estimates for any other types of appropriations, or both, in each biennium. [See "Supreme Court," Item #7]

**4. CONVERT COURT AUDITOR PROJECT POSITION TO PERMANENT**

	Funding	Positions
GPR	\$118,800	1.00

**Governor/Legislature:** Convert the 1.0 auditor position from a project position to a permanent position, and provide \$47,300 in 2011-12 and \$71,500 in 2012-13. The position was created under 2007 Act 20 to create a uniform chart of accounts program for county court costs and revenues. Continuation of the auditor position is intended to allow counties to be audited on a regular basis, to provide assistance to counties in streamlining reporting, and to ensure the completeness and accuracy of statewide county by county financial data related to operation of the circuit courts. Removal of the project position is included under the Supreme Court's standard budget adjustments, removal of noncontinuing items.

**5. AUTOMATED INFORMATION SYSTEMS -- JUSTICE INFORMATION FEE FUNDING [LFB Paper 625]**

**Governor:** Create a program revenue appropriation for the operation of the circuit court automated information systems. Provide funding to the appropriation through revenue from the justice information system surcharge [See "Administration -- Justice Information System Surcharge Overview" for more information.]

Transfer funding associated with the justice information system surcharge (\$4.2 million

PR annually) from the existing court information systems appropriation to the new automated information systems appropriation. Delete statutory language which provides justice information system surcharge revenue to the existing court information systems appropriation. As a result, revenue from the justice information system surcharge would no longer be deposited into the court information systems appropriation, but rather the new automated information systems appropriation. The court information systems appropriation would continue to receive revenue from other fee and surcharge revenues.

**Joint Finance/Legislature:** Delete provision.

**6. ONE-TIME TRANSFER OF FUNDING TO STATE LAW LIBRARY [LFB Paper 427]**

GPR	\$41,000
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**Governor:** Create non-statutory language providing for the one-time transfer of \$41,000 from the Department of Justice's (DOJ) gifts, grants, and proceeds PR appropriation to the Supreme Court's law library PR gifts and grants appropriation in 2011-12 for the purchase of archival materials. Funding in the DOJ gifts, grants, and proceeds appropriation are derived from legal settlement funds.

**Joint Finance/Legislature:** Delete provision. Instead, provide one-time monies of \$41,000 GPR to the Supreme Court's law library GPR appropriation in 2011-12 for the purchase of archival materials.

**7. COURTS LAPSE REQUIREMENT [LFB Paper 626]**

GPR-Lapse	\$16,960,400
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**Joint Finance/Legislature:** Convert the appropriation reductions under the Supreme Court, Court of Appeal and Circuit Courts to a biennial lapse requirement of \$16,960,400, applicable to both the 2011-13 and 2013-15 biennia. Specify that the Chief Justice of the Supreme Court, acting as administrative head of the judicial system, must take actions during the 2011-13 and 2013-15 biennia to ensure that from general purpose and program revenue appropriations under the Circuit Courts, Court of Appeals, and Supreme Court amounts are lapsed from sum certain appropriation accounts or are subtracted from the expenditure estimates for any other types of appropriations, or both, in each biennium. Lapse amounts are related to GPR and most PR funding for: (a) increased employee contributions for pension and insurance (\$4,727,400 GPR and \$442,200 PR annually); and (b) a 10% reduction to supplies and services for non-personnel costs (\$2,694,600 GPR and \$616,000 PR annually). The lapse requirement excludes gifts and grants (PR), FED, or SEG funding.

[Act 32 Section: 9245(2f)]

**8. CREATING OF JUDICIAL COMPENSATION COMMISSION**

**Joint Finance/Legislature:** Create a Judicial Compensation Commission to study and make recommendations on judicial compensation, with the objective to assure that highly qualified persons are attracted to the bench and will serve without unreasonable economic hardship.

Specify that the Commission review the salaries of the justices and judges of the Supreme Court, Court of Appeals, and Circuit Courts. No later than December 1, 2012, the Commission must submit a written report to the Governor and the Joint Committee on Employment Relations that includes recommendations on salaries of the justices and judges. The Joint Committee on Employment Relations (JCOER) must review and approve the recommendations, unless by a majority of JCOER members agrees not to approve or to make modifications to the Commission's recommendations, stating why the changes are necessary. For the 2013-15 biennium, the Governor must provide funding sufficient to implement the Commission's recommendations. If the salary adjustment approved by JCOER is less than the percentage increase of any across-the-board pay adjustment for any other classified-service position, the annual salary adjustment for the justices and judges must be increased to an equal percentage of the highest across-the-board pay adjustment.

The Commission would consist of seven members, appointed as follows: (a) two members by the Governor; (b) one member by the President of the Senate; (c) one member by the Speaker of the Assembly; (d) one member by the Dean of the University of Wisconsin Law School; (e) one member by the Dean of the Marquette University Law School; and (f) one member by the President of the State Bar of Wisconsin. The members of the Commission would elect a member as Chair of the Commission, and would be reimbursed for expenses necessarily incurred as members. The Director of State Courts must provide staff and support services for the Commission. The provision related to the Commission and its work would sunset on December 2, 2012.

**Veto by Governor [A-10]:** Delete provision.

[Act 32 Vetoed Section: 9155(1j)]

## **9. DIRECTOR OF STATE COURTS OR STATE LAW LIBRARY FUNDING FOR JUDICIAL COUNCIL**

**Joint Finance/Legislature:** Allow the transfer funding from the GPR or PR appropriations under the Supreme Court's Director of State Courts and/or the State Law Library to a new program revenue appropriation under the Judicial Council. Under a separate provision, the bill would reduce current funding in the Judicial Council's GPR general program operations appropriation by half. A new PR appropriation would be created under the Judicial Council, initially with no expenditure authority.

[Act 32 Sections: 768g and 3475g]

## TOURISM

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$5,753,000	\$9,348,300	\$9,348,300	\$9,348,300	\$9,348,300	\$3,595,300	62.5%
FED	0	1,511,000	1,511,000	1,511,000	1,511,000	1,511,000	N.A.
PR	17,339,000	19,799,400	19,799,400	19,799,400	19,799,400	2,460,400	14.2
SEG	<u>4,857,200</u>	<u>4,860,600</u>	<u>4,763,600</u>	<u>4,763,600</u>	<u>4,763,600</u>	<u>- 93,600</u>	- 1.9
<b>TOTAL</b>	<b>\$27,949,200</b>	<b>\$35,519,300</b>	<b>\$35,422,300</b>	<b>\$35,422,300</b>	<b>\$35,422,300</b>	<b>\$7,473,100</b>	<b>26.7%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	30.45	30.00	30.00	30.00	30.00	- 0.45
FED	0.00	1.00	1.00	1.00	1.00	1.00
PR	1.00	1.00	1.00	1.00	1.00	0.00
SEG	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>0.00</u>
<b>TOTAL</b>	<b>34.45</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>	<b>0.55</b>

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide adjustments to the agency base budget for: (a) full funding of salary and fringe benefits for continuing positions [\$286,100 GPR annually, \$4,600 PR annually, and \$14,600 SEG annually]; (b) reclassifications and semiautomatic pay progressions [\$26,500 GPR annually]; (c) full funding of lease costs and other directed moves [-\$38,200 GPR annually, -\$6,700 PR annually, and -\$1,200 SEG annually]; and (d) minor transfers within appropriations [(1) within the PR appropriation for law enforcement services at the Kickapoo Valley Reserve, reallocate \$17,900 from limited-term employee and other miscellaneous salaries to \$14,400 in supplies and services and \$3,500 in fringe benefits; and (2) within the conservation fund SEG appropriation for Kickapoo Valley Reserve general operations, transfer \$2,000 for permanent

GPR	\$548,800
PR	- 4,200
SEG	<u>26,800</u>
<b>Total</b>	<b>\$571,400</b>

property acquisition to supplies and services].

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

GPR	- \$258,200
PR	- 7,200
SEG	- 23,400
Total	- \$288,800

**Governor/Legislature:** Delete \$144,400 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$129,100 GPR, \$3,600 PR, and \$11,700 SEG. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance costs reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. ELIMINATE LONG-TERM VACANCIES**

	Funding	Positions
GPR	- \$401,800	- 3.45

**Governor/Legislature:** Delete \$200,900 annually and 3.45 positions from Tourism's general operations appropriation to reflect the elimination of long-term vacant positions under the bill. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**4. BUDGET REDUCTIONS**

GPR	- \$129,600
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**Governor/Legislature:** Reduce Tourism general operations funding by \$64,800 annually associated with a 10% reduction to supplies and other non-personnel costs.

**5. TOURISM MARKETING FUNDING [LFB Paper 630]**

GPR	\$2,344,100
PR	2,382,000
Total	\$4,726,100

**Governor:** Provide \$2,344,100 GPR in 2012-13 and \$1,191,000 tribal gaming PR annually for tourism marketing and promotion. Tourism has the following base funding for marketing and promotion activities: (a) \$8,213,600 tribal gaming PR; (b) \$1,597,100 transportation fund SEG; and (c) \$160,000 tribal gaming PR for grants to regional tourism information centers (TICs). Although the statutes contain a GPR marketing appropriation, the last expenditure authority granted was \$5,186,400 in 2004-05.

Tourism marketing appropriations fund a variety of activities, including: (a) advertising campaigns throughout Wisconsin and neighboring states to draw visitors to attractions; (b) joint effort marketing grants, which are disbursed to local organizations to assist with the promotion of seasonal, one-time, or new events, or notable destinations; (c) cooperative marketing efforts, in which Tourism makes advertising space available to Wisconsin businesses under banner ads or in e-mails as a means of providing such attractions with lower-cost options for reaching certain audiences; and (d) statutory earmarks for various activities. Tourism marketing expenditures in 2009-10 totaled \$8.8 million.

**Joint Finance/Legislature:** Adopt the Governor's recommendation, but split GPR

funding as \$1,172,000 in 2011-12 and \$1,172,100 in 2012-13. Further, change the tourism marketing GPR appropriation from annual to biennial. A biennial appropriation would allow Tourism to expend total amounts appropriated for the biennium in either year of the biennium. This change makes the GPR marketing appropriation consistent with tribal gaming PR and transportation SEG marketing appropriations, which are biennial.

The following table shows the marketing funding Tourism has available in 2011-13, including reductions under standard budget adjustments:

**Tourism Marketing Appropriations -- Act 32**

<u>Appropriation</u>	<u>Base</u>	<u>2011-12</u>		<u>2012-13</u>	
		<u>Change</u>	<u>Total</u>	<u>Change</u>	<u>Total</u>
Tourism marketing (GPR)	\$0	\$1,172,000	\$1,172,000	\$1,172,100	\$1,172,100
Tourism marketing (Tribal PR)	8,213,600	1,184,300	9,397,900	1,184,300	9,397,900
TIC grants (Tribal PR)	160,000	0	160,000	0	160,000
Tourism marketing (Transportation SEG)	<u>1,597,100</u>	<u>-1,200</u>	<u>1,595,900</u>	<u>-1,200</u>	<u>1,595,900</u>
Total	\$9,970,700	\$2,355,100	\$12,325,800	\$2,355,200	\$12,325,900

[Act 32 Section: 603g]

**6. TRANSFER ARTS BOARD TO DEPARTMENT OF TOURISM [LFB Paper 150]**

	<b>Funding</b>	<b>Positions</b>
GPR	\$1,492,000	3.00
FED	1,511,000	1.00
PR	<u>89,800</u>	<u>0.00</u>
Total	\$3,092,800	4.00

**Governor:** Amend the statutory authorization for the Arts Board to delete references to administrative attachment to Tourism for limited purposes. Instead, specify the Arts Board is created in the Department of Tourism. Place statutory authorizations for Arts Board programs in Subchapter III of Chapter 41 (Department of Tourism). Require the Tourism Secretary to appoint the Executive Secretary of the Arts Board, and specify that the Executive Secretary would serve outside the classified service and at the pleasure of the Tourism Secretary. Specify that all incumbent employees of the Arts Board would be transferred to Tourism on the effective date of the bill and that transferred employees would hold the same rights and status under state employment and civil service provisions as were held immediately prior to transfer.

Create a program for support of arts projects in Tourism and transfer the following appropriations: (a) general program operations [GPR]; (b) state aid for the arts [GPR]; (c) portraits of governors [GPR]; (d) arts challenge initiative grants [GPR]; (e) grants to the Milwaukee Foundation, Inc., for the High Point fund [GPR]; (f) the Wisconsin regranting program [GPR]; (g) gifts and grants for use in Arts Board operations [PR]; (h) gifts and grants for use in aids to individuals and organizations [PR]; (i) support of arts programs by the Wisconsin Artistic Endowment Foundation [PR]; (j) state aid for the arts for American Indian groups [tribal gaming PR]; (k) federal funds for Arts Board operations [FED]; and (L) federal funds for Arts Board grants and aids [FED].

Provide authority for expenditures and positions as shown in the table below. Three positions listed would be in the classified service, and the Executive Secretary position would be unclassified.

### **Arts Board Budget and Positions**

<u>Appropriation</u>	<u>Source</u>	<u>Annual Funding</u>	<u>Positions</u>
General operations	GPR	\$270,000	3.00
State aid for the arts	GPR	359,300	---
Wisconsin regranting program	GPR	116,700	---
Gifts and grants - operations	PR	20,000	---
State aid for the arts - American Indian groups	PR	24,900	---
Federal funds - operations	FED	231,000	1.00
Federal funds - grants and aids	FED	<u>524,500</u>	<u>---</u>
<b>Total</b>		<b>\$1,546,400</b>	<b>4.00</b>

Previously, the Arts Board was administratively attached to Tourism. Statutory provisions for administrative attachment provide that any duties assigned to an agency as prescribed by law are to be carried out independently of the administrative attachment. This includes rule-making procedures, licensing and regulation, or operations planning. Budget management, program coordination and other general functions are governed by the administrative attachment. For example, the Arts Board previously retained the ability to establish its own program policies through its agency budget, including requesting changes to annual expenditure amounts. However, administrative aspects of budgeting, such as the submission of budget requests to the Department of Administration were carried out by Tourism.

Under the bill, the Arts Board becomes a part of Tourism, and the Board's functions would be under the direction of the Tourism Secretary. The Executive Secretary of the Arts Board would be akin to a division administrator in other agencies. The composition of the 15-member Arts Board does not change.

**Joint Finance/Legislature:** Include provision, but provide \$175,700 GPR annually in the Joint Finance GPR supplemental appropriation for release to the appropriation for state aid to the arts, provided that additional federal funding is available in 2011-13 from the National Endowment for the Arts. The fiscal effect for this change is shown under "Program Supplements."

Provide the Arts Board, rather than the Tourism Secretary, is to appoint an Executive Director, and convert 1.0 GPR position from classified to unclassified to reconcile the state budget system with language in the bill. Specify positions transferred to Tourism include the Executive Director and positions pertaining primarily to grants administration, as determined by the Secretary of the Department of Administration. Also, make technical corrections to drafting in the bill's renumbering of statutes. [See entries under "Arts Board" for additional information.]

[Act 32 Sections: 168, 503 thru 512, 515 thru 517, 739, 1179, 1182, 1183, 1187 thru 1219, 1224, 1227 thru 1236, 1742 thru 1745, 2867, 2868, and 9104(2)]

## **7. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS**

**Governor/Legislature:** Delete 1.0 GPR classified position and provide 1.0 GPR unclassified position under Tourism's general operations appropriation.

Under 2011 Act 10, 38 classified positions are transferred into the unclassified service to serve as division administrators. Act 10 redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) would be moved from classified to unclassified service within specified agencies. The revised unclassified positions would be renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions would be at-will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of Act 10 in regards to the transfer of classified positions to unclassified positions as recommended by the Governor.

## **8. TRANSFER FILM PRODUCTION TAX CREDIT ADMINISTRATION TO TOURISM [LFB Paper 238]**

**Governor/Legislature:** Transfer administration of accreditation for the film production services tax credit and the film production company investment tax credit from the Department of Commerce (Commerce) to Tourism. Under the act, Tourism assumes responsibilities for determining accredited productions and associated film production companies that would be eligible for each credit. Tourism also assumes responsibilities for determining the following: (a) for accredited productions, production expenses incurred during a taxable year; and (b) for film production companies, eligible expenses related to establishing a film production company. Tourism is to provide the Department of Revenue notification of eligible production costs for each accredited production, and also to provide to claimants a certification of the investments related to establishing a film production company in the state.

The act also provides Tourism with rule-making authority, under which the Department would likely specify procedures for determining accreditation and the cost bases on which claimants would seek tax credits. Commerce previously carried out such duties under administrative rule Comm 133. Also, the statutes specify claimants of the film production services tax credit must submit a fee with an application for accreditation, with the fee being 2% of the budgeted production expenditures up to \$5,000. Commerce reports the fee has generated revenues of \$5,100 as of March, 2011, since its creation under 2009 Act 28.

Companies can be certified for tax credits totaling up to \$500,000 annually for certain film production-related expenditures. [See related entries under "General Fund Taxes -- Income and Franchise Taxes" for more information.]

[Act 32 Sections: 1874 thru 1877, 2004 thru 2007, 2115 thru 2118, and 3368]

**9. KICKAPOO VALLEY RESERVE -- AIDS IN LIEU OF PROPERTY TAXES** [LFB Paper 632]

SEG	- \$97,000
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**Joint Finance/Legislature:** Delete \$51,000 in 2011-12 and \$46,000 in 2012-13 from the forestry account of the segregated conservation fund to reestimate aids in lieu of property taxes for the Kickapoo Valley Reserve. The Reserve consists of approximately 8,600 acres in Vernon County. As state-owned land, the Reserve is exempt from property taxation, but the state pays aids in lieu of property taxes to compensate municipalities and school districts in whose boundaries the Reserve is located. Payments under the act are estimated at \$351,000 in 2011-12 and \$356,000 in 2012-13.

**10. TOURISM MARKETING EARMARKS** [LFB Paper 631]

**Joint Finance/Legislature:** Change an earmark for America's Black Holocaust Museum (ABHM) in Milwaukee to specify Tourism expend at least \$50,000 each biennium to conduct, or contract for, marketing to promote multicultural events taking place in Wisconsin. The change deletes the statutory reference to ABHM, which closed in 2008.

Further, change an earmark for the Milwaukee Public Museum (MPM) to specify Tourism spend at least \$200,000 each biennium for grants to MPM to promote exhibits and activities at MPM. The change deletes language specifying funds be provided for Native American exhibits and activities, and it makes the statutes consistent with current practice.

Based on the act and previous provisions, Tourism is statutorily required to make the following expenditures: (a) not less than \$125,000 annually for sporting activities and events, which Tourism awards to the Wisconsin Sports Development Corporation; (b) at least \$25,000 annually for state sponsorship of, and advertising during, broadcasts of the Milwaukee Symphony Orchestra; (c) at least \$200,000 biennially to MPM; (d) at least \$200,000 annually to Native American Tourism of Wisconsin; and (e) at least \$50,000 biennially for multicultural events. For biennial grants, Tourism typically disburses half the biennial amount each year.

[Act 32 Sections: 1167g and 1167h]

## TRANSPORTATION

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$152,749,200	\$311,840,600	\$205,362,300	\$205,362,300	\$205,362,300	\$52,613,100	34.4%
FED	1,556,093,400	1,695,762,700	1,695,762,700	1,695,762,700	1,695,762,700	139,669,300	9.0
PR	10,767,000	10,717,000	10,717,000	10,717,000	10,717,000	- 50,000	- 0.5
SEG	3,281,339,800	3,022,186,700	3,172,900,700	3,172,900,700	3,172,890,700	- 108,449,100	- 3.3
SEG-L	217,118,800	217,118,800	217,118,800	217,118,800	217,118,800	0	0.0
SEG-S	<u>407,933,400</u>	<u>390,796,200</u>	<u>390,796,200</u>	<u>390,796,200</u>	<u>390,796,200</u>	<u>- 17,137,200</u>	- 4.2
TOTAL	\$5,626,001,600	\$5,648,422,000	\$5,692,657,700	\$5,692,657,700	\$5,692,647,700	\$66,646,100	1.2%
BR		\$681,014,600	\$680,014,600	\$680,014,600	\$680,014,600		

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	0.00	0.00	0.00	0.00	0.00	0.00
FED	900.86	843.79	843.79	843.79	843.79	- 57.07
PR	16.00	15.00	15.00	15.00	15.00	- 1.00
SEG	2,571.62	2,421.73	2,478.75	2,478.75	2,478.75	- 92.87
SEG-L	0.00	0.00	0.00	0.00	0.00	0.00
SEG-S	<u>7.00</u>	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>	<u>- 1.00</u>
TOTAL	3,495.48	3,286.52	3,343.54	3,343.54	3,343.54	- 151.94

### Budget Change Items

### Transportation Finance

#### 1. FUND CONDITION STATEMENT [LFB Paper 640]

The following table shows the transportation fund condition statement reflecting revenues and expenditures under the Act.

	<u>2011-12</u>	<u>2012-13</u>
Unappropriated Balance, July 1	\$0	\$737,700
<b>Revenues</b>		
Motor Fuel Tax	\$985,100,000	\$979,050,000
Vehicle Registration Fees	616,578,100	611,280,000
Less Revenue Bond Debt Service	-200,309,200	-215,314,100
Transfer from the General Fund	22,500,000	137,627,000
Driver's License Fees	39,785,900	39,778,800
Miscellaneous Motor Vehicle Fees	29,112,000	29,111,100
Aeronautical Fees and Taxes	9,948,700	10,005,400
Railroad Property Taxes	26,337,100	26,723,000
Investment Earnings	2,210,100	11,422,800
Miscellaneous Departmental Revenues	<u>40,186,300</u>	<u>40,444,900</u>
Total Annual Revenues	\$1,571,449,000	\$1,670,128,900
Total Available	\$1,571,449,000	\$1,670,866,600
<b>Appropriations and Reserves</b>		
DOT Appropriations	\$1,535,878,900	\$1,636,299,400
Other Agency Appropriations	25,054,100	25,790,300
Less Estimated Lapses	-1,000,000	-1,000,000
Compensation and Other Reserves	<u>10,778,300</u>	<u>8,399,300</u>
Net Appropriations and Reserves	\$1,570,711,300	\$1,669,489,000
Unappropriated Balance, June 30	\$737,700	\$1,377,600

## 2. USE OF REVENUES FROM OTHER FUNDS TO SUPPORT TRANSPORTATION PROGRAMS [LFB Paper 642]

**Governor:** Under the bill, revenue from three other funds that traditionally has been used to support programs other than transportation would be used to support transportation programs. These include the following provisions, which are summarized in more detail elsewhere: (a) the transfer of a portion of the sales and use tax on motor vehicles, parts, and accessories from the general fund to the transportation fund; (b) the use of general fund appropriations to support mass transit operating assistance; (c) the authorization of general fund-supported bonds for the state highway rehabilitation program; (d) conversion of the \$9 vehicle environmental impact fee, which is deposited in the environmental fund, to an additional \$9 title fee, which would be deposited in the transportation fund; and (e) a transfer from the petroleum inspection fund to the transportation fund. The following table summarizes the benefit to transportation programs from each of these provisions.

## Other Fund Revenues Used To Support Transportation Programs

	<u>2011-12</u>	<u>2012-13</u>	<u>Biennial Total</u>
<b>General Fund</b>			
Sales Tax on Vehicles	\$0	\$35,127,000	\$35,127,000
Mass Transit Appropriations	0	106,478,300	106,478,300
State Highway Rehabilitation Bonds	<u>115,351,500</u>	<u>0</u>	<u>115,351,500</u>
General Fund Subtotal	\$115,351,500	\$141,605,300	\$256,956,800
<b>Environmental Fund</b>			
Shift Environmental Impact Fee	\$10,500,000	\$10,500,000	\$21,000,000
<b>Petroleum Inspection Fund</b>			
Transfer to Transportation Fund	<u>\$19,500,000</u>	<u>\$19,500,000</u>	<u>\$39,000,000</u>
Grand Total	\$145,351,500	\$171,605,300	\$316,956,800

**Joint Finance/Legislature:** The Joint Committee on Finance substitute amendment would make the following modifications to the provisions involving the use of other funds to support transportation programs: (a) delete the transfer of a portion of the sales and use tax on motor vehicles and motor vehicle parts and accessories and require, instead, the annual transfer of 0.25% of general fund taxes from the general fund to the transportation fund; (b) delete the provision that would use general fund appropriations for the mass transit assistance program; and (c) require a one-time transfer of \$125,000,000 from the general fund to the transportation fund. The following table summarizes the use of other funds for transportation programs under the substitute amendment. As shown in the table, the transfer of 0.25% of general fund revenues is estimated at the same amount (due to a minimum transfer stipulation in that provision) as the estimated transfer of sales tax revenues. The one-time transfer from the general fund is shown split according to the general fund condition statement for the substitute amendment.

## Other Fund Revenues Used To Support Transportation Programs Under Joint Finance Substitute Amendment

	<u>2011-12</u>	<u>2012-13</u>	<u>Biennial Total</u>
<b>General Fund</b>			
Transfer of 0.25% of General Fund Taxes	\$0	\$35,127,000	\$35,127,000
One-Time Transfer	22,500,000	102,500,000	125,000,000
State Highway Rehabilitation Bonds	<u>115,351,500</u>	<u>0</u>	<u>115,351,500</u>
General Fund Subtotal	\$137,851,500	\$137,627,000	\$275,478,500
<b>Environmental Fund</b>			
Shift Environmental Impact Fee	\$10,500,000	\$10,500,000	\$21,000,000
<b>Petroleum Inspection Fund</b>			
Transfer to Transportation Fund	<u>\$19,500,000</u>	<u>\$19,500,000</u>	<u>\$39,000,000</u>
Grand Total	\$167,851,500	\$167,627,000	\$335,478,500

### 3. FEDERAL HIGHWAY FORMULA AID [LFB Paper 643]

**Governor:** Reestimate federal highway formula aid at \$715,340,300 in 2011-12 and \$721,395,300 in 2012-13, which represents an above-base increase of \$66,212,800 in 2011-12 and \$72,267,800 in 2012-13. In federal fiscal year 2010, the state received \$734.1 million, exceeding the amount reflected in the 2009-11 budget for that year by \$85.0 million. Although the amount that the state will receive in federal fiscal year 2011 remains unknown, it is expected that the state will receive a similar amount as in 2010 if Congress continues current levels of aid through the end of the federal fiscal year. In that event, 2011 federal highway aid will again exceed the 2010-11 appropriation base. The estimate of aid reflected in the bill represents a slight decrease from the anticipated 2011 aid in both years, but those amounts would be an increase above the 2011 appropriation base.

The following table shows the changes to the appropriation base in the bill and the resulting distribution of federal highway formula aid. The most significant changes involve the redistribution of federal funds between state highway programs, reflecting the proposed restructuring of those programs, including the creation of a new program for southeast Wisconsin freeway megaprojects and the elimination of the southeast Wisconsin freeway rehabilitation program. Other federal funding changes are associated with the Department's estimate of the state's cost of supporting the Hiawatha passenger rail service between Chicago and Milwaukee, standard budget adjustments, and reductions for budget management measures (elimination of vacant positions and increasing employee contributions for pension and health insurance costs).

	Appropriation Base	Governor Change to Base		Governor Totals	
		2011-12	2012-13	2011-12	2012-13
Local Transportation Facility Improvement	\$72,272,900	-\$34,900	-\$34,900	\$72,238,000	\$72,238,000
Local Bridge Improvement	24,431,100	-21,500	-21,500	24,409,600	24,409,600
Rail Passenger Service	5,218,200	1,081,800	2,331,800	6,300,000	7,550,000
Railroad Crossing Improvements	3,297,100	-5,300	-5,300	3,291,800	3,291,800
Congestion Mitigation/ Air Quality Improvement	11,619,000	0	0	11,619,000	11,619,000
Trans. Enhancements Grants	6,251,600	0	0	6,251,600	6,251,600
Bicycle and Pedestrian Facilities	2,720,000	0	0	2,720,000	2,720,000
Safe Routes to School	3,230,100	0	0	3,230,100	3,230,100
State Highway Rehabilitation	313,554,500	80,766,300	85,616,400	394,320,800	399,170,900
Southeast WI Freeway Rehab.	109,732,200	-109,732,200	-109,732,200	0	0
Major Highway Development	78,693,100	-429,600	-429,600	78,263,500	78,263,500
Southwest WI Freeway Megaprojects	0	95,053,100	95,053,100	95,053,100	95,053,100
Departmental Mgmt. and Ops.	13,339,600	-485,100	-530,200	12,854,500	12,809,400
Administration and Planning	3,665,200	20,200	20,200	3,685,400	3,685,400
Highway Maint. And Traffic Ops.	<u>1,102,900</u>	<u>0</u>	<u>0</u>	<u>1,102,900</u>	<u>1,102,900</u>
Total	\$649,127,500	\$66,212,800	\$72,267,800	\$715,340,300	\$721,395,300

**Joint Finance/Legislature:** The following table shows the changes to the Governor's allocation of federal highway formula aid by the Joint Committee on Finance and the final allocation under the substitute amendment. The Committee did not change the total estimate of federal highway formula aid, although the allocation was changed. Specifically, the substitute

amendment would replace \$2,000,000 in 2011-12 and \$3,061,300 in 2012-13 in the appropriation for passenger rail service and provide an equal amount of SEG funds for that program. Those reductions in federal funds were reallocated to the bicycle and pedestrian facilities grant program and the state highway rehabilitation program.

	Joint Finance Change to Governor		Joint Finance	
	2011-12	2012-13	2011-12	2012-13
Local Transportation Facility Improvement	\$0	\$0	\$72,272,900	\$72,272,900
Local Bridge Improvement	0	0	24,409,600	24,409,600
Rail Passenger Service	-2,000,000	-3,061,300	4,300,000	4,488,700
Railroad Crossing Improvements	0	0	3,291,800	3,291,800
Congestion Mitigation/ Air Quality Improvement	0	0	11,619,000	11,619,000
Trans. Enhancements Grants	0	0	6,251,600	6,251,600
Bicycle and Pedestrian Facilities	1,000,000	1,000,000	3,720,000	3,720,000
Safe Routes to School	0	0	3,230,100	3,230,100
State Highway Rehabilitation	1,000,000	2,061,300	395,320,800	401,232,200
Southeast WI Freeway Rehab.	0	0	0	0
Major Highway Development	0	0	78,263,500	78,263,500
Southwest WI Freeway Megaprojects	0	0	95,053,100	95,053,100
Departmental Mgmt. and Ops.	0	0	12,854,500	12,809,400
Administration and Planning	0	0	3,685,400	3,685,400
Highway Maint. And Traffic Ops.	0	0	1,102,900	1,102,900
Total	\$0	\$0	\$715,340,300	\$721,395,300

**4. TRANSFER OF SALES AND USE TAX ON MOTOR VEHICLES, PARTS, AND ACCESSORIES TO THE TRANSPORTATION FUND [LFB Paper 644]**

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG-REV	\$35,127,000	-\$35,127,000	\$0

**Governor:** Require the Department of Revenue to annually estimate the amount of sales and use tax on motor vehicles and motor vehicle parts and accessories, and deposit a percentage of that amount (as shown below) into the transportation fund, instead of, under current law, in the general fund. Require the estimate and deposit of these revenues to begin with revenues collected by the Department of Revenue on July 1, 2012, and specify that the percentage of total revenues deposited in the transportation fund shall be as shown in the following table, except that the amount deposited in 2012-13 may not exceed \$35,127,000:

<u>Fiscal Year</u>	<u>Percentage</u>
2012-13	7.5%
2013-14	10.0
2014-15	15.0
2015-16	20.0
2016-17	25.0
2017-18	30.0
2018-19	35.0
2019-20	40.0
2020-21	45.0
2021-22, and annually thereafter	50.0

Increase estimated transportation fund revenue by \$35,127,000 in 2012-13. A separate item, summarized under "General Fund Taxes -- General Sales and Use Tax," reflects the corresponding general fund revenue loss resulting from this change.

**Joint Finance/Legislature:** Delete provision.

**5. 2011-13 GENERAL FUND TRANSFER TO THE TRANSPORTATION FUND [LFB Paper 642]**

GPR-Transfer	\$125,000,000
SEG-REV	\$125,000,000

**Joint Finance/Legislature:** Transfer \$125,000,000 during the 2011-13 biennium from the general fund to the transportation fund, in addition to the ongoing transfer, summarized below, of 0.25% of general fund taxes. Increase transportation fund revenues by \$125,000,000 to reflect the transfer. Although this transfer could occur in either year of the biennium, the general fund condition statement included in the substitute amendment assumes that \$22,500,000 will be transferred in 2011-12 and \$102,500,000 will be transferred in 2012-13.

[Act 32 Section: 9201(1q)]

**6. ONGOING GENERAL FUND TRANSFER TO THE TRANSPORTATION FUND [LFB Paper 642]**

GPR-Transfer	\$35,127,000
SEG-REV	\$35,127,000

**Joint Finance/Legislature:** Require the Department of Administration, beginning on June 30, 2013, and annually thereafter, to transfer from the general fund to the transportation fund, an amount equal to 0.25% of the moneys projected to be deposited in the general fund during the fiscal year that are designated as "taxes" in the general fund condition statement, as published in the biennial budget act for that fiscal year, but specify that this amount may not be less than \$35,127,000. Increase estimated transportation fund revenue by \$35,127,000 in 2012-13 to reflect this provision. Under this provision, the minimum transfer amount would equal the estimated transfer in 2012-13 under the Governor's proposal, deleted by the Joint Committee on Finance substitute amendment, to transfer a percentage of the sales tax on motor vehicles and motor vehicle parts and accessories to the transportation fund.

[Act 32 Section: 221s]

**7. VEHICLE TITLE FEE** [LFB Paper 645]

SEG-REV	\$21,000,000
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**Governor/Legislature:** Increase the vehicle title fee by \$9, from \$53 to \$62, first applying to fees collected for original titles or title transfers on the general effective date of the bill. Increase estimated transportation fund revenues by \$10,500,000 annually to reflect this increase. A separate item, summarized under "Natural Resources -- Air, Waste, and Contaminated Land," would eliminate the \$9 vehicle environmental impact fee, paid upon each original title or title transfer application, resulting in a corresponding revenue reduction for the environmental fund. Consequently, while there would be a revenue change affecting both the transportation fund and the environmental fund, there would be no net change to the total amount paid for a vehicle title (except for titles for neighborhood electric vehicles, which are exempted from the environmental impact fee, but would be subject to the increased title fee).

[Act 32 Sections: 3131, 3133, and 9348(5)]

**8. PETROLEUM INSPECTION FUND TRANSFER TO THE TRANSPORTATION FUND** [LFB Paper 248]

SEG-REV	\$39,000,000
SEG-Transfer	\$39,000,000

**Governor/Legislature:** Transfer \$19,500,000 annually from the petroleum inspection fund to the transportation fund. This represents an increase of \$11,200,000 over the \$27,800,000 transferred in the 2009-11 biennium (\$10,000,000 in 2009-10 and \$17,800,000 in 2011-12). All of these amounts are in addition to a \$6.3 million annual appropriation from the petroleum inspection fund to the transportation fund that began in 2004-05 and would be continued at the base level of \$6,258,500 in each year of the 2011-13 biennium.

[Act 32 Section: 9210(1)]

**9. TRANSPORTATION REVENUE BOND AUTHORIZATION**

BR	\$341,763,100
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**Governor/Legislature:** Provide increased revenue bonding authority of \$341,763,100 for major highway development projects and administrative facilities. The increased authorization, when added to unused authority at the end of the 2009-11 biennium (estimated at \$152,808,400), is the amount estimated to be needed for projects during the 2011-13 biennium, plus an additional amount for the following biennium to provide sufficient bonding authority to complete projects started in the 2011-13 biennium. The requested bonding authorization reflects the intended use of bond proceeds under the major highway development program (\$154,721,600 in 2011-12 and \$159,721,600 in 2012-13) and for improvements to administrative facilities (\$5,940,000 annually).

[Act 32 Section: 2236]

**10. TRANSPORTATION REVENUE BOND DEBT SERVICE REESTIMATE [LFB Paper 640]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG-REV	-\$47,748,400	-\$7,269,300	-\$55,017,700

**Governor:** Decrease estimated net transportation fund revenues by \$15,982,300 in 2011-12 and \$31,766,100 in 2012-13 to reflect increases in the amount of vehicle registration revenue needed to pay principal and interest on transportation revenue bonds. Revenue bond debt service is paid from vehicle registration revenue prior to that revenue being deposited in the transportation fund. Consequently, debt service payments are considered negative revenue rather than a transportation fund expenditure. Total transportation revenue bond debt service in 2010-11 is estimated at \$180,302,800, while debt service payments under the bill are estimated to increase to \$196,285,100 in 2011-12 and \$212,068,900 in 2012-13.

**Joint Finance/Legislature:** Decrease estimated transportation fund revenue by \$4,024,100 in 2011-12 and \$3,245,200 in 2012-13 to reflect a reestimate of revenue bond debt service at \$200,309,200 in 2011-12 and \$215,314,100 in 2012-13.

**11. TRANSPORTATION FUND-SUPPORTED GENERAL OBLIGATION BOND DEBT SERVICE REESTIMATE -- SOUTHEAST FREEWAY RECONSTRUCTION PROJECTS**

SEG	\$36,633,000
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**Governor/Legislature:** Increase funding for debt service payments on transportation fund-supported general obligation bonds by \$15,989,600 in 2011-12 and \$20,643,400 in 2012-13 to reflect debt service estimates on existing bonds authorized for southeast Wisconsin freeway reconstruction projects. With this increase, total debt service payments on existing bonds would be estimated at \$41,826,400 in 2011-12 and \$46,480,200 in 2012-13. The bill would authorize additional bonds totaling \$151,200,000 for southeast Wisconsin freeway reconstruction projects. The fiscal effect of these bonds is summarized under "Transportation -- State Highway Program."

**12. TRANSPORTATION FUND-SUPPORTED GENERAL OBLIGATION BOND DEBT SERVICE REESTIMATE -- OTHER TRANSPORTATION PROJECTS**

SEG	\$15,935,200
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**Governor/Legislature:** Increase funding for debt service payments on transportation fund-supported general obligation bonds by \$7,687,700 in 2011-12 and \$8,247,500 in 2012-13 to reflect debt service estimates on existing bonds authorized for state highway rehabilitation, major highway development, freight rail, and harbor improvement projects. With this increase, total debt service payments on existing bonds would be estimated at \$20,244,900 in 2011-12 and \$20,804,700 in 2012-13. The bill would authorize additional bonds totaling \$172,700,000 for these projects, including \$60,000,000 for freight rail rehabilitation projects, \$50,000,000 for state

highway rehabilitation projects, \$50,000,000 for major highway development projects (not including \$341,763,100 in transportation revenue bonds authorized for these projects), and \$12,700,000 for harbor improvement projects. The fiscal effect of these authorizations are separately summarized under "Transportation -- Local Transportation Projects" and "Transportation -- State Highway Program."

**13. GENERAL FUND-SUPPORTED GENERAL OBLIGATION BOND DEBT SERVICE REESTIMATE [LFB Paper 183]**

GPR	\$149,823,700
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**Governor/Legislature:** Increase funding by \$73,254,400 in 2011-12 and \$76,569,300 in 2012-13 to reflect a reestimate of debt service payments on existing general fund-supported, general obligation bonds issued for highway projects. With this increase, total debt service payments on these bonds would be estimated at \$149,629,000 in 2011-12 and \$152,943,900 in 2012-13. However, a separate item, summarized below, would restructure debt service payments on general fund-supported, general obligation bonds, which would reduce total debt service payments in 2011-12 and would result in a further increase in 2012-13. The bill would authorize an additional \$115,351,500 in general fund-supported, general obligation bonds for highway rehabilitation projects. The fiscal effect of these bonds is summarized under "Transportation -- State Highway Program."

**14. GENERAL FUND DEBT RESTRUCTURING [LFB Paper 175]**

GPR	- \$101,294,700
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**Governor/Legislature:** Decrease funding by \$106,562,700 in 2011-12 and increase funding by \$5,268,000 in 2012-13 to reflect estimated GPR debt service cost changes associated with the proposed restructuring of general obligation bond and commercial paper principal amounts that would otherwise be paid in 2011-12. Under the bill, the state would issue refunding bonds to restructure a portion of its outstanding general obligation GPR principal debt and would roll over the principal due on its outstanding commercial paper in 2011-12 (see "Building Commission" for additional information regarding this provision). The \$5,268,000 increase in debt service for 2012-13 is associated with the initial interest amount due on the additional debt issued to replace the 2011-12 restructured principal amounts. With this item, in combination with a reestimate of general fund-supported, general obligation bond debt service, summarized above, and debt service on new bonds authorized for highway rehabilitation projects, total debt service on these bonds would be estimated at \$43,066,300 in 2011-12 and \$162,296,000 in 2012-13.

**15. BIENNIAL TRANSPORTATION BONDING POLICY PLAN [LFB Paper 641]**

**Joint Finance/Legislature:** Require DOT to submit a 10-year plan every two years with its biennial budget request that includes an estimate of total transportation fund revenues, proposed bonding, and estimated debt service for each year of the period. Require the Department to show various scenarios in the plan with different levels of transportation spending, from bond or cash sources, and different levels of revenues. Specify that at least one

scenario should result in achieving a stable debt service percentage by the end of the 10-year period. Specify that for any scenarios that result in an increasing debt service percentage, the plan should identify the potential consequences for specific transportation programs of reduced net revenues.

**Veto by Governor [F-48]:** Delete the requirement that a 10-year plan be submitted every two years with DOT's budget request. As vetoed, DOT must still prepare such a plan, but no frequency or timetable for such plan or plans is established.

[Act 32 Section: 2200m]

[Act 32 Vetoed Section: 2200m]

## **16. TRANSPORTATION FINANCE AND POLICY COMMISSION**

**Joint Finance/Legislature:** Establish a Transportation Finance and Policy Commission to examine issues related to the future of transportation finance in this state. Specify that the Commission shall consist of the Secretary of the Department of Transportation, as a nonvoting member, and ten public members, one each appointed by the Speaker of the Assembly, the Assembly Minority Leader, the Senate Majority Leader, and the Senate Minority Leader, and six appointed by the Governor. Specify that at least five of the public members shall have experience in public finance, transportation policy, or transportation system planning.

Require the Commission to address the following issues: (a) the estimated costs of highway maintenance, rehabilitation, reconstruction, and expansion projects over a ten-year period, including both those currently identified in DOT's six-year program and those in the Department's long-range transportation plans; (b) the estimated cost of local government transportation aid and assistance programs, including general transportation aids and mass transit operating assistance; (c) projections of transportation fund revenues over the same ten-year period; (d) projections of transportation fund debt service over the same ten-year period, under various scenarios for the use of bonds; (e) various options for increasing transportation fund revenues or adjusting transportation fund expenditures over the ten-year period to achieve a stable balance between expenditures, revenues, and debt service; and (f) the impact of highway project planning for specific projects on landowners with property abutting proposed improvements.

Require the Commission to prepare and submit a report with its findings and recommendations to the four legislative leaders and the Governor by March 1, 2013.

[Act 32 Section: 9148(7g)]

## Local Transportation Aid

### 1. GENERAL TRANSPORTATION AIDS [LFB Paper 650]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Assembly/Leg. (Chg. to JFC)	Net Change
SEG	-\$48,197,900	\$30,672,100	-\$10,000,000	-\$27,525,800

**Governor:** Provide decreases in funding for general transportation aids as follows:

a. *County Aid.* Decrease funding by \$329,400 in 2011-12 and \$8,160,700 in 2012-13 to provide a total of \$101,806,400 in 2011-12 and \$93,975,100 in 2012-13. Set the calendar year distribution at \$93,975,100 for calendar year 2012 and thereafter. This represents a 10% reduction from the 2011 aid level of \$104,416,800 for calendar year 2012 and thereafter.

b. *Municipal Aid.* Decrease funding by \$11,641,200 in 2011-12 and \$28,066,600 in 2012-13 to provide a total of \$312,082,000 in 2011-12 and \$295,656,600 in 2012-13. Set the calendar year distribution at \$295,656,600 for calendar year 2012 and thereafter. This represents a 10% reduction from the 2011 aid level of \$328,507,300 for calendar year 2012 and thereafter.

Establish the mileage aid rate at \$2,053 for calendar year 2012 and thereafter, which represents a 3% reduction to the 2011 rate of \$2,117 per mile. Repeal the statutory references to 2008 and 2009 calendar year aid payment and mileage aid rate amounts.

The county and municipal aid appropriation levels in the bill would fully fund the calendar year 2011 increase in county and municipal aid provided under 2009 Act 28. The appropriation decreases are associated with the proposed 10% funding reduction for aid in calendar year 2012 and thereafter.

Minimum Payments. Specify that no county or municipality may receive a decrease in its general transportation aid payment in excess of 15% of its last previous calendar year aid payment. Under current law, no county may receive a decrease in its aid payment in excess of 2%, and no municipality may receive a decrease of more than 5%, of its last previous calendar year payment.

Penalty Provisions. Specify that the aids payment for any county or municipality that fails to submit a substantially complete and accurate financial report form or fails to conduct an independent audit ordered by the Department would be equal to 85% of the general transportation aids actually paid during the previous year. Under current law, the payment to a county or municipality is equal to 90% of the aid payment made in the previous year for failure to submit the reports or to conduct a required audit. In addition, for counties or municipalities that submit a late report, specify that the aid penalty of 1% of the current year aid payment for each day late cannot reduce the payment below 85% of the prior year payment, rather than 90% as under current law.

**Joint Finance:** Modify the Governor's recommendation by doing the following: (a) restoring the 2011 mileage aid rate of \$2,117 per mile for 2012 and thereafter; (b) increasing the proposed minimum aid guarantee from 85% to 90% of the prior year payment; and (c) providing \$2,160,100 in 2011-12 and \$8,640,500 in 2012-13 for counties and \$6,623,800 in 2011-12 and \$13,247,700 in 2012-13 for municipalities. Set the distribution for calendar year 2012 and thereafter at \$102,615,600 for counties and \$308,904,300 for municipalities. This represents a 5.97% reduction from the 2011 aid level for 2012 and thereafter for municipalities and a 1.73% reduction from the 2011 aid level for 2012 and thereafter for counties. Delete the Governor's recommended changes from 90% to 85% under the penalty provisions to reflect the change in the minimum guarantee.

**Assembly/Legislature:** Reduce funding by \$2,000,000 in 2011-12 and \$8,000,000 in 2012-13 for the general transportation aid program appropriation for county payments, and reduce the statutory distribution for county payments from \$102,615,600 to \$94,615,600 for calendar year 2012 and thereafter.

[Act 32 Sections: 2268 thru 2271, 2272, and 2273]

**2. MASS TRANSIT OPERATING ASSISTANCE -- FUNDING LEVEL** [LFB Paper 651]

SEG	- \$9,619,600
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**Governor/Legislature:** Provide decreases of \$373,200 in 2011-12 and \$9,246,400 in 2012-13, as follows: (a) -\$216,400 in 2011-12 and -\$5,360,100 in 2012-13 for Tier A-1 (Milwaukee); (b) -\$56,800 in 2011-12 and -\$1,408,400 in 2012-13 for Tier A-2 (Madison); (c) -\$81,600 in 2011-12 and -\$2,020,600 in 2012-13 for Tier B transit systems; and (d) -\$18,400 in 2011-12 and -\$457,300 in 2012-13 for Tier C transit systems. Set the calendar year distribution amounts at \$61,724,900 for 2012 and thereafter for Tier A-1, \$16,219,200 for 2012 and thereafter for Tier A-2, \$23,267,200 for 2012 and thereafter for Tier B, and \$5,267,000 for 2012 and thereafter for Tier C. This represents a 10% decrease from the 2011 mass transit operating assistance funding level to each tier of mass transit systems for calendar year 2012 and thereafter. Repeal statutory references relating to aid payments for each tier of systems for calendar years 2008 and 2009.

The appropriation levels in the bill would fully fund the calendar year 2011 increase in mass transit operating assistance provided in 2009 Act 28. The appropriation decreases are associated with the proposed 10% funding reduction for aid in calendar year 2012 and thereafter.

[Act 32 Sections: 2246 thru 2254]

**3. SUPPLEMENTAL PARATRANSIT AID**

SEG	\$5,000,000
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**Joint Finance/Legislature:** Provide \$2,500,000 annually to supplement the costs of paratransit service provided by transit systems that are eligible for state mass transit operating assistance. Require DOT to annually distribute the paratransit funding to eligible applicants in a way that would maximize the level of paratransit service provided by those systems. Specify that in awarding grants the Department must give priority to eligible applicants for maintaining paratransit service that existed on the bill's general effective date. Create an annual appropriation funded from the transportation fund to provide these supplemental paratransit payments. Define "paratransit service" to be comparable transportation service required by the federal American with Disabilities Act for individuals with disabilities who are unable to use fixed route transportation systems.

[Act 32 Sections: 605t and 2255m]

**4. MASS TRANSIT OPERATING ASSISTANCE -- CONVERT FUNDING TO GPR**  
[LFB Paper 651]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$106,478,300	-\$106,478,300	\$0
SEG	<u>- 106,478,300</u>	<u>106,478,300</u>	<u>0</u>
Total	\$0	\$0	\$0

**Governor:** Provide \$106,478,300 GPR in 2012-13 and make a corresponding reduction of \$106,478,300 SEG in 2012-13 to reflect the conversion of DOT's mass transit operating assistance program funding from the transportation fund to the general fund. Effective July 1, 2012, renumber the mass transit operating assistance appropriations and specify that the appropriations would be made from the general fund. In addition, modify the references to the appropriations under DOT's urban mass transit assistance program to reflect the renumbering.

**Joint Finance/Legislature:** Delete provision.

**5. MASS TRANSIT OPERATING ASSISTANCE -- 2013-15 BUDGET RECOMMENDATIONS REGARDING FEDERAL TRANSIT AID CHANGES**

**Governor:** Require the Department, in submitting its 2013-15 biennial budget request, to recommend changes to the distribution percentages and funding amounts of the urban mass transit operating assistance program in response to any changes in federal funding due to the 2010 decennial census.

The Federal Transit Administration provides federal operating assistance to mass transit systems that provide service to nonurbanized areas of the state with 50,000 or less in population and to systems that provide service to urbanized areas of state with between 50,000 and 200,000 in population. Transit systems that provide service to urbanized areas over 200,000 in population

are only eligible for federal capital funding. The urbanized areas served by certain state systems (Appleton and Green Bay) are expected to exceed 200,000 in population under the 2010 decennial census, and would no longer be eligible for operating assistance under current federal law. The potential change in federal operating assistance for these systems would affect the state and federal funding percentages and amounts for each system within the tier of systems (Tier B) that includes these two systems.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## Local Transportation Assistance

1. **ELIMINATE SOUTHEAST WISCONSIN TRANSIT CAPITAL ASSISTANCE PROGRAM** [LFB Paper 655] 

BR	- \$100,000,000
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**Governor/Legislature:** Repeal the southeast Wisconsin transit capital assistance program and delete \$100,000,000 in general fund supported bonding associated with the program. Delete references to the transit capital assistance program under the current, GPR debt service appropriation that would be used to make debt service payments on bonds issued for the program.

Under 2009 Act 28, DOT is required to develop and administer a southeast Wisconsin transit capital assistance program. Act 28 provided \$100,000,000 in general fund supported, general obligation borrowing for the program for the purpose of making transit capital improvement grants to the southeastern regional transit authority. No grants have been made under the program and the bonds have not been issued.

[Act 32 Sections: 622, 787, 2241, and 2727]

2. **REGIONAL TRANSIT AUTHORITY REFERENDUM REQUIREMENTS**

**Governor:** Specify that the Dane County regional transit authority (RTA), the Chequamegon Bay RTA, and the Chippewa Valley RTA may not impose the sales and use taxes authorized under current law unless a question as to whether the RTA may impose the taxes is approved at a referendum held within the RTA's jurisdictional area. In addition, specify that the southeastern RTA may not impose a vehicle rental fee within its jurisdictional area (Kenosha, Milwaukee, and Racine counties) unless the question of whether the RTA may impose these fees is approved at referendum in each of the three counties. Specify that if an RTA has already imposed sales and use taxes or a vehicle rental fee before the effective date of the bill, such taxes and fees would be suspended on the first day of the thirteenth month beginning after the effective date of the bill and would remain suspended until the referendum requirement is satisfied.

Specify that the relevant RTA board of directors, in conjunction with the appropriate local county and municipal officials, would be responsible for calling the referendum. Provide that if a referendum is held, the relevant RTA board would be required to promptly provide the Department of Revenue with the referendum results. A referendum on the imposition of sales and use taxes by an RTA would be effective on the first day of the first calendar quarter that begins 120 days after the affirmative result of the referendum.

2009 Act 28 allowed for the creation of Dane County, Chequamegon Bay, and Chippewa Valley RTAs and provided each RTA, if created, the authority to impose sales and use taxes within their jurisdictional areas at a rate not to exceed 0.5%. Act 28 specifically created the southeastern RTA and allowed it to impose up to an \$18 per transaction vehicle rental fee. To date, no RTA has imposed sales and use taxes, and the southeastern RTA has not yet imposed a vehicle rental fee.

**Joint Finance/Legislature:** Delete provision.

### **3. REPEAL OF REGIONAL TRANSIT AUTHORITIES**

**Joint Finance/Legislature:** Repeal the authority of the affected local governments to create a Chequamegon Bay RTA, Chippewa Valley RTA, and Dane County RTA, and repeal the Southeastern RTA. Repeal the various statutory references to these RTAs, and the state appropriations relating to the collection and disbursement of the tax or fee revenues of the RTAs. Specify that each RTA would be dissolved effective on the 90<sup>th</sup> day after the date of publication of the biennial budget act.

In addition, specify the following, which would be effective on the tenth day after the date of publication of the biennial budget act:

a. that the boards of the Chequamegon Bay, Chippewa Valley, and Dane County RTAs could not impose sales and use taxes within their jurisdictional area, nor could retailers collect such taxes, except that the Department of Revenue (DOR) could collect from retailers any taxes that have accrued;

b. that the Southeastern RTA board could not impose a vehicle rental fee within its jurisdictional area, nor could retailers collect such fees, except that DOR could collect from retailers any fees that have accrued; and

c. that the counties of Kenosha, Milwaukee, and Racine, and all members of the governing body of the Southeastern RTA begin the process of winding down the RTA and complete the process by the time the authority is to be dissolved. Specify that all assets and liabilities of the RTA, including any accumulated revenues received from the vehicle rental fees imposed by the authority, would be divided and distributed among the three counties as follows, and would become the assets and liabilities of those counties: (a) 50% to Milwaukee County; (b) 25% to Kenosha County; and (c) 25% to Racine County.

Specify that the repeal of the following current law provisions, which would be included in the repeal of the southeastern RTA, would also first be effective on the tenth day following

publication of the biennial budget act:

a. the repeal of the Southeastern RTA's current law designation as the only entity in the counties of Kenosha, Milwaukee, and Racine that may submit an application to the federal transit administration in the U.S. Department of Transportation under the federal new starts grant program for funding for the KRM commuter rail line; and

b. the repeal of the current law requirement that the operator of any transit system in Kenosha County or Racine County receiving funding under the state's mass transit operating assistance program provide copies of all of their annual and long-term transit plans to the Southeastern RTA.

[Act 32 Sections: 751g, 751h, 772g, 772r, 922e thru 992v, 1139m, 1679d thru 1679t, 1720b, 1727m, 1729g, 1729r, 1745m, 1747r, 1754, 1754r, 1894r, 1895r, 2014r, 2177m, 2180m, 2183d thru 2183r, 2187d thru 2187n, 2237e thru 2237o, 3182g, 3182r, 3471m, 3567m, 9148(3u), and 9448(6u)]

**4. INTERCITY BUS ASSISTANCE PROGRAM** [LFB Paper 656] 

SEG	- \$2,457,200
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**Governor:** Delete \$1,228,600 annually to reflect the repeal of the state funding appropriation for the intercity bus assistance grant program and the elimination of DOT's authority to make such grants. In addition, delete the current law provision that allows the Department's local transit and transportation-related aids, local funding appropriation to be used for the intercity bus assistance program. The Department would retain the authority to contract with private providers of intercity bus service to support intercity bus service routes using federal funds under the Department's federal transit and transportation-related funds appropriation.

2009 Act 28 created an intercity bus assistance program administered by the Department and established \$1,228,600 in base level funding for the program. The program allows the Department to contract with intercity bus providers and provide grants to political subdivisions to support intercity bus service using allowable federal, state, and local appropriations.

**Joint Finance/Legislature:** Delete the Governor's recommendations to repeal the SEG appropriation and modify the SEG-L appropriation for the intercity bus assistance grant program and to eliminate DOT's authority to use state funds to make such grants. No additional state funding would be provided for the program in the 2011-13 biennium, but the appropriations for the intercity bus assistance grant program and DOT's authority to make such grants would be retained.

**5. MILWAUKEE TO CHICAGO PASSENGER RAIL SERVICE** [LFB Paper 657]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$4,288,300	\$5,061,300	\$9,349,600
FED	<u>3,413,600</u>	<u>- 5,061,300</u>	<u>- 1,647,700</u>
Total	\$7,701,900	\$0	\$7,701,900

**Governor:** Provide \$1,375,400 SEG and \$1,081,800 FED in 2011-12 and \$2,912,900 SEG and \$2,331,800 FED in 2012-13 to fund estimated costs of the state's share of Amtrak's Hiawatha service between Milwaukee and Chicago. When combined with base funding for the service, the total of Wisconsin's share of the cost is estimated at \$8,900,000 in 2011-12 and \$11,687,500 in 2012-13, which includes the cost of the state's contract with Amtrak as well as maintenance costs of new passenger car equipment. New passenger cars are expected to be put into service in 2012. Historically, Wisconsin has paid 75% of the cost of the Amtrak contract, while Illinois has paid 25%.

**Joint Finance/Legislature:** Increase the SEG appropriation for passenger rail service by \$2,000,000 in 2011-12 and \$3,061,300 in 2012-13 and provide corresponding decreases to the FED appropriation for passenger rail service to reflect a reassessment of federal aid eligibility for certain costs associated with the service.

**6. BICYCLE AND PEDESTRIAN FACILITIES PROGRAM [LFB Paper 658]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$5,000,000	\$0	- \$5,000,000
FED	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total	- \$5,000,000	\$2,000,000	- \$3,000,000

**Governor:** Reduce funding by \$2,500,000 SEG annually to eliminate all base SEG funding for the bicycle and pedestrian facilities grant program. Federal base funding of \$2,720,000 for the program would be maintained in both years under the bill.

**Joint Finance/Legislature:** Increase funding by \$1,000,000 FED annually to provide a total of \$3,720,000 FED annually for the program. There would continue to be no SEG funds provided for the program.

**7. FREIGHT RAIL PRESERVATION PROGRAM BONDING [LFB Paper 659]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$150,000	- \$75,000	\$75,000
BR	<u>60,000,000</u>	<u>- 30,000,000</u>	<u>30,000,000</u>
Total	\$60,150,000	- \$30,075,000	\$30,075,000

**Governor:** Provide \$60,000,000 in transportation fund-supported, general obligation bond authorization for the freight rail preservation program. Increase funding by \$150,000 SEG in 2012-13 to reflect estimated debt service on these bonds. The bonds authorized for this program may be used to acquire abandoned railroad lines or make improvements on lines already owned by the state to upgrade them to modern freight rail standards. Private railroad companies operate on the state-owned lines. The bonding provided by the bill is the same amount provided

in the 2009-11 biennium. Once fully issued, debt service on these bonds would be about \$4.8 million annually.

**Joint Finance/Legislature:** Reduce the bond authorization by \$30,000,000, to provide a total of \$30,000,000 in new bond authorization for the program and reduce funding by \$75,000 SEG in 2012-13 to reflect an associated reduction in estimate debt service. Once fully issued, debt service on these bonds would be an estimated \$2.4 million annually.

Modify provisions related to the required match for grants under the program to require the Department to give priority to projects for which the sponsor agrees to pay greater than 20% of the project cost.

[Act 32 Sections: 795, 2237p, and 2237s]

**8. HARBOR ASSISTANCE PROGRAM BONDING [LFB Paper 660]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$28,600	- \$4,500	\$24,100
BR	<u>12,700,000</u>	<u>- 2,000,000</u>	<u>10,700,000</u>
Total	\$12,728,600	- \$2,004,500	\$10,724,100

**Governor:** Provide \$12,700,000 in transportation fund-supported, general obligation bond authorization for the harbor assistance program, which is the same amount provided in the 2009-11 biennium. Increase funding by \$28,600 SEG in 2012-13 to reflect estimated debt service on these bonds. Once fully issued, debt service on these bonds would be about \$1.0 million annually.

**Joint Finance/Legislature:** Reduce the bond authorization by \$2,000,000, to provide a total of \$10,700,000 in new bond authorization for the program. Reduce funding by \$4,500 SEG in 2012-13 to reflect an associated reduction in debt service payments. Once fully issued, debt service on these bonds would be an estimated \$0.8 million annually.

[Act 32 Section: 794]

**9. LOCAL ROADS IMPROVEMENT PROGRAM -- DISCRETIONARY PROGRAM FUNDING**

	<b>Jt. Finance (Chg. to Base)</b>	<b>Assembly/Leg. (Chg. to JFC)</b>	<b>Net Change</b>
SEG	\$20,000,000	- \$10,000,000	\$10,000,000

**Joint Finance:** Provide \$10,000,000 annually for the discretionary component of the local roads improvement program. Increase the annual allocation for discretionary grants as

follows: (a) by \$5,000,000, from \$5,127,000 to \$10,127,000, in 2011-12 and annually thereafter for county highway projects; and (b) by \$5,000,000, from \$732,500 to \$5,732,500, in 2011-12 and annually thereafter for town road projects.

**Assembly/Legislature:** Reduce funding by \$5,000,000 annually, and delete the increase to the allocation for county projects.

[Act 32 Section: 2278m]

## **10. LOCAL ROADS IMPROVEMENT PROGRAM -- PROJECT ELIGIBILITY**

**Joint Finance/Legislature:** Specify that a double seal coat project on a town road is eligible for funding under the local roads improvement program if it has a projected life of at least 10 years, similar projects in the same geographic area have performed satisfactorily, and the county highway commissioner of the county in which the project is located approves the project's eligibility.

[Act 32 Section: 2278d and 2278j]

## **11. LOCAL ROADS IMPROVEMENT PROGRAM -- BIDDING REQUIREMENTS**

**Joint Finance:** Modify bidding requirements under the local roads improvement program, effective July 1, 2015, to: (a) eliminate a provision that allows a city or village to contract with a county for an improvement under the program if it does not receive a responsible bid for the project; (b) eliminate a provision that allows a county to perform work under the program under certain conditions, including if the county finds that it would be cost-effective to do so; and (c) specify that counties may perform work under the program for a city or village within the county or work on its own system only if the cost of the project is less than \$100,000. Specify, effective on the first day of the fourth month beginning after the general effective date of the bill, that a county may not perform work for a project funded under the program for which the county has prepared a written and sealed cost estimate in connection with or in anticipation of competitive bidding for the award of a contract for the project.

**Assembly/Legislature:** Delete provision.

## **12. BIDDING REQUIREMENTS FOR HIGHWAY AND OTHER PUBLIC WORKS PROJECTS**

**Joint Finance:** Prohibit any county, city, village, or town ("local government") from using its own workforce to perform a highway improvement project on highways under its jurisdiction, or highways under the jurisdiction of another local government, if the project costs \$100,000 or more, and either of the following apply: (a) the project is funded entirely or in part with federal funds, and construction commences after July 1, 2013; or (b) the project is funded entirely or in part with state funds, not including funds received under the general transportation aid program, and construction commences after July 1, 2015. Specify that this restriction does

not apply to: (a) projects performed by a county workforce on town roads if the state funding is provided under the local roads improvement program and the project complies with bidding requirements and exceptions under that program; and (b) the portion of projects under the discretionary component of the county highway improvement program funded with county funds.

Prohibit any county from using its own workforce to perform a highway improvement project for or with any village or city, regardless of the source of funds, if the project has a cost exceeding \$100,000, first applying to projects for which construction starts on the first day of the fourth month beginning after the general effective date of the bill.

Prohibit any local government from using its own workforce to perform any public construction project (defined below) for or with another local government under any agreement or arrangement, including, an intergovernmental cooperative agreement or under local government purchasing provisions, but specify that this prohibition does not apply to public contracts entered into by a town with another unit of government, first applying to projects for which construction starts on the first day of the fourth month beginning after the general effective date of the bill, or to projects performed by a county workforce on town roads if the state funding is provided under the local roads improvement program and the project complies with bidding requirements and exceptions under that program. Define "public construction project" to mean any public construction, public works project, or construction-related services, including road, sewer, water, stormwater, wastewater, recycling, or bridge projects.

Specify that the restrictions, as described above do not apply in emergencies formally declared by the chief elected official or governing body of the municipality or county or for projects where all materials are donated and labor is provided by unpaid volunteers. Specify that the above restrictions do not apply to any projects conducted by a county under an individual project agreement approved prior to the general effective date of the bill.

Prohibit any local government from dividing a highway improvement project into two or more parts for the purpose of evading these provisions, including the \$100,000 thresholds.

**Assembly/Legislature:** Delete provision and, instead, modify current law to: (a) prohibit a county from using its own workforce to perform a highway improvement project on a highway under the jurisdiction of another county or a municipality that is located in a different county, unless either of the following apply: (1) a portion of the project lies within the county doing the work and no portion of the project extends beyond an adjoining county; or (2) the project lies, in part or in whole, within a municipality that lies partially within the county doing the work; and (b) prohibit a county from using its own workforce to perform a highway improvement project for a city or village with a population of over 5,000, except as allowed under the local roads improvement program when the city or village does not receive a responsible bid. Specify that these changes would first apply to projects on which construction commences on the first day of the fourth month after the bill's general effective date.

[Act 32 Sections: 1675n, 1696m, 1713m, 2278em, 2278o, 9332(1u), and 9432(1u)]

### 13. METHOD OF BIDDING LOCAL PROJECTS

**Joint Finance/Legislature:** Specify that, except when necessary to secure federal aid, whenever a county, city, village, or town ("local government") lets a public contract by bidding, the bidding must be on the basis of sealed competitive bids, the contract must be awarded to the lowest responsible bidder, and the local government may not use a bidding method that gives preference based on the geographic location of the bidder or that uses other criteria for selecting the lowest responsible bidder.

[Act 32 Sections: 1727d, 1727e, and 2267x]

### 14. BIDDING REQUIREMENTS FOR PRIVATE PROJECTS

**Joint Finance/Legislature:** Prohibit any county, city, village, or town from using its own workforce to perform a construction project for which a private person is financially responsible. Define "construction project" for the purposes of this provision as a road, sewer, water, stormwater, wastewater, grading, parking lot, or other infrastructure-related project or the provision of construction-related services for such a project. Specify that this provision first applies to construction projects for which construction commences on the first day of the fourth month beginning after the general effective date of the bill.

[Act 32 Sections: 1727d, 1727L, 2267x, 9332(1u), and 9432(1u)]

### 15. LOCAL BIDDING AND CONTRACTING OVERSIGHT FOR HIGHWAY IMPROVEMENT PROJECTS

**Joint Finance:** Eliminate a current law provision that authorizes DOT to designate the governing body of a local government as its agent on behalf of the state to perform bidding, contracting, and oversight responsibilities for a highway improvement project.

**Assembly/Legislature:** Delete provision.

### 16. ASTRONAUTICS ASSISTANCE

	<b>Jt. Finance/Leg. (Chg. to Base)</b>	<b>Veto (Chg. to Leg.)</b>	<b>Net Change</b>
SEG	\$10,000	- \$10,000	\$0

**Joint Finance/Legislature:** Provide \$10,000 in 2011-12 in the astronautics assistance appropriation for the Wisconsin Aerospace Authority.

**Veto by Governor [F-50]:** Delete provision.

[Act 32 Vetoed Section: 373 (as it relates to s. 20.395(2)(mq))]

## State Highway Program

### 1. STATE HIGHWAY IMPROVEMENT PROGRAM FUNDING SUMMARY

**Governor:** The following tables compare total funding for state highway programs in 2010-11 with proposed funding for those programs in the 2011-13 biennium. As described in several items in this section of the summary, the highway improvement program structure would be modified under the bill, which makes it difficult to provide funding comparisons between the base year and the two years of the biennium for individual programs. Consequently, these tables provide a total for all improvement programs, to allow a comparison of the total amount of resources devoted to highway improvement projects.

Since the highway improvement program relies on both current revenues (SEG and FED) and bond proceeds to fund program activity, both tables include a column (2010-11 base plus bonding) that adds the bonding provided for each program in 2010-11 to the 2010-11 adjusted base. The tables include three types of bonding: (a) general obligation bonds with GPR debt service; (b) general obligation bonds with SEG debt service; and (c) revenue bonds. A 2009 Act 28 provision required the addition of \$102,356,100 to the 2010-11 adjusted base for the state highway rehabilitation program, which was the amount of GPR-supported bonding approved for the program in 2010-11. In order to avoid double counting this amount, the figures in the "2010-11 base plus bonding" column show this funding as bonding and do not include it in the SEG base. Following the first table, which provides detail by program, is a second table, which breaks down the total funding for the improvement program by current revenues (SEG/FED) and bonding.

## Highway Improvement Funding Under Governor's 2011-13 Budget

	2010-11	2010-11 Base	<u>Governor's Budget</u>	
	<u>Adjusted Base</u>	<u>Plus Bonding</u>	<u>2011-12</u>	<u>2012-13</u>
<b>State Highway Rehab.</b>				
SEG	\$394,963,900	\$292,607,800*	\$270,150,900	\$394,822,800
FED	313,554,500	313,554,500	394,320,800	399,170,900
Gen. Ob. Bonds (GPR)	0	102,356,100	115,351,500	0
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>30,000,000</u>	<u>32,000,000</u>	<u>18,000,000</u>
Total	\$708,518,400	\$738,518,400	\$811,823,200	\$811,993,700
<b>SE Wis. Freeway Rehab.</b>				
SEG	\$68,497,100	\$68,497,100	\$0	\$0
FED	109,732,200	109,732,200	0	0
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>125,125,000</u>	<u>0</u>	<u>0</u>
Total	\$178,229,300	\$303,354,300	\$0	\$0
<b>SE Wis. Freeway Megaprojects</b>				
SEG	\$0	\$0	\$32,946,900	\$45,747,000
FED	0	0	95,053,100	95,053,100
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>0</u>	<u>104,000,000</u>	<u>47,200,000</u>
Total	\$0	\$0	\$232,000,000	\$188,000,100
<b>Major Highway Development</b>				
SEG	\$98,235,400	\$98,235,400	\$112,039,100	\$110,577,700
FED	78,693,100	78,693,100	78,263,500	78,263,500
Revenue Bonds	165,721,600	165,721,600	154,721,600	159,721,600
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>25,000,000</u>	<u>27,000,000</u>	<u>23,000,000</u>
Total	\$342,650,100	\$367,650,100	\$372,024,200	\$371,562,800
Improvement Program Total	\$1,229,397,800	\$1,409,522,800	\$1,415,847,400	\$1,371,556,600

\*In order to avoid double-counting, this figure excludes \$102,356,100 which was added to the base under a provision of 2009 Act 28 to replace bonding.

## Highway Improvement Funding Summary Under Governor's Budget

	2010-11 Base	<u>Governor's Budget</u>		<u>Change to Base</u>	
	<u>Plus Bonding</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Plus Bonds Doubled</u>	<u>Amount</u>
				<u>Amount</u>	<u>%</u>
SEG/FED	\$961,320,100	\$982,774,300	\$1,123,635,000	\$183,769,100	9.6%
Bonding	<u>448,202,700</u>	<u>433,073,100</u>	<u>247,921,600</u>	<u>-215,410,700</u>	-24.0
Total	\$1,409,522,800	\$1,415,847,400	\$1,371,556,600	-\$31,641,600	-1.1%

**Joint Finance:** The following table summarizes the funding for the highway improvement programs under the Joint Committee on Finance substitute amendment. Compared to the Governor's bill, the substitute amendment would reduce funding for the state highway

rehabilitation program (and the overall highway improvement program) by \$10,000,000 in 2011-12 and \$16,200,000 in 2012-13. The funding source for that program would also be changed, most notably by the replacement of \$31,000,000 in SEG funds in 2012-13 with \$31,000,000 in transportation fund-supported, general obligation bonds.

### Highway Improvement Funding Under Joint Finance Substitute Amendment

	2010-11 <u>Adjusted Base</u>	2010-11 Base <u>Plus Bonding</u>	<u>Joint Finance</u>	
			<u>2011-12</u>	<u>2012-13</u>
<b>State Highway Rehab.</b>				
SEG	\$394,963,900	\$292,607,800*	\$259,150,900	\$345,561,500
FED	313,554,500	313,554,500	395,320,800	401,232,200
Gen. Ob. Bonds (GPR)	0	102,356,100	115,351,500	0
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>30,000,000</u>	<u>32,000,000</u>	<u>49,000,000</u>
Total	\$708,518,400	\$738,518,400	\$801,823,200	\$795,793,700
<b>SE Wis. Freeway Rehab.</b>				
SEG	\$68,497,100	\$68,497,100	\$0	\$0
FED	109,732,200	109,732,200	0	0
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>125,125,000</u>	<u>0</u>	<u>0</u>
Total	\$178,229,300	\$303,354,300	\$0	\$0
<b>SE Wis. Freeway Megaprojects</b>				
SEG	\$0	\$0	\$32,946,900	\$45,747,000
FED	0	0	95,053,100	95,053,100
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>0</u>	<u>104,000,000</u>	<u>47,200,000</u>
Total	\$0	\$0	\$232,000,000	\$188,000,100
<b>Major Highway Development</b>				
SEG	\$98,235,400	\$98,235,400	\$112,039,100	\$110,577,700
FED	78,693,100	78,693,100	78,263,500	78,263,500
Revenue Bonds	165,721,600	165,721,600	154,721,600	159,721,600
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>25,000,000</u>	<u>27,000,000</u>	<u>23,000,000</u>
Total	\$342,650,100	\$367,650,100	\$372,024,200	\$371,562,800
Improvement Program Total	\$1,229,397,800	\$1,409,522,800	\$1,405,847,400	\$1,355,356,600

\*In order to avoid double-counting, this figure excludes \$102,356,100 which was added to the base under a provision of 2009 Act 28 to replace bonding.

### Highway Improvement Funding Summary Under Joint Finance

	2010-11 Base <u>Plus Bonding</u>	<u>Joint Finance</u>		<u>Change to Base Plus Bonds Doubled</u>	
		<u>2011-12</u>	<u>2012-13</u>	<u>Amount</u>	<u>%</u>
SEG/FED	\$961,320,100	\$972,774,300	\$1,076,435,000	\$126,569,100	6.6%
Bonding	<u>448,202,700</u>	<u>433,073,100</u>	<u>278,921,600</u>	<u>-184,410,700</u>	-20.6
Total	\$1,409,522,800	\$1,405,847,400	\$1,355,356,600	-\$57,841,600	-2.1%

**Assembly/Legislature:** The following table summarizes the funding for the highway improvement programs under Act 32. Compared to the Joint Committee on Finance substitute amendment, the Act would increase funding for the state highway rehabilitation program by \$7,000,000 in 2011-12 and \$28,000,000 in 2012-13.

### Highway Improvement Funding Under Act 32

	2010-11	2010-11 Base	<u>Act 32</u>	
	<u>Adjusted Base</u>	<u>Plus Bonding</u>	<u>2011-12</u>	<u>2012-13</u>
<b>State Highway Rehab.</b>				
SEG	\$394,963,900	\$292,607,800*	\$266,150,900	\$373,561,500
FED	313,554,500	313,554,500	395,320,800	401,232,200
Gen. Ob. Bonds (GPR)	0	102,356,100	115,351,500	0
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>30,000,000</u>	<u>32,000,000</u>	<u>49,000,000</u>
Total	\$708,518,400	\$738,518,400	\$808,823,200	\$823,793,700
<b>SE Wis. Freeway Rehab.</b>				
SEG	\$68,497,100	\$68,497,100	\$0	\$0
FED	109,732,200	109,732,200	0	0
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>125,125,000</u>	<u>0</u>	<u>0</u>
Total	\$178,229,300	\$303,354,300	\$0	\$0
<b>SE Wis. Freeway Megaprojects</b>				
SEG	\$0	\$0	\$32,946,900	\$45,747,000
FED	0	0	95,053,100	95,053,100
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>0</u>	<u>104,000,000</u>	<u>47,200,000</u>
Total	\$0	\$0	\$232,000,000	\$188,000,100
<b>Major Highway Development</b>				
SEG	\$98,235,400	\$98,235,400	\$112,039,100	\$110,577,700
FED	78,693,100	78,693,100	78,263,500	78,263,500
Revenue Bonds	165,721,600	165,721,600	154,721,600	159,721,600
Gen. Ob. Bonds (SEG)	<u>0</u>	<u>25,000,000</u>	<u>27,000,000</u>	<u>23,000,000</u>
Total	\$342,650,100	\$367,650,100	\$372,024,200	\$371,562,800
<b>Improvement Program Total</b>	<b>\$1,229,397,800</b>	<b>\$1,409,522,800</b>	<b>\$1,412,847,400</b>	<b>\$1,383,356,600</b>

\*In order to avoid double-counting, this figure excludes \$102,356,100 which was added to the base under a provision of 2009 Act 28 to replace bonding.

### Highway Improvement Funding Summary Under Act 32

	2010-11 Base	<u>Act 32</u>		Change to Base	
	<u>Plus Bonding</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Plus Bonds Doubled</u>	<u>Amount</u>
				<u>Amount</u>	<u>%</u>
SEG/FED	\$961,320,100	\$979,774,300	\$1,104,435,000	\$161,569,100	8.4%
Bonding	<u>448,202,700</u>	<u>433,073,100</u>	<u>278,921,600</u>	<u>-184,410,700</u>	-20.6
Total	\$1,409,522,800	\$1,412,847,400	\$1,383,356,600	-\$22,841,600	-0.8%

**2. SOUTHEAST WISCONSIN FREEWAY REHABILITATION PROGRAM RESTRUCTURING**

SEG	- \$136,994,200
FED	- 219,464,400
Total	- \$356,458,600

**Governor/Legislature:** Delete \$68,497,100 SEG and \$109,732,200 FED annually from the appropriations for southeast Wisconsin freeway rehabilitation to eliminate all base funding for the program. Specify that a southeast Wisconsin freeway rehabilitation project may be funded from the current appropriations and bond authorizations provided for state highway rehabilitation projects, if the project does not meet the definition of either: (a) a southeast Wisconsin freeway megaproject (created in a separate item, summarized below); or (b) a major highway development project (a definition that is modified in a separate item, summarized below). Specify that a southeast Wisconsin freeway rehabilitation project may be funded from the appropriations and bond authorizations provided for the major highway development program if the project meets the definition of a major highway development project.

Under current law, no funds may be spent from the appropriations for the southeast Wisconsin freeway rehabilitation program after July 1, 2011. However, provisions that prohibit southeast Wisconsin freeway rehabilitation projects from being funded from the state highway rehabilitation or major highway development program appropriations are retained after that date under current law provisions. This item would allow southeast Wisconsin freeway rehabilitation projects to be funded from either of those programs' appropriations or bond authorizations, if they meet the relevant definitions for the respective programs and do not fall into the newly-created project classification for southeast Wisconsin freeway megaprojects. Specifically, under the proposed changes, any noncapacity expansion southeast Wisconsin freeway rehabilitation project that has a total estimated cost of less than \$75 million or a project that involves capacity expansion that is less than \$30 million, would be funded under the state highway rehabilitation program. Any project with an estimated cost that is above those thresholds, but below \$500 million (the megaproject threshold), would be funded under the major highway development program.

Modify a provision that requires DOT to maintain an inventory of completed project designs in each of the highway improvement programs to eliminate the requirement with respect to the southeast Wisconsin freeway rehabilitation program.

Separate items in the bill would provide funding increases and bonding authorization for the state highway rehabilitation, major highway development, and southeast Wisconsin freeway megaprojects programs, although, in total, those increases would not fully allocate the funding reductions in this item.

[Act 32 Sections: 614 thru 618, 619, 620, 788, 789, 2201, 2207, 2208, 2217, and 2218]

**3. STATE HIGHWAY REHABILITATION FUNDING [LFB Paper 665]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Assembly/Leg. (Chg. to JFC)</b>	<b>Net Change</b>
SEG	- \$118,516,400	- \$59,493,300	\$35,000,000	- \$143,009,700
FED	175,908,300	3,061,300	0	178,969,600
GPR	4,084,100	0	0	4,084,100
BR	<u>165,351,500</u>	<u>31,000,000</u>	<u>0</u>	<u>196,351,500</u>
Total	\$226,827,500	- \$25,432,000	\$35,000,000	\$236,395,500

**Governor:** Adjust the funding for the state highway rehabilitation program as follows: (a) provide \$85,529,100 FED in 2011-12 and \$90,379,200 FED in 2012-13; (b) reduce funding by \$8,679,600 SEG in 2011-12 and provide an increase of \$640,800 SEG in 2012-13; (c) reduce the SEG appropriation by \$115,351,500 in 2011-12 and authorize an equal amount of general fund-supported, general obligation bonds to replace the SEG funds; and (d) authorize \$50,000,000 in transportation fund-supported, general obligation bonds for state highway rehabilitation projects (\$10,000,000 less than the amount provided in the 2009-11 biennium). Increase funding by \$4,084,100 GPR in 2012-13 and by \$800,000 SEG in 2011-12 and \$4,073,900 SEG in 2012-13 to reflect estimated debt service payments on the bonds. The Department indicates that the transportation fund-supported, general obligation bonds would be allocated between both years of the biennium, with \$32,000,000 used in 2011-12 and \$18,000,000 used in 2012-13. When fully issued, it is estimated that annual debt service would be about \$12.8 million for the general fund-supported bonds, and about \$5.6 million for the transportation fund-supported bonds.

In addition to this item, the total funding for the state highway rehabilitation program would be affected by the following other items: (a) standard budget adjustments (\$999,100 SEG annually); (b) reductions to reflect increases in the employee contributions for pension and health insurance costs (-\$1,182,900 SEG and -\$3,057,800 FED annually); and (c) reductions to reflect the elimination of certain vacant positions (-\$598,100 SEG and -\$1,705,000 FED annually). Total funding for the program would be \$811,823,200 in 2011-12 and \$811,993,700 in 2012-13.

Making comparisons between the base year funding and the amounts that would be provided under the bill is difficult for various reasons. Notably, program responsibilities would be modified by other items in the bill. Certain southeast Wisconsin freeway rehabilitation projects would be funded under the state highway rehabilitation program, instead of under the southeast Wisconsin freeway rehabilitation program, and, conversely, certain large state highway rehabilitation projects would become the responsibility of the major highway development program. The table at the beginning of this section provides a comparison of the current and proposed funding for all highway improvement programs, individually and in total.

**Joint Finance:** Modify the funding for the program as follows: (a) reduce funding by \$11,000,000 SEG in 2011-12 and \$49,261,300 SEG in 2012-13; (b) increase funding by \$1,000,000 FED in 2011-12 and \$2,061,300 FED in 2012-13; (c) authorize \$31,000,000 in transportation fund-supported, general obligation bonds for the program; and (d) increase funding by \$768,000 SEG in 2012-13 to reflect additional debt service in these bonds. The net funding impact of these adjustments to the program (excluding debt service) would be a decrease

of \$10,000,000 in 2011-12 and \$16,200,000 in 2012-13. The following table compares the funding provided for the program, by fund source, under the Joint Committee on Finance substitute amendment with the Governor's proposal.

<u>Fund</u>	<u>Governor</u>		<u>Joint Finance</u>	
	<u>2011-12</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2012-13</u>
SEG	\$270,150,900	\$394,822,800	\$259,150,900	\$345,561,500
FED	394,320,800	399,170,900	395,320,800	401,232,200
Gen. Ob. Bonds (GPR)	115,351,500	0	115,351,500	0
Gen. Ob. Bonds (SEG)	<u>32,000,000</u>	<u>18,000,000</u>	<u>32,000,000</u>	<u>49,000,000</u>
Total	\$811,823,200	\$811,993,700	\$801,823,200	\$795,793,700

**Assembly/Legislature:** Increase funding by \$7,000,000 SEG in 2011-12 and \$28,000,000 SEG in 2012-13. The following table shows the total funding for the program following the Assembly's action.

<u>Fund</u>	<u>Assembly</u>	
	<u>2011-12</u>	<u>2012-13</u>
SEG	\$266,150,900	\$373,561,500
FED	395,320,800	401,232,200
Gen. Ob. Bonds (GPR)	115,351,500	0
Gen. Ob. Bonds (SEG)	<u>32,000,000</u>	<u>49,000,000</u>
Total	\$808,823,200	\$823,793,700

[Act 32 Sections: 791 and 793]

**4. MAJOR HIGHWAY DEVELOPMENT FUNDING [LFB Paper 666]**

SEG	\$31,032,400
SEG-S	- 17,000,000
BR	<u>50,000,000</u>
Total	\$64,032,400

**Governor/Legislature:** Provide \$14,538,600 SEG in 2011-12 and \$13,077,200 SEG in 2012-13, and reduce funding by \$11,000,000 SEG-S in 2011-12 and \$6,000,000 SEG-S in 2012-13 for the major highway development program. Authorize \$50,000,000 in transportation fund-supported, general obligation bonds for the program, which the Department indicates would be allocated between both years of the biennium, with \$27,000,000 used in 2011-12 and \$23,000,000 used in 2012-13. The \$50,000,000 in general obligation bonds is the same amount that was provided for the program in the 2009-11 biennium. Increase funding by \$675,000 SEG in 2011-12 and \$2,741,600 SEG in 2012-13 to reflect estimated debt service on the general obligation bonds. When fully issued, it is estimated that annual debt service on these bonds would be about \$4.0 million.

In addition to this item, the total funding for the major highway development program would be affected by the following other items: (a) standard budget adjustments (\$30,100 SEG annually); (b) reductions to reflect increases in the employee contributions for pension and health insurance costs (-\$508,000 SEG and -\$275,800 FED annually); and (c) reductions to reflect the

elimination of certain vacant positions (-\$257,000 SEG and -\$153,800 FED annually). Total funding for the program would be \$372,024,200 in 2011-12 and \$371,562,800 in 2012-13.

In addition to the funding changes in this item, program responsibilities would be modified, making it difficult to make a true comparison between base year funding for the program and the funding provided in the bill. The table at the beginning of this section provides a comparison of the current and proposed funding for all highway improvement programs, individually and in total.

[Act 32 Section: 792]

**5. MAJOR HIGHWAY DEVELOPMENT PROJECT ENUMERATION** [LFB Paper 666]

**Governor/Legislature:** Enumerate four major highway development projects in the statutes, as shown in the table below. The cost estimates shown for each project are from information provided by the Department to the Transportation Projects Commission in 2010. Major highway development projects must be enumerated in the statutes prior to construction.

<u>Highway</u>	<u>Segment</u>	<u>Length (In Miles)</u>	<u>Counties</u>	<u>Estimated Cost in 2010 Dollars (In Millions)</u>
I-90/39	Ill. State Line to USH 12/18	45	Dane & Rock	\$715
USH 10/STH 441	Winnebago CTH CB to Oneida St.	5	Calumet & Winnebago	390
STH 15	STH 76 to USH 45	11	Outagamie	125
STH 38	Racine CTH K to Oakwood Rd.	9	Milwaukee & Racine	<u>125</u>
TOTAL				\$1,355

[Act 32 Sections: 2211 thru 2214]

**6. MAJOR HIGHWAY DEVELOPMENT PROJECT DEFINITION** [LFB Paper 666]

**Governor:** Modify the definition of a major highway development project to: (a) include any project that has a total cost of more than \$75,000,000, whether or not the project involves highway capacity expansion, except for southeast Wisconsin freeway rehabilitation projects with a total cost exceeding \$500,000,000 (the cost threshold for southeast Wisconsin freeway megaprojects under the bill); and (b) increase the cost threshold for capacity expansion projects from \$5,000,000 to \$30,000,000. [The current law thresholds for what is considered "capacity expansion" would not be changed (adding one or more lanes five miles or more in length, relocating 2.5 miles or more of existing highway, constructing a new highway of 2.5 miles or more in length, or the improvement of 10 miles or more of an existing divided highway to freeway standards).]

Require the Department to annually adjust the project definition cost thresholds (\$75

million and \$30 million) to reflect the annual change in the Department's transportation price index, yearly moving average, or, if at any time the Department no longer maintains that index, another suitable index as determined by the Department. Require the Department to compute and publish the adjustment prior to October 1 of each year, beginning in 2012, and specify that the adjusted amount shall become effective on October 1. Specify that the Department may not adjust the cost thresholds to an amount less than \$75,000,000 or \$30,000,000, respectively. Specify that the adjustment of these amounts does not constitute an administrative rule.

Establish an alternate Transportation Projects Commission (TPC) review and approval procedure, in lieu of the current procedure, for highway projects that meet the definition of a major highway development project because they exceed the \$75,000,000 cost threshold. Require the Department, under this procedure, to submit a report to the TPC, prior to the construction of such a project, that requests the TPC's approval to proceed with the project. Specify that if the chairperson of the TPC (the Governor) does not notify the Department, within 14 working days after the request is submitted, that the TPC has scheduled a meeting to review the request, the request is considered approved and the Department may proceed with the project. Specify that if the chairperson notifies the Department, within 14 working days, that the TPC has scheduled a meeting for the purpose of reviewing the request, the Department may implement the request only as approved by the TPC, including any modification made by the TPC.

Specify that the Department may not proceed with construction of any major highway development project meeting the \$75,000,000 cost threshold until the TPC approves the Department's request, but that once approved, the project does not need to be individually enumerated in the statutes for the Department to proceed with construction. Specify that the Department's report to the TPC containing such a request may be submitted at any time following the completion of a draft environmental impact statement or environmental assessment.

Specify that major highway development projects that meet the \$75,000,000 cost threshold are exempt from the TPC review and approval procedures and individual enumeration requirement established for other major highway development projects, including: (a) the requirement that the TPC must approve the project for the preparation of an environmental impact statement or environmental assessment; (b) the requirement that the project, to be recommended for construction, must be able to be started within six years under the current budget for the program; and (c) the requirement that the project be given a numerical score on various criteria for the purposes of consideration by the TPC.

Modify a provision that permits the Department to engage in preliminary engineering and design work on a possible major highway development project prior to enumeration (but no construction or, unless approved by the TPC, no work on an environmental impact statement or environmental assessment), to allow DOT to perform any engineering or design work (eliminate the word "preliminary"). Potential projects that are below the \$75,000,000 threshold would still be subject to the provision that requires the TPC to approve the preparation of an environmental impact statement or environmental assessment before the Department can proceed with such preparation.

Specify that these changes would first apply to highway projects for which preliminary

engineering and design work commences after the general effective date of the bill, except for the provision that allows the Department to proceed with any engineering (as opposed to preliminary engineering) on a potential project prior to enumeration, which would apply to any project on the effective date of the bill.

As drafted, the modifications to the Transportation Projects Commission procedures with respect to projects that exceed the \$75,000,000 threshold, including the passive review procedure, and the exemption from other Commission review requirements, would apply to any project that exceeds that threshold. This includes capacity expansion projects that would meet the current law definition of a major highway development project. However, the Department of Administration indicates that the intent of the provision was to establish these alternate procedures only for costly rehabilitation projects that would not otherwise be classified as a major highway development project, since they do not exceed the capacity expansion thresholds.

**Joint Finance/Legislature:** Eliminate the 14-day passive review process for major projects with a cost exceeding \$75,000,000 and instead specify that DOT may not proceed with construction on these projects unless the TPC meets and approves, or modifies and approves, the Department's request. Specify that the expedited TPC review and approval procedure would not apply to projects that are considered a major highway project because they exceed the capacity expansion thresholds for such projects. Modify the initial applicability provision to specify that it would apply to projects that the Department determines should be initially identified as major highway projects meeting the \$75,000,000 cost threshold criterion.

[Act 32 Sections: 59 thru 61, 2202 thru 2206, 2209, 2210, 2215, 2237, 2726, and 9348(6)]

## **7. HIGH-COST BRIDGE PROGRAM**

**Joint Finance/Legislature:** Create SEG, FED, and SEG-L appropriations for high-cost state highway bridges, for rehabilitation or construction projects on bridges on the state trunk highway system that, including approaches, have an estimated cost exceeding \$150,000,000. Specify that a major interstate (across state lines) bridge project (defined separately under current law), or a bridge project that is part of an enumerated southeast Wisconsin freeway megaproject, are not considered a high-cost bridge project under this provision, and specify that a high-cost bridge project is not considered a major highway project, or a southeast Wisconsin freeway megaproject. Specify that during the 2011-13 biennium, the Department may use funds from the major highway development, state highway rehabilitation, and southeast Wisconsin megaprojects programs for preliminary costs associated with the reconstruction of the Hoan Bridge and approaches to the east bank of the Milwaukee River on I-794 in Milwaukee County. Provide that high-cost bridges may only be funded from the newly-created appropriations in subsequent biennia (no funding is provided in these appropriations in the 2011-13 biennium).

[Act 32 Sections: 611 thru 618, 620e thru 620s, 2202, 2208, and 2221am]

## **8. SOUTHEAST WISCONSIN FREEWAY MEGAPROJECTS PROGRAM**

**Governor/Legislature:** Create a new category of highway improvement project, termed

a "southeast Wisconsin freeway megaproject," defined as any project on a southeast Wisconsin freeway having a total cost of more than \$500 million. Create new SEG, FED, and SEG-L continuing appropriations for southeast Wisconsin freeway megaprojects and specify that any megaproject may be funded only from these appropriations or from the existing bond authorization for the Marquette Interchange and I-94 North-South freeway projects. Prohibit the Department from encumbering or expending any moneys for construction of a megaproject unless the project is enumerated in the statutes. Enumerate the I-94 North-South freeway project and Zoo Interchange project, as those projects are defined in current law. Modify the existing bonding authorization for the Marquette Interchange and I-94 North-South freeway projects to specify that these bonds may be used for the Zoo Interchange project or any southeast Wisconsin freeway megaproject.

Require the Department to annually adjust the \$500 million megaproject cost threshold to reflect the annual change in the Department's transportation price index, yearly moving average, or, if at any time the Department no longer maintains that index, another suitable index as determined by the Department. Require the Department to compute and publish the adjustment prior to October 1 of each year, beginning in 2012, and specify that the adjusted amount shall become effective on October 1. Specify that the Department may not adjust the cost thresholds to an amount less than \$500 million. Specify that the adjustment of these amounts does not constitute an administrative rule.

Exclude megaprojects from the definition of a major highway development project and specify that a megaproject is not considered a southeast Wisconsin freeway project for the purposes of determining funding eligibility under that program. Modify the statutory language for the major highway development and state highway rehabilitation appropriations to specify that these appropriations may not be used for funding southeast Wisconsin freeway megaprojects.

[Act 32 Sections: 611 thru 618, 619, 620, 623, 788 thru 790, 2202, 2218, 2219, 2234, and 2726]

**9. I-94 NORTH-SOUTH FREEWAY PROJECT** [LFB Paper 667]

SEG	\$29,747,000
FED	95,053,100
BR	<u>70,200,000</u>
Total	\$195,000,100

**Governor:** Provide \$10,710,200 SEG and \$71,289,800 FED in 2011-12 and \$19,036,800 SEG and \$23,763,300 FED in 2012-13 in the new southeast Wisconsin freeway megaprojects appropriations for the I-94 North-South freeway project and authorize \$70,200,000 in transportation fund-supported, general obligation bonds for that project. The North-South freeway project extends from the vicinity of the Mitchell Interchange (I-894/94/43) in Milwaukee County to the Illinois state line. Construction on the project began in 2008-09.

Of the bonds authorized for the project, the Department indicates that \$70,000,000 would be used in 2011-12 and \$200,000 would be used in 2012-13, which would result in total funding for the project of \$152,000,000 in 2011-12 and \$43,000,100 in 2012-13. The bonds shown in this item reflect the amount that the Department indicates would be allocated to the project from a total authorization of \$151,200,000 for southeast Wisconsin freeway megaprojects, with the

remainder being allocated for the Zoo Interchange reconstruction project. The bill does not reflect specific debt service estimates that would be paid in the biennium for the bonds authorized for the project. However, when fully issued, it is estimated that annual debt service would be about \$5.6 million.

The following table shows the proposed funding allocation between the two years of the biennium for the project.

<u>Fund Source</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Biennial Total</u>
FED	\$71,289,800	\$23,763,300	\$95,053,100
SEG	10,710,200	19,036,800	29,747,000
Bonds	<u>70,000,000</u>	<u>200,000</u>	<u>70,200,000</u>
Total	\$152,000,000	\$43,000,100	\$195,000,100

The funding provided by the bill for the I-94 North-South freeway represents a modification to the previous expenditure plan for the project. The Department indicates that the funding provided by the bill would be used to reconstruct selected interchanges and frontage roads, and complete work on selected segments of the mainline freeway in Kenosha County. In the following two biennia, work would continue on other interchanges, but remaining work to complete the mainline freeway would be delayed. Whereas the Department's plan had previously been to complete all interchanges and the entire mainline in 2016, the revised plan would delay work on most segments of the mainline freeway until 2018 and thereafter.

**Joint Finance/Legislature:** Modify a current law provision that requires any unencumbered funds in the southeast Wisconsin freeway rehabilitation appropriations at the end of fiscal year 2010-11 to be transferred to the corresponding appropriations for the state highway rehabilitation program, to require the Department to determine, prior to July 1, 2011, the portion of unencumbered funds in each of the southeast Wisconsin freeway rehabilitation appropriations at the end of 2010-11 that is associated with the southeast Wisconsin freeway megaprojects, and to instead transfer those amounts to the corresponding southeast Wisconsin freeway megaprojects appropriations.

**Veto by Governor [F-49]:** Delete the requirement that the determination of the allocation of unencumbered funds at the end of 2010-11 must be done prior to July 1, 2011, thereby allowing DOT to make this determination after the close of the fiscal year.

[Act 32 Sections: 618m, 619m, 620d, 790, 9148(7f), and 9448(6g)]

[Act 32 Vetoed Section: 9148(7f)]

**10. ZOO INTERCHANGE RECONSTRUCTION PROJECT**  
[LFB Paper 667]

SEG	\$48,946,900
FED	95,053,100
BR	<u>81,000,000</u>
Total	\$225,000,000

**Governor:** Provide \$22,236,700 SEG and \$23,763,300 FED in 2011-12 and \$26,710,200 SEG and \$71,289,800 FED in 2012-13 in the new southeast Wisconsin freeway megaprojects appropriations for the Zoo Interchange reconstruction project and authorize \$81,000,000 in transportation fund-supported, general

obligation bonds for that project. The Zoo Interchange is the intersection of I-94, I-894, and USH 45 in western Milwaukee County.

Of the bonds authorized for the project, the Department indicates that \$34,000,000 would be used in 2011-12 and \$47,000,000 would be used in 2012-13, which would result in total funding for the project of \$80,000,000 in 2011-12 and \$145,000,000 in 2012-13. The bonds shown in this item reflect the amount that the Department indicates would be allocated to the project from a total authorization of \$151,200,000 for southeast Wisconsin freeway megaprojects, with the remainder being allocated for the I-94 North-South freeway project. The bill does not reflect specific debt service estimates that would be paid in the biennium for the bonds authorized for the project. However, when fully issued, it is estimated that annual debt service would be about \$6.5 million.

The following table shows the proposed funding allocation between the two years of the biennium for the project.

<u>Fund Source</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Biennial Total</u>
FED	\$23,763,300	\$71,289,800	\$95,053,100
SEG	22,236,700	26,710,200	48,946,900
Bonds	<u>34,000,000</u>	<u>47,000,000</u>	<u>81,000,000</u>
Total	\$80,000,000	\$145,000,000	\$225,000,000

The Department indicates that the funding would be used for preliminary engineering, final design, real estate acquisition, utility relocation, and for the initial construction on adjacent highways, including STH 100.

**Joint Finance/Legislature:** Require the Department to submit a report to the Joint Committee on Finance, by December 1, 2011, that does the following: (a) outlines a financing plan and schedule for the Zoo Interchange project, including planned expenditures by year and by funding source, through the year of completion; (b) shows the impact on transportation fund debt service of the issuance of bonds for the project as well as past and future issuance of transportation fund-supported bonds for other projects and programs; and (c) provides estimates of the percentage of gross transportation fund revenues that would be required for the payment of transportation debt service on any bonds described under (b), through two years following the year of completion of the Zoo Interchange project.

**Veto by Governor [F-49]:** Delete the required December 1, 2011, submission date for the report to the Joint Committee on Finance, allowing DOT to submit the report at the Department's discretion.

[Act 32 Sections: 790 and 9148(8f)]

[Act 32 Vetoed Section: 9148(8f)]

## 11. MAJOR INTERSTATE (BOUNDARY) BRIDGE PROJECTS

**Governor/Legislature:** Eliminate a current law restriction on the use of bonds authorized for major interstate bridge projects that specifies that such bonds may only be issued if the state receives at least \$75,000,000 in federal funds that are designated by the federal government specifically for a major interstate bridge project. Major interstate bridge projects are defined as the construction or reconstruction of a bridge on the state trunk highway system, including approaches, that crosses a river forming a boundary of the state and for which the state's estimated cost share is at least \$100,000,000. Under current law, \$225,000,000 in bonds are authorized for such a project. With the proposed modification, the Department could issue up to \$225,000,000 in bonds for such projects without meeting the federal grant precondition. The proposed Stillwater bridge project, in St. Croix County, is the only project currently under development that meets the definition of a major interstate bridge project.

[Act 32 Sections: 2220 and 2221]

## 12. HIGHWAY IMPROVEMENT PROJECT BIDDING REQUIREMENTS

**Joint Finance:** Modify a current law provision that authorizes the Department to contract with a county or municipality to perform, with its own forces and equipment, a highway improvement project, to specify that the Department may only enter into such contracts if the project is an emergency and no private contractors are available to perform the work, instead of, under current law, if the Department finds that it would be more feasible and advantageous to have the improvement performed, without bids, by the county or municipality where the proposed improvement is located. Specify that this provision takes effect on the first day of the fourth month beginning after the general effective date of the bill.

Authorize the Department, effective on the general effective date of the bill, to employ an accelerated bidding process for highway improvement projects under circumstances when the project is unexpectedly needed and the normal timelines and bidding documents allow insufficient time to follow uniform methods.

**Assembly/Legislature:** Delete provision.

## 13. STATE HIGHWAY MAINTENANCE FUNDING

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance (Chg. to Gov)</b>	<b>Assembly/Leg. (Chg. to JFC)</b>	<b>Net Change</b>
SEG	\$11,747,800	\$30,000,000	-\$15,000,000	\$26,747,800

**Governor:** Provide \$3,923,300 in 2011-12 and \$7,824,500 in 2012-13 for the state highway maintenance and traffic operations program, which would be an increase of 2.0% annually. Total program funding would also be affected by the following other items: (a) standard budget adjustments (\$822,200 annually); (b) reductions to reflect increases in the

employee contributions for pension and health insurance costs (-\$903,000 annually); and (c) reductions to reflect the elimination of certain vacant positions (-\$456,700 annually). Total funding for the program would be \$198,446,700 in 2011-12 and \$202,347,900 in 2012-13. Base amounts for the program's FED appropriation (\$1,102,900) and a SEG appropriation for the operation of state-owned lift bridges (\$2,210,100) would not be changed by the bill.

**Joint Finance:** Provide an additional \$15,000,000 annually for the program, to provide a total increase of \$18,923,300 in 2011-12 and \$22,824,500 in 2012-13.

**Assembly/Legislature:** Reduce funding by \$15,000,000 in 2012-13, to provide a total increase of \$7,824,500 in that year.

#### **14. STATE HIGHWAY MAINTENANCE PROGRAM -- DEFINITION OF MAINTENANCE ACTIVITIES**

**Joint Finance:** Modify provisions related to highway maintenance activities done by counties or municipalities, as follows: (a) eliminate the authority of DOT to contract with a county or municipality for maintenance of state trunk highways beyond the limits of the county or municipality, except that: (1) in cases where a short segment of highway passes through a county, but for which there is no access or only limited access to that short segment from other parts of the county, the Department may contract with an adjoining county to maintain that short segment; and (2) the Department may deploy county and municipal maintenance resources across county lines for winter maintenance such as snow plowing, salting, and deicing, for pot hole filling, and for incidents such as pavement and deck failures, incident response, and bridge hits; (b) specify that the term "maintenance activities" does not include: (1) repair that is a capital investment that will improve a highway facility for at least 10 years; or (2) a highway improvement project; (c) include in the definition of maintenance activities the restoration of material losses, patching, mudjacking, joint filling, crack sealing, and interim short resurfacing projects, provided that they are less than 500 feet in length, less than three-fourths inch thick, and cost less than \$25,000; (d) modify a provision that authorizes the Department to contract "with a private entity for service or materials or both associated with the installation, replacement, or maintenance of highway signs, traffic control signals, highway lighting, pavement markings, and intelligent highway systems" to eliminate the phrase "associated with the ...systems"; and (e) make the following other modifications to the term "maintenance": (1) eliminate the distinction in the definition of maintenance between general maintenance and special maintenance; (2) change the term "complete repair" to "repair" and add the phrase "of travel surfaces, shoulders, roadsides and traffic weigh stations, park and ride lots, drainage facilities, bridges, and tunnels" after "repair"; (3) replace the term "restoration" with the term "preservation"; and (4) eliminate the phrase "all measures necessary to provide adequate traffic service".

**Assembly/Legislature:** Delete provision.

#### **15. STATE HIGHWAY MAINTENANCE -- DOT REQUIREMENTS**

**Joint Finance/Legislature:** Require DOT to work cooperatively with the county

highway departments to determine an appropriate level of state work sufficient to fully utilize manpower and equipment needed for winter maintenance. Require DOT, in each biennial budget submission, to include a funding proposal for maintenance activities performed by counties that is no less than the base year and includes an inflationary adjustment, if it is determined that the level of funding for that purpose is inadequate to perform needed maintenance activities.

**Veto by Governor [F-47]:** Delete the required biennial budget submission of a funding proposal.

[Act 32 Section: 2221i]

[Act 32 Vetoed Section: 2221i]

## 16. BORROW AND DISPOSAL SITES FOR TRANSPORTATION PROJECTS

**Joint Finance/Legislature:** Specify that any site used to excavate borrow (soil or a soil and stone or gravel mixture) for use in a transportation project and any site for the lawful disposal of surplus materials from a transportation project is not subject to local zoning ordinances provided that all of the following apply: (a) the transportation project is a construction or maintenance project directed and supervised by DOT that relates to an airport, railroad, highway, bridge, or other transportation facility, and that is subject to a current law interagency expedited permit approval agreement between DOT and the Department of Natural Resources; (b) the owner of the property consents to the establishment of the site on his or her property; (c) the Department determines that the site is not a commercial establishment that has a fixed place of business from which the establishment regularly supplies processed or manufactured materials or products; (d) the transportation project contractor assumes sole responsibility for the operation of the site and, with respect to a material disposal site, the site is under the direct control of the transportation project contractor or subcontractor; (e) the site is used solely for the specified transportation project and solely during the period of construction of the specified transportation project; (f) the transportation project contractor or subcontractor, with respect to a borrow site, does not crush, screen, wash, blast, or apply another manufacturing process to mineral aggregate from the borrow site, on or off the borrow site, to produce finished aggregate products; (g) the contractor complies with any applicable noise limit standards established by administrative rule by the Department of Commerce for mine or quarry operations; (h) the contractor complies with applicable restoration requirements established by DOT and DNR under the interagency agreement for the project and any restoration requirements established by DOT for construction site erosion control; and (i) with respect to a material disposal site, the site is not a private landfill that is not managed by the transportation project contractor or a transportation project subcontractor or a landfill that is owned or directly controlled by a city, village, town, or county.

This provision would be similar to a current law provision that sunsets on July 1, 2011, except that the current law provision does not apply to disposal sites, only applies to state highway projects, and requires compliance with local standards for noise control and site reclamation.

[Act 32 Section: 2245k]

## **17. LIMITATIONS ON APPEALS AND LITIGATION EXPENSES IN EMINENT DOMAIN PROCEEDINGS**

**Joint Finance:** Modify the state's eminent domain law to limit the amount of attorney's fees included in the litigation expenses that are reimbursed by an acquiring authority, in cases involving the appeal of a condemnation award, to an amount equal to one-third of the difference between the amount awarded by the condemnation commission or jury verdict and the acquiring authority's rejected jurisdictional offer or highest written offer prior to the jurisdictional offer. Specify that if this amount is less than \$5,000, and the property owner shows good cause, the amount of reimbursed attorney's fees may exceed one-third of the difference, but may not exceed \$5,000. Specify that the same limits apply in cases of an appeal to a circuit court of an award of a condemnation commission, except that the calculation of the limit shall be based on the difference between the court's award and the condemnation commission's award.

Limit the circumstances under which litigation expenses may be awarded following an appeal in a condemnation proceeding, by increasing the trigger amount by which the final award must exceed the jurisdictional offer or highest written offer from at least \$700 and at least 15% of the offer, under current law, to at least \$10,000 and at least 15% of the offer.

Make the following modifications with applicability to: (1) property acquisition proceedings involving transportation projects, sanitary and storm sewers, watercourses, water transmission and distribution facilities, and gas or leachate extraction systems used to remedy environmental pollution from a solid waste disposal facility; and (2) other public and private entities with condemnation authority (such as other state and local agencies and utilities), except for certain types of projects initiated by first class cities (Milwaukee), municipal utilities, or for cemeteries, which are governed by separate statutory provisions:

a. Eliminate a current law provision that gives a property owner the right to file an appeal with the county condemnation commission or circuit court over the amount of an award for property acquisition and relocation or other related expenses in cases where the property conveyance occurred as the result of a negotiated settlement. Specify that this provision would first apply to conveyances recorded with the register of deeds on the general effective date of the budget act. Property owners would retain the right to refuse a negotiated settlement and appeal the amount of a subsequent condemnation award.

b. Specify that only an appraisal submitted by the condemning authority or an appraisal submitted by the property owner prior to the date of service or mailing of a jurisdictional offer or the date of the publication of the jurisdictional offer, if necessary, may be introduced by either party in a subsequent appeal.

**Assembly/Legislature:** Delete provision.

## **18. LOCAL GOVERNMENT REIMBURSEMENT OF OUTDOOR ADVERTISING SIGN CONDEMNATION COSTS**

**Joint Finance/Legislature:** Specify that if an outdoor advertising sign that does not

conform to a local ordinance ("nonconforming sign") is realigned as the result of a DOT highway project, the realignment of the sign shall not affect the sign's nonconforming status under the ordinance. Specify that realignment in this context, consistent with the current law use of the term, means the relocation of the sign on the same site, in cases of a partial taking of the site. Require DOT, if the Department proposes the realignment of a nonconforming sign in connection with a highway project, to notify the governing body of a municipality or county where the outdoor advertising sign is located and which adopted the ordinance of the sign's proposed realignment. Specify that the governing body, upon receiving such notice, may petition the Department to condemn the sign and any real estate interest of the sign owner, in lieu of the proposed realignment. Specify that if the Department succeeds in condemning the sign and real estate interest, the governing body shall pay to the Department an amount equal to the condemnation award, less relocation costs that would have been paid if the sign had been realigned rather than acquired. Specify that if the governing body fails to pay this amount, the Department may reduce the municipality's or county's general transportation aid payment by an equal amount. Specify that these provisions do not permit the alternation or movement of a sign that is nonconforming under state law.

[Act 32 Sections: 2233m and 2271m]

## Motor Vehicles

### 1. FUNDING AND POSITION REDUCTIONS

	Funding	Positions
SEG	-\$8,764,700	- 30.67

**Governor/Legislature:** Reduce funding by \$6,299,800 in 2011-12 and \$2,464,900 in 2012-13, and delete 5.67 positions in 2011-12 and 30.67 positions in 2012-13 for the Division of Motor Vehicles. Of these funding and position reductions, a portion would be associated with specific process changes that the Department intends to implement to yield savings, while other reductions reflect decreases in available personnel or supplies and services purchases, without an offsetting reduction in workload. The following initiatives are in the first category: (a) several initiatives to increase process automation, for a savings of \$351,300 and 5.67 positions annually; (b) an initiative to use postcards, rather than inserts in envelopes, for driver's license and identification card renewal notices, for a savings of \$63,800 in 2011-12 and \$85,000 in 2012-13; and (c) a decision to reduce mailings made under the safety responsibility program, for a savings of \$24,500 annually. The personnel and supplies and services reductions include: (a) holding positions vacant and eliminating positions at the end of the biennium, a reduction of \$2,912,700 in 2011-12 and \$1,549,300 and 25.00 positions in 2012-13; (b) a reduction of \$1,655,200 in 2011-12 and \$100,000 in 2012-13 in supplies and services expenditures; (c) a reduction of \$731,000 in 2011-12 for various vendor contract purchases; (d) a reduction of \$104,800 in 2011-12 in overtime expenditures; and (e) a reduction of \$101,700 in 2011-12 in the LTE budget. Finally, this item reflects a reduction of \$354,800 annually in a separate appropriation for the vehicle emissions

inspection program, to reflect an anticipated decrease in the amount for the state's contract with the program vendor. The position and funding reductions under this item are in addition to a separate item that would eliminate other vacant positions in various Department divisions. Under that item, which is summarized under "Transportation--Departmentwide," the positions in the Division of Motor Vehicles would be reduced by 35.92 annually, for an annual savings of \$1,899,700.

**2. MINIMUM SERVICE HOUR REQUIREMENTS FOR DIVISION OF MOTOR VEHICLES SERVICE CENTERS**

	Funding	Positions
SEG	\$10,000,000	55.00

**Joint Finance/Legislature:** Provide \$6,000,000 in 2011-12 and \$4,000,000 in 2012-13 and 55.0 positions annually for the Division of Motor Vehicles and require DOT to provide at least 20 hours of services per week in each county related to driver's licenses and identification cards. Require the Department to provide these services in the most cost-effective means possible, including by contracting with counties or other local governments to provide these services, including conducting driver's license examinations, excluding the driving skills tests. Specify that the Department may require any employee of a local government who provides such services to undergo the same background checks required for employees of the Department who provide these services.

[Act 32 Sections: 2404g and 2404k]

**3. FEDERAL REAL ID ACT IMPLEMENTATION; ISSUANCE OF NONCOMPLIANT LICENSES AND IDENTIFICATION CARDS**

SEG	\$4,526,000
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**Governor/Legislature:** Provide \$2,370,000 in 2011-12 and \$2,156,000 in 2012-13 for costs associated with implementing the federal Real ID Act, as it applies to the issuance of driver's licenses and identification cards. Of this amount, \$1,386,000 annually would be for higher costs associated with the security features included on the cards, another \$534,000 in 2011-12 and \$570,000 in 2012-13 would be for higher postage costs for mailing cards from a central location, rather than issuing cards over the counter at the time of application, and \$450,000 in 2011-12 and \$200,000 in 2012-13 would be for public outreach related to the new documentation requirements. The Department indicates that its intention is to begin partial implementation of Real ID Act requirements in May, 2011, and the funding provided by the bill would be for additional costs incurred in the 2011-13 biennium as other requirements are met.

Authorize the Department to process an application for, and issue or renew, a driver's license or identification card without meeting certain document processing and verification procedures (described below) provided that: (a) the license or card is marked, in accordance with the federal Real ID Act, in a manner that clearly states that it may not be used by any federal agency for federal identification, and uses a unique design and color to distinguish it as such; and (b) the license or card is processed and issued or renewed in compliance with applicable Department practices and procedures in effect prior to the date that the Department implements

application procedures in concurrence with the federal Real ID Act. The document processing and verification procedures that would be exempted under this provision were adopted in state law in 2007 Act 20 to comply with the federal Real ID Act, but do not become effective until the Department posts a notice in the Wisconsin Administrative Register indicating that the Department is ready to implement the provisions. The federal Real ID Act permits states to issue driver's licenses and identification cards that do not comply with the Act's issuance standards, provided that they are given a distinct appearance. The Real ID Act requirements that would be waived are: (a) a requirement that the Department make a digital copy of each document presented in the course of the application; and (b) a requirement that the Department verify the authenticity of all documents according to federal standards and record the date of verification in the person's driver record. Although the Department would not have to follow the Real ID document processing and verification procedures, the applicant for either a compliant or noncompliant driver's license or identification card would be required to submit the same documentation, which includes: (a) an identification document that includes either the applicant's photograph, or both the applicant's full legal name and date of birth; (b) documentation showing the applicant's date of birth; (c) proof of the applicant's social security number or verification that the applicant is not eligible for a social security number; (d) documentation showing the applicant's name and address of principal residence; and (e) documentation proving that the applicant is a U.S. citizen or is legally present in the United States. Specify that these provisions take effect on July 1, 2011, or on the date of the implementation of the state's Real ID Act procedures, as published by the Department in a notice in the Administrative Register, whichever is later.

Authorize the Department, effective with the implementation of the Real ID Act provisions, to process an application for a non-Real ID Act-compliant driver's license without taking a photograph of the applicant and issue a license to the applicant without a photograph if the applicant provides an affidavit that: (a) states that he or she has a sincerely held religious belief against being photographed; (b) identifies the religion to which he or she belongs or the tenets of which he or she adheres to; and (c) states that the tenets of the religion prohibit him or her from being photographed. Authorize the Department, effective on the general effective date of the bill, to process an application for a non-Real ID Act-compliant identification card without taking a photograph of the applicant and issue an identification card without a photograph if the applicant provides such an affidavit. Under current law, the Department, by administrative rule, provides for a driver's license to be issued without a photograph for religious reasons, but does not provide such an exception for the issuance of an identification card.

Increase the expiration period for a temporary driving receipt (issued to a person upon application for a license to be used while the application is being processed) from not more than 30 days to not more than 60 days, effective on the general effective date of the bill. Authorize the Department, also on the general effective date of the bill, to issue a receipt to any applicant for an identification card that would constitute a temporary identification card while the application is being processed, valid for a period not to exceed 60 days (such a provision is in current law, but will not become effective until the Real ID Act implementation date). Provide that a temporary driving receipt issued for a non-Real ID Act-compliant driver's license or identification card must comply with the design and marking standards established for such licenses and cards. Delete a provision that specifies that a temporary driving receipt issued to a

person who applies for a driver's license after previously being licensed in another state may not authorize the operation of commercial motor vehicles. Modify provisions related to certain temporary licenses, to require a photograph for occupational licenses and for temporary receipts issued while a driver's license application is being processed.

[Act 32 Sections: 3144, 3145, 3147 thru 3152, 3153 thru 3164, 3172 thru 3180, and 9448(2)&(4)]

**4. ELIMINATE LICENSE PLATE STICKERS [LFB Paper 675]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$798,000	\$266,000	- \$532,000

**Governor:** Reduce funding by \$266,000 in 2011-12 and \$532,000 in 2012-13 to reflect savings associated with eliminating requirements, as summarized below, for the issuance and display of license plate stickers indicating the period of registration and expiration date, and for certain vehicles, the weight class of the vehicle, or other specific identifiers.

Eliminate the requirement that license plates display the period for which the specific plate is issued or the date of expiration of the registration, and the requirement that plates issued for certain vehicles registered on the basis of gross weight display the weight class into which the vehicle falls (the weight class would continue to be shown on the certificate of registration). Eliminate a specific requirement, with respect to the registration of automobiles, that the license plate display both a three-letter abbreviation for the month of registration and the year of registration. Eliminate a provision that permits the Department to issue a sticker as evidence of registration upon renewal in lieu of issuing a new plate, and instead specify that the Department is not required to issue a new plate upon registration renewal. Eliminate a requirement that vehicles registered specifically for use by persons issued a special restricted driver's license be issued a license plate with a tag, decal, or other identification indicating the restricted nature of the allowable operation and specify, instead, that such restrictions be indicated on the certificate of registration for the vehicle.

Modify the definition of "unregistered motor vehicle" in provisions related to the removal of such vehicles by law enforcement officers to eliminate references to "valid registration plates" and "evidence of registration" and, instead, specify that an unregistered vehicle is one which does not have a registration plate for which the Department's vehicle registration records indicate valid registration. Modify various other statutory provisions to eliminate references to license plate stickers and decals.

Specify that these provisions would take effect on the first day of the seventh month beginning after the general effective date of the bill and would first apply to applications for registration or registration renewal received on that day.

**Joint Finance/Legislature:** Delete statutory changes that would eliminate the

requirement for the issuance and display of license plate stickers. Restore funding of \$266,000 in 2011-12 and \$532,000 in 2012-13, associated with license plate sticker costs, but place the funding in 2012-13 in the Committee's appropriation for providing funding supplements. Require the Department to submit a request for the Committee's third quarterly meeting in 2011-12 under s. 13.10 of the statutes for funding for license plate stickers in 2012-13. Specify that the request must include a proposal to establish a license plate sticker system under which stickers would be issued centrally by a third-party vendor and would carry an identification marker specific to the license plate or vehicle for which the sticker is issued. Specify that the Committee may approve, or modify and approve, the proposal, and that the Department must implement the proposal as approved by the Committee. Specify that the Committee may supplement the appropriation for the Division of Motor Vehicles for the purpose of implementing the license plate sticker system without finding that an emergency exists. The fiscal effect of the decision to place funding in the Committee's supplemental appropriation in 2012-13 is reflected under Program Supplements.

[Act 32 Section: 9148(9i)]

**5. COMMERCIAL DRIVER'S LICENSE SYSTEM MODIFICATIONS TO COMPLY WITH FEDERAL REQUIREMENTS**

SEG	\$1,172,600
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**Governor/Legislature:** Provide \$1,172,600 in 2011-12 for costs of updating commercial driver's license practices to conform to federal requirements with respect to medical certifications for drivers who operate in interstate commerce. Authorize the Department to downgrade the commercial driver's license, for any person who does not have a current medical certification covering the driver's physical qualifications, to restrict the licensee to operating a commercial motor vehicle only in intrastate commerce. Require the Department to promulgate an administrative rule to: (a) define the term "downgrade" in accordance with federal law and regulations or guidance from the applicable federal agency; (b) establish a process for downgrading a commercial driver's license, including specifying whether or not a new commercial driver's license document would be issued after a downgrade; and (c) establish the process for reinstating a downgraded commercial driver's license after the Department receives a valid medical certification or other appropriate certification of physical qualifications.

New federal medical certification requirements will go into effect on January 30, 2012, related to medical certificates for commercial motor vehicle drivers. Currently, although federal regulations require a driver to receive a medical certificate every two years to operate a commercial motor vehicle in interstate commerce, the state licensing agency is not required to monitor compliance with this requirement on an ongoing basis or take licensing action against a driver who does not maintain such certification. In Wisconsin, the Department of Transportation only checks for a valid medical certificate upon initial license application and upon license renewal, every eight years, and records only whether or not a valid certification was provided. The federal changes will require the Department to solicit information on medical certifications on a two-year cycle and provide notification to the national commercial driver's license information system as to the certification status of all drivers operating in interstate commerce.

Furthermore, instead of recording only whether the driver has a valid medical certificate or not, the Department will have to record more information on medical certification, such as the medical examiner's name, date of physical examination, and any medical restrictions. The funding provided by this item would be used to implement these process changes, including the data processing upgrades necessary to: (a) provide notification to drivers of the pending expiration of medical certification on a two-year cycle; (b) provide for a license downgrading process resulting from the expiration of a medical certification; (c) create a process for notifying employers of commercial motor vehicle drivers of changes in the medical certification status of their employees; and (d) create a process for maintaining the required detailed information on medical certification for each driver with the national commercial driver's license information system.

[Act 32 Section: 3146]

**6. ONLINE RENEWAL OF IDENTIFICATION CARDS; ELECTRONIC NOTICE OF RENEWAL REQUIREMENTS**

	Funding Positions	
SEG	-\$123,900	- 2.00

**Governor/Legislature:** Permit the Department to renew an identification card by mail or by any electronic means available to the Department, provided that the Department does not make consecutive renewals by mail or electronic means. Authorize the Department to provide notice of an expiring driver's license, hazardous materials transportation endorsement, or identification card by electronic means, if desired by the holder of the license, endorsement, or card, instead of by mail, as required by current law. Reduce funding by \$123,900 and delete 2.0 positions in 2012-13 for the Division of Motor Vehicles to reflect anticipated savings associated with these provisions.

[Act 32 Sections: 3165 thru 3167, 3177, 3178, 3181, 3182, and 9448(2)]

**7. CLASS D SKILLS TEST FEE [LFB Paper 676]**

	Governor (Chg. to Base) Funding Positions		Jt. Finance/Leg. (Chg. to Gov) Funding Positions		Net Change Funding Positions	
SEG	-\$49,400	- 0.40	-\$22,400	- 0.18	-\$71,800	- 0.58
SEG-REV	\$0		\$634,600		\$634,600	

**Governor:** Reduce the number of tests that a person who pays the first \$15 fee for a Class D (regular automobile) driver's license skills test is entitled to take from three to two, and for each subsequent \$15 fee from three to one, first applying to skills test fees paid on the general effective date of the bill. Under this modification, a person who fails two tests must pay another \$15 fee each time the person takes the test again, whereas a person may fail three tests before having to pay an additional fee under current law, with each subsequent fee also paying for three

tests. Reduce funding by \$24,700 and delete 0.4 positions annually to reflect anticipated savings resulting from this change.

**Joint Finance/Legislature:** Modify the provision by requiring a license applicant to pay a \$15 fee for each Class D skills test taken. Reduce funding by an additional \$11,200 annually, delete an additional 0.18 positions annually, and increase estimated transportation fund revenue by \$317,300 annually to reflect this change.

[Act 32 Sections: 3168m and 9348(3)]

**8. THIRD-PARTY TESTING FOR CLASS D DRIVER'S LICENSES**

**Joint Finance/Legislature:** Permit DOT to contract with third-party testers to administer the Class D (noncommercial vehicle) driving skills test to license applicants. Extend current law provisions applying to third-party testers for commercial motor vehicle license tests to third-party testers for Class D license tests, including a requirement that the tests be the same as those conducted by the Department, and provisions requiring DOT to conduct audits of the third-party testers. Delete a provision that prohibits the Department from contracting with a private driver training school or other private institution for the administration of license skills tests, but specify that the third-party tester may not administer a test to a person who has received instruction in driver training from the third-party tester or from any person who controls, is controlled by, or is under common control with, the third-party tester.

[Act 32 Sections: 3152c thru 3152i]

**9. ELECTRONIC BUSINESS TRANSACTIONS [LFB Paper 677]**

	<b>Governor (Chg. to Base) Positions</b>	<b>Jt. Finance/Leg. (Chg. to Gov) Positions</b>	<b>Net Change Positions</b>
SEG	- 13.00	2.20	- 10.80

**Governor:** Transfer \$500,000 SEG annually from the permanent salary line in the appropriation for the Division of Motor Vehicle to the supplies and services line to provide funding for the implementation of various process changes designed to increase electronic processing of certain transactions. Eliminate 13.00 positions in 2012-13 to reflect workload reductions associated with implementing these process changes. Modify statutory provisions, as follows, to facilitate the adoption of electronic business transactions.

*Conducting Business in an Electronic Format.* Authorize the Department to establish procedures for conducting any transaction in an electronic format or using an electronic process, and specify that any form prescribed by the Department may be prescribed in an automated format to facilitate electronic processes. Permit the Department to promulgate rules requiring a person to pay a fee, in addition to any other fee that may be imposed by the Department, for conducting an in-person, telephone, or paper transaction in lieu of using an electronic filing or

submission option when the Department has made such an option available. Specify that the rules may provide for exemptions from the additional fee for designated categories of persons or transactions.

*Accepting Electronic Payment of Fees.* Permit DOT to accept payment by credit card, debit card, or any other electronic payment mechanism of any fee that is required to be paid to the Department, instead of, under current law, any fee contained in the statutory chapters related to motor vehicles and driver licensing. Under current law, the Department may charge a convenience fee for any payment made by credit card, debit card, or other electronic means, to cover credit card charges or other costs associated with offering electronic payment options. This authority would apply to any new electronic payment method created as a result of this provision.

*Vehicle Titles Delivered to Holder of Security Interest.* Require the Department to deliver the certificate of title for a vehicle for which there is a perfected security interest to the secured party having the primary perfected security interest in the vehicle, instead of, under current law, to the owner of the vehicle. Modify various statutory provisions related to title transactions to reflect that a vehicle owner may not be the holder of a vehicle title. Specify that these provisions first apply to title applications submitted on January 1, 2012, although authorize the Department to issue and deliver certificates of title, for six months after that date, under the laws in effect prior to that date.

*Security Interest Transactions.* Modify a current law provision that requires the Department to deliver memoranda to a secured party evidencing the notation of a new security interest on a vehicle title, to specify that this requirement only applies in cases where the secured party is exempt from a current law requirement that security interest statements be electronically processed.

*Renewal of Registration Plates for Certain Vehicles.* Authorize the Department to renew registration plates issued to motor vehicle dealers, distributors, manufacturers, transporters, or financial institutions without issuing new plates or insert tags, decals, or other evidence of registration. Eliminate a requirement that a registration plate issued to these entities must indicate the date of expiration.

**Joint Finance/Legislature:** Modify the provision authorizing the Department to promulgate rules requiring a person to pay a fee for conducting an in-person, telephone, or paper transaction in lieu of using an electronic filing or submission option, to specify that the rules providing for an additional fee shall not apply to individuals, unless the Department offered an electronic filing or submission option in connection with the service on the effective date of the bill, and the Department charged an additional fee to individuals for electing this option as of that date.

Provide 2.2 positions in 2012-13, to reduce the total reduction under this item to 10.8 positions, to reflect the estimated position reduction associated with the electronic business transaction initiatives.

[Act 32 Sections: 2242 thru 2245, 2720, 2721, 2724, 3096, 3109, 3111, 3112, 3128 thru 3130, 3134 thru 3143, 3188, 9148(1), 9348(2), and 9448(1)]

## 10. MOTOR CARRIER SAFETY PROGRAM

SEG	\$96,800
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**Governor/Legislature:** Provide \$96,800 in 2011-12 for data processing changes necessary to allow the state to fully implement the commercial motor carrier performance and registration information system management (PRISM) program, which is a federal and state initiative to monitor the safety performance of motor carrier firms. Modify statutory provisions, as described below, to allow the state to implement elements of the PRISM program.

Require the Department to suspend the vehicle registration for any commercial motor vehicle registered under the International Registration Plan (IRP) for interstate operation, or refuse to register such a vehicle, if the vehicle has been identified by the federal Motor Carrier Safety Administration (MCSA) as having been assigned for safety to a motor carrier whose business is operated, managed, or otherwise controlled or affiliated with a person who has been issued a federal out-of-service order for unsatisfactory safety compliance, in accordance with federal regulations for such orders. Require the Department, likewise, to suspend the registration of, or refuse to register, any such vehicle for which the registration application identifies a motor carrier as the motor carrier responsible for the safety of the vehicle, upon receiving notice (or having received notice, in the case of registration refusal) that the motor carrier has been issued a federal out-of-service order for unsatisfactory safety compliance.

Authorize the Department to suspend the vehicle registration of a motor vehicle registered under the IRP, or refuse to register such a vehicle, if the Department determines that the motor carrier identified on the vehicle's registration application as the motor carrier responsible for safety of the vehicle is the same or substantially the same business as a motor carrier that has been issued a federal out-of-service order for unsatisfactory safety compliance, or that elements of the motor carrier operation are the same business elements, or substantially the same. Authorize the Department to seize and destroy the registration plates of any motor vehicle that is registered under the IRP and for which the registration application identifies a motor carrier that has been issued an out-of-service order for unsatisfactory safety compliance as the motor carrier responsible for safety of the vehicle. Prohibit the Department from issuing a 72-hour operation permit to any motor vehicle for which the permit application identifies a motor carrier that has been issued a federal out-of-service order for unsatisfactory safety compliance as the motor carrier responsible for the safety of the vehicle.

Specify that a vehicle that the Department has refused to register under the IRP or has suspended the IRP registration under these provisions, may be registered under any other applicable provision (for instance, intrastate operations), subject to all applicable requirements and fees. Specify that a person whose registration has been suspended under these provisions is not entitled to any credit for any registration fee previously paid, but that if the motor vehicle's registration under the IRP is reinstated after the registration period has expired, the person is entitled, upon renewal of the IRP registration, to a credit for the registration fee paid for a non-IRP registration, calculated based upon the unused portion of that registration.

Modify the definition of an operating a commercial motor vehicle while subject to an out-of-service order violation to include operating a commercial motor vehicle for which the

responsible motor carrier has been issued a federal out-of-service order for unsatisfactory safety performance.

Specify that these provisions first apply to notices of out-of-service orders or permit or registration applications received by the Department on the general effective date of the bill. Specify that the change to the definition of operating while subject to an out-of-service order first applies to offenses committed on the general effective date, but does not preclude the counting of other violations as prior violations for the purpose of administrative action by the Department or for sentencing by a court.

[Act 32 Sections: 3086 thru 3088, 3107, 3108, 3122 thru 3126, 3170, 3171, and 9348(1)]

**11. FIREFIGHTER AND EMERGENCY MEDICAL TECHNICIAN LICENSE PLATES**

SEG	\$21,500
SEG-REV	\$22,000

**Joint Finance/Legislature:** Require DOT, upon request of a qualifying applicant who has been issued a firefighter or emergency medical technician license plate, to issue a replacement firefighter or emergency medical technician license plate of the design issued for those plates prior to January 1, 2007, provided that the applicant pays an issuance fee of \$40, in lieu of the \$10 replacement plate fee. Provide \$21,500 in 2011-12 in the Division of Motor Vehicles appropriation for anticipated costs associated with the issuance of these plates and the cost of data processing changes needed to track both types of plates in the Division's vehicle database. Increase estimated transportation fund revenues by \$22,000 in 2011-12 to reflect issuance fees paid by applicants. Require DOT to provide an option, upon application for the initial issuance of a firefighter or emergency medical technician plate, of choosing either the current design for these plates or the previous design.

[Act 32 Sections: 878, 2235, 3097m, and 3099 thru 3106m]

**12. PAYMENT OF THE COST OF BLOOD DRAWS IN OPERATING WHILE INTOXICATED CASES**

**Joint Finance/Legislature:** Require courts to impose and collect, from the defendant, any costs paid by or charged to a law enforcement agency for the withdrawal of a blood sample, if the defendant is convicted of an operating while intoxicated offense involving a motor vehicle or a recreational vehicle. Specify that, if at the time of conviction, the law enforcement agency has not paid or been charged with the cost of withdrawing blood, the court shall impose and collect the costs that the law enforcement agency reasonably expects to be charged for the blood withdrawal, based on current charges for this procedure. Require courts to disburse the amount collected under these provisions to the applicable law enforcement agency. Specify that this provision would not apply in cases where the defendant exercises his or her right to request a second test, as an alternative to the test ordered by the arresting law enforcement agency. Specify that these provision would first apply to a blood withdrawal that occurs on the general effective date of the bill.

[Act 32 Sections: 3490g, 3490r, 3552m, and 9309(1d)]

### 13. MOTOR VEHICLE WARRANTY LAW

**Joint Finance/Legislature:** Modify a provision of the state's motor vehicle warranty law that requires a vehicle manufacturer to replace a vehicle or provide a refund to the consumer if a defect covered by an express warranty cannot be repaired after at least four attempts are made to repair the vehicle without success or the vehicle is out of service for an aggregate of at least 30 days because of the defect, to specify that the 30-day period shall not include any time during which repair services are not available to the consumer because of flood or other natural disaster, war, invasion, fire, or strike.

[Act 32 Section: 2719w]

## State Patrol

### 1. STATE PATROL FUNDING REDUCTIONS

SEG	- \$5,439,700
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**Governor/Legislature:** Reduce funding by \$3,637,800 in 2011-12 and \$1,801,900 in 2012-13 for the Division of State Patrol. The Department indicates that these funding reductions would be absorbed through maintaining vacancies and, where possible, patrolling within construction zones as part of regular shifts, rather than using overtime.

### 2. STATE PATROL DISPATCH EQUIPMENT UPGRADE

SEG	\$641,800
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**Governor/Legislature:** Provide \$320,900 annually to upgrade State Patrol dispatch communications equipment. The funding would be used to make the first two annual payments, including interest, on a seven-year, master lease purchase, totaling \$1,812,400. This initiative would complete the third phase of the replacement of communications equipment to comply with Federal Communication Commission mandates to utilize narrowband digital equipment. The first two phases, for which funding was provided in the previous two biennia, upgraded mobile radio and tower equipment.

### 3. STATE PATROL RECRUIT CLASS FUNDING

SEG	\$2,800,000
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**Joint Finance/Legislature:** Provide \$2,800,000 in 2011-12 for the Division of State Patrol for costs related to conducting a recruit class for new troopers and inspectors.

## Departmentwide

### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide adjustments to the base budget for: (a) turnover reduction (-\$3,766,100 SEG and -\$49,700 FED annually); (b) removal of noncontinuing elements (-\$678,000 SEG annually and -\$22,600 FED and -1.0 FED position in 2011-12 and -\$121,800 FED and -21.0 FED positions in 2012-13); (c) full funding of continuing position salaries and fringe benefits (\$16,083,100 SEG, \$1,408,400 FED, \$11,400 SEG-S, and -\$37,600 PR annually); (d) overtime (\$2,876,500 SEG, \$121,500 FED, \$14,700 SEG-S, and \$173,500 PR annually); (e) night and weekend salary differential (\$267,500 SEG, \$5,400 FED, and \$300 SEG-S annually); and (f) full funding of lease costs and directed moves (\$1,103,700 SEG annually). This summary item excludes the elimination of base funding for the southeast Wisconsin freeway rehabilitation program, which is classified as removal of noncontinuing elements (-\$68,497,100 SEG and -\$109,732,200 FED annually), since these changes are summarized above (under "Transportation -- State Highway Program") in an item related to the restructuring of the southeast Wisconsin freeway rehabilitation program.

	Funding	Positions
SEG	\$31,773,400	0.00
FED	2,826,800	- 21.00
SEG-S	52,800	0.00
PR	<u>271,800</u>	<u>0.00</u>
Total	\$34,924,800	- 21.00

(a) turnover reduction (-\$3,766,100 SEG and -\$49,700 FED annually); (b) removal of noncontinuing elements (-\$678,000 SEG annually and -\$22,600 FED and -1.0 FED position in 2011-12 and -\$121,800 FED and -21.0 FED positions in 2012-13); (c) full funding of continuing position salaries and fringe benefits (\$16,083,100 SEG, \$1,408,400 FED, \$11,400 SEG-S, and -\$37,600 PR annually); (d) overtime (\$2,876,500 SEG, \$121,500 FED, \$14,700 SEG-S, and \$173,500 PR annually); (e) night and weekend salary differential (\$267,500 SEG, \$5,400 FED, and \$300 SEG-S annually); and (f) full funding of lease costs and directed moves (\$1,103,700 SEG annually). This summary item excludes the elimination of base funding for the southeast Wisconsin freeway rehabilitation program, which is classified as removal of noncontinuing elements (-\$68,497,100 SEG and -\$109,732,200 FED annually), since these changes are summarized above (under "Transportation -- State Highway Program") in an item related to the restructuring of the southeast Wisconsin freeway rehabilitation program.

### 2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

**Governor/Legislature:** Delete \$13,140,600 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$8,901,000 SEG, \$4,131,800 FED, \$29,600 SEG-S, and \$78,200 PR. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

SEG	- \$17,802,000
FED	- 8,263,600
SEG-S	- 59,200
PR	<u>- 156,400</u>
Total	- \$26,281,200

### 3. ELIMINATE LONG-TERM VACANCIES

**Governor/Legislature:** Delete \$8,910,900 (all funds) and 141.89 positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$6,334,000 SEG and 103.82 SEG positions, \$2,428,800 FED and 36.07 FED positions, \$65,400 SEG-S and 1.0 SEG-S position, and \$82,700 PR and 1.0 PR position annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

	Funding	Positions
SEG	- \$12,668,000	- 103.82
FED	- 4,857,600	- 36.07
SEG-S	- 130,800	- 1.00
PR	<u>- 165,400</u>	<u>- 1.00</u>
Total	- \$17,821,800	- 141.89

#### 4. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS

**Governor/Legislature:** Delete 3.0 SEG classified positions and provide 3.0 SEG unclassified positions in the Department's departmental management and operations appropriation.

Under 2011 Act 10, 38 classified positions are transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) will be moved from classified to unclassified service within specified agencies. The revised unclassified positions were renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions are at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of 2011 Act 10 in regards to the transfer of classified positions to unclassified positions.

#### 5. REALLOCATION OF POSITIONS AND FUNDING BETWEEN DEPARTMENT DIVISIONS

**Governor/Legislature:** Transfer 4.0 positions and associated funding within DOT appropriations to reflect a reallocation of those positions between Department divisions. There is no net fiscal effect of this item. The position transfers would be as follows: (a) a program manager position from the Division of Motor Vehicles to the Division of Transportation System Development; (b) an information systems automation specialist position from the Division of Transportation System Development to the Division of Business Management; (c) an engineering chief position from the Division of Transportation System Development to the Division of State Patrol; and (d) a transportation planning position from the Division of Transportation Investment Management to the Division of Transportation System Development.

SEG	- \$5,768,100
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#### 6. DEPARTMENTWIDE OPERATIONS REDUCTIONS

**Governor/Legislature:** Reduce funding by \$4,514,600 in 2011-12 and \$1,253,500 in 2012-13 in various administrative appropriations. The reductions would be absorbed primarily through salary and fringe benefit savings resulting from holding positions vacant and a reduction in contractual services. These reduction amounts would be allocated among the Department's appropriations as follows: (a) -\$2,803,500 in 2011-12 and -\$398,100 in 2012-13 for the departmental management and operations appropriation; (b) -\$1,627,100 in 2011-12 and -\$821,400 in 2012-13 in the administration and planning appropriation; (c) -\$50,000 in 2011-12 in the rail service appropriation; and (d) -\$34,000 annually in the aeronautics assistance appropriation.

# UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY

## Budget Change Items

### 1. TRANSFER LEASE AND AFFILIATION AGREEMENTS WITH UW BOARD OF REGENTS TO UW-MADISON BOARD OF TRUSTEES

**Governor:** Transfer the lease and affiliation agreements and all contracts between the UW System Board of Regents and the University of Wisconsin Hospitals and Clinics Authority (UWHCA) to the UW-Madison Board of Trustees. Modify current law to specify that three members of the UW-Madison Board of Trustees appointed by the chairperson of that board would serve as members of the UWHCA board. Under current law, three members of the UW System Board of Regents appointed by the President of that Board serve on the UWHCA board. Replace all references to the UW Board of Regents or the UW System with references to the UW-Madison Board of Trustees or UW-Madison except as follows: (a) modify language referencing UW System students to reference both UW-Madison students and students of UW System institutions; and (b) retain references to the UW System Board of Regents in obsolete provisions governing former UW System employees.

As drafted, the bill is inconsistent regarding the transfer of on-campus facilities and any improvements, modifications, and other facilities constructed by UWHCA on state land in the case that the lease or the affiliation agreement would not be in effect or any modification or extension of the lease agreement is not approved, which should be addressed with a corrective amendment.

**Joint Finance/Legislature:** Delete provision.

### 2. PROHIBIT THE USE OF PUBLIC FUNDS TO PAY FOR ABORTION

**Joint Finance/Legislature:** Include the University of Wisconsin Hospitals and Clinics Authority in the definition of a "state agency" under provisions of current law that prohibit the use of public funds to pay a physician or surgeon or a hospital, clinic or other medical facility for the performance of an abortion except in certain cases specified in current law.

[Act 32 Section: 817m]

# UNIVERSITY OF WISCONSIN-MADISON AUTHORITY

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$0	\$839,929,100	\$0	\$0	\$0	\$0	N.A.
PR	0	184,572,600	0	0	0	0	N.A.
SEG	<u>0</u>	<u>51,740,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	N.A.
Subtotal	\$0	\$1,076,241,700	\$0	\$0	\$0	\$0	N.A.
Other Non- Budgeted Funds		<u>\$4,333,291,600</u>					
<b>TOTAL</b>		<b>\$5,409,533,300</b>					

<b>FTE Position Summary</b>
<p>Although no positions would have been authorized for the University of Wisconsin-Madison, 7,036.43 GPR positions and 10,383.86 other positions (total of 17,420.29) would have been deleted from the UW System relating to the UW-Madison Authority.</p>

## Budget Change Item

### 1. CREATE UW-MADISON AUTHORITY [LFB Paper 690]

**Governor:** Create an authority, which would be a public body corporate and politic, to be known as the "University of Wisconsin-Madison." Create a chapter in the statutes titled "University of Wisconsin-Madison." Establish the mission and purpose of UW-Madison which would be the same as the mission and purpose established for UW-Madison by the UW System Board of Regents except that language related to how UW-Madison would fulfill its mission would be omitted. Provide that, on the effective date of the bill, the UW System would transfer all assets, liabilities, including real property, tangible personal property, including records, moneys in the university trust funds, and pending matters that relate to the operation of UW-Madison, as determined by the DOA Secretary, to the UW-Madison authority. Provide that all employees holding positions in the UW System assigned to UW-Madison would be transferred to UW-Madison. Provide that all contracts entered into by the Board of Regents that are primarily related to the operation of UW-Madison, as determined by the DOA Secretary, and the lease and affiliation agreements with the UW-HCA Board of Directors would remain in effect and would be transferred to the Board of Trustees. Provide that the Board of Trustees would carry out any obligations under each transferred contract or agreement until that contract or agreement

is modified or rescinded. Specify that any cooperative agreement or memorandum of understanding between UW-Madison and another institution within the UW System for any academic, research, or outreach program or activity would continue regardless of any changes in the structure or mechanism of funding for the program or activity. Provide that such agreements and memoranda of understanding could be modified upon the mutual agreement of the Board of Trustees and the other institution or if funds are no longer appropriated for that program or activity. Provide that all policies and procedures of the UW System that relate to the operation of UW-Madison and all policies and procedures of UW-Madison would become the policies and procedures of the UW-Madison authority until they expire or are modified or rescinded by the Board of Trustees. Provide that the Board of Trustees would enforce certain rules promulgated by the Board of Regents related to the protection of people and the management of property until the Board of Trustees promulgates such rules. Provide that the Board of Regents would provide the UW-Madison authority with the usual and customary services provided and any other services or resources necessary to complete these transfers until the Board of Trustees notifies the Board of Regents that these transfers have been completed.

**Joint Finance/Legislature:** Delete provision.

## **2. UW-MADISON BOARD OF TRUSTEES: MEMBERSHIP**

**Governor:** Create a Board of Trustees of UW-Madison consisting of the following: (a) 11 members appointed by the Governor, including at least one member of the Board of Regents and one member representing the agricultural interests of this state; (b) two faculty members selected by the faculty; (c) one UW-Madison employee who is not a faculty member selected by UW-Madison employees who are not faculty; (d) two UW-Madison alumni selected by the Wisconsin Alumni Research Foundation (WARF) Board; (e) two UW-Madison alumni selected by the Wisconsin Alumni Association Board; (f) two UW-Madison alumni selected by the UW Foundation Board; and (g) one UW-Madison student selected by the UW-Madison students. Require that at least seven of the 11 Trustees appointed by the Governor be alumni of UW-Madison. Provide that the UW-Madison chancellor would serve as a nonvoting member of the Board of Trustees.

Specify additional qualifications for members appointed by the WARF Board, the Wisconsin Alumni Association Board, the UW Foundation Board, and the Governor, except for the member appointed from the Board of Regents and the members representing the agricultural interests of this state. Require that these members must have a demonstrated commitment to the welfare of UW-Madison and must have management experience or possess expertise in aspects of UW-Madison's mission, such as undergraduate, graduate, and professional education, research, intellectual property, support of existing industries, new business startups, and public service.

Except for initial appointments, provide that all Trustees would be appointed to three-year terms except that the student Trustee would be appointed to a two-year term. Specify that no Trustee would be able to serve more than two consecutive terms and that the student Trustee would not be able to serve more than one term. Specify that a vacancy on the Board of Trustees

would be filled in the same manner as the original appointment for the remainder of the incumbent's term.

*Initial Appointments.* Provide initial appointments of varying lengths so that the terms of Trustees would be staggered and that, after the initial appointments, no more than eight new members would be appointed to the Board of Trustees in any one year except for in the case of a vacancy. Specify that the member of the Board of Regents, the member representing the agricultural interests of this state, two other members appointed by the Governor, one faculty member, the university employee member, and the two members appointed by the WARF Board would initially be appointed to terms expiring May 1, 2014. Specify that four members appointed by the Governor, the two alumni members selected by the Wisconsin Alumni Association, and the student member would initially be appointed to terms expiring May 1, 2013. Specify that three members appointed by the Governor, a faculty member, and both members appointed by the UW Foundation would initially be appointed to terms expiring May 1, 2012.

**Joint Finance/Legislature:** Delete provision.

### **3. UW-MADISON BOARD OF TRUSTEES: ADDITIONAL PROVISIONS**

**Governor:** Provide that no member of the Board of Trustees could be compensated for his or her service but could be reimbursed for expenses, including travel. Provide that an action could not be brought against a member of the Board of Trustees and a member of the Board of Trustees would not be liable for any act or omission in the performance of his or her duties as a member of the Board of Trustees. This provision would not apply if the act or omission constitutes willful misconduct.

Provide that the Board of Trustees would annually elect a chairperson and other officers as considered appropriate. Provide that eleven voting members would constitute a quorum and that the Board of Trustees could take action upon a vote of a majority of the members present, unless the bylaws of the authority would require a larger number.

Provide that the Board of Trustees would appoint a secretary who would keep records of all its transactions. Provide that the state treasurer would serve as the treasurer for all funds appropriated to the Board of Trustees.

Provide that Board of Trustees' meetings would be open and all records of meetings and all proceedings of the Board of Trustees would be open to public inspection. Require the Board of Trustees to establish policies for access to the Board by the public, faculty, students, and employees.

**Joint Finance/Legislature:** Delete provision.

### **4. BOARD OF TRUSTEES POWERS AND DUTIES**

**Governor:** Provide that the Board of Trustees would have all the powers necessary or convenient to carry out the purposes and provisions of the proposed chapter which would create

the UW-Madison authority. Under current law, the UW System Board of Regents similarly possessed all powers necessary or convenient for the operation of the UW System except as limited by statute. Provide that the UW-Madison Board of Trustees would be granted the following specific powers: (a) adopt, amend, and repeal any bylaws, policies, and procedures for the regulation of its affairs and the conduct of its business; (b) have a seal and alter the seal at pleasure; (c) maintain an office; (d) accept gifts, grants, loans, or other contributions from private and public sources; (e) establish UW-Madison's annual budget and monitor the fiscal management of UW-Madison; and (f) execute contracts and other instruments required for the operation of UW-Madison.

Provide that the UW-Madison Board of Trustees would have the following powers and duties which are identical to powers and duties of the UW System Board of Regents under current law: (a) police authority on properties subject to its jurisdiction; (b) the right to seek injunctive relief; (c) procurement of insurance; (d) conferring of degrees; (e) parking fees; (f) transportation planning; (g) the authority to acquire land by condemnation; (h) use of auxiliary enterprise reserve funds established prior to 1971; (i) tax deferred annuities for the benefit of employees; (j) contributions to the football coaches pension plan; (k) discipline for students who uses controlled substances or their analogs; (L) the provision of information on sexual assault and sexual harassment during new student orientation; (m) prior approval of and a process for submitting projects to the building commission for approval; (n) prohibition against providing financial assistance to any person who is required to register for selective service and has not done so; (o) accommodations for students who are national guard members who withdraw as the result of being called up for active duty; (p) permit the reserve officer training corps to operate on campus; and (q) prohibit the use of general purpose revenue, tuition, or academic fees for the chancellors' automobile allowance.

Provide that the UW-Madison Board of Trustees would have powers related to the protection of people and the management of property identical to the powers and duties of the UW System Board of Regents except that: (a) the Board of Trustees would not require the prior approval of the Building Commission to permit the construction of a facility that would be privately owned or operated on lands under its control; (b) purchases and sales of real property would not be subject to the approval of the Building Commission; (c) DOA would not be responsible for Board of Regents leases of real property; and (d) the Board of Trustees would not need to approval of the Building Commission to sell or lease residence halls to another state agency or nonstate nonprofit agency.

In addition, provide that the UW-Madison Board of Trustees would have the following powers and duties which would differ from the power and duties of the UW System Board of Regents as specified: (a) with regard to the admission of applicants, specify no test based upon color, creed, disability, ancestry, age, sexual orientation, pregnancy, marital status, or parental status should ever be allowed in addition to the tests prohibited under current law governing the admission to UW System institutions; (b) with regard to transfer policies, the Board of Trustees would not be required to establish and maintain a computer-based transfer system; (c) application fees would not be capped at \$44 for undergraduates and \$56 for graduates with \$3 from each fee being used to support the higher education location program; (d) with regard to financial aid, the Board of Trustees would not be required to develop and submit a proposed formula for the Wisconsin higher education grant program for UW System (and, under the bill,

UW-Madison) students to the Higher Educational Aids Board; (e) with regard to parking rules, fines collected would not be deposited into the state treasury and credited to auxiliary enterprises appropriation; (f) with regard to the investment of surplus funds, permit any surplus funds to be invested instead of just surplus funds in the auxiliary enterprises appropriation; (g) in regard to a library depository, do not limit the Board of Trustees' authority to expend funds for the purchase of land, the construction of buildings, and the purchase of depository facilities to funds appropriated in the appropriation schedule; and (h) with regard to sabbatical leave for instructional faculty, do not require that funds be provided from the general program operations appropriation.

Provide that the UW-Madison Board of Trustees would have the following current law powers and duties of the UW System Board of Regents which would be deleted under the bill: (a) expend university fund income appropriated by the Legislature for the erection of buildings and the purchase of equipment or books on or at UW-Madison; (b) establish a Gaylord Nelson chair of integrated environmental students; and (c) ensure that UW-Madison report utility charges to fund debt service on the Walnut Street and Charter Street power plants and prohibit the Board of Regents from assessing utility charges until those charges are approved by the Department of Administration. The power granted under (b) would differ from current law in that the bill would not specify that the UW-Madison Board of Trustees could seek private funding for the chair.

Additional current law power and duties of the UW System Board of Regents would not be provided to the UW-Madison Board of Trustees. These would include: (a) delay commencement of the fall semester until after September 1; (b) provision of services for educational study and research projects to school districts; (c) designate staff to coordinate compliance with state and federal environmental laws; (d) identify and collect significant state documents related to administration and academic programs; (e) promote public awareness of, access to, and training of health professionals in rural and underserved areas; (f) report on the expenditure of certain program revenues in excess of the amount shown in the appropriation schedule (another provision of the bill would delete this requirement for the UW System Board of Regents); (g) report on certain economic development programs funded administered by the Board; (h) conduct research on preschool through postsecondary education programs in cooperation with the Department of Public Instruction (DPI), the Wisconsin Technical College System Board (WTCS), and the Wisconsin Association for Independent Colleges and Universities; (i) categorize and report on management and staff positions; (j) work with WTCS, school districts, private school, tribal schools, and DPI to research and present models and approaches for improving school safety and reducing discipline problems in schools and school activities; (k) report on courses for which tuition covers 100% of costs; (L) prohibit the Board to offer, resell, or provide telecommunications services that are available from a private or other public carrier or entity; (m) pay dues to the Midwestern Higher Education Compact; (n) report on the number of limited appointments, concurrent appointments, and back-up positions; (o) review of contracts with research companies for conflicts of interest; and (p) carry on research and educational programs related to soil and water conservation and prepare an annual report on planned educational activities in this area.

**Joint Finance/Legislature:** Delete provision.

## 5. RULE MAKING

**Governor:** Provide that UW-Madison would be subject to statutes governing the promulgation of rules when making the following rules as would be required under the bill: (a) rules to protect the lives, health, and safety of persons on property under its jurisdiction and to protect such property and to prevent obstruction of the functions of the university; (b) rules for the management of all property under its jurisdiction, for the care and preservation thereof, and for the promotion and preservation of the orderly operation of the university in any or all of its authorized activities; (c) rules prescribing the times, places, and manner in which political literature may be distributed and political campaigning may be conducted in state-owned residence halls; and (d) rules regulating the parking of motor vehicles on property under its jurisdiction. Under the bill, UW-Madison would not be subject to statutes governing the promulgation of rules in all other cases.

**Joint Finance/Legislature:** Delete provision.

## 6. ESTABLISHMENT OF TUITION

**Governor:** Provide that the Board of Trustees would establish tuition rates and that different tuition rates could be charged to different classes of students, summer sessions, and other studies or courses. Provide that the Board of Trustees would establish fees incidental to enrollment in educational programs or use of UW-Madison facilities. Under the bill, the UW-Madison authority would not be required to deposit tuition revenues in the state treasury and these revenues would not appear in the appropriation schedule.

Under current law, the UW System Board of Regents establishes tuition rates for different classes of students enrolled in UW System institutions, summer sessions, and other studies or courses as deemed advisable by the Board of Regents. Tuition increases for resident undergraduate students enrolled in UW System institutions are limited to an amount sufficient to fund all of the following: (a) in an odd-numbered year, the highest amount shown in the appropriation schedule for the tuition appropriation for that year in the Joint Finance Committee version of the budget bill, the engrossed budget bill, or the enrolled budget bill; (b) in an even-numbered year, the amount shown in the appropriation schedule for the tuition appropriation; (c) the approved recommendations of the Director of the Office of State Employment Relations for compensation and fringe benefits for classified and unclassified staff; (d) the projected loss in revenue caused by a change in the number of enrolled undergraduate, graduate, resident and nonresident students from the previous year; (e) state-imposed costs not covered by GPR as determined by the Board; (f) distance education, intersession, and nontraditional courses; and (g) differential tuition that is approved by the Board but not included in the tuition appropriation. These provisions would not apply to the UW-Madison authority. Under current law, tuition revenue is currently deposited in the state treasury and any interest earned on these amounts is deposited into the state's general fund.

**Joint Finance/Legislature:** Delete provision.

## 7. ACCOUNTABILITY REPORT

**Governor:** Require the UW-Madison Board of Trustees to prepare an accountability report to provide for the evaluation of the quality and effectiveness of UW-Madison. Specify that the report would measure UW-Madison's performance in such areas as the access, affordability, student achievement, research, economic impact on the state, the services provided to the residents of the state, and the financial accountability of operations. Specify that this report would be submitted to the Governor and posted prominently on UW-Madison's website by July 1, 2013, and biennially thereafter.

**Joint Finance/Legislature:** Delete provision.

## 8. CHANCELLOR AND VICE CHANCELLOR COMPENSATION

**Governor:** Provide that the Board of Trustees would appoint a chancellor to serve as the chief executive officer of UW-Madison and would determine the chancellor's compensation package. Delete the UW-Madison chancellor and vice chancellor from the UW System senior executive salary groups. Under current law, the UW System Board of Regents must establish salary ranges for university senior executives, including the UW-Madison chancellor and vice chancellor, based on an analysis of salaries paid for similar positions at comparable universities in other states. The salaries of these senior executives may not exceed to maximum of the salary range for the position. Under the bill, the amount of compensation the Board of Trustees could provide to UW-Madison chancellor, vice chancellor, or any other position would not be limited by statute.

**Joint Finance/Legislature:** Delete provision.

## 9. CODE OF ETHICS

**Governor:** Provide that the chancellor and vice chancellor of UW-Madison would be state public officials and would have to adhere to the statutory code of ethics for such officials. Provide that the UW-Madison Board of Trustees would establish a code of ethics for all other employees. Under current law, the UW-Madison chancellor and vice chancellor are state officials subject to the statutory code of ethics. All other employees are subject to a code of ethics established by the UW Board of Regents.

**Joint Finance/Legislature:** Delete provision.

## 10. EXECUTIVE APPOINTMENTS

**Governor:** Provide that an appointment to an executive position would be at the pleasure of the Board of Trustees. Specify that what constitutes an executive position would be determined by the Board of Trustees. Provide that a person who holds a tenured or academic staff appointment would not lose that appointment by accepting an executive appointment.

Under current law, an appointment to what is termed a limited position is at the pleasure of the Board of Regents. Limited positions are defined by statute to include the following positions: (a) president; (b) provost; (c) vice president; (d) associate vice president; (e) assistant vice president; (f) chancellor; (g) vice chancellor; (h) associate chancellor; (i) assistant chancellor; (j) associate vice chancellor; (k) assistant vice chancellor; (L) college campus dean; (m) secretary of the Board of Regents; (n) associate secretary of the Board of Regents; (o) assistant secretary of the Board of Regents; (p) trust officer; (q) assistant trust officer; and (r) such other administrative positions as the Board of Regents determines at the time of appointment. Current law provides that a person who holds a tenured or academic staff appointment does not lose that appointment by accepting a limited appointment.

**Joint Finance/Legislature:** Delete provision.

## 11. FACULTY TENURE AND PROBATIONARY APPOINTMENTS

**Governor:** Create language related to faculty tenure and probationary appointments by the UW-Madison Board of Trustees that would be identical to current law under the UW System Board of Regents, except that: (a) the Board of Trustees would not be required to formally promulgate its rules for tenure, probationary appointments, or the dismissal of tenured faculty; (b) the Board of Trustees would not be required to consult with students in creating such rules; and (c) there would be no references to ranked and unranked faculty. In addition, provide that any person who holds a tenure appointment on the effective date of the bill would continue to hold tenure and any person who holds a probationary appointment on the effective date of the bill would continue to enjoy the contractual rights and guarantees of such an appointment.

**Joint Finance/Legislature:** Delete provision.

## 12. ACADEMIC STAFF

**Governor:** Provide that a person having an academic staff appointment for a term could be dismissed prior to the end of the appointment term only for just cause and only after due notice and hearing. Specify that a person having an academic staff appointment for an indefinite term who has attained permanent status could be dismissed only for just cause and only after due notice and hearing.

Under current law, UW System academic staff members have the procedural guarantees that UW-Madison academic staff members would have under the bill. Current law also provides for the establishment of policies regarding probationary periods and other conditions of appointment, permits librarians to be appointed as ranked faculty, requires the Board of Regents to formally promulgate rules for dismissal, and creates a right to judicial review of dismissals. None of these provisions would be extended to the UW-Madison Board of Trustees with respect to academic staff at UW-Madison under the bill.

Define "academic staff" as those employees who were designated as academic staff when employed by the UW System and employees hired as or designated as academic staff by the

Board of Trustees. Under the UW System, "academic staff" is defined as professional and administrative personnel with duties that are primarily associated with higher education institutions or their administration, but does not include faculty. In addition the UW System Board of Regents is required to: (a) follow policies regarding the designation of positions as academic staff exempt from classified service; and (b) establish and maintain job categories and pay ranges for those job categories for academic staff positions. Under the bill, the UW-Madison Board of Trustees would not be required to do either.

**Joint Finance/Legislature:** Delete provision.

### **13. SHARED GOVERNANCE**

**Governor:** Provide that the UW-Madison Board of Trustees would be vested with the primary responsibility for the governance of the UW-Madison authority. Specify that the Board of Trustees should: (a) determine the educational programs to be offered by UW-Madison and may discontinue educational programs as it deems necessary; (b) appoint the chancellor, faculty, and other employees and fix the salaries, the duties, and the term of office for each; and (c) delegate to the chancellor the responsibility for the administration and operation of UW-Madison within the policies and guidelines established by the Board of Trustees. Specify that no sectarian or partisan tests or any tests based upon race, color, creed, religion, national origin, sex, disability, ancestry, age, sexual orientation, pregnancy, marital status, or parental status should ever be allowed or exercised in the appointment of UW-Madison employees. Under current law, the UW System Board of Regents is responsible for (a) to (c) above with regard to UW System institutions. Current law also specifies that no sectarian or partisan tests or any tests based upon race, religion, national origin, or sex shall ever be allowed or exercised in the appointment of UW System employees.

Provide that the chancellor of UW-Madison would: (a) be the executive head of the faculty and UW-Madison; (b) be vested with the responsibility of administering Board of Trustee policies; and (c) be accountable and report to the Board of Trustees on the operation and administration of UW-Madison. Specify that, subject to Board of Trustees policy and in consultation with the faculty, the chancellor is responsible for: (a) designing curricula and setting degree requirements; (b) determining academic standards and establishing grading systems; (c) defining and administering institutional standards for faculty peer evaluation and screening candidates for appointment, promotion, and tenure; (d) recommending individual merit increases; (e) administering associated auxiliary services; and (f) administering all funds allocated, generated, or intended for use of UW-Madison. In addition, specify that the chancellor may designate a provost to act as chief executive officer of UW-Madison in the chancellor's absence. Under current law, each chancellor of a UW System institution has the duties and responsibilities described above with respect to their institution. In addition, UW System chancellors are accountable to and must report to the UW System President.

Provide that the faculty, subject to the responsibilities and powers of the Board of Trustees and the chancellor, would be vested with the responsibility for the immediate governance of UW-Madison and would actively participate in UW-Madison policy development. Specify that

the faculty would have the primary responsibility for academic and educational activities and faculty personnel matters. Provide that the faculty would have the right to determine their own faculty organizational structure and to select representatives to participate in UW-Madison governance. Under current law, the faculty of each institution has the responsibilities and powers described above with respect to their institutions.

Provide that the academic staff, subject to the responsibilities and powers of the Board of Trustees, the chancellor, and the faculty, would be active participants for the immediate governance of UW-Madison and in UW-Madison policy development. Specify that the academic staff would have the primary responsibility for the formulation and review, and would be represented in the development, of all policies and procedures concerning the academic staff, including academic staff personnel matters. Provide that the academic staff would have the right to determine their own faculty organizational structure and to select representatives to participate in UW-Madison governance. Under current law, the academic staff of each institution has the responsibilities and powers described above with respect to their institutions.

Provide that the students, subject to the responsibilities and powers of the Board of Trustees, the chancellor, and the faculty, would be active participants in the immediate governance of and policy development for UW-Madison. Specify that the students would have the primary responsibility for the formulation and review of policies concerning student life, services, and interests. Specify that the students, in consultation with the chancellor and subject to the final confirmation by the Board of Trustees, would have the responsibility for the disposition of those fees that constitute substantial support for campus student activities. Provide that the students would have the right to organize themselves in a manner they determine and to select representatives to participate in UW-Madison governance. Under current law, the students of each institution have the responsibilities and powers described above with respect to their institutions.

**Joint Finance/Legislature:** Delete provision.

#### **14. OTHER APPOINTMENTS**

**Governor:** Provide that the Board of Trustees would be able to make or authorize appointments for student assistants and employees in training, such as residents, interns, post-doctoral fellows, or trainees or associates. Specify that these appointments in addition to appointments for limited-term employees and project employees, would not have the procedural guarantees extended to the faculty and academic staff or the procedural guarantees extended to other employees under the personnel system developed by the Board of Trustees and implemented on July 1, 2012.

Under current law, the Board of Regents may make fixed term appointments for student assistants and employees in training, such as residents, interns, post-doctoral fellows, or trainees, or associates. Such appointments are not subject to the procedural guarantees extended to faculty and academic staff

**Joint Finance/Legislature:** Delete provision.

## 15. CLASSIFIED EMPLOYEES

**Governor:** Provide that all classified employees transferred to the UW-Madison authority would have the rights and privileges of classified employees until July 1, 2012. Specify that, beginning on July 1, 2012, all Board of Trustees employees in the classified service who have achieved permanent status and who became Board of Trustees employees before July 1, 2012, could be dismissed only for just cause and only after due notice and hearing. Provide that the Board of Trustees would be able to make or authorize appointments for former classified service employees. Specify that all such appointments made on or after July 1, 2012, would have the procedural guarantees included in the personnel system developed by the Board of Trustees and implemented on that date.

**Joint Finance/Legislature:** Delete provision.

## 16. PERSONNEL SYSTEM

**Governor:** Require the Board of Trustees to develop and implement effective July 1, 2012, a personnel system that would be separate and distinct from the state's personnel system. Provide that the system would be developed and implemented with the active participation of the faculty and academic staff. Require that in developing the system, the Board provide for the transfer of classified civil service employees to the system as necessary on July 1, 2012.

**Joint Finance/Legislature:** Delete provision.

## 17. AUTHORITY TO PROVIDE SALARY INCREASES

**Governor:** Current law specifies that the Board of Regents may only increase the salaries of continuing faculty, academic staff, and certain administrative positions as follows: (a) as provided in the pay plan approved for those positions by the Joint Committee on Employment Relations; (b) to correct for salary inequities; (c) to fund job reclassifications and promotions; and (d) to recognize competitive factors. In addition, the Board of Regents may only increase the salaries continuing senior executives as specified in (a), (b), and (d) above. Under the bill, the ability of the UW-Madison Board of Trustees to increase the salaries of continuing faculty, academic staff, administration positions, and senior executives would not be limited in this way.

**Joint Finance/Legislature:** Delete provision.

## 18. TRANSFER UW SYSTEM EMPLOYEES AND COLLECTIVE BARGAINING AGREEMENTS

**Governor:** Transfer all UW System employees assigned to UW-Madison to the UW-Madison authority on the effective date of the bill. Provide that the UW-Madison authority would be considered a state agency for employment purposes until July 1, 2012. Require the UW-Madison authority to adhere to the terms of any collective bargaining agreement covering those employees, including terms relating to employer payment of any employee required

contributions to the Wisconsin Retirement System and employer payment of health insurance premiums, until July 1, 2012. Beginning on that date, the UW-Madison authority would establish the compensation and benefits of employees under the terms of the personnel system that would be established by the UW-Madison Board of Trustees.

**Joint Finance/Legislature:** Delete provision.

## **19. COLLECTIVE BARGAINING FOR CERTAIN UW-MADISON EMPLOYEES**

**Governor:** Provide that UW-Madison faculty, academic staff, limited-term employees, sessional employees, project employees, supervisors, management, and persons who are privy to confidential matter affecting the employer-employee relationship, persons whose employment is a necessary part of their training, student assistants, and student hourly help would not be represented employees under the State Employment Labor Relations Act (SELRA). Provide that all other UW-Madison employees would be represented under the SELRA, subject to the following provisions.

Provide that the UW-Madison would be the employer of represented UW-Madison staff for the purposes of collective bargaining and would be responsible for the employer function under SELRA. Exclude UW-Madison collective bargaining activities from a current law requirement that the Office of State Employment Relations (OSER) notify and consult with the Joint Committee on Employment Relations regarding substantial changes in wages, employee benefits, personnel management, and program policy contract provisions to be included in any contract proposal to be offered to any labor organization by the state or to be agreed to by the state before such proposal is actually offered or accepted. Provide that any tentative agreement reached between the UW-Madison, acting for the state, and any UW-Madison labor organization, would, after official ratification by the labor organization, be executed by the parties.

Provide that collective bargaining units at UW-Madison would be structured with one or more units for each of the following groups: (a) program assistants, project assistants, and teaching assistants; (b) research assistants; and (c) all other employees with collective bargaining rights. Remove UW-Madison program, project, teaching, and research assistants from current law bargaining units that include those assistants. Maintain these collective bargaining units for similar assistants employed through UW-Extension.

Provide that additional current law provisions related to collective bargaining, would also apply to UW-Madison and UW-Madison employees. These provisions include petitions for recognition, assignment of employees to collective bargaining units by the Employment Relations Commission, unfair labor practices, execution of agreements, agreement provisions superseding other rules and policies, civil service protections for unrepresented employees, and the use of authorization cards by research assistants in forming collective bargaining units.

**Joint Finance/Legislature:** Delete provision.

## **20. PARTICIPATION IN EMPLOYEE TRUST FUND PROGRAMS**

**Governor:** Provide that employees of the UW-Madison authority would have the same employee benefits, including retirement, group health insurance, and other fringe benefits, as they do under current law as UW System employees by: (a) including the UW-Madison in the definitions of "state agency" and "university" under the public employee trust fund chapter (Chapter 40); (b) providing that a graduate assistant and other employees-in-training as designated by the UW-Madison Board of Trustees would be eligible for group health insurance coverage provided by the Group Insurance Board; (c) including UW-Madison faculty under the current law provisions relating to sabbatical leave earnings for university faculty that apply for WRS purposes; (d) including income continuation insurance premium provisions for certain teachers in the unclassified service employed by the UW-Madison; (e) providing that certain student assistants, employees-in-training and visiting teachers are excluded from participation in the WRS; and (f) maintaining the protective occupation status of full-time police officers at UW-Madison.

**Joint Finance/Legislature:** Delete provision.

## **21. SICK LEAVE AND HEALTH INSURANCE PREMIUM CREDITS**

**Governor:** Provide that sick leave would be regulated by Board of Trustees policy except that unused sick leave would accumulate from year to year. Provide that current law regarding the conversion of accumulated unused sick leave to health insurance premium credits for faculty and academic staff employed by UW System institutions would also apply to faculty and academic staff at UW-Madison. Provide that the Department of Employee Trust Funds would continue to administer the health insurance premium credits program for UW-Madison faculty, academic staff, and executives until June 30, 2012. Under current law, the health insurance premium credits are used to purchase health insurance for retired employees. In general, credits are based on the employee's years of continuous service and accumulated unused sick leave. The bill does not specify how or if this program would be administered for retired UW-Madison authority faculty, academic staff, and executives after June 30, 2012.

**Joint Finance/Legislature:** Delete provision.

## **22. DUAL EMPLOYMENT**

**Governor:** Provide that UW-Madison employees would be exempt from a statutory provision prohibiting full-time employees of one agency or authority from holding a position in another agency or authority for which the employee receives more than \$12,000 in compensation in any year.

**Joint Finance/Legislature:** Delete provision.

## **23. MISCELLANEOUS PROVISIONS APPLICABLE TO UW-MADISON**

**Governor:** Provide that provisions similar to current law under the UW System Board of

Regents related to the following, would apply to the UW-Madison authority: (a) student identification numbers; (b) use of animals for research purposes; (c) accommodation of religious beliefs; (d) nutritional improvement for the elderly; (e) power to suspend or expel students for misconduct; (f) campus security; (g) termination of appointments in the case of financial emergency; (h) conflict of interest; and (i) discrimination against students.

Under (e), specify that the Board of Trustees would adopt policies whereas the UW System Board of Regents is required to formally promulgate rules.

**Joint Finance/Legislature:** Delete provision.

## **24. MISCELLANEOUS PROVISIONS NOT APPLICABLE TO UW-MADISON**

**Governor:** Omit from the chapter that would create the UW-Madison authority current law language under the UW System Board of Regents related to the following: (a) coordination with other educational agencies; (b) grants for study abroad; (c) prohibition of complimentary and reduced price tickets; (d) reporting on GPR funded research; (e) reporting on auxiliary enterprises reserve funds and approval by DOA and the Joint Committee on Finance; (f) reporting on employment harassment and discrimination claims; (g) information technology project reporting and other requirements; and (h) legislative authorization of any new school or college.

**Joint Finance/Legislature:** Delete provision.

## **25. REPRESENTATION OF UW-MADISON ON BOARDS AND COUNCILS**

**Governor:** Provide that the chairperson of the UW-Madison Board of Trustees or a designee from the Board would serve as a member of Wisconsin Technical College System (WTCS) Board and increase the number of WTCS Board members from 13 to 14. Provide that the chairperson of the UW-Madison Board of Trustees or a designee would serve on the College Savings Program Board under the Department of Administration. Provide that one member of the UW-Madison Board of Trustees would serve on the Higher Educational Aids Board.

Provide that the UW-Madison chancellor or designee would serve on the Medical Education Review Board instead of the UW System President under current law. Provide that one UW-Madison representative who is a teacher participant in WRS would serve as a member of the Teachers Retirement Board and increase the number of members on that board from 13 to 14. Provide that a representative of UW-Madison appointed by the UW-Madison Board of Trustees would serve on the Natural Areas Preservation Council. Provide that at least one and no more than two UW-Madison School of Education faculty members or faculty members from another UW-Madison department would serve on the Professional Standards Council for Teachers. These faculty members would be recommended by the chancellor, nominated by the State Superintendent, and subject to Senate confirmation. Provide that a UW-Madison or UW System faculty member with expertise regarding the health impacts of wind energy systems would be appointed by the Public Service Commission to the wind siting council.

**Joint Finance/Legislature:** Delete provision.

## Funding for UW-Madison Authority

### 1. UW-MADISON AUTHORITY GENERAL PROGRAM OPERATIONS

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$698,498,600	-\$698,498,600	\$0

**Governor:** Create a section called "University of Wisconsin-Madison" in the appropriation schedule. Create a GPR appropriation for general program operations and provide \$345,749,300 in 2011-12 and \$352,749,300 in 2012-13, prior to the funding reductions in the following two entries. These amounts are the net of a transfer from the UW System of \$351,419,900 annually and a reduction of \$5,670,600 in 2011-12 and an increase of \$1,329,400 in 2012-13.

**Joint Finance/Legislature:** Delete provision and related funding.

### 2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$42,125,600	\$42,125,600	\$0

**Governor:** Delete \$21,062,800 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. Delete funding from the following appropriations: general program operations (\$20,302,300 annually); State Laboratory of Hygiene (\$501,100); and Veterinary Diagnostic Laboratory (\$259,400). The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**Joint Finance/Legislature:** Delete provision and related funding.

### 3. BASE BUDGET REDUCTION

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$125,000,000	\$125,000,000	\$0

**Governor:** Delete \$62,500,000 annually from the general program operations appropriations for the UW-Madison authority.

**Joint Finance/Legislature:** Delete provision and related funding.

### 4. GPR DEBT SERVICE

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$146,462,900	- \$146,462,900	\$0

**Governor:** Create an appropriation for principal repayment and interest and provide \$38,184,300 in 2011-12 and \$108,278,600 in 2012-13 debt service costs on state general obligation bonds and commercial paper debt issued for UW-Madison. The GPR debt service appropriation under the UW System would be reduced by an equivalent amount. The amounts provided for UW-Madison are the net of a current law debt reestimate and a proposed GPR debt restructuring.

**Joint Finance/Legislature:** Delete provision and related funding.

### 5. FUEL AND UTILITIES

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$131,787,200	- \$131,787,200	\$0

**Governor:** Create an appropriation for energy costs and provide \$62,172,200 in 2011-12 and \$69,615,000 in 2012-13. These amounts are the net of a transfer from the UW System of \$78,545,200 annually and a reduction of \$16,373,000 in 2011-12 and \$8,930,200 in 2012-13 related to projected decreases in fuel and utility costs.

**Joint Finance/Legislature:** Delete provision and related funding.

**6. STATE LABORATORY OF HYGIENE**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$19,750,800	- \$19,750,800	\$0
PR	<u>3,238,400</u>	<u>- 3,238,400</u>	<u>0</u>
Total	\$22,989,200	- \$22,989,200	\$0

**Governor:** Require the UW-Madison Board of Trustees to maintain the State Laboratory of Hygiene (SLH). Create a GPR appropriation for SLH general program operations and provide \$9,875,400 annually, prior to the funding reduction of \$501,100 annually shown under the entry relating to employee contributions for pensions and health insurance. The amount provided is the net of base funding (\$9,584,700 annually) and standard budget adjustments (\$791,300 annually) transferred from the UW System and a reduction of \$500,600 annually. Create a program revenue appropriation for moneys transferred from the driver improvement surcharge for implied consent testing and provide \$1,619,200 annually. Under the bill, an additional \$21,871,300 PR annually would be deleted related to the transfer of SLH from the UW System. UW-Madison would not be required to deposit these funds in the state treasury and these revenues would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision and related funding.

**7. ELIMINATE STATE LABORATORY OF HYGIENE BOARD**

**Governor:** Eliminate the State Laboratory of Hygiene (SLH) Board. Specify that the UW-Madison Board of Trustees would appoint the SLH director and other staff members as required for its administration. Under current law, the SLH director and administrative staff are appointed by the SLH Board and all the other employees are employed by the SLH director under the classified service law. Delete the current law reference to the SLH Board from the requirement that the SLH submit a budget request to the Department of Administration and current law language specifying only limited-term employees may be hired to assist the Department of Health Services in the case that the Governor declares a public health emergency.

**Joint Finance/Legislature:** Delete provision.

**8. VETERINARY DIAGNOSTIC LABORATORY**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$10,555,200	- \$10,555,200	\$0
PR	<u>9,560,000</u>	<u>- 9,560,000</u>	<u>0</u>
Total	\$20,115,200	- \$20,115,200	\$0

**Governor:** Establish the Veterinary Diagnostic Laboratory under the UW-Madison authority. Create a GPR appropriation for the Veterinary Diagnostic Laboratory and provide \$5,277,600 annually, prior to the funding reduction of \$259,400 annually shown under the entry

relating to employee contributions for pensions and health insurance. The amount provided is the sum of base funding (\$4,712,100 annually) and standard budget adjustments (\$343,000 annually) transferred from the UW System and an increase of \$222,500 annually. Create a PR appropriation for veterinary diagnostic laboratory fees and provide \$3,948,900 annually; create a PR appropriation for moneys received by the Veterinary Diagnostic Laboratory from other state agencies and provide \$831,100 annually. Under the bill, \$1,675,900 FED annually would be deleted from the UW System related to the Veterinary Diagnostic Laboratory. UW-Madison would not be required to deposit these funds in the state treasury and these revenues would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision and related funding.

**9. ELIMINATE VETERINARY DIAGNOSTIC LABORATORY BOARD**

**Governor:** Eliminate the Veterinary Diagnostic Laboratory (VDL) Board. Specify that the UW-Madison chancellor would appoint the VDL director. Delete the current law requirement that the VDL board submit a budget request to the Department of Administration and statutory language granting certain rights to classified staff members who were employed by VDL prior to its transfer to the UW System.

**Joint Finance/Legislature:** Delete provision.

**10. GIFTS, GRANTS, AND BEQUESTS**

**Governor:** Provide that the all gifts, grants, and bequests made to UW-Madison or any of its departments or facilities should be executed and enforced according to the wishes of the donor. This provision would be identical to current law under the UW System Board of Regents except that under the Board of Trustees: (a) there would be no limit on the accumulation of income from gifts, grants, and bequests; (b) there would be no limit on the amount of trust funds that could be invested in common stocks; (c) the Board would be able to accept gifts of real property in excess of \$30,000, buildings, and structures without the approval of the Building Commission or DOA; and (d) specific language related to a golf course would be omitted. In addition, the Board of Trustees would be able to transfer any grant, contract, gift, endowment, or trust or segregated funds bequeathed or assigned to UW-Madison to the University of Wisconsin Foundation, Inc., if the transfer is consistent with its terms. These funds would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision.

**11. PROGRAM REVENUE DEBT SERVICE APPROPRIATION**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	\$85,706,900	-\$85,706,900	\$0

**Governor:** Create a sum sufficient appropriation for program revenue debt service and provide \$40,629,000 in 2011-12 and \$45,077,900 in 2012-13. The appropriation would be similar to current law under the UW System and would specify debt service payment rates for UW-Madison intercollegiate athletics facility maintenance projects. Under the bill, \$31,760,000 annually would be transferred to the proposed UW-Madison authority from the UW System's appropriation from program revenue debt service.

Under current law, the UW System's appropriation for program revenue debt service refers to current law appropriations for auxiliary enterprises and services provided to the UW Hospitals and Clinics Authority (UWHCA). Under the bill, the UW-Madison appropriation would refer only to the appropriation for services provided to UWHCA as an appropriation for auxiliary enterprises would not be created. To clarify the source of revenues for this appropriation, the bill should be modified to permit funds generated from UW-Madison's auxiliary enterprises to be deposited in this account.

**Joint Finance/Legislature:** Delete provision and related funding.

**12. UW HOSPITALS AND CLINICS AUTHORITY AGREEMENTS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	\$71,280,000	-\$71,280,000	\$0

**Governor:** Transfer the lease and affiliation agreements between the UW System Board of Regents and the University of Wisconsin Hospitals and Clinics Authority to the UW-Madison Board of Trustees. Create a PR appropriation for services provided to UWHCA and provide \$35,640,000 annually. Under the bill, \$4,644,600 annually for services received from UWHCA would be transferred from the UW System. UW-Madison would not be required to deposit these funds in the state treasury and these revenues would not appear in the appropriation schedule.

Recreate statutory language related to UWHCA that would be deleted under the UW Board of Regents under the UW-Madison Board of Trustees. Modify current law to specify that three members of the UW-Madison Board of Trustees appointed by the chairperson of that board would serve as members of the UWHCA board. Under current law, three members of the UW System Board of Regents appointed by the President of that board serve on the UWHCA board.

**Joint Finance/Legislature:** Delete provision and related funding.

**13. DEBT SERVICE RELATED TO UW-MADISON POWER PLANTS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	\$11,809,900	-\$11,809,900	\$0

**Governor:** Create an appropriation for moneys received from UW-Madison for debt service payments related to the Walnut Street steam and chilled-water plant and the Charter Street heating and cooling plant and provide \$5,909,300 in 2011-12 and \$5,900,600 in 2012-13. Create an appropriation for moneys received from the UW Hospitals and Clinics Authority and agencies of the federal government for debt service payments related to the Walnut Street steam and chilled-water plant and the Charter Street heating and cooling plant. Provide no funding in this appropriation. Under the bill, \$11,799,200 would be deleted under the UW System related to these appropriations.

**Joint Finance/Legislature:** Delete provision and related funding.

**14. MELLON FOUNDATION GRANT MATCHING FUNDS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	\$2,000,000	- \$2,000,000	\$0

**Governor:** Create an all moneys received appropriation for Mellon Foundation grant matching funds and estimate revenues at \$1,000,000 annually. Specify earnings on tuition would be deposited in this appropriation rather than the state's general fund.

**Joint Finance/Legislature:** Delete provision and related funding.

**15. PHYSICIAN AND HEALTH CARE PROVIDER LOAN ASSISTANCE PROGRAMS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	\$977,400	- \$977,400	\$0
SEG	<u>500,000</u>	<u>- 500,000</u>	<u>0</u>
Total	\$1,477,400	- \$1,477,400	\$0

**Governor:** Create a physician loan assistance program, a health care provider loan assistance program, and an expanded loan assistance program. These programs would be identical to current law programs under the UW System Board of Regents except that: (a) dentists and dental hygienists would not be eligible to participate; and (b) the Board of Trustees would not be required to formally promulgate rules related to these programs. Under the bill, dentists and dental hygienists would be eligible to participate in loan assistance programs under the UW System Board of Regents. Create a PR revenue appropriation to support these programs and provide \$488,700 annually from tribal gaming revenues. Create a SEG revenue appropriation and provide \$250,000 annually transferred from the critical access hospital assessment fund.

**Joint Finance/Legislature:** Delete provision and related funding.

## 16. FUNDS FROM OTHER STATE AGENCIES

**Governor:** Create an all moneys received appropriation for funds transferred from other state agencies. Specify that moneys received would be used to carry out the purposes for which they were received. Provide no moneys in this appropriation.

**Joint Finance/Legislature:** Delete provision.

## 17. UNIVERSITY TRUST FUNDS

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$42,320,000	- \$42,320,000	\$0

**Governor:** Create an appropriation for University trust funds and provide \$21,160,000 annually. In addition, credit all real property and moneys related to the operation of UW-Madison, as determined by the Secretary of Administration, that would be transferred from trust funds controlled by the UW System Board of Regents to this appropriation. Delete this appropriation on July 1, 2013. Under another provision of the bill, the Board of Trustees would be able to transfer related property and moneys received from the UW System Board of Regents to the University of Wisconsin Foundation, Inc., provided the transfer is consistent with its terms of that property and those moneys.

**Joint Finance/Legislature:** Delete provision and related funding.

## 18. WISCONSIN BIOENERGY INITIATIVE

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$7,120,000	- \$7,120,000	\$0

**Governor:** Create an appropriation for the Wisconsin Bioenergy Initiative and provide \$3,560,000 annually transferred from the recycling and renewable energy fund. Specify that the funding provided would be used to support research under the Wisconsin Bioenergy Initiative into improved plant biomass, improved biomass processing, conversion of biomass into energy products, development of a sustainable energy economy, and development of enabling technologies for bioenergy research. Under current law, \$4,050,000 annually is provided to the UW System Board of Regents for this purpose of which \$3,560,000 is allocated to UW-Madison, \$440,000 is allocated to UW-Stevens Point, and \$50,000 is allocated to UW-Green Bay. Under the bill, \$490,000 would be provided to the UW System Board of Regents in each year of the biennium for this purpose.

Under another provision of the bill, the recycling and renewable energy fund would be

renamed the environmental fund. The bill modifies the reference under the UW System to reflect this change; however, a technical amendment is needed to correct the reference under the appropriation under UW-Madison.

**Joint Finance/Legislature:** Delete provision and related funding.

**19. RURAL PHYSICIAN RESIDENCY PROGRAM**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$1,500,000	-\$1,500,000	\$0

**Governor:** Create an appropriation for the rural physician residency assistance program and provide \$750,000 annually from the critical access hospital fund. Create language related to the program that would be identical to current law language under the UW System Board of Regents; under the bill, the language under the UW System Board of Regents and a related appropriation would be deleted.

**Joint Finance/Legislature:** Delete provision and related funding.

**20. ENVIRONMENTAL PROGRAM GRANTS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$200,000	-\$200,000	\$0

**Governor:** Create an appropriation for environmental program grants and provide \$100,000 annually from income and interest from the normal school fund for need-based grants to students who are members of underrepresented groups and who are enrolled in a certificate or bachelor's degree program from the UW-Madison Nelson Institute for Environmental Studies.

**Joint Finance/Legislature:** Delete provision and related funding.

**21. GRANTS FOR FORESTRY PROGRAMS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$100,000	-\$100,000	\$0

**Governor:** Create an appropriation for grants for forestry programs and provide \$50,000 annually transferred from the conservation fund. Require the Board of Trustees to maintain a center for cooperatives and specify that the center may award grants from the appropriation. The

proposed language related to the grant program would be identical to current law under the UW System Board of Regents except that language related to the use of grant funds for administrative expenses would not be recreated.

**Joint Finance/Legislature:** Delete provision and related funding.

## **22. RECEIPT OF FEDERAL FUNDS**

**Governor:** Provide that the Board of Trustees may accept federal funds for instruction, extension, special projects, or emergency employment opportunities on behalf of the state. Specify that certain statutory provisions related to the acceptance of federal funds would not apply to such funds. These provisions include including the approval of a budget, plan, application or proposal by the Governor, the report of a budget, plan, application, or proposal to the Joint Committee on Finance, and the creation of federally-funded positions by the Governor. Require the Board of Trustees to comply with Congressional requirements and federal regulations, provided that those regulations are consistent with state law, when federal funds are accepted. Permit the Board of Trustees to submit any plan, budget, application or proposal as required a federal agency and perform of any act not inconsistent with state law required by Congress or the federal agency to carry out the purpose for which the moneys were provided. These provisions would be identical to current law related to the acceptance of federal funds for instruction, extension, special projects, or emergency employment opportunities by the UW System Board of Regents.

Provide that the UW-Madison authority would not be subject to current law governing the receipt of federal indirect cost reimbursement by state agencies, including the UW System. These provisions include: (a) the transfer of unused reimbursements to the general fund; (b) the deposit of such reimbursement payments with the state treasurer; (c) participation in a statewide indirect cost allocation; and (d) the submission of indirect cost allocation plans to the Department of Administration.

Under the bill, \$880,297,800 FED annually would be transferred from the UW System Board of Regents related to the UW-Madison authority. These funds would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision.

## **23. DEPOSIT OF FEDERAL AND OTHER PROGRAM REVENUES IN THE LOCAL-GOVERNMENT POOLED INVESTMENT FUND**

**Governor:** Require the Board of Trustees to deposit daily all federal revenues and all program revenues for which there is not an appropriation, except for gifts, grants, and donations, in the local-government pooled investment fund administered by the state Investment Board.

**Joint Finance/Legislature:** Delete provision.

## Tuition and Special Programs

### 1. NONRESIDENT TUITION EXCEPTIONS AND OTHER TUITION REMISSIONS

**Governor:** Create statutory language to provide the following: (a) tuition exemptions for persons at least 60 years old; (b) determination of residency status for tuition purposes and appeals; (c) tuition remissions for needy and worthy nonresident students, nonresident students deserving of relief, needy and worthy foreign students, and athletes; (d) nonresident and resident tuition remissions for faculty, instructional staff, and assistants, including graduate assistants; (e) tuition remissions for the survivors of correctional officers, EMTs, fire fighters, and law enforcement officers; and (f) tuition remissions for funeral assistants. These provisions would be identical to current law under the UW System Board of Regents except that there would be no limit on remissions granted under (c) and no appropriation would be provided under the UW-Madison Board of Trustees to fund remissions granted under (e). Specify that these provisions would no longer apply if the Board of Trustees adopts a resolution to that effect or on July 1, 2013, in the absence of such a resolution.

**Joint Finance/Legislature:** Delete provision.

### 2. TUITION REMISSIONS FOR VETERANS AND CERTAIN DEPENDENTS

**Governor:** Require the UW-Madison Board of Trustees to grant a full remission of fees for 128 credits or eight semesters, whichever is longer, less the number of credits or semesters for which the person received remission of tuition and fees from any technical college and the UW System Board of Regents, but not less the amount of any tuition or segregated fees paid under the federal Post-9/11 G.I. Bill, to certain veterans, children, and spouses. Before granting a remission of tuition and segregated fees to an eligible veteran, child, or spouse, the UW-Madison Board of Trustees would have to require the student who is an eligible veteran, child, or spouse to apply to the payment of fees all educational assistance to which the student is entitled under the federal Post-9/11 G.I. Bill. This provision would apply even if the student is eligible for benefits under the Montgomery G.I. Bill or certain other federal education programs for veterans and dependents unless the student is eligible for 12 months or less of benefits under those programs. Require HEAB to reimburse, in whole or in part, the UW-Madison Board of Trustees for remissions granted to veterans, children, and spouses and for reimbursements paid to veterans, children, and spouses.

The proposed statutory language, including eligibility requirements, limitations on use, reimbursement payments to students, and reimbursements from Higher Educational Aids Board (HEAB), would be similar to current law providing for tuition remissions for veterans and certain dependents under the University of Wisconsin System and the Wisconsin Technical College System, as modified under the bill (see "University of Wisconsin System" and "Wisconsin Technical Colleges System" for information related to the modification related to tuition remissions for veterans and certain dependents.)

Specify that these provisions would no longer apply if the Board of Trustees adopts a resolution to that effect or on July 1, 2013 in the absence of such a resolution.

**Joint Finance/Legislature:** Delete provision.

### **3. ELIGIBILITY FOR CERTAIN FINANCIAL AID PROGRAMS**

**Governor:** Provide that UW-Madison students would be eligible for the following financial aid programs administered by the Higher Educational Aids Board: (a) the minority teacher loan program; (b) the academic excellence scholarship program (AES); and (c) the Wisconsin higher education grants program for UW System students. Provide that the matching requirement under the AES program for UW-Madison would be satisfied in the same manner as under current law for the UW System. Under current law, UW-Madison students are eligible for these programs as students of the UW System.

In addition, provide that UW-Madison would continue to be a qualifying school for the purpose of tuition reimbursement grants under the Department of Military Affairs and for the postsecondary education income tax credit, corporate income tax credit, and insurance company tax credit.

**Joint Finance/Legislature:** Delete provision.

### **4. TUITION GIFT CERTIFICATES**

**Governor:** Provide that the Board of Trustees may establish a tuition gift certificate program. This provision would be identical to current law under the UW System Board of Regents except that: (a) the Board of Trustees would not be prohibited from charging more than the actual processing cost as a fee for each sale of a gift certificate; and (b) the Board of Trustees would not be required to deposit moneys received in an appropriation.

**Joint Finance/Legislature:** Delete provision.

### **5. AGRICULTURAL DEMONSTRATION STATIONS AND EXPERIMENTS**

**Governor:** Permit the Board of Trustees to: (a) establish demonstration stations for the purpose of aiding in agricultural development through the College of Agriculture and Life Sciences (CAL S); (b) authorize experimental work in agriculture at points within the state and carry on demonstrations; and (c) to conduct extension schools and courses in agricultural education. Require the Board of Trustees to foster research and experimentation in the control of bovine brucellosis under the supervision of the CAL S dean. This language is identical to current law that would be deleted under the UW System Board of Regents except for the omission of a reference to an appropriation for the payment of contracts.

**Joint Finance/Legislature:** Delete provision.

## **6. AODA PREVENTION AND INTERVENTION PROGRAMS**

**Governor:** Require the Board of Trustees to appoint alcohol and drug abuse (AODA) prevention and intervention program counselors for UW-Madison. The counselors would develop AODA prevention and intervention programs and train faculty, academic staff, and classified staff in the prevention of and early intervention in alcohol and other drug abuse. Under the bill, \$75,700 GPR annually for AODA prevention and intervention programs would be transferred from the UW System. The bill does not create an appropriation to fund such programs; it is assumed that these funds would be deposited in the UW-Madison authority's GPR general program operations appropriation.

**Joint Finance/Legislature:** Delete provision.

## **7. AREA HEALTH EDUCATION CENTER**

**Governor:** Require the UW-Madison Board of Trustees to maintain an area health education center at UW-Madison to support community-based primary care training programs. Under the bill, \$1,143,000 GPR annually would be transferred from the UW System to the proposed UW-Madison authority related to the area health education centers. These funds would be deposited in UW-Madison's appropriation for general program operations.

**Joint Finance/Legislature:** Delete provision.

## **8. BREAST CANCER AND PROSTATE CANCER RESEARCH**

**Governor:** Provide that 50% of the proceeds from the breast cancer research income tax check-off, less administrative costs, would be paid to UW-Madison for breast cancer research conducted by the UW Carbone Cancer Center. Provide that 50% of the proceeds from the prostate cancer research income tax check-off, less administrative costs, would be paid to UW-Madison for prostate cancer research projects. Specify that these funds could not be used to supplant funds available from other sources for breast cancer research or prostate cancer research. Require the Board of Trustees to report annually by January 1 to the appropriate standing committees of the Legislature and the Governor on the breast cancer and prostate cancer research projects conducted with these funds. Under the bill, \$309,200 annually from revenues generated by income tax check-offs for breast cancer and prostate cancer research would be transferred to the UW-Madison authority from the UW System. UW-Madison would not be required to deposit these funds in the state treasury and these revenues would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision.

## **9. CENTER FOR URBAN LAND ECONOMICS RESEARCH**

**Governor:** Require the Board of Trustees to establish a center for land economics research in the School of Business to conduct research and undertake educational, public

outreach, and grant activities related to real estate and urban land economics. Provide that funding for the center for land economics research would come from a \$10 surcharge on real estate license renewals as under current law. Under the bill, \$251,700 annually would be transferred to the UW-Madison authority from the UW System related to the center for urban land economics research. UW-Madison would not be required to deposit these funds in the state treasury and these revenues would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision.

## 10. CLEARING CUTOVER LANDS

**Governor:** Authorize the Board of Trustees to investigate methods of clearing cutover lands, to perform experiments and demonstrations related to such methods, and to provide related services to individual citizens at cost through the College of Agricultural and Life Sciences. This is identical to current law that would be deleted under the UW System Board of Regents.

**Joint Finance/Legislature:** Delete provision.

## 11. DISTINGUISHED PROFESSORSHIPS

**Governor:** Provide that the Board of Trustees could establish distinguished professorships and could pay the salary and fringe benefits, equipment, supplies, and travel costs of any such professor and of any graduate assistant assigned to such a professor. This provision would be identical to current law under the UW System Board of Regents, except that current law specifies appropriations from which distinguished professorship costs may be paid and specifies that at least three of the professors awarded distinguished professorships after 1989 cannot have been employed by the Board of regents when awarded the position.

**Joint Finance/Legislature:** Delete provision.

## 12. LAWTON GRANTS

**Governor:** Require the Board of Trustees to establish a grant program for minority undergraduate students to be known as the Lawton grant program. This program would be identical to the current Lawton grants under the UW System Board of Regents, except that under the bill the Board of Trustees would not be required to award the grants from a specific appropriation. Under the bill, the UW System Board of Regents would transfer \$1,478,100 GPR annually from its appropriation for the Lawton minority undergraduate grant program to the UW-Madison authority as part of the funding provided under the UW-Madison authority's GPR general program operations appropriation.

**Joint Finance/Legislature:** Delete provision.

### **13. LICENSE PLATE SCHOLARSHIP PROGRAM**

**Governor:** Require the Board of Trustees to establish a scholarship program funded by additional fees charged by the Department of Transportation for UW-Madison license plates and create an appropriation under the Department of Transportation for payments to UW-Madison. Under the program, scholarships would be awarded by the chancellor according to criteria developed by the chancellor. Specify that the UW-Madison chancellor would be consulted in the design of the UW-Madison license plate. Under the bill, the UW-Madison authority would not be required to deposit these revenues in the state treasury and they would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision.

### **14. SCHOOLS OF BUSINESS**

**Governor:** Require the Board of Trustees to use the funds appropriated in UW-Madison's GPR general program operations appropriation to support improvements in master's level business programs. Specify that the Board of Trustees could spend funds from that appropriation for this purpose only if it received matching funds for the same purpose from private contributions. This would be similar to current law under the Board of Regents except that current law references a GPR appropriation and a PR appropriation created specifically for this purpose. A clarifying amendment may be needed to accomplish the intent of the provision.

**Joint Finance/Legislature:** Delete provision.

### **15. STATE CARTOGRAPHER, PSYCHIATRIC RESEARCH INSTITUTE, AND STATE GEOLOGIST**

**Governor:** Require the Board of Trustees to appoint the state cartographer, the director of the psychiatric institute, and the state geologist and create statutory language related to the state cartographer and the psychiatric research institute. These provisions would be identical to current law under the UW System Board of Regents that would be deleted under the bill. The state geologist would continue to carry out current law responsibilities including supervision of the geological and natural history survey under the UW System Board of Regents.

**Joint Finance/Legislature:** Delete provision.

### **16. USE OF FACILITIES BY THE EDUCATIONAL COMMUNICATIONS BOARD**

**Governor:** Authorize the Board of Trustees to grant the Educational Communications Board (ECB) part-time use of equipment and space necessary for the operations of the state educational radio and television networks pursuant to the affiliation agreement between ECB and the UW System Board of Regents. Permit the Board of Trustees to rent space on the Madison public broadcast transmission tower to ECB and to other public and commercial broadcasters.

**Joint Finance/Legislature:** Delete provision.

## 17. UW SCHOOL OF MEDICINE AND PUBLIC HEALTH PROGRAMS

**Governor:** Require the Board of Trustees to allocate \$400,000 annually from its GPR general program operations appropriation to the department of family medicine and practice in the University of Wisconsin School of Medicine and Public Health to support the following programs: (a) the Wisconsin Academy for Rural Medicine; (b) the Academy for Center-city Medical Education; and (c) the Wisconsin Scholars Academy programs. Specify that the Board may not expend the funds allocated in any fiscal year unless \$400,000 in gifts and grants from private sources are received to support the programs.

Under current law, the UW System Board of Regents is required to allocate \$400,000 annually from a GPR appropriation for the department of family medicine and practice. Under the bill, this appropriation and the related statutory language would be deleted and the funds would be transferred to the UW-Madison authority. The bill does not create an appropriation for the department of family medicine and practice under the UW-Madison authority; it is assumed that these funds would be deposited in the UW-Madison's authority's GPR general program operations appropriation.

In addition, replace all references to the University of Wisconsin-Madison Medical School with references to the University of Wisconsin School of Medicine and Public Health.

**Joint Finance/Legislature:** Delete provision.

## 18. SPECIAL PROGRAMS

**Governor:** Create the following special programs at the UW-Madison authority: (a) Wisconsin resident preference in housing; (b) solid waste experiment centers; (c) military instruction; (d) integrated agriculture; and (e) meningococcal disease and hepatitis B information program. The statutory language creating these programs would be identical to current law under the UW System.

Recreate the following special programs located at UW-Madison that would be deleted under the UW System: (a) water resources research; (b) the School of Veterinary Medicine; (c) a model school for children with disabilities; (d) a Great Lakes Indian law program; (e) the Robert M. La Follette Institute of Public Affairs; (f) agricultural technology and family farm programs; (g) the herbarium; (h) a distinguished chair of military history; and (i) the career conversations program. In addition, recreate special program requirements related to the UW Law School, which is located at UW-Madison.

Create a grant program for minority and disadvantaged graduate programs enrolled at UW-Madison and precollege, recruitment, and retention programs for minority and disadvantaged students. The statutory language creating these programs would be identical to current law language under the UW System except that grants to graduate students would be

funded through the UW-Madison's GPR general program operations appropriation instead of an appropriation specifically for that purpose. The language creating the programs for minority and disadvantaged students references an appropriation that would not be created under the bill, which needs a technical correction.

**Joint Finance/Legislature:** Delete provision.

## **Building Program**

### **1. ACCESS TO PUBLIC DEBT**

**Governor:** Modify the purpose of the Building Commission appropriation for public debt for UW System self-amortizing facilities to include public debt for UW-Madison self-amortizing facilities. This provision would allow UW-Madison to have access to state bonding for its program revenue supported facilities. Under the bill, the purpose of the Building Commission appropriation for general fund supported public debt for UW System academic facilities would not be modified to include UW-Madison academic facilities. This would mean that UW-Madison would not have access to general fund supported borrowing for those facilities. According to the drafter, this appropriation should also have been modified.

Provide that UW-Madison would be able to access state bonding for energy conservation projects. In addition, provide that UW-Madison projects would be eligible for state bonding through the WiSTAR and Wisbuild initiatives. There is currently no new bonding available under either of these initiatives.

**Joint Finance/Legislature:** Delete provision.

### **2. INCLUSION OF UW-MADISON IN STATE BUILDING PROGRAM**

**Governor:** Modify current law to specify that UW-Madison facilities would continue to be part of the state's long-term building program. Require UW-Madison, in addition to all state agencies as under current law, to submit a capital budget request for review by the Building Commission. Specify that UW-Madison's capital budget request would include all proposed building projects except those projects with a cost of not more than \$500,000 that would be funded entirely with sources other than general purpose revenue or general fund supported borrowing. Specify that the Building Commission could authorize any UW-Madison project costing \$500,000 or less and enter into contracts for UW-Madison construction projects except as described in the following entry.

Provide that the Governor could authorize the release of state building trust funds for UW-Madison projects when directed to do so by the Building Commission or in emergency situations, as under current law for all agencies. Provide that the Governor may authorize the expenditure of up to \$500,000 for repairs and construction of a building, structure, or facility

from available moneys of UW-Madison from any revenue source in emergency situations. Under current law, the Governor may authorize the expenditure of up to \$500,000 for such purposes from the building trust fund or from other available moneys appropriated to an agency in emergency situations.

Provide that UW-Madison construction projects would not be subject to municipal ordinances or regulations except for zoning ordinances.

**Joint Finance/Legislature:** Delete provision.

### **3. EXEMPT NON-GPR SUPPORTED UW-MADISON PROJECTS FROM DOA OVERSIGHT**

**Governor:** Exempt UW-Madison building projects that are funded entirely from sources other than general purpose revenue and general fund supported borrowing from the following current law provisions: (a) DOA direction and supervision of all engineering and architectural services and construction work related to state building projects; (b) DOA review and approval of plans and specifications for UW System building projects; (c) periodic review by DOA of the progress of UW System building projects; (d) provisions governing construction project contracts, including bidding procedures, the use of recovered and recycled materials, energy efficiency standards, subcontractors, and partial payments to contractors; (e) approval by the DOA Secretary or the Governor of contracts of more than \$10,000 for engineering services, architectural services, or construction work or of more than \$30,000 for limited trades work; and (f) statutory procedures related to the employment of engineering, architectural, or allied services or expenditures for construction purposes. Specify that the UW-Madison could employ engineering, architectural, or allied services and expand moneys for construction if the project is funded entirely from sources other than GPR and general fund supported borrowing. Provide that Building Commission could not enter into contracts for such projects.

UW-Madison building projects funded entirely from sources other than general purpose revenue and general fund supported borrowing with total costs in excess of \$500,000 would require enumeration by the Legislature and approval by the Building Commission as under current law. In addition, such projects would be subject to statutory provisions related to bids by and contracts with disabled veteran- and minority-owned businesses.

Provide that UW-Madison building projects that are funded at least in part with general purpose revenue or general fund supported borrowing would be subject to the current law provisions listed above.

**Joint Finance/Legislature:** Delete provision.

### **4. NO BUILDING COMMISSION APPROVAL OF NON-GPR SUPPORTED PROJECTS UNDER \$500,000**

**Governor:** Provide that UW-Madison would not require the prior approval of the Building Commission to contract in connection with any building project with a cost of not more

than \$500,000 if that project is funded entirely with sources other than general program revenue or general fund supported borrowing. Specify that the Building Commission may not prescribe simplified policies and procedures for such projects.

Under current law, most state building projects with costs of more than \$150,000 must be approved by the Building Commission regardless of the fund source. Current law exceptions include: (a) Department of Transportation projects other than buildings, structures and facilities to be used for administrative or operating functions; (b) Department of Transportation build-operate-lease or transfer agreements; (c) Department of Natural Resources construction work related to hazardous substance spill response or environmental repair; (d) UW Hospitals and Clinics Authority construction or improvement projects; (e) Fox River Navigational System Authority rehabilitation projects; (f) State Fair Park Board construction projects with costs of not more than \$250,000; (g) Wisconsin Economic Development Corporation projects; and (h) projects approved by the Governor in response to emergency situations. The Building Commission may prescribe simplified policies and procedures to be used in lieu of statutory procedures governing construction project contracts for any project that does not require prior approval of the Building Commission. Under current law, state building projects with costs of less than \$500,000 do not require enumeration by the Legislature.

**Joint Finance/Legislature:** Delete provision.

## **5. ACCEPTANCE OF GIFTS OF REAL PROPERTY BY UW-MADISON**

**Governor:** Under current law, the UW System may not accept any gift, grant, or bequest of real property with a value in excess of \$30,000 or any gift, grant, or bequest of a building or structure that is constructed for the benefit of the UW System or any UW System institution, including UW-Madison, without approval of the Building Commission. Under the bill, this provision would no longer apply to UW-Madison.

**Joint Finance/Legislature:** Delete provision.

## **6. APPROVAL OF PRIVATELY OWNED OR OPERATED FACILITIES ON LAND OWNED BY UW-MADISON**

**Governor:** Provide that UW-Madison would not require the approval of the Building Commission for privately owned or operated facilities to be constructed on its land. Under current law, the UW System must get the approval of the Building Commission before it can permit a facility that would be privately owned or operated to be constructed on state-owned land.

**Joint Finance/Legislature:** Delete provision.

## **7. AUTHORITY TO SELL OR LEASE UW-MADISON BUILDINGS AND LAND**

**Governor:** Provide that if the Board of Trustees sells any real property it would deposit

an amount sufficient to cover any outstanding public debt related to that property into the bond redemption fund. Provide that if the property was acquired, constructed, or improved with federal funds, the Board of Trustees would pay the net proceeds of the sale to the federal government if required by federal law and, if the property was acquired by gift or grants, the Board of Trustees would adhere to the terms of the gift or grant in using the proceeds.

Under current law, the Board of Regents is similarly restricted regarding the proceeds of any sale of real property.

**Joint Finance/Legislature:** Delete provision.

## **8. SALE OF AGRICULTURAL LANDS**

**Governor:** Authorize the UW-Madison Board of Trustees to sell specific agricultural lands and improvements and that the proceeds of these sales would be used to purchase other agricultural lands outside of the Madison urban area and construct necessary buildings and improvements on these lands. Specify that the lands and improvements could be sold or leased by public bid or negotiated sale and that the sale, lease, and purchase of such lands and would be subject to the approval of the Building Commission. Delete a current law provision allowing the Building Commission to authorize to use of building trust fund moneys related to the purchase of such land.

This provision would be identical to current law under the UW System, which would be deleted by the bill, except that under current law any excess proceeds from the sale of agricultural land and improvements would be used to create a nonlapsible fund not to exceed \$7,200,000. The purpose of this fund is to erect facilities for research and instruction in animal husbandry, agricultural engineering, and agricultural and life sciences at UW-Madison. The use of the moneys in this fund is subject to the consent and recommendation of the UW System Board of Regents and authorization by the Building Commission.

**Joint Finance/Legislature:** Delete provision.

## **9. EXTEND DOA POWERS AND DUTIES TO UW-MADISON**

**Governor:** Provide that, with certain exceptions, the current law powers and duties of DOA and the DOA Secretary with respect to engineering would apply to UW-Madison. These powers and duties include: (a) to furnish engineering, architectural, project management, and other building construction services when requisitioned; (b) the promotion of energy conservation methods; (c) the repair and rebuild of discarded machinery; (d) to plan for future growth and development; (e) the biennial inspection of state buildings; (f) the delegation of work to state agencies; (g) exemption from liability in the case of delay; and (h) exemption for contracts with the federal government or any federal agency from any or all statutory provisions related to construction project contracts. Provide that plans for UW-Madison building projects would not be subject to public inspection unless otherwise provided by DOA rule, which currently applies to plans for state building projects. Require UW-Madison to report to DOA by October 1 of each year the total cost of occupancy of each building, structure, or facility owned

by UW-Madison in the previous fiscal year.

**Joint Finance/Legislature:** Delete provision.

## **10. MODIFY PROJECT MANAGEMENT PROVISIONS TO REFER TO UW-MADISON**

**Governor:** Modify current law to permit DOA or the Building Commission to engage in certain actions if those actions are deemed to be in the best interest of UW-Madison or the state. Under current law, DOA or the Building Commission may engage in certain actions if those actions are deemed to be in the best interest of the state. These actions include: (a) bidding of projects with estimated construction costs of less than \$40,000; (b) rejection of any or all bids; (c) issuance of change orders by DOA; (d) enter into contracts for articles and materials that are available from only one source; (e) approval of changes to the list of subcontractors; (e) waiver by the Building Commission of any or all statutory provisions related to construction project contracts; and (f) waiver by the Governor of any or all statutory provisions related to construction project contracts in emergency situations. In addition, modify certain other nonsubstantive provisions to reflect the creation of the UW-Madison authority.

**Joint Finance/Legislature:** Delete provision.

## **11. POWER PLANTS AND FUEL AND UTILITIES**

**Governor:** Provide that UW-Madison would be subject to current law provisions governing state-owned power plants and fuel and utilities purchases except that: (a) the appointment of a chief operating engineer for any UW-Madison owned power plant would not be subject to DOA approval and the engineer would not be required to report to the DOA Secretary; and (b) DOA would not review and approve the rates UW-Madison charges its appropriations for fuel, water, sewage treatment service, electricity, heat or chilled water that the agency provides to itself.

**Joint Finance/Legislature:** Delete provision.

## **12. SALE OF FUEL AND UTILITY SERVICE**

**Governor:** Provide that UW-Madison may sell fuel, water, sewage treatment service, electricity, heat, or chilled water to a state or federal agency, a local government, or a private entity subject to approval of DOA. Exempt UW-Madison from the following current law provisions governing the sale of utility service: (a) DOA review and approval rates charged for the sale of fuel or utility services; and (b) a requirement that any agency that would sell fuel and utility services to a private entity contact the public utilities in that service area prior to contracting for the sale of fuel or utility services and would be prohibited from entering into the sale of fuel and utility services if a public utility objected.

**Joint Finance/Legislature:** Delete provision.

### 13. ENERGY CONSERVATION AUDITS AND CONSTRUCTION PROJECTS

**Governor:** Under the bill, DOA would not have the authority to contract for an energy conservation audit to be performed at any building, structure, or facility owned by UW-Madison. DOA would not have the authority to contract for work identified within such an audit to be performed at a such a building, structure, or facility. Under current law, DOA has the authority to contract for an energy conservation audit and any work identified by such an audit at any state-owned building, structure, or facility, including those under the control of the UW System.

**Joint Finance/Legislature:** Delete provision.

## Other Provisions

### 1. PURCHASING THROUGH HIGHER EDUCATION CONSORTIA AND RELATED PROVISIONS

**Governor:** Provide that, in general, UW-Madison would be subject to current law governing purchasing. Provide that DOA would delegate to the UW-Madison Board of Trustees the authority to enter into contracts for materials, supplies, equipment, or services that relate to higher education and that agencies other than the UW System or UW-Madison do not commonly purchase. Authorize the UW-Madison Board of Trustees to enter into agreements with other higher education institutions under which any of the parties may agree to participate in, administer, sponsor, or conduct purchasing of materials, supplies, equipment, permanent personal property, miscellaneous capital, or contractual services. Provide that UW-Madison would be able to purchase from any vendor selected as a result of such purchasing agreements.

Provide that UW-Madison purchases with funds other than those shown in the appropriation schedule would be exempt from a provision prohibiting the purchase of contractual services performed outside of the United States.

Provide that current law related to the purchase of materials, supplies, equipment, and contractual services related to information technology, telecommunications, and educational technology would also apply to UW-Madison.

**Joint Finance/Legislature:** Delete provision.

### 2. SETOFFS FROM CONTRACT PAYMENTS

**Governor:** Provide that UW-Madison could withhold, or setoff, a portion of payments due under a contract with a vendor if the Department of Revenue has notified the Department of Administration that the vendor owes taxes to the state and requests such action. Provide that UW-Madison would transfer the amounts setoff to the Department of Revenue quarterly. Specify that UW-Madison may collect tax identification information from vendors and provide

this information to the Department of Revenue. Provide that UW-Madison would not be liable to any vendor because of these setoffs. These provisions currently apply to the Department of Administration.

**Joint Finance/Legislature:** Delete provision.

### **3. DOA RISK MANAGEMENT SERVICES**

**Governor:** Provide that UW-Madison may elect not to participate in statewide risk management programs coordinated by DOA. Specify that to elect not participate in these risk management programs in the following fiscal year, UW-Madison would have to provide written notice to DOA no later than December 31 preceding the beginning of the fiscal year. Specify that a notice of nonelection would apply to all subsequent fiscal years unless UW-Madison provides written notice no later than December 31 preceding the beginning of a fiscal year that it has elected to participate in the risk management programs coordinated by DOA. Specify that any notice of election from UW-Madison would apply to all subsequent fiscal years unless UW-Madison provided timely notice of nonelection. Modify current law to permit UW-Madison to participate in or benefit from risk management programs coordinated by DOA if UW-Madison elects to participate in such programs.

Under current law, the purpose of the risk management programs coordinated by DOA is to protect the state from losses which are catastrophic in nature and minimize the cost of providing protection against accidental loss. To this end, DOA: (a) identifies and evaluates the state's exposure to loss, the exposure of state employees to loss, and the exposure of the public to injury by reason of fire or other accidents on state-owned properties and facilities; (b) recommends changes in procedures, program conditions, or capital improvement to eliminate or reduce existing exposure; (c) manages the state employees' worker's compensation program and statewide self-funded programs to protect the state from losses of and damage to state property and liability; (d) arranges appropriate insurance contracts for the state and its employees; (e) trains, upgrades, and guides appropriate personnel in the implementation of sound risk management practices; and (f) contracts for investigation and adjustment services that would be performed more economically or efficiently through such a contract. DOA charges each state agency for risk management services provided.

**Joint Finance/Legislature:** Delete provision.

### **4. UW-MADISON EMPLOYEES PROTECTED FROM CLAIMS**

**Governor:** Provide that current law protecting state employees from claims and limiting the amount of damages that could be awarded would apply to officers, directors, employees, or agents of the UW-Madison Board of Trustees. Provide that an officer, director, employee, or agent of the Board of Trustees of UW-Madison would be considered a state officer, director, employee, or agent in the case that a court action is brought against such a person acting in his or her official capacity. If damages would be awarded pursuant to such an action, the damages, less any amount covered by insurance, would be paid by the state. In addition, regardless of the outcome of such an action, the state would provide legal counsel or pay reasonable attorneys fees less any applicable insurance.

**Joint Finance/Legislature:** Delete provision.

## **5. REPRESENTATION BY THE STATE ATTORNEY GENERAL**

**Governor:** Provide that, at the request of the head of the Board of Trustees of UW-Madison, the Attorney General could appear for and defend UW-Madison as if it were a state department in any civil action or other matter brought before a court or an administrative agency. Provide that the Attorney General could appear for or defend any official, employee, or agent of the Board of Trustees of UW-Madison as a state official, employee, or agent when an action is brought against that individual on account of acts committed in the lawful course of an officer's, employee's, or agent's duties. Provide that the Attorney General would also appear for and represent the Board of Trustees of UW-Madison or any UW-Madison official, employee, or agent if so requested by the Governor or either house of the Legislature.

Under current law, the head of the UW System may request the Attorney General to appear for or defend the UW System or any UW System official, employee, or agent for acts committed in the lawful course of that individual's duties. The Governor and both houses of the Legislature may request the Attorney General to appear for and represent the UW System or any UW System official, employee, or agent.

**Joint Finance/Legislature:** Delete provision.

## **6. EXEMPT RESEARCH AND STUDIES FROM PUBLIC INSPECTION**

**Governor:** Provide that any governing body that has custody of a record could withhold from public inspection any record that is produced for collected by or for a UW-Madison faculty or staff member in conducting research or a study on a commercial, scientific, or technical subject until that information is publicly disseminated or patented. Specify that this would apply to research and studies sponsored by the research alone or in conjunction with other entities or private person. Under the bill, this provision would also apply to records produced or collected by UW System and technical colleges faculty and staff.

**Joint Finance/Legislature:** Delete provision as a nonfiscal policy item.

## **7. CONFLICT OF INTEREST, OPEN MEETINGS, AND PROTECTION OF ACADEMIC FREEDOM**

**Governor:** Provide that current law exempting UW System contracts with research companies from statutes prohibiting private interest in public contracts in certain cases would also apply to UW-Madison contracts with research companies.

Provide that UW-Madison departments and their subunits would be exempt from regulations regarding the public noticing of meetings but would be required to apprise interested persons and news media who have filed written requests for such notice. This provision is identical to current law regarding the public noticing of meetings of the departments and their subunits of UW System institutions.

Provide that any audit performed by the Legislative Audit Bureau (LAB) would not examine issues related to academic freedom or the manner in which individual faculty members or groups of faculty members conduct their instructional, research, or public service activities within UW-Madison. Provide that LAB would not examine or comment on the content of various academic programs, including degree requirements, majors, curriculum, or courses, within UW-Madison. Provide that LAB may review the procedures by which decisions are made and priorities are set and implemented within UW-Madison. These provisions are identical to current law relating to the UW System.

**Joint Finance/Legislature:** Delete provision.

## **8. TAX TREATMENT AND MUNICIPAL PAYMENTS**

**Governor:** Provide that UW-Madison would be exempt from state general sales and use taxes and from state corporate taxes as under current law. Provide that all property owned or leased by UW-Madison would be exempt from property taxes provided that use of the property is primarily related to the purposes of UW-Madison. Provide that property of UW-Madison would be subject to all special assessments for local improvements and that assessments in excess of \$50,000 would require approval by the Building Commission as under current law.

Provide that DOA would make municipal payments on behalf of UW-Madison. Provide that DOA would be responsible for negotiating municipal service payments on behalf of UW-Madison. Provide that DOA may delegate this responsibility to UW-Madison.

Under current law, DOA charges these municipal payments back to state agency program revenue and segregated fund appropriations. Under the bill, UW-Madison's auxiliary enterprises, which would include residence halls, dining halls, students unions, athletics facilities, and other non-academic facilities, would not appear in the appropriation schedule and therefore could not be charged for municipal services by DOA.

**Joint Finance/Legislature:** Delete provision.

## **9. LEGISLATIVE OVERSIGHT PROVISIONS**

**Governor:** Provide that the Legislative Audit Bureau would have the authority to conduct postaudits of UW-Madison and that the Legislative Fiscal Bureau would similarly have access to UW-Madison. Provide that any report that UW-Madison would be statutorily required to submit to the Legislature, the Speaker of the Assembly, the President of the Senate, or any standing committee of the Legislature other than the Joint Committee on Finance would be submitted to the Chief Clerk of each house of the Legislature, as under current law for all state agencies. Provide that UW-Madison would be subject to current law regulating lobbying activities by state agencies. Designate UW-Madison as a state agency for the purpose of negotiating interstate compacts. Provide that no such compact negotiated by UW-Madison would take effect until approved by a joint resolution or bill by the Legislature as under current law for all state agencies.

**Joint Finance/Legislature:** Delete provision.

## 10. DOA OVERSIGHT PROVISIONS AND EXEMPTIONS

**Governor:** Require UW-Madison to comply with all requests of the DOA Secretary related to his or her functions. Specify that UW-Madison's books, accounts, and other matters would be subject to examination by DOA and that UW-Madison would furnish information related its financial transactions to the DOA Secretary. Provide that UW-Madison would submit quarterly reports projecting the revenues and expenditures of program revenue and segregated revenues appropriations and, in the case that it projects that there would be insufficient funds to cover anticipated expenditures, submit a plan to DOA to assure there would be sufficient funds to meet projected expenditures.

Provide that UW-Madison would assist in the preparation of the state budget report, budget bill, and in auditing accounts and would submit an agency budget request to DOA and the Legislative Fiscal Bureau by September 15 of each even-numbered year.

Provide that UW-Madison would be exempt from certain powers and authorities of the Department of Administration. These exemptions would include: (a) the DOA Secretary may not charge or prescribe procedures for UW-Madison to charge central services costs to federal grants or contracts; (b) DOA regulations regarding the review and audit of travel expenditures would not apply to UW-Madison; (c) the public records board would not consult with UW-Madison to determine what records are essential for operation during a state of emergency and provide for their preservation; (d) DOA would not appoint a principal engineer or architect for UW-Madison; and (e) UW-Madison would not be required to pay interest on late payments. DOA rules and policies in the following areas would also not apply to UW-Madison: (a) notification of improper invoices; (b) rental of state-owned housing; (c) surveillance of employees; and (d) fleet management and the use of gasohol, alternative fuels, and hybrid-electric vehicles.

**Joint Finance/Legislature:** Delete provision.

## 11. PARKING

**Governor:** Provide that current law regarding the use of immobilization devices for parking enforcement by the UW System Board of Regents and chancellors and parking by the Department of Transportation on UW System property would also apply to the UW-Madison Board of Trustees and chancellor on UW-Madison property. Provide that statutory procedures related to nonmoving violations would apply to violations of parking rules promulgated by the UW-Madison Board of Trustees.

**Joint Finance/Legislature:** Delete provision.

## 12. ENVIRONMENTAL EDUCATION BOARD GRANTS

**Governor:** Specify that UW-Madison would be eligible to receive grants from the environmental education board. The environmental education board is attached to the UW System.

**Joint Finance/Legislature:** Delete provision.

### 13. EXTEND CURRENT LAW PROVISIONS TO UW-MADISON

**Governor:** Modify certain current law references to the UW System, the UW Board of Regents, or UW System institutions to also refer to UW-Madison or the UW-Madison Board of Trustees. References that would be modified include: (a) certification of accounts; (b) preservation of records; (c) purchase by DOA of educational technology materials, supplies, equipment, or services; (d) exemption of course-related construction work performed by students from provisions governing construction project contracts; (e) facilities and staff sharing with the technical colleges; (f) forestry internships; (g) cooperation with the Department of Natural Resources to promote forest surveys, research, and protection; (h) power to acquire land by condemnation; (i) cooperation in lake protection and rehabilitation projects; (j) exemption for faculty, academic staff, and student from fees charged by the historical society for use of the main library; (k) use of the federal documents depository maintained by the historical society; (L) provision of preadoption preparation; (m) construction or improvement of roads by the Department of Transportation; (n) soil erosion rate on farms; (p) prohibit smoking within 25 feet of a residence hall; (q) requirement regarding automatic fire sprinkler systems in residence halls; (r) preference in the awarding of precollege scholarships given to certain students; (s) provision of leadership, coordination, and education services by cooperative educational service agencies (CESAs) and contracts with CESAs; (t) youth options program; (u) funding for groundwater research; (v) requisition of unclaimed dogs for scientific or educational purposes; (w) work with the Department of Health Services to develop long-term solutions to health problems of minority group members; (y) use of materials developed by the Department of Health Services for the recruitment of economically disadvantaged minority group students into programs leading to careers in health care; (z) storm water discharge grants; (aa) coordination of research, technical assistance, and education programs related to solid waste reduction, recovery, and recycling by the Department of Natural Resources; (bb) advisement by and cooperation with the council on physician assistants; (cc) collection of forfeitures; (dd) deposition orders; (ee) exemption from liability for donors of technology and equipment; (ff) notification above the development zone program; (gg) advisement by the land and water conservation board, the Department of Agriculture, Trade and Consumer Protection, and each county land conservation committee related to soil and water conservation research and educational programs; and (hh) references to a campus under state law governing alcohol beverages.

Provide that the following current law provisions would continue to apply to UW-Madison: (a) UW-Madison would be prohibited from submitting a claim to the Department of Natural Resources for compensation for well contamination or abandonment as under current law; (b) that UW-Madison must adhere to state laws governing the recovery of ozone-depleting refrigerants as under current law; (c) UW-Madison would not be considered a restaurant for the purpose of statutes governing food protection if it only serves meals to UW-Madison students or to authorized elderly persons as under current law; (d) UW-Madison would be eligible to receive cancer control and prevention grants awarded by the Department of Health Services as under current law.

Provide that UW-Madison would be considered a state agency for the purpose of departmental cooperation and a municipality for the purpose of intergovernmental cooperation.

**Joint Finance/Legislature:** Delete provision.

## UNIVERSITY OF WISCONSIN SYSTEM

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$2,299,026,600	\$1,214,051,100	\$2,095,251,600	\$2,095,251,600	\$2,095,251,600	-\$203,775,000	- 8.9%
FED	3,486,300,200	1,725,704,600	3,486,300,200	3,486,300,200	3,486,300,200	0	0.0
PR	4,972,113,200	2,610,111,100	56,541,000	5,363,051,600	5,363,051,600	390,938,400	7.9
SEG	<u>67,546,800</u>	<u>15,907,600</u>	<u>5,373,086,300</u>	<u>67,447,600</u>	<u>67,447,600</u>	<u>- 99,200</u>	- 0.1
<b>TOTAL</b>	<b>\$10,824,986,800</b>	<b>\$5,565,774,400</b>	<b>\$11,011,179,100</b>	<b>\$11,012,051,000</b>	<b>\$11,012,051,000</b>	<b>\$187,064,200</b>	<b>1.7%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change
						Over 2010-11 Base
GPR	18,483.93	11,447.50	18,432.76	18,432.76	18,432.76	- 51.17
FED	5,413.90	916.77	5,413.90	5,413.90	5,413.90	0.00
PR	9,477.42	3,691.19	186.50	9,477.42	9,477.42	0.00
SEG	<u>126.09</u>	<u>25.59</u>	<u>9,417.01</u>	<u>126.09</u>	<u>126.09</u>	<u>0.00</u>
<b>TOTAL</b>	<b>33,501.34</b>	<b>16,081.05</b>	<b>33,450.17</b>	<b>33,450.17</b>	<b>33,450.17</b>	<b>- 51.17</b>

### Budget Change Items

#### Systemwide

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Adjust the base budget by \$61,693,800

GPR, \$34,074,600 PR, and \$50,400 SEG annually for: (a) restoration of the funding removed for furloughs during the 2009-11 biennium (\$20,476,900 GPR, \$17,197,600 PR, and \$12,300 SEG annually); (b) full funding of the June, 2009, 2% pay plan adjustment for represented classified staff, teaching assistants, engineers (\$4,295,400 GPR, \$1,505,000 PR, and \$400 SEG annually); (c) full funding of fringe benefits (\$36,071,000 GPR, \$15,118,400 PR, and \$37,700 SEG annually); (d) full funding of 2008-09 and 2009-10

GPR	\$123,387,600
PR	68,149,200
SEG	<u>100,800</u>
<b>Total</b>	<b>\$191,637,600</b>

craftworker prevailing rate increases (\$485,000 GPR and \$165,500 PR annually); (e) full funding for reclassifications and semiautomatic pay progression adjustments granted during 2008-09 and 2009-10 (\$257,900 GPR and \$88,100 PR annually); and (f) full funding of lease and directed move costs for UW System Administration, UW Colleges, UW-Extension, and the State Laboratory of Hygiene (\$107,600 GPR annually).

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$48,549,800	- \$46,349,200	- \$94,899,000

**Governor:** Delete \$24,274,900 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs. Although fringe benefit costs are charged to many of the UW System's PR, FED, and SEG appropriations, those appropriations were not adjusted to reflect employee WRS contributions and the lower percentage of health insurance premiums to be paid by the employer.

**Joint Finance/Legislature:** Delete \$21,062,800 annually attributable to fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage for employees assigned to UW-Madison and reduce funding by an additional \$2,111,800 annually. Under the Governor's budget, this amount was deleted under the proposed UW-Madison authority.

**3. BASE BUDGET REDUCTION [LFB Paper 740]**

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
GPR	- \$125,000,000	0.00	- \$125,000,000	- 51.17	- \$250,000,000	- 51.17

**Governor:** Delete \$62,500,000 annually from the general program operations appropriations for the UW System and UW System administration. The table below shows the reductions by appropriation, subprogram (where applicable), and the reductions as a percent of adjusted base level funding less other adjustments under the bill. Budget documents provided by the Department of Administration indicate that the reductions made to the UW System's general program operations appropriation should be realized by reducing permanent position salaries although no positions would be deleted. DOA budget documents indicate that reductions to UW

System administration's general program operations appropriation would be made as follows: (a) \$1,632,500 from salaries; (b) \$625,500 from fringe benefits; and (c) \$146,600 from supplies and services. No UW System administration positions would be deleted according to DOA budget documents.

<u>Appropriation/Subprogram</u>	<u>Base Reduction</u>	<u>Base Reduction as % of the Adjusted Base Less Other Adjustments Under the Bill</u>
<i>UW System</i>		
General Program Operations		
Doctoral institutions	-\$13,427,700	11.9%
Comprehensive institutions	-37,200,600	13.0
UW Colleges	-3,677,500	11.9
UW-Extension	-5,789,600	11.9
<i>UW System Administration</i>		
General Programs Operations	-2,404,600	25.0

**Joint Finance/Legislature:** Transfer the amount of the base reduction (-\$62,500,000 annually) that would have been separately assessed to UW-Madison, to reflect the deletion of the proposed UW-Madison authority. Specify that the Board of Regents should allocate the GPR base reduction to each UW institution based upon each institution's share of the System's GPR, academic fees and nonresident tuition, excluding debt service, utilities, financial aid, separately budgeted tuition and extension credit programs. It is estimated that UW-Madison's share of the GPR base reduction would be \$47.2 million annually compared to \$62.5 million under the bill.

In addition, reduce the number of positions authorized for UW System Administration by 51.17 from 126.17 to 75.00. The reduction for UW System Administration's general program operations appropriation would remain at \$2,404,600 GPR annually.

[Act 32 Section: 9152(3)(am)]

#### 4. PLAN FOR UW SYSTEM ADMINISTRATION REDUCTIONS

**Governor:** Require the Board of Regents to submit a plan to the Secretary of DOA by October 1, 2011, specifying its preferences for allocating the funding reduction to UW System Administration. Specify that the funding reduction would be the net of all changes made to the UW System administration's general program operations appropriation under the bill compared to the annual funding amounts provided in the 2009-11 biennium (\$2,335,100 annually). Require the Board of Regents to implement the plan as approved, or modified and approved, by the DOA Secretary.

**Joint Finance/Legislature:** Modify the Governor's recommendations to require the Board of Regents to submit a plan to the Secretary of DOA and to the Joint Finance Committee by September 1, 2011, specifying its preferences for allocating the funding reduction to UW System Administration. Provide that the Joint Committee on Finance would approve or approve and modify the plan through a 14-day passive review process and require the Board of Regents to

implement the plan as approved or modified and approved by Joint Finance.

[Act 32 Section: 9152(3)(a)&(b)]

**5. DEBT SERVICE REESTIMATE**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$115,400,800	\$0	\$115,400,800
PR	<u>- 28,034,000</u>	<u>22,197,600</u>	<u>- 5,836,400</u>
Total	\$87,366,800	\$22,197,600	\$109,564,400

**Governor:** Increase funding by \$55,311,100 GPR in 2011-12 and \$60,089,700 GPR in 2012-13 and decrease funding by \$17,523,400 PR in 2011-12 and \$10,510,600 PR in 2012-13 to reflect the reestimate of GPR and PR debt service costs on state general obligation bonds and commercial paper debt issued for the UW System.

**Joint Finance/Legislature:** Transfer funding for program revenue debt service of \$8,878,700 in 2011-12 and \$13,318,900 in 2012-13 related to UW-Madison which would have been created as an authority under the bill.

**6. GPR DEBT RESTRUCTURING -- DEBT SERVICE [LFB Paper 175]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$117,279,300	\$24,847,700	- \$92,431,600

**Governor:** Decrease funding by \$122,829,300 in 2011-12 and increase funding by \$5,550,000 in 2012-13 to reflect changes in estimated debt service costs associated with the restructuring of general obligation bonds and commercial paper GPR principal amounts that would otherwise be paid off in 2011-12. Under the bill, the state would issue refunding bonds to restructure a portion of its outstanding general obligation GPR principal debt and would rollover the principal due on its outstanding commercial paper in 2011-12. The increase in debt service for 2012-13 is associated with the initial interest amount due on the additional debt issued to replace the restructured 2011-12 principal amounts. (See "Building Commission" for additional information regarding this provision.)

**Joint Finance/Legislature:** Modify debt service funding by \$25,826,700 in 2011-12 and -\$979,000 in 2012-13 associated with a \$100,100,000 reduction in restructuring bonding in 2011-12.

**7. FUEL AND UTILITY REESTIMATE [LFB Paper 752]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$3,764,300	- \$6,747,100	- \$2,982,800

**Governor:** Provide \$1,303,100 in 2011-12 and \$2,461,200 in 2012-13 for increases in fuel and utility costs, over base level funding for the UW System (less UW-Madison) of \$53,746,200. Traditionally, increases in fuel and utility costs have been split funded with 65% GPR and 35% program revenue from tuition. In addition to the GPR funding provided under the bill, DOA budget documents indicate that tuition revenue expenditures for fuel and utility costs would increase by \$701,700 in 2011-12 and \$1,325,200 in 2012-13. No additional tuition revenue expenditure authority would be provided under this item; however, another item under this section would provide additional tuition revenue expenditure authority for the UW System, a portion of which could be used to fund additional fuel and utility costs.

**Joint Finance/Legislature:** Delete \$11,794,500 in 2011-12 and provide \$5,047,400 in 2012-13 to reflect: (a) estimated decreases in fuel and utility costs at UW-Madison (-\$16,373,000 in 2011-12 and -\$8,930,200 in 2012-13); and (b) a subsequent reestimate by Joint Finance of fuel and utility costs (\$4,578,500 in 2011-12 and \$13,977,600 in 2012-13). Under the Governor's budget, the reestimate of fuel and utility costs related to UW-Madison was shown under the UW-Madison authority. Under the Joint Finance/Legislature version of the bill, fuel and utility funding for the UW System including UW-Madison would decrease by \$10,491,400 in 2011-12 and increase by \$7,508,600 in 2012-13. Base level funding for fuel and utility costs for the UW System including UW-Madison is \$132,291,400.

**8. ADJUST ACADEMIC FEES APPROPRIATION TO REFLECT 2010-11 OPERATING LEVELS**

PR	\$219,531,800
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**Governor/Legislature:** Provide \$109,765,900 annually to reflect increases in tuition revenues beyond the amount shown in the appropriation schedule attributable to: (a) tuition increases during the 2009-10 and 2010-11 academic year to offset base GPR reductions under the 2009-11 biennial budget (\$35,000,000); (b) differential tuitions approved by the Board of Regents (\$34,208,400); (c) increases in enrollment (\$20,557,500); and (d) tuition increases to fund veterans' tuition remissions (\$20,000,000).

**9. INCREASE TUITION REVENUE AUTHORITY TO ALLOW 5.5% INCREASES IN RESIDENT UNDERGRADUATE TUITION [LFB Papers 741 and 742]**

PR	\$107,250,000
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**Governor:** Provide additional tuition revenue expenditure authority of \$35,750,000 in 2011-12 and \$71,500,000 in 2012-13. These increases correspond with increases in resident undergraduate tuition of 5.5% in each year of the biennium. According to the administration, these amounts were calculated assuming that a 1% increase in resident undergraduate tuition

charged to all resident students, including those enrolled at UW-Madison, would generate an additional \$6.5 million annually in tuition revenues. Under another item, the portion of this additional tuition revenue that would be generated by UW-Madison would have been deleted.

Prior to Act 32, tuition increases for resident undergraduate students were limited to an amount sufficient to fund all of the following: (a) in an odd-numbered year, the highest amount shown in the appropriation schedule for the tuition appropriation for that year in the Joint Finance Committee version of the budget bill, the engrossed budget bill, or the enrolled budget bill; (b) in an even-numbered year, the amount shown in the appropriation schedule for the tuition appropriation; (c) the approved recommendations of the Director of the Office of State Employment Relations for compensation and fringe benefits for classified and unclassified staff; (d) the projected loss in revenue caused by a change in the number of enrolled undergraduate, graduate, resident and nonresident students from the previous year; (e) state-imposed costs not covered by GPR as determined by the Board; (f) distance education, intersession, and nontraditional courses; and (g) differential tuition that is approved by the Board but not included in the tuition appropriation have capped.

This item would not have capped resident undergraduate tuition increases at 5.5%; however, if this item had been approved and (c) through (g) above were zero, then increases in resident undergraduate tuition would have been expected to be 5.5% in each year of the biennium.

**Joint Finance/Legislature:** Prohibit the UW System Board of Regents from increasing resident undergraduate tuition in 2011-12 or 2012-13 by more than 5.5% annually. Specify that only differential tuitions approved prior to June 1, 2011, would be exempt from this limit. Delete current law language limiting increases in resident undergraduate tuition. Another provision would delete the tuition appropriation from the schedule.

[Act 32 Sections: 994L, 994p, 994x, and 9152(1pc)]

**10. STUDENT TECHNOLOGY FEE REVENUES**

PR	\$4,172,700
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**Governor/Legislature:** Provide \$1,471,400 in 2011-12 and \$2,701,300 in 2012-13 for instructional technology, advising, and undergraduate education to reflect projected higher student technology fee revenues attributable to general tuition revenue growth. The student technology fee is set as a percentage of overall tuition (2.5% at Madison, 2.0% at all other campuses) and, therefore, fee revenues increase along with tuition. This item provides the UW System with expenditure authority for those revenues.

**11. PLAN FOR UW-MILWAUKEE AUTHORITY**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$0	- \$250,000	- \$250,000

**Governor:** Require the Board of Regents to submit a plan to the Secretary of DOA for the conversion of UW-Milwaukee to an authority by October 1, 2012. Require the Board to allocate \$250,000 from the appropriation for UW System administration general program operations for the development of this plan. Require the Board to submit a plan to the DOA Secretary by October 1, 2011, specifying how the Board would allocate the funds. Require the Board to implement the plan as approved by the DOA Secretary which may include modifications made by the DOA Secretary.

**Joint Finance/Legislature:** Delete provision. Reduce the GPR general program operations appropriation for UW System Administration by \$125,000 annually.

## **12. EXEMPT RESEARCH AND STUDIES FROM PUBLIC INSPECTION**

**Governor:** Provide that any governing body that has custody of a record could withhold from public inspection any record that is produced for collected by or for a UW System faculty or staff member in conducting research or a study on a commercial, scientific, or technical subject until that information is publicly disseminated or patented. Specify that this would apply to research and studies sponsored by the research alone, or in conjunction with other entities, or a private person. Under the bill, this provision would have also applied to records produced or collected by UW-Madison and technical colleges faculty and staff.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## **13. TUITION REMISSIONS FOR VETERANS AND CERTAIN DEPENDENTS [LFB Paper 749]**

**Governor:** Require the Board of Regents to grant a full remission of tuition and segregated fees for 128 credits or eight semesters, whichever is longer, less the number of credits or semesters for which the person received remission of tuition and fees from any technical college and from the UW-Madison Board of Trustees, which would be created under the bill, but not less the amount of any tuition or segregated fees paid under the federal Post-9/11 G.I. Bill, to certain veterans, children, and spouses. Specify that this provision would take effect retroactively on January 1, 2010, and would first apply to students who enrolled in the spring, 2010, semester.

Under 2009 Act 28, the Board of Regents is required to grant a full remission of resident tuition and segregated fees for 128 credits or eight semesters, whichever is longer, less the number of credits or semesters for which the person received remission of tuition and fees from any technical college and less the amount of any tuition or segregated fees paid under the federal Post-9/11 G.I. Bill, to certain veterans, children, and spouses. The Board of Regents is also required to remit the nonresident portion of tuition to veterans who qualify as residents for the purpose of receiving veterans' benefits but not for tuition purposes. Before granting a remission of tuition and segregated fees to an eligible veteran, child, or spouse, the Board of Regents must require the student who is an eligible veteran, child, or spouse to apply to the payment of tuition and fees all educational assistance to which the student is entitled under the federal Post-9/11

G.I. Bill. This provision applies even if the student is eligible for benefits under the Montgomery G.I. Bill or certain other federal education programs for veterans and dependents unless the student is eligible for 12 months or less of benefits under those programs.

According to the administration, the intent of this provision was to require the Board of Regents, the technical college district boards, and the UW-Madison Board of Trustees to grant a full remission of tuition and fees charged for 128 credits or eight semesters, whichever is longer, without regard to the number of credits or semesters for which the student received educational assistance under federal programs for eligible veterans.

**Joint Finance:** Modify the Governor's recommendation to clarify legislative intent by specifying that: (a) the Board of Regents and the technical colleges could continue to receive payments under the federal Post-9/11 G.I. Bill; (b) credits or semesters for which the amount paid under the Post-9/11 G.I. Bill covered 100% of resident tuition and fees would not be counted against the 128 credit or eight semester limit; and (c) in the case that the amount paid under the Post-9/11 G.I. Bill covered less than 100% of resident tuition and fees, the proportion of tuition and fees that were remitted by the institution would be counted against the 128 credit or 8 semester limit.

In addition, specify that the Board of Regents should remit the full amount of tuition and fees charged for any degree credit course, including distance education courses, online courses, and cost recovery courses, to eligible veterans, children, and spouses. Consistent with current law, specify that the amount remitted should be reduced by the amount paid under the Post-9/11 G.I. Bill and certain other federal education programs.

**Assembly/Legislature:** Specify that the term "degree credit course" includes the UW-Madison Executive MBA program.

[Act 32 Sections: 995g thru 999e, 9352(1), and 9452(1q)]

#### **14. ELIMINATE NONRESIDENT TUITION EXEMPTIONS FOR CERTAIN UNDOCUMENTED PERSONS [LFB Paper 750]**

**Governor/Legislature:** Delete provisions created in 2009 Act 28 that exempt a person who is a citizen of another country from nonresident tuition if that person meets all of the following requirements: (a) the person graduated from a Wisconsin high school or received a high school graduation equivalency declaration from this state; (b) the person was continuously present in this state for at least three years following the first day of attending a Wisconsin high school or immediately preceding the receipt of a declaration of equivalency of high school graduation; and (c) the person enrolls in a UW System institution or Wisconsin technical college and provides the institution or college with proof that the person has filed or will file an application for a permanent resident visa with the U.S. Citizenship and Immigration Services as soon as the person is eligible to do so. Specify that this provision would first apply to persons who enroll for the semester or session following the bill's effective date.

[Act 32 Sections: 995 and 9352(2)]

**15. DELETE LAWTON PROGRAM STATUTORY LINK [LFB Paper 386]**

**Governor/Legislature:** Modify the appropriation for the Lawton minority undergraduate grants program to make it a sum certain appropriation and delete language specifying how increases in the appropriation should be calculated. Prior to Act 32, the appropriation for the Lawton program was a sum sufficient with funding increases linked to the average percent increase in resident undergraduate tuition at UW System institutions. This statutory link, which was established by 2001 Act 109, has been suspended in each biennium since it was established. However, funding increases for the Lawton program were based on estimates of future tuition increases during the 2005-07, 2007-09, and 2009-11 biennia. There is a similar statutory link between funding for the Wisconsin higher education grant program for UW students (WHEG-UW) and the average percentage increase in resident undergraduate tuition at UW System institutions. This link is suspended under Act 32 to provide no increases for WHEG-UW, which is shown under the "Higher Educational Aids Board."

[Act 32 Section: 1005]

**16. MODIFY PROGRAM REVENUE APPROPRIATION FOR LABORATORIES AND SCHOOLS OF BUSINESS**

**Governor:** Modify the program revenue appropriations for laboratories and schools of business to make them continuing appropriations. Both appropriations are funded with academic student fees and are annual appropriations under current law. Specify that expenditures from all program revenue appropriations that are not continuing appropriations may not exceed the amounts shown in the appropriation schedule unless those expenditures are approved by the Joint Committee on Finance under s. 13.10 or s. 16.515 of the statutes.

**Joint Finance/Legislature:** Delete provision. Another provision would delete most UW System program revenue appropriations including these appropriations.

**17. DELETE OBSOLETE APPROPRIATIONS**

**Governor/Legislature:** Delete the general purpose revenue appropriations for lease rental payments and self-amortizing facilities principal and interest and the program revenue appropriations for charter school operator payments, charter school, lease rental payments, and student related activities. Each of these appropriations had a base funding level of zero.

[Act 32 Sections: 219, 546g, 546r, 553, 570, 572, 575p, 1010, and 1011]

**18. ELIMINATE CERTAIN REPORTING REQUIREMENTS**

**Governor:** Eliminate the current law requirement that the Board of Regents report to the Department of Administration and the Joint Committee on Finance the amount by which expenditures from the appropriations for auxiliary operations and general operations receipts

exceeded the amounts shown in the appropriation schedule in the previous fiscal year.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

**19. DELETE ONE-TIME FUNDING ITEMS** [LFB Paper 753]

GPR	- \$2,000,000
PR	- 3,800,000
Total	- \$5,800,000

**Joint Finance/Legislature:** Delete \$1,000,000 GPR annually related to the WiSys Technology Foundation grant program and \$1,900,000 PR annually related to tuition increase grants.

The Governor's budget bill included \$1,000,000 GPR annually as the estimated payments from a capped sum sufficient appropriation for the WiSys Technology Foundation grant program. Expenditures from this appropriation were capped at \$2,000,000, and DOA indicates that all of the \$2,000,000 allocation will be committed in 2010-11 meaning that there should be no expenditures from this appropriation in the 2011-13 biennium.

In addition, Governor's budget bill included \$1,900,000 PR annually in base level funding for tuition increase grants. In 2010-11, the program is split funded with \$1,900,000 PR transferred from the UW System's auxiliary enterprises appropriation and \$6,400,000 GPR. However, under 2009 Act 28, the program will be funded entirely with GPR beginning in 2011-12 and the PR appropriation will be repealed meaning that there will be no PR expenditures related to this program in the 2011-13 biennium.

[Act 32 Sections: 988t and 994c]

**20. WISCNET**

	<b>Jt. Finance (Chg. to Base)</b>	<b>Assembly/Leg. (Chg. to JFC)</b>	<b>Net Change</b>
PR	- \$1,400,000	\$1,400,000	\$0

**Joint Finance:** Provide that WiscNet could no longer be a department or office within the UW-Madison Division of Information Technology beginning on July 1, 2012, and delete \$1,400,000 PR from the UW System related to WiscNet in 2012-13. Require the Legislative Audit Bureau to conduct a program audit and a financial audit of the Board of Regents' use of telecommunication services and relationship with WiscNet.

WiscNet is a non-profit, membership-based association that provides internet access and other network services to member organizations. WiscNet currently serves over 450 public and private research, education, and government organizations and is governed by an 11 member board of directors. WiscNet is housed in the UW-Madison Division of Information Technology and WiscNet employees are UW-Madison employees. According the UW budget documents, WiscNet is funded by membership fees. Salaries (excluding fringe benefits) for WiscNet employees total \$1.0 million PR in 2010-11.

In addition, prohibit the Board of Regents, the UW System, any UW institution, or the UW-Extension from becoming or remaining a member, shareholder, or partner in or with any company, corporation, non-profit association, joint venture, cooperative, partnership, consortium, or any other individual or entity that offers, resells, or provides telecommunications services or information technology services to members of the general public, or to any private entity, or to any public entity other than the Board, the UW System, any UW institution, or the UW-Extension. This provision would prohibit UW four-year institutions, the UW Colleges, UW-Extension, and UW System Administration, all of which are currently members of WiscNet, from remaining members of WiscNet or becoming or remaining a member of any organization similar to WiscNet.

**Assembly/Legislature:** Delete the provision approved by Joint Finance that would have prohibited WiscNet from remaining an office or department within the UW-Madison Division of Information Technology beginning on July 1, 2012, and restore the related funding (\$1,400,000 PR in 2012-13). Modify the requirement that the Legislative Audit Bureau conduct a program audit and a financial audit of the Board of Regents' use of telecommunications services and relationship with WiscNet as follows: (a) require the Legislative Audit Bureau to prepare a financial and performance evaluation audit of the use of broadband services by the Board of Regents instead of requiring program and financial audits of the Board's use of telecommunications services as under Joint Finance; (b) specify that the audit should examine issues of statutory compliance, competition, cost shifting, financing, collaboration, and access when considering the current structure and possible recommendations going forward; and (c) require that the Legislative Audit Bureau file its report under this section by January 1, 2013.

Specify that language approved by Joint Finance prohibiting the Board of Regents, UW institutions, and the UW-Extension from becoming or remaining a member, shareholder, or partner in or with any company, corporation, nonprofit association, joint venture, cooperative, partnership, or consortium that offers, resells, or provides telecommunications services to the general public or to any public or private entity other than the system, an institution, a college campus, or the extension, would not take effect until July 1, 2013. Specify that the Joint Committee on Finance could act to further delay the effective date of those changes. In addition, create an exemption allowing the Board of Regents, UW institutions, and the UW-Extension to become or remain a member, shareholder, or partner in or with such an entity if one of the following conditions is met: (a) the entity does not offer, resell, or provide telecommunications services that it did not offer, resell, or provide on June 15, 2011, and the entity does not offer, resell, or provide telecommunications services to a private entity, to the general public, or to a public entity, other than a university or university-affiliated research facility or a facility approved by Joint Finance, that the entity was not serving on June 15, 2011; or (b) the entity is comprised entirely of universities and university-affiliated research facilities.

**Veto by Governor [B-19]:** Delete the provision that would have allowed the Joint Committee on Finance to delay the July 1, 2013, effective date of the provision prohibiting the Board of Regents, UW institutions, and the UW-Extension from becoming or remaining a member, shareholder, or partner in or with any company, corporation, nonprofit association, joint venture, cooperative, partnership, or consortium that offers, resells, or provides telecommunications services to the general public or to any public or private entity other than the

system, an institution, a college campus, or the extension.

[Act 32 Sections: 1015x and 9152(2c)]

[Act 32 Vetoed Section: 1015x]

## 21. FEDERAL BROADBAND GRANT

**Joint Finance:** Prohibit the Board of Regents, the UW System, any UW institution, or the UW-Extension, directly or indirectly, from doing any of the following: (a) receiving funds from a grant awarded to UW-Extension from the National Telecommunications and Information Administration (NTIA) under the U.S. Department of Commerce for the Building Community Capacity through Broadband (BCCB) project; (b) disbursing, spending, loaning, granting, or in any other way distributing or committing to distribute, any funds received with respect to, budgeted to, or allocated for the BCCB project; and (c) participating in the planning, organization, funding, implementation or operation of the BCCB project. In addition, require the Board of Regents to reduce the amount expended on telecommunications services during the 2011-13 biennium by the total value of any funds, goods, or services that have been or will be distributed or committed to be distributed by or on behalf of the Board of Regents, the UW System, any UW institution, or the UW-Extension on or after May 1, 2011, to any participant, contractor, or supplier related to the BCCB project.

In August, 2010, the UW-Extension was awarded \$29.9 million through the Broadband Technology Opportunity Program (BTOP) for its Building Community Capacity through Broadband (BCCB) project. BTOP is administered by the National Telecommunications and Information Administration (NTIA) under the U.S. Department of Commerce. Funding for BTOP was authorized under the American Recovery and Reinvestment Act of 2009.

The BCCB project would create community area networks (CANs) in four demonstration communities: the Chippewa Valley region, Platteville, Superior, and the Wausau area. CANs employ a governance and operations model in which anchor institutions collectively decide how to connect facilities, provide broadband services, exchange traffic, and add institutions. According to the grant application, a total of 182 facilities run by 74 anchor institutions would be connected via the four CANs when the BCCB project is completed. The facilities that would be connected include 43 government facilities, 41 public safety facilities, 29 K-12 schools, 28 healthcare facilities, 17 community support organizations, ten UW facilities, ten community college facilities, and two public housing facilities.

**Assembly/Legislature:** Delete the Joint Finance provision. Instead, specify that, beginning June 15, 2011, the Board of Regents may not commit and shall ensure that no UW institution, UW colleges campus, or the UW-Extension commits any funds received related to the BCCB grants awarded to the UW-Extension to any facility to which such funds were not committed prior to June 15, 2011, without the approval of the Joint Committee on Finance.

[Act 32 Section: 1015x]

## 22. TELECOMMUNICATIONS SERVICES

**Joint Finance:** Modify current law to specify that the Board of Regents could not offer, resell, or provide telecommunications services, directly or indirectly, that are available from a private telecommunications carrier to the general public or to any other public or private entity. Define telecommunications services as including data and voice over Internet protocol services, Internet protocol services, broadband access and transport, information technology services, Internet access services, and unlit fiber.

Under current law, the Board of Regents may use telecommunications services, including data and voice over Internet services, procured by the Board only for the purpose of carrying out its mission. The Board of Regents is prohibited from offering, reselling, or providing telecommunications services, including data and voice over Internet services, that are available from a private telecommunications carrier to the general public or to any other public or private entity.

**Assembly/Legislature:** Delete the phrase "directly or indirectly" added by the Joint Finance Committee to the language prohibiting the Board of Regents from offering, reselling, or providing telecommunications services that are available from a private telecommunications carrier to the general public or to any other public or private entity.

[Act 32 Sections: 241c, 970b, 970d, and 1015x]

## 23. ENVIRONMENTAL EDUCATION PROGRAMS

SEG	- \$400,000
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**Joint Finance/Legislature:** Reduce the amount transferred from the forestry account of the conservation fund to support the environmental education grants program from \$400,000 annually to \$200,000 annually. The environmental education grants program is administered by the Wisconsin Environmental Education Board (WEEB) which is attached to the UW System. In 2010-11, WEEB committed \$200,000 in funding transferred from the conservation fund to support the Learning Experiences and Activities in Forestry (LEAF) program administered by the Wisconsin Center for Environmental Education at UW-Stevens Point. Another provision of the bill would provide an additional \$152,000 SEG annually from the conservation fund for LEAF. [See "Department of Natural Resources" for more information related to this item.]

## 24. NORMAL SCHOOL FUND DISTRIBUTION

SEG	\$200,000
GPR-REV	- \$8,800

**Joint Finance/Legislature:** Provide that any income or interest earned by the normal school fund in excess of \$200,000 would be distributed to UW-Stevens Point for environmental programs. Estimate the amounts distributed to UW-Stevens Point at \$100,000 annually.

Under 2009 Act 28, the UW System is appropriated \$200,000 annually from income and interest earned by the normal school fund for the following purposes: (1) to make need-based grants totaling \$100,000 annually to students who are members of underrepresented groups and

who are enrolled in a program leading to a certificate or a bachelor's degree from the Nelson Institute for Environmental Studies at the University of Wisconsin-Madison; and (2) to provide annual scholarships totaling \$100,000 to students enrolled in the sustainable management degree program through the University of Wisconsin-Extension.

Prior to Act 32, a portion of the income and interest earned by the normal school fund was distributed to the Department of Public Instruction (DPI) to fund an environmental consultant and any remaining income was paid into the general fund as general purpose revenue. Estimated general fund revenues were reduced by \$4,400 annually related to this item. [See "Board of Commissioners of Public Lands" for more information related to this item.]

[Act 32 Sections: 577m and 1014m]

## **25. TRANSFER REQUIREMENT [LFB Paper 340]**

**Joint Finance/Legislature:** Reduce the amount that the UW System is required to transfer to the medical assistance trust fund from \$27,500,000 in each year of the biennium to no more than \$20,338,500 in each year of the biennium. These funds would be transferred from a new program revenue appropriation for general program operations under the UW System. Under prior law, these amounts were transferred from the UW System's PR appropriation for general operations receipts. Under another provision of Act 32, this PR appropriation was deleted and replaced with a PR appropriation for general program operations. [See "Health Services" for more information related to this item.]

[Act 32 Section: 550gb]

## **26. LIABILITY PROTECTIONS FOR SCIENTIFIC RESEARCHERS**

**Joint Finance:** Provide that current law provisions prohibiting crimes against animals would not apply to an animal that is being used for research or experimentation at an educational or research institution or that is being used for research or experimentation that is regulated under federal law.

**Assembly/Legislature:** Modify the Joint Finance provision such that the current law provisions prohibiting crimes against animals would not apply to: (a) teaching, research, or experimentation conducted pursuant to a protocol or procedure approved by an educational or research institution, and related incidental animal care activities, at facilities that are regulated under federal law; and (b) bona fide scientific research involving species unregulated by federal law.

[Act 32 Sections: 3539g thru 3539s]

## Transfers to Proposed UW-Madison Authority

### 1. TRANSFERS OF ASSETS AND LIABILITIES TO UW-MADISON AUTHORITY

**Governor:** Provide that, on the effective date of the bill, the UW System would transfer all assets, liabilities, tangible personal property, including real property, moneys in the university trust funds, and records, and pending matters that relate to the operation of UW-Madison, as determined by the DOA Secretary, to the UW-Madison authority. Provide that all employees holding positions in the UW System assigned to UW-Madison would be transferred to UW-Madison. Specify that any cooperative agreements or rules, policies, and procedures would remain in effect until modified. Provide that all contracts entered into by the Board of Regents that are primarily related to the operation of UW-Madison, as determined by the DOA Secretary, and the lease and affiliation agreements with the UW Hospitals and Clinics Authority Board of Directors would remain in effect and would be transferred to the Board of Trustees. Provide that the Board of Regents would provide the UW-Madison authority with the usual and customary services provided and any other services or resources necessary to complete these transfers until the Board of Trustees notifies the Board of Regents that these transfers have been completed.

**Joint Finance/Legislature:** Delete provision.

### 2. TRANSFER GPR TO UW-MADISON

	<b>Governor</b>		<b>Jt. Finance/Leg.</b>		<b>Net Change</b>	
	<b>(Chg. to Base)</b>		<b>(Chg. to Gov)</b>			
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
GPR	-\$771,237,600	- 6,699.36	\$771,237,600	6,699.36	\$0	0.00

**Governor:** Transfer \$385,618,800 annually and delete -6,699.36 positions beginning in 2011-12 related to the creation of the UW-Madison authority. Under the bill, UW System employees assigned to UW-Madison would become employees of the UW-Madison authority.

The amounts that would be transferred are shown by appropriation and, where applicable, program, in the table below.

<u>Appropriation Title</u>	<u>Adjusted Base</u>	<u>Transfer Amount</u>	<u>% Transferred</u>
General program operations	\$791,967,400	-\$292,979,200	37.0%
Student aid	1,333,900	-316,500	23.7
Distinguished professorships	871,100	-281,800	32.3
Industrial and economic development research	1,776,700	-1,243,400	70.0
Energy costs	132,291,400	-78,545,200	59.4
Educational technology	6,617,300	-817,600	12.4
Schools of business	1,742,500	-1,002,100	57.5
Extension outreach	365,400	-365,400	100.0
Grants for study abroad	990,000	-168,300	17.0
Laboratories	3,867,900	-1,287,700	33.3
Minority and disadvantaged programs	11,459,300	-2,199,200	19.2
Graduate student financial aid	8,322,800	-4,934,300	59.3
Lawton minority undergraduate retention grants	6,757,900	-1,478,100	21.9

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

### 3. TRANSFER GPR DEBT SERVICE TO UW-MADISON

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$146,462,900	\$146,462,900	\$0

**Governor:** Transfer \$38,184,300 in 2011-12 and \$108,278,600 in 2012-13 to the UW-Madison authority, which would be created under the bill, to fund GPR debt service costs on state general obligation bonds and commercial paper debt issued for UW-Madison.

**Joint Finance/Legislature:** Delete provision and restore related funding.

### 4. TRANSFER STANDARD BUDGET ADJUSTMENTS TO UW-MADISON

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$58,726,800	\$58,726,800	\$0
PR	<u>- 143,800</u>	<u>143,800</u>	<u>0</u>
Total	-\$58,870,600	\$58,870,600	\$0

**Governor:** Transfer \$27,251,600 annually from UW System's general program operations appropriation to the UW-Madison authority related to standard budget adjustments. In addition, transfer \$2,111,800 GPR and \$71,900 PR annually for standard budget adjustments attributable to appropriations transferred in whole from the UW System to the UW-Madison authority. The amounts transferred are shown by appropriation in the table below.

GPR	General program operations	-\$27,251,600
GPR	Area health education centers	-10,000
GPR	Extension outreach	-18,500
GPR	Department of family medicine and practice	-697,400
GPR	State laboratory of hygiene; general program operations	-791,300
GPR	Veterinary diagnostic laboratory	-343,000
GPR	Alcohol and other drug abuse prevention and intervention	-3,900
GPR	Services received from UWHCA	-247,700
PR	Center for urban land economics research	-71,900

**Joint Finance/Legislature:** Delete provision and restore related funding.

**5. TRANSFER DEPARTMENT OF FAMILY MEDICINE AND PRACTICE FUNDING**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$19,913,200	-125.82	\$19,913,200	125.82	\$0	0.00

**Governor:** Transfer \$9,956,600 annually and 125.82 positions beginning in 2011-12 related to the department of family medicine and practice to the proposed UW-Madison authority. Delete the appropriation and related statutory language.

**Joint Finance/Legislature:** Delete provision and restore related positions and funding.

**6. TRANSFER STATE LABORATORY OF HYGIENE**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$19,169,400	-131.25	\$19,169,400	131.25	\$0	0.00
PR	<u>-46,981,000</u>	<u>-178.50</u>	<u>46,981,000</u>	<u>178.50</u>	<u>0</u>	<u>0.00</u>
Total	-\$66,150,400	-309.75	\$66,150,400	309.75	\$0	0.00

**Governor:** Transfer \$9,584,700 GPR and \$1,619,200 PR annually and 131.25 GPR positions and 178.50 PR positions beginning in 2011-12 to the proposed UW-Madison authority and delete \$21,871,300 PR annually related to the State Laboratory of Hygiene. Delete the appropriations for the State Laboratory of Hygiene and related statutory language.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**7. TRANSFER VETERINARY DIAGNOSTIC LABORATORY**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
GPR	-\$9,424,200	- 77.90	\$9,424,200	77.90	\$0	0.00
PR	- 9,560,000	- 8.00	9,560,000	8.00	0	0.00
FED	<u>- 3,351,800</u>	<u>- 4.00</u>	<u>3,351,800</u>	<u>4.00</u>	<u>0</u>	<u>0.00</u>
Total	-\$22,336,000	- 89.90	\$22,336,000	89.90	\$0	0.00

**Governor:** Transfer \$4,712,100 GPR and \$4,780,000 PR annually and 77.9 GPR positions and 8.0 PR positions beginning in 2011-12 to the proposed UW-Madison authority and delete \$1,675,900 FED annually and 4.0 positions related to the veterinary diagnostic laboratory. Delete the appropriations for the veterinary diagnostic laboratory and the related statutory language.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**8. TRANSFER UW HOSPITALS AND CLINICS AUTHORITY AGREEMENTS**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
GPR	-\$9,289,200	0.00	\$9,289,200	0.00	\$0	0.00
PR	<u>- 71,280,000</u>	<u>- 33.38</u>	<u>71,280,000</u>	<u>33.38</u>	<u>0</u>	<u>0.00</u>
Total	-\$80,569,200	- 33.38	\$80,569,200	33.38	\$0	0.00

**Governor:** Transfer the lease and affiliation agreements between the UW System Board of Regents and the University of Wisconsin Hospitals and Clinics Authority (UWHCA) to the UW-Madison Board of Trustees. Transfer \$35,640,000 PR annually and 33.38 positions beginning in 2011-12 for services provided to UWHCA to the proposed UW-Madison authority. Delete \$4,644,600 GPR annually for services received from UWHCA, both appropriations, and statutory language related to UWHCA except a provision exempting UWHCA building projects from approval by the Board of Regents.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**9. TRANSFER AREA HEALTH EDUCATION CENTER**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
GPR	-\$2,286,000	- 1.10	\$2,286,000	1.10	\$0	0.00

**Governor:** Transfer \$1,143,000 annually and 1.10 positions beginning in 2011-12 to the proposed UW-Madison authority related to the area health education center. Delete funding for area health education centers and the related statutory language but do not delete the appropriation. Under current law, the UW Board of Regents maintains an area health education center at UW-Madison to support community-based primary care training programs.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**10. TRANSFER AODA PREVENTION AND INTERVENTION PROGRAMS FUNDING**

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
GPR	-\$151,400	-1.00	\$151,400	1.00	\$0	0.00

**Governor:** Transfer \$75,700 annually and 1.0 position beginning in 2011-12 from the appropriation for alcohol and other drug abuse (AODA) prevention and intervention to the proposed UW-Madison authority. Modify current law to require the UW System Board of Regents to appoint AODA prevention and intervention counselors only for UW-Milwaukee instead of for UW-Madison and UW-Milwaukee as under current law. Under the bill, no funding would be provided to the UW System Board of Regents for AODA prevention and intervention programs but the appropriation and language would be retained.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**11. TRANSFER FARM SAFETY PROGRAM GRANTS FUNDING**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$38,400	\$38,400	\$0

**Governor:** Transfer \$19,200 annually for farm safety program grants to the proposed UW-Madison authority. Under the bill, no funding would be provided to the UW System Board of Regents for farm safety grants but the appropriation and related language would be retained. Under current law, the Board of Regents awards grants totaling not more than \$500 annually per county to sponsors of farm safety education, training, or information programs.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**12. DELETE PROGRAM REVENUE RELATED TO UW-MADISON**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
PR	-\$1,515,427,000	- 5,195.60	\$1,515,427,000	5,195.60	\$0	0.00

**Governor:** Delete \$757,713,500 annually and 5,195.6 positions beginning in 2011-12 related to the creation of the proposed UW-Madison authority. Under the bill, UW-Madison would not be required to deposit these revenues in the state treasury and these revenues would not appear in the appropriation schedule. Under the bill, UW System employees assigned to UW-Madison would become employees of the UW-Madison authority.

The amounts that would be transferred are shown by appropriation and, where applicable, subprogram in the table below.

<u>Appropriation Title</u>	<u>Adjusted Base</u>	<u>Transfer Amount</u>	<u>% Transferred</u>
Physical plant service departments	\$2,105,700	-\$2,105,700	100.0%
Auxiliary enterprises	536,986,600	-162,264,900	30.2
Stores	4,526,000	-4,486,800	99.1
Extension outreach	130,000	-130,000	100.0
Extension student fees	41,188,900	-3,785,300	9.2
General operations receipts	165,835,500	-107,545,600	64.9
General operations receipts; extension non-credit programs	47,696,200	-26,974,900	56.6
Gifts and donations; WARF	75,000,000	-75,000,000	100.0
Gifts and donations	444,081,400	-370,000,000	83.3
Gifts; student loans	3,919,500	-3,400,000	86.7
Distinguished professorships	657,700	-203,900	31.0
Laboratories	4,406,200	-1,466,900	33.3
Schools of business	608,000	-349,500	57.5

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**13. DELETE TUITION REVENUE EXPENDITURE AUTHORITY RELATED TO UW-MADISON**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
PR	-\$828,370,600	- 142.50	\$828,370,600	142.50	\$0	0.00

**Governor:** Delete \$407,767,700 in 2011-12 and \$420,602,900 in 2012-13 in tuition revenue expenditure authority and 142.5 positions beginning in 2011-12 related to the proposed

creation of the UW-Madison authority. Included in these amounts is the amount of tuition that would be generated by a 5.5% annual increase in UW-Madison resident undergraduate tuition. This amount would be added to the UW System's tuition revenue expenditure authority under another item and subtracted from that expenditure authority under this item. Under the bill, the UW-Madison authority would no longer be required to deposit tuition revenues in the state treasury and these revenues would not appear in the appropriation schedule.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**14. TRANSFER UW-MADISON ATHLETICS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
	<b>Funding Positions</b>	<b>Funding Positions</b>	<b>Funding Positions</b>
PR	- \$183,683,000 - 225.75	\$183,683,000 225.75	\$0 0.00

**Governor:** Delete \$91,841,500 annually and 225.75 positions related to UW-Madison intercollegiate athletics. Delete appropriations for UW-Madison intercollegiate athletics auxiliary enterprises, non-income sports, and gifts and grants. Under the bill, the UW-Madison authority would no longer be required to deposit these revenues in the state treasury and they would not appear in the appropriation schedule. Eliminate specific references to the University Ridge Golf Course.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**15. TRANSFER PROGRAM REVENUE SUPPORTED DEBT SERVICE**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	- \$63,520,800	\$63,520,800	\$0

**Governor:** Transfer \$31,760,400 annually to the proposed UW-Madison authority. Delete current law references in a debt service appropriation to debt service payment rates for UW-Madison intercollegiate athletics facility maintenance projects and to an appropriation for the UW Hospitals and Clinics Authority.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**16. TRANSFER DEBT SERVICE RELATED TO UW-MADISON POWER PLANTS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	- \$11,799,200	\$11,799,200	\$0

**Governor:** Transfer \$5,899,600 annually and the appropriations for moneys received from UW-Madison, as well as from the UW Hospitals and Clinics Authority and agencies of the federal government, for debt service payments related to the Walnut Street steam and chilled-water plant and the Charter Street heating and cooling plant, both of which are located on the UW-Madison campus. Delete additional statutory language referencing these power plants. These appropriations would be recreated under the proposed UW-Madison authority.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**17. PHYSICIAN AND DENTIST AND HEALTH CARE PROVIDER LOAN ASSISTANCE PROGRAMS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	- \$977,400	\$977,400	\$0
SEG	<u>- 500,000</u>	<u>500,000</u>	<u>0</u>
Total	- \$1,477,400	\$1,477,400	\$0

**Governor:** Transfer \$488,700 PR and \$250,000 SEG annually to the proposed UW-Madison authority related to the physician and dentist and health care provider loan assistance and expanded loan assistance programs. Modify the programs such that only dentists and dental hygienists would be eligible to participate in the programs under the UW System. Under the bill, no funding would be provided for these programs.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**18. TRANSFER BREAST CANCER AND PROSTATE CANCER RESEARCH**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	- \$618,400	\$618,400	\$0

**Governor:** Transfer \$309,200 annually from revenues generated by income tax check-offs for breast cancer and prostate cancer research to the proposed UW-Madison authority. Delete the related appropriations and modify current law to delete references to the appropriations and the UW System.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**19. TRANSFER CENTER FOR URBAN LAND ECONOMICS RESEARCH**

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
PR	- \$359,600	- 2.50	\$359,600	2.50	\$0	0.00

**Governor:** Transfer \$179,800 annually and 2.5 positions beginning in 2011-12 to the proposed UW-Madison authority related to the center for urban land economics research. Delete the appropriation and related statutory language. Funding for the center for urban land economics research is generated by a \$10 surcharge on real estate license renewals.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**20. LICENSE PLATE SCHOLARSHIP PROGRAM**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	- \$351,000	\$351,000	\$0

**Governor:** Delete \$175,500 annually from the appropriation for license plate scholarship programs and current law referencing UW-Madison. Under the bill, a license plate scholarship program would be created under the proposed UW-Madison authority.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**21. TRANSFER TRUST FUND INCOME**

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
SEG	- \$42,320,000	- 100.00	\$42,320,000	100.00	\$0	0.00

**Governor:** Transfer \$21,160,000 annually from the appropriation for trust fund income to the proposed UW-Madison authority and delete 100.0 positions beginning in 2011-12. Base funding for this appropriation is \$26,063,200.

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

**22. TRANSFER WISCONSIN BIOENERGY INITIATIVE FUNDING**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$7,120,000	\$7,120,000	\$0

**Governor:** Transfer \$3,560,000 annually from the appropriation for the Wisconsin Bioenergy Initiative to the proposed UW-Madison authority. Under current law, \$4,050,000 annually is provided to the UW System Board of Regents for this purpose of which \$3,560,000 is allocated to UW-Madison, \$440,000 is allocated to UW-Stevens Point, and \$50,000 is allocated to UW-Green Bay. Under the bill, \$490,000 would be provided to the UW System Board of Regents in each year of the biennium for this purpose.

In addition, modify the appropriation language under the UW System to specify that funds would be transferred from the environmental fund instead of the recycling and renewable energy fund as under current law. Under another provision of the bill, the recycling and renewable energy fund would be renamed the environmental fund.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**23. TRANSFER RURAL PHYSICIAN RESIDENCY ASSISTANCE PROGRAM**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$1,500,000	\$1,500,000	\$0

**Governor:** Transfer \$750,000 annually to the proposed UW-Madison authority related to the rural physician residency assistance program and delete the related appropriation and statutory language.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**24. TRANSFER ENVIRONMENTAL PROGRAM GRANTS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$200,000	\$200,000	\$0

**Governor:** Transfer \$100,000 annually from the appropriation for environmental program grants and scholarships to the proposed UW-Madison authority and delete language related to the need-based grant program. Under current law, this funding is used to make grants to students who are members of underrepresented groups and who are enrolled in a certificate or bachelor's degree program from the UW-Madison Nelson Institute for Environmental Studies.

Funding for scholarships for students enrolled in the UW-Extension sustainable management degree program would remain under the UW System Board of Regents.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**25. GRANTS FOR FORESTRY PROGRAMS**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$100,000	\$100,000	\$0

**Governor:** Transfer \$50,000 annually from funds transferred from the conservation funds for grants for forestry programs to the proposed UW-Madison authority. Modify the current law appropriation to provide that it would be used solely to support the UW-Stevens Point paper science program instead of both UW-Stevens Point paper science program and grants to forest cooperatives as under current law. Under current law, the UW-Stevens Point paper science program receives \$78,000 annually from this appropriation. Under the bill, this funding would be increased to \$83,300. In addition, delete language requiring the UW System Board of Regents to maintain a center for cooperatives at UW-Madison. Under the bill, the UW-Madison Board of Trustees would be required to maintain a center for cooperatives.

**Joint Finance/Legislature:** Delete provision and restore related funding.

**26. DELETE SOLID WASTE RESEARCH AND EXPERIMENTS POSITION**

	<b>Governor Positions</b>	<b>Jt. Finance/Leg. Positions</b>	<b>Net Change Positions</b>
SEG	- 0.50	0.50	0.00

**Governor:** Beginning in 2011-12, delete 0.5 position funded with segregated revenues transferred from the recycling and renewable energy fund (which would become the environmental fund under the bill) for research into alternative methods of solid waste management and for administering solid waste experiment centers.

**Joint Finance/Legislature:** Delete provision and restore related position.

**27. DELETE FEDERAL REVENUES RELATED TO UW-MADISON**

	<b>Governor (Chg. to Base) Funding Positions</b>		<b>Jt. Finance/Leg. (Chg. to Gov) Funding Positions</b>		<b>Net Change Funding Positions</b>	
FED	-\$1,757,243,800	- 4,493.13	\$1,757,243,800	4,493.13	\$0	0.00

**Governor:** Delete \$878,621,900 and 4,493.13 positions annually related to the creation of the proposed UW-Madison authority. The amounts that would be transferred are shown by appropriation and, where applicable, program, in the table below.

<u>Appropriation Title</u>	<u>Adjusted Base</u>	<u>Transfer Amount</u>	<u>% Transferred</u>
Federal aid; pharmacy loan program	\$700,000	-\$700,000	100.0%
Federal aid; medicine loan program	600,000	-600,000	100.0
Federal aid; Hatch Adams research	5,432,300	-5,432,300	100.0
Federal aid; Smith-Lever land grant extension	9,929,100	-946,000	9.5
Federal aid; special projects	633,940,000	-519,753,000	82.0
Federal aid; work study	11,137,200	-3,300,000	29.6
Federal aid; supplemental educational opportunity grants	10,705,700	-3,300,000	30.8
Federal aid; student loans	35,745,300	-16,000,000	44.8
Federal aid; Pell grants	134,519,300	-18,000,000	13.4
Federal aid; direct student loans	761,858,900	-190,000,000	24.9
Federal indirect cost reimbursement	132,714,000	-119,690,600	90.2
Federal aid; nursing loans	1,384,400	-600,000	43.3
Federal aid; graduate nursing loans	308,000	-300,000	97.4

**Joint Finance/Legislature:** Delete provision and restore related funding and positions.

## **28. MODIFY STATUTES TO REFLECT CREATION OF UW-MADISON AUTHORITY**

**Governor:** Modify current law such that the UW Board of Regents would have the responsibility to plan for the future needs of the state for university education, and to ensure the diversity of quality undergraduate programs while preserving the strength of the state's graduate training research centers, only within the UW System. Delete the requirement that one UW System university be located at or near the seat of government, although the Regents would continue to be required to have their principal office at or near the seat of government. Delete specific references to UW-Madison and modify current law references to the University of Wisconsin to refer to the University of Wisconsin System.

**Joint Finance/Legislature:** Delete provision.

## **29. DELETE SPECIAL PROGRAMS LOCATED AT UW-MADISON**

**Governor:** Delete UW System special programs located by law at UW-Madison. These programs include: (a) water resources research; (b) the School of Veterinary Medicine; (c) the model school for children with disabilities; (d) the Great Lakes Indian law program; (e) the Robert M. La Follette Institute of Public Affairs; (f) agricultural technology and family farm programs; (g) the herbarium; (h) the distinguished chair of military history; and (i) the career conversations program. In addition, delete special program requirements related to the UW Law School, which is located at UW-Madison. These programs would be recreated under the UW-

Madison authority.

Delete the following special programs of the UW System located by law at UW-Madison or the UW School of Medicine and Public Health at UW-Madison: (a) Dutch elm disease studies; (b) the pharmaceutical experiment station; and (c) the medical student transfer program. These programs would not be recreated under the UW-Madison Board of Trustees.

**Joint Finance/Legislature:** Delete provision.

### **30. DELETE POWERS AND DUTIES RELATED TO UW-MADISON**

**Governor:** Delete the following powers and duties of the UW System Board of Regents: (a) expend university fund income appropriated by the Legislature for the erection of buildings and the purchase of equipment or books on or at UW-Madison; (b) establish a Gaylord Nelson chair of integrated environmental students and seek private funding for the this chair; and (c) ensure that UW-Madison reports utility charges to fund debt service on the Walnut Street and Charter Street power plants and prohibit the Board of Regents from assessing utility charges until those charges are approved by the Department of Administration. Under the bill, these powers and duties would be recreated under the UW-Madison Board of Trustees except that the Board of Trustees would not be specifically permitted to seek private funding for the chair under (b).

**Joint Finance/Legislature:** Delete provision.

### **31. STATE CARTOGRAPHER, PSYCHIATRIC RESEARCH INSTITUTE, AND STATE GEOLOGIST**

**Governor:** Delete the requirement that the UW System Board of Regents appoint the state cartographer, the director of the psychiatric institute, and the state geologist. Delete current law related to the state cartographer and the psychiatric research institute. Under the bill, the UW-Madison authority Board of Trustees would appoint the state cartographer, the director of the psychiatric research institute, and the state geologist and these provisions related to the state cartographer and the psychiatric research institute would be recreated under the UW-Madison authority. The geological and natural history survey, which is supervised by the state geologist, would remain under the UW System Board of Regents.

**Joint Finance/Legislature:** Delete provision.

### **32. AGRICULTURAL DEMONSTRATION STATIONS AND EXPERIMENTS**

**Governor:** Delete current law permitting the Board of Regents to: (a) establish demonstration stations for the purpose of aiding in agricultural development through the College of Agriculture and Life Sciences (CALS) at UW-Madison; (b) authorize experimental work in agriculture at points within the state and carry on demonstrations; and (c) to conduct extension schools and courses in agricultural education. Delete the current law requirement that the Board of Regents foster research and experimentation in the control of bovine brucellosis under the

supervision of the CALS dean. These provisions would be recreated under the UW-Madison Board of Trustees. Specify that the Board of Regents may establish such agriculturally related research and instructional programs at any institution as it deems advisable so long as such programs are compatible with a single statewide integrated research and extension program as provided under current law.

**Joint Finance/Legislature:** Delete provision.

### **33. USE OF FACILITIES BY THE EDUCATIONAL COMMUNICATIONS BOARD**

**Governor:** Delete current law requiring the Board of Regents to grant the Educational Communications Board part-time use of equipment and space necessary for the operations of the state educational radio and television networks. Delete a current law provision allowing the Board of Regents to rent space on the Madison public broadcast transmission tower. Under the bill, this equipment, space, and tower, which are located on the Madison campus, would be transferred to the UW-Madison authority. The bill would recreate these provisions under the UW-Madison authority.

**Joint Finance/Legislature:** Delete provision.

### **34. STATE SOILS LABORATORY**

**Governor:** Modify current law to require the Board of Regents to establish a state soils and plant analysis laboratory at UW-Extension in connection with the College of Agricultural and Life Sciences (CALS) at UW-Madison. Delete the current law provision allowing the Board of Regents to direct CALS to investigate methods of clearing cutover lands, to perform experiments and demonstrations related to such methods, and to provide related services to individual citizens at cost. Under the bill, this deleted provision would be recreated under the UW-Madison Board of Trustees.

**Joint Finance/Legislature:** Delete provision.

## UW System Budgeting and Operational Flexibilities

### 1. REDUCE THE NUMBER OF UW SYSTEM PROGRAM REVENUE APPROPRIATIONS [LFB Paper 743]

	<u>Jt. Finance</u> <u>(Chg. to Gov)</u>		<u>Assembly/Leg.</u> <u>(Chg. to JFC)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
PR	-\$5,303,638,700	- 9,290.92	\$5,305,110,600	9,290.92	\$1,471,900	0.0
SEG	<u>5,305,638,700</u>	<u>9,290.92</u>	<u>- 5,305,638,700</u>	<u>- 9,290.92</u>	<u>0</u>	<u>0.0</u>
Total	\$2,000,000	0.00	-\$528,100	0.00	\$1,471,900	0.0

**Joint Finance:** Create a segregated fund for UW System and specify that revenues received by the UW System would be deposited in the segregated fund. Create four appropriations for expenditures from the new segregated fund, including one for general program operations, a second appropriation for self-amortizing debt service, a third for gift and grants, and a fourth for funds transferred from other state agencies. The appropriations for general program operations, gifts and grants, and funds transferred from other state agencies would be all moneys received appropriations and the appropriation for self-amortizing debt service would be a sum sufficient appropriation. The table below shows the amounts estimated for these appropriations in each year of the biennium and the number of positions authorized. These funding amounts include both program revenue transferred from the UW System and most of the program revenue that would have been transferred to the proposed UW-Madison authority under the bill. Under another provision, the Board of Regents and UW-Madison would have position creation authority for each of these appropriations.

	<u>2011-12</u>	<u>2012-13</u>	<u>Positions</u>
General program operations	\$1,972,592,400	\$2,009,572,300	5,659.34
Gifts and non-federal grants and contracts	539,817,600	538,417,600	3,587.30
Self-amortizing facilities principal and interest	79,072,200	90,525,200	0.00
Funds transferred from other state agencies	<u>37,820,700</u>	<u>37,820,700</u>	<u>44.28</u>
	\$2,629,302,900	\$2,676,335,800	9,290.92

Consistent with another provision that would maintain the GPR appropriations for the State Laboratory of Hygiene and the Veterinary Diagnostic Laboratory, program revenues received by those entities would not be deposited in the new segregated fund for the UW System and would continue to be appropriated separately.

Require the Board of Regents to establish accounts for each institution and UW-Extension, including an account for segregated student fees, and ensure that interest earned related to the accounts of each institution within the segregated fund would be credited to the accounts of that institution. Estimate interest earned at \$1,000,000 annually consistent with funds provided under the Governor's budget. Specify that segregated students fees could not be used for any purpose other than the purpose for which they were charged. Existing segregated fund appropriations under the UW System would be retained.

**Assembly/Legislature:** Delete the Joint Finance provision. Restore program revenue funding for the UW System and specify that the UW System would be able to retain the interest earned related to its program revenues. Provide \$2,629,302,900 PR in 2011-12 and \$2,676,335,800 PR in 2012-13 and 9,290.92 PR positions beginning in 2011-12, and delete corresponding amounts of SEG funding and the same number of SEG positions. Create five program revenue appropriations under the UW System: one for general program operations, one for debt service, one for gifts and grants, one for funds transferred from other state agencies, and one for interest earnings. Specify that segregated student fees, which would be deposited in the general program obligations appropriation, could not be used for any purpose other than the purpose for which they were charged. All other UW program revenue appropriations except for those related to the State Laboratory of Hygiene and the Veterinary Diagnostic Laboratory would be deleted as under Joint Finance.

In addition, create an appropriation under the Building Commission for debt service related to the aquaculture demonstration facility and transfer \$263,400 PR in 2011-12 and \$264,700 PR in 2012-13 of funding derived from tribal gaming revenues. This appropriation would replace a PR appropriation that would be deleted in the bill under the UW System.

[Act 32 Sections: 41, 218f, 218hm, 235m, 550g thru 577b, 579s, 580g, 581, 582g, 583, 584, 589m, 593d, 738pm, 744m, 745m, 775e, 779, 799 thru 799r, 879m, 903m, 914m, 951s thru 951y, 970n, 986r, 988t, 994t, 1001e, 1003, 1010, 1011, 1015m thru 1015s, 1016g thru 1017k, 1888b, 1889b, 2308m, 2890e thru 2890s, 3098, and 3255m]

**2. CREATE A GPR BLOCK GRANT FOR UW SYSTEM [LFB Paper 743]**

**Joint Finance/Legislature:** Retain two GPR appropriations for the UW System, one GPR "block grant" to fund general program operations and one GPR debt service appropriation. Specify that the Board of Regents would allocate GPR general program operations funding to UW System institutions in the form of block grants. Maintain separate GPR appropriations for UW System Administration, the state laboratory of hygiene, and the veterinary diagnostic laboratory and delete all other UW System GPR appropriations. All other current GPR appropriations under the UW System would be deleted.

	<u>2011-12</u>	<u>2012-13</u>	<u>Positions</u>
General program operations	\$865,602,900	\$883,602,900	18,148.61
Principal repayment and interest	98,365,300	204,717,500	0.00
UW System Administration	7,089,000	7,089,000	75.00
State laboratory of hygiene	9,374,300	9,374,300	131.25
Veterinary diagnostic laboratory	<u>5,018,200</u>	<u>5,018,200</u>	<u>77.90</u>
	<u>\$985,449,700</u>	<u>\$1,109,801,900</u>	<u>18,432.76</u>

[Act 32 Sections: 541c thru 550b, 582n, 584, 970j, 970n, 970r thru 970x, 986g, 986r, 988d, 988h, 988p, 994g, 995e, 1004m, and 1006m]

### 3. SUPPLEMENTAL PAY PLANS

**Joint Finance/Legislature:** Authorize the Board of Regents to provide supplemental pay plans for UW System employees, excluding UW-Madison employees during the 2011-13 biennium. In addition, authorize UW-Madison to provide supplemental pay plans for UW-Madison employees during the 2011-13 biennium. These supplemental pay plans would be in addition to compensation plans approved for such employees by the Joint Committee on Employee Relations (JCOER).

Specify UW-Madison supplemental pay plan would require approval by the Regents and both the UW-Madison supplemental pay plan and the UW System supplemental pay plan would require approval by JCOER. These supplemental pay plans would be funded with resources available to the Board of Regents and UW-Madison including the GPR block grant, tuition, gifts and grants, and other resources. The Board of Regents would not receive pay plan supplements or request full funding of increases in salary and fringe benefit costs through the biennial budget process for costs related to these supplemental pay plans.

**Veto by Governor [B-17]:** Delete the requirement that supplemental pay plans for UW-Madison employees be approved by the Board of Regents prior to being implemented. Approval by JCOER would still be required.

[Act 32 Sections: 9152(1c) and 9452(1d)]

[Act 32 Vetoed Section: 9152(1c)(b)]

### 4. PERSONNEL SYSTEMS [LFB Paper 746]

**Joint Finance/Legislature:** Authorize the Board of Regents to establish a personnel system for all UW employees excluding UW-Madison employees and authorize UW-Madison to establish a personnel system for UW-Madison employees. Require UW-Madison to create its personnel system in consultation with the Board of Regents. Specify that these personnel systems would include a civil service system and a grievance process. The UW-Madison personnel system would require approval by the Regents and both the UW-Madison personnel system and the UW System personnel system would require approval by JCOER.

Beginning July 1, 2013, exempt UW System from all Chapter 230 provisions and transfer all UW employees from the state personnel system to the new personnel systems. Specify that UW classified employees who have achieved permanent status as of July 1, 2013, would retain protections related to demotion, suspension, discharge, layoff, reduction in base pay, and reinstatement privileges. Specify that UW classified employees who have not achieved permanent status as of July 1, 2013, would have the same protections and privileges if they successfully complete their probationary periods. All employees hired after July 1, 2013, would have the protections, privileges, and rights afforded to them by the personnel systems. Provide that UW employees would continue to participate in state group health insurance plans and the Wisconsin Retirement System.

Under this item, the Board of Regents and UW-Madison would be authorized to specify the duties, authority, and responsibilities of each position and to assign each position to a job

classification, assign and reassign job classifications to salary ranges, and establish policies for the recruitment and hiring for all positions including positions that belong to the executive salary groups under current law. Salary ranges for all positions would continue to be subject to JCOER approval as part of the compensation plan for UW employees.

**Veto by Governor [B-17]:** Delete the requirement that the UW-Madison chancellor develop the personnel system for UW-Madison in consultation with the Board of Regents. Delete the requirement that the UW-Madison personnel system be approved by the Board of Regents prior to being implemented. Approval by JCOER would still be required.

[Act 32 Sections: 355b thru 356c, 356q, 357b, 775h thru 775y, 809g, 809r, 813g, 813r, 815b thru 815f, 951b thru 951o, 970L, 970p, 1001s, 1015e, 1015v, 1139mb, 2404t, 2725d, 2751b thru 2751s, 2758d, 2763p, 2764, 2764c thru 2764w, and 9452(1d)]

[Act 32 Vetoed Section: 970L]

## 5. COLLECTIVE BARGAINING FOR CERTAIN UW EMPLOYEES [LFB Paper 746]

**Joint Finance/Legislature:** Effective July 1, 2013, create bargaining units under Chapter 111 of the statutes for UW System employees other than UW-Madison employees and for UW-Madison employees. These collective bargaining units would mirror existing statewide collective bargaining units. Require the Wisconsin Employment Relations Commission (WERC) to assign UW titles and classifications to collective bargaining units based on how classified service titles and classifications are assigned to bargaining units under current practice. No faculty or academic staff members would be assigned to these bargaining units. Specify that WERC would assign any new title or classification created by the UW System or UW-Madison to a bargaining unit or designate that title or classification as academic staff within 30 days of being notified by the UW System or UW-Madison of the new title or classification.

Beginning July 1, 2013, the Board of Regents would bargain as the employer with UW System employees who are members of bargaining units other than UW-Madison employees and UW-Madison would bargain as the employer with UW-Madison employees who are members of bargaining units. Contracts negotiated by UW-Madison would require approval by the Regents and both UW-Madison contracts and UW System contracts would require approval by JCOER and the full Legislature consistent with contracts negotiated by OSER under current law.

**Veto by Governor [B-17, B-20, and B-21]:** Delete the requirement that the Board of Regents approve any tentative labor agreement between UW-Madison and any labor organization before UW-Madison may submit the agreement to JCOER for approval. Delete the provision that would have required WERC to assign any new title or classification created by the UW System or UW-Madison to a bargaining unit or designate that title or classification as academic staff within 30 days of being notified by the UW System or UW-Madison of the new title or classification. In addition, delete references to "academic faculty," which is an undefined term.

[Act 32 Sections: 2410a thru 2410k, 2410m thru 2410o, 2410pm thru 2410w, 2426c thru 2426x, 2763s, 2766, and 9452(1d)]

[Act 32 Vetoed Sections: 2410a, 2410b, 2410L, 2426L, and 9452(1d) (as it relates to s.

111.825(3m))]

## 6. POSITION CREATION AUTHORITY [LFB Paper 745]

**Joint Finance/Legislature:** Provide that the Board of Regents and UW-Madison would have the authority to create and abolish positions funded with all fund sources other than the GPR general program operations block grant.

Except as otherwise provided, positions funded through the GPR block grant would be created or abolished by the full Legislature or the Joint Finance Committee. Modify previously existing provisions to permit UW-Madison in addition to the Board of Regents to create or abolish positions funded through the GPR block grant under certain conditions. Require the Board of Regents and UW-Madison to report the number of positions created or abolished to DOA and the Joint Committee on Finance annually.

Prior to Act 32, only the Board of Regents could create or abolish a full-time equivalent GPR academic staff or faculty position or portion thereof subject to a memorandum of understanding between the UW System and the Department of Administration. The Board of Regents was required to report annually by September 30 to DOA and the Co-Chairpersons of the Joint Committee on Finance the number of full-time equivalent GPR positions created or abolished by the Board during the preceding fiscal year. These positions were then added to the UW System's authorized position count as a standard budget adjustment through the biennial budget process.

[Act 32 Sections: 219 and 220]

## 7. POSITION REPORTS

**Joint Finance/Legislature:** Provide that UW System employees, including UW-Madison employees, would remain state employees but would not be counted in state position reports beginning on July 1, 2013. Require the Board of Regents to continue to submit quarterly position reports to DOA and the Legislative Fiscal Bureau. Specify that the Board of Regents reports would include both UW System and UW-Madison positions.

[Act 32 Section: 219]

## 8. DUAL EMPLOYMENT [LFB Paper 744]

**Joint Finance/Legislature:** Modify current law to permit UW full-time employees to receive more than \$12,000 in compensation for work performed in addition to the employee's normal duties at the UW institution where the employee is assigned, another UW institution, or the UW-Extension, beginning July 1, 2013. Under current law, full-time employees of all state agencies and authorities, including the UW System, are prohibited from receiving more than \$12,000 in compensation for work performed at a state agency or authority in addition to their normal duties.

[Act 32 Sections: 217, 217g, 217r and 9452(1d)]

## 9. TRAVEL BY UW EMPLOYEES

**Joint Finance/Legislature:** Provide that, beginning on July 1, 2013, the Board of Regents would establish travel policies for UW employees and establish a schedule for reimbursement of UW employees for travel expenses. Under current law, DOA establishes travel policies all state employees, including UW employees, and JCOER approves a uniform travel schedule for the reimbursement of state employees for travel expenses.

[Act 32 Sections: 804m, 970h and 9452(1d)]

## 10. EXCLUDE CERTAIN BUILDING PROJECTS FROM BUILDING COMMISSION APPROVAL AND DOA OVERSIGHT [LFB Paper 748]

**Joint Finance/Legislature:** Provide that UW System projects with costs of less than \$500,000 and funded entirely with gifts and grants would not require approval by the Building Commission. In addition, provide that these projects would be exempt from DOA supervision and oversight, exempt from current law provisions regarding bidding, and would not be subject to the 4% fee charged by the Department of State Facilities (DSF), unless UW System chooses to use DSF services. Prohibit the UW System from designating work related to a project as a separate project to be exempted under these provisions.

Require the Board of Regents to establish rules for competitive bidding for projects which would be exempt from current law provisions related to bidding. Specify that these rules must be approved by the Building Commission, and then the Joint Committee on Finance through a 14-day passive review process. Provide that all projects would be subject to current law provisions regarding public and competitive bidding until the competitive bidding rules developed by the Board of Regents are approved by the Building Commission and the Joint Committee on Finance.

[Act 32 Sections: 44p thru 49, 52, 266, 268, 284 thru 290, 300, 305, 970f, 2725f, and 9152(1gc)]

## 11. PURCHASING AND PROCUREMENT FLEXIBILITIES [LFB Paper 747]

**Joint Finance/Legislature:** Beginning July 1, 2013, require DOA to delegate to the Board of Regents and to UW-Madison the authority to enter into contracts for materials, supplies, equipment, or services that relate to higher education and that agencies other than the UW System do not commonly purchase. Increase the threshold for lowest responsible bids, sealed bids and sealed proposals from \$25,000 to \$50,000 for the UW System and UW-Madison.

In addition, beginning July 1, 2013, exempt the UW System and UW-Madison from provisions related to contractual services review and cost-benefit analysis including: (a) DOA rules regarding the procurement of contractual services, including approval and monitoring processes for contractual service contracts; (b) the requirement that a uniform cost-benefit analysis of proposed contractual services purchases and renewals greater than \$25,000 be conducted in accordance with DOA rules; (c) periodic review by the UW System or DOA of the appropriateness of continuing the

contractual services entered into by UW System or UW-Madison; (d) the requirement that a written justification be submitted to DOA when the use of vendors for contractual services is requested; (e) the stipulation that DOA only approve contractual services for which the justification provided conformed to DOA rules; and (f) the requirement that the Office of State Employment Relations (OSER) review proposed contractual services contracts. In addition, exclude the UW System and UW-Madison from the report that DOA is required to submit year to the Governor, the Joint Committee on Finance, the Joint Audit Committee, and the Chief Clerk of each house of the Legislature, concerning the number, value, and nature of contractual service procurements authorized for each agency during the previous year.

**Veto by Governor [B-18 and E-40]:** Delete the provision that would have excluded the UW System and UW-Madison from the DOA report concerning the number, value, and nature of contractual service procurements authorized for each agency during the previous year. Delete the references to the Board of Regents and UW-Madison and delete the delayed effective date so that the \$50,000 threshold would apply to purchases made by all state agencies on the bill's effective date.

[Act 32 Sections: 236 thru 238g, 241f, 241h, 243 thru 248g, 263, 339, 9301(3f), and 9452(1d)]

[Act 32 Vetoed Sections: 239g, 246g, 248g, 9301(3f), 9452(1d) (as it relates to s. 16.705(8)(intro.), s. 16.75(1)(b) and (b)2, and (2m)(b) and (b)2, and 9301(3f))]

## 12. GIFTS OF VEHICLES

**Joint Finance/Legislature:** Authorize the Board of Regents to accept gifts of vehicles. In the past, the Department of Administration, which is charged with fleet management and maintenance, has placed restrictions on the number of vehicles owned by state agencies including the Board of Regents.

[Act 32 Section: 192]

## 13. GIFTS OF REAL PROPERTY

**Joint Finance/Legislature:** Authorize the Board of Regents to accept gifts of real property up to \$150,000 in total value without prior approval of the Building Commission. Under prior law, the Board of Regents may not accept gifts of real property of more than \$30,000 without the approval of the Building Commission.

[Act 32 Section: 35 and 1001m]

## 14. ACCOUNTABILITY REPORTS

**Joint Finance/Legislature:** Require the UW System Board of Regents and the UW-Madison Chancellor to submit accountability reports to the Governor and the Legislature on an

annual basis. These accountability reports should include the following measures:

- a. *Performance*: graduation rate, total number of graduates, time needed to graduate, the number of credits needed to obtain a degree, retention rates, placement of graduates, and the percentage of resident and non-residents who reside in Wisconsin ten years after graduation;
- b. *Financial*: financial reports from each institution and each UW Colleges campus using GAAP reporting standards;
- c. *Access and affordability*: the profile of enrolled students, including mean per capita family income, percentage of resident and nonresident students who are low-income, percentage of resident and nonresident students who are members of minority groups, the number of transfers from other institutions and colleges in this state, published cost and actual cost to Wisconsin residents once financial aid is subtracted, and increases in available institutional financial aid for students with demonstrated need;
- d. *Undergraduate education*: the extent of access to required courses and to popular majors, majors offered, improvements in overall student experience, efforts to close the achievement gap between majority and underrepresented minority students, and post-graduation success;
- e. *Graduate and professional education*: number of graduate degrees awarded, number of professional graduates in key areas including physicians, nurses, business, engineers, pharmacists, veterinarians, and lawyers, and incentives provided for staying in Wisconsin after graduation;
- f. *Faculty*: the profile of faculty, including faculty teaching loads, success or failure in recruiting and retaining scholars and teachers who are rated at the top of their fields;
- g. *Economic Development*: the amount and source of research funding and other new revenue brought into the state, the number of government contracts received, the number of research projects in progress or completed, the number of patents and licenses for system inventions, the number of new businesses created or spun off, the number of secondary businesses affiliated with the system or system-sponsored research projects, support provided to existing industries throughout the state, job growth from support to existing industries and new businesses, the number of jobs created in campus areas, the number of jobs created statewide, a comparison of economic indicators for campus areas and non-campus areas;
- h. *Collaboration*: partnerships and collaborative relationships with UW System Administration and UW institutions.

[Act 32 Section: 1017m]

## 15. **SPECIAL TASK FORCE ON UW RESTRUCTURING AND OPERATIONAL FLEXIBILITIES** [LFB Paper 751]

**Joint Finance/Legislature:** Create a Special Task Force on UW Restructuring and Operational Flexibilities. The task force would be comprised of 17 members. Specify that the

Assembly Speaker would appoint six members to the task force, including: (a) three business or public leaders; (b) two current or former UW chancellors or members of the Board of Regents; and (c) one member of the Assembly. Similarly, the Senate Majority Leader would appoint six members to the task force, including: (a) three business or public leaders; (b) two current or former UW chancellors or members of the board or Regents; and (c) one member of the Senate. The Senate and Assembly Minority Leaders would each appoint one member of the Legislature from their respective houses. The Governor would appoint two members to the task force and the Co-Chairs of the Joint Committee on Finance would jointly appoint one member and this member would serve as the chairperson. Require the UW System President, the Secretary of DOA, and the Legislative Fiscal Bureau to provide staff services for the task force.

Specify that the task force would address the following issues: (1) whether there is a need to restructure the UW System and, if so, make recommendations as to a new governance structure; (2) how UW-Madison employees and all other UW System employees would transition from the state personnel system to the new personnel systems; (3) whether tuition flexibility can be extended to the UW System while ensuring access and affordability and what role the Legislature should have in establishing tuition rates; (4) how compensation plans for UW System employees should be determined in future biennia; (5) additional operational flexibilities that could be provided to UW System institutions; and (6) how articulation and the transfer of credits between UW institutions could be improved.

Specify that the task force would submit a report to the appropriate Senate and Assembly standing committees as determined by the Speaker of the Assembly and Senate Majority Leader, and the Joint Committee on Finance no later than January 1, 2012, and would be subject to current law governing advisory bodies. Provide \$50,000 GPR in 2011-12 for expenses related to the task force in a new appropriation under "Miscellaneous Appropriations."

[Act 32 Sections: 775b and 9152(1tc)]

## **16. REDUCE THE NUMBER OF UW SYSTEM FEDERAL APPROPRIATIONS**

**Assembly/Legislature:** Delete three federal appropriations under the UW System: (a) federal grants and loans; (b) federal indirect cost reimbursement; and (c) federal indirect cost reimbursement for UW System Administration. In addition, delete existing provisions related to the expenditure of federal indirect cost reimbursement funds by the UW System.

Under this provision, all federal funds received the UW System would be deposited in a single federal funds appropriation. Federal funds received for the veterinary diagnostic laboratory would continue to be credited to a separate federal revenues appropriation under the UW System.

[Act 32 Sections: 218f, 577d thru 577g, 580m, and 582k]

## VETERANS AFFAIRS

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$4,489,000	\$4,089,500	\$4,738,400	\$4,738,400	\$4,738,400	\$249,400	5.6%
FED	4,356,400	4,488,300	5,155,700	5,155,700	5,155,700	799,300	18.3
PR	179,533,600	185,997,000	182,158,000	182,158,000	182,158,000	2,624,400	1.5
SEG	<u>97,072,200</u>	<u>77,945,300</u>	<u>77,756,300</u>	<u>77,756,300</u>	<u>77,756,300</u>	<u>- 19,315,900</u>	- 19.9
<b>TOTAL</b>	<b>\$285,451,200</b>	<b>\$272,520,100</b>	<b>\$269,808,400</b>	<b>\$269,808,400</b>	<b>\$269,808,400</b>	<b>- \$15,642,800</b>	<b>- 5.5%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	0.00	0.00	0.00	0.00	0.00	0.00
FED	10.50	8.00	11.00	11.00	11.00	0.50
PR	981.85	966.60	966.60	966.60	966.60	- 15.25
SEG	<u>120.75</u>	<u>118.00</u>	<u>118.00</u>	<u>118.00</u>	<u>118.00</u>	<u>-2.75</u>
<b>TOTAL</b>	<b>1,113.10</b>	<b>1,092.60</b>	<b>1,095.60</b>	<b>1,095.60</b>	<b>1,095.60</b>	<b>- 17.50</b>

### Budget Change Items

### General Agency Provisions

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide standard budget adjustments to the base totaling \$68,700 FED, \$3,777,200 PR, and \$759,700 SEG annually for the following: (a) turnover reduction (-\$425,900 PR and -\$82,400 SEG annually); (b) removal of non-continuing elements from the base (-\$400,000 PR and -\$52,800 SEG annually); (c) full funding of continuing salaries and fringe benefits (\$68,200 FED, -\$171,700 PR, and \$847,000 SEG annually); (d) overtime (\$2,492,200 PR annually); (e) night and weekend differential (\$2,280,200 PR annually); (f) full funding of lease costs and

FED	\$137,400
PR	7,554,400
SEG	<u>1,519,400</u>
<b>Total</b>	<b>\$9,211,200</b>

directed moves (\$500 FED, \$2,400 PR, and \$47,900 SEG annually); and (g) transfers within the same appropriation. The transfers would include \$1,229,000 PR for costs related to skilled nursing, -\$987,400 PR for domicile operations, and -\$241,600 PR for food services operations to the Veterans Home of Union Grove.

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

GPR	- \$200
FED	- 45,800
PR	- 7,312,600
SEG	<u>- 983,800</u>
Total	- \$8,342,400

**Governor/Legislature:** Delete \$4,171,200 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$100 GPR, \$22,900 FED, \$3,656,300 PR, and \$491,900 SEG. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. AGENCY BUDGET REDUCTIONS**

GPR	- \$145,000
PR	<u>- 3,095,200</u>
Total	- \$3,240,200

**Governor/Legislature:** Reduce funding by \$72,500 GPR and \$1,547,600 PR annually associated with a 10% reduction to supplies and other non-personnel costs. The reductions would include \$1,493,800 PR annually from the Veterans Homes Operations.

**4. ELIMINATE LONG-TERM VACANCIES**

	Funding	Positions
FED	- \$47,800	- 0.50
PR	- 1,754,800	- 14.25
SEG	<u>- 502,800</u>	<u>- 3.75</u>
Total	- \$2,305,400	- 18.50

**Governor/Legislature:** Delete \$1,152,700 (all funds) and 18.5 (all funds) positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$23,900 FED and 0.5 FED position, \$877,400 PR and 14.25 PR positions, and \$251,400 SEG and 3.75 SEG position annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**5. TRANSFER STATE APPROVING AGENCY FUNCTIONS [LFB Paper 767]**

	<b>Governor (Chg. to Base)</b>		<b>Jt. Finance/Leg. (Chg. to Gov)</b>		<b>Net Change</b>	
	Funding	Positions	Funding	Positions	Funding	Positions
FED	- \$672,000	- 3.00	\$667,400	3.00	- \$4,600	0.00
SEG	<u>- 148,800</u>	<u>- 1.00</u>	<u>0</u>	<u>0.00</u>	<u>- 148,800</u>	<u>- 1.00</u>
Total	- \$820,800	- 4.00	\$667,400	3.00	- \$153,400	- 1.00

**Governor:** Delete \$336,000 FED and 3.0 FED positions and \$74,400 SEG and 1.0 SEG

position annually related to the transfer of state academic institution and education program approving agency functions for veterans benefits from DVA to the Department of Safety and Professional Services (DSPS). Funding would include -\$192,200 FED and -\$78,600 SEG for salary and fringe benefits, -\$78,600 FED and -\$25,800 SEG for fringe benefits, and -\$65,200 FED for supplies and services annually. The segregated position and related salaries and fringe benefits would not be transferred to DSPS.

Currently, DVA operates as the state approval agency through a contract with the federal Department of Veterans Affairs. The state approval agency is responsible for meeting federal requirements for evaluating, approving, and monitoring of academic institutions and programs that are potentially eligible to receive funding from the Montgomery GI Bill. The Governor may designate the following programs as "veteran's education" under the state approval agency functions: (a) on-the job training and apprenticeship training programs at the Department of Workforce Development; (b) on-the-farm training programs at the Wisconsin Technical College System; and (c) funeral directors apprentices of the Funeral Directors Examining Board. These duties would be transferred.

As a technical modification, correct a current reference to the definition of tribal school (current statutes misnumber the referenced section).

*Nonstatutory Provisions.* Specify that the assets, liabilities and tangible property of the DVA primarily related to the state approval agency, as determined by the DOA Secretary, would become assets, liabilities and tangible property of DSPS on the effective date of the bill.

Specify that all pending matters of DVA primarily related to the state approval agency, as determined by the DOA Secretary, would become pending matters of DSPS on the effective date of the bill. Materials submitted to, or actions taken by, DVA related to these programs would be considered to have been submitted to, or taken by DSPS.

All contracts entered into by the DVA primarily related to the state approval agency, on the effective date of the bill, would become contracts of DSPS, as determined by the DOA Secretary. The DSPS would be responsible for carrying out the obligations of these contacts unless modified or rescinded by DSPS, to the extent allowed under the contract.

Under the bill, the administrative rules promulgated by the DVA primarily related to the state approval agency, as determined by the DOA Secretary, would remain in effect until the expiration date of the rule or until amended or repealed by DSPS. All orders issued by the DVA primarily related to the state approval agency, as determined by the DOA Secretary, would remain in effect until the end of their effective date or until modified or rescinded by DSPS.

Specify that the DOA Secretary would identify positions to transfer. The transferred individuals would retain their earned rights and status under the state employment relations laws. Any person transferred would not go through a probationary period, if they have already obtained permanent status.

Correct statutory cross reference for definition of tribal schools.

**Joint Finance/Legislature:** Delete provision, except for the deletion of \$74,400 SEG and 1.0 SEG for an education program supervisor position. Provide funding of \$333,700 FED related to the adjusted funding levels for 3.0 FED positions restored to DVA and deleted under the Department of Safety and Professional Services. Retain statutory cross reference correction for tribal schools.

[Act 32 Section: 1245]

**6. REPAYMENT TO VETERANS TRUST FUND**

GPR	\$416,800
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**Governor/Legislature:** Provide \$416,800 in 2011-12 for repayment to the veterans trust fund for transfers made from the trust fund to the general fund during the 2009-11 biennium.

Under current law, moneys transferred from the veterans trust fund or used for purposes other than specific DVA-related appropriations, must be repaid by the general fund with an interest rate of 5% per year. In 2009-10 \$203,300 was lapsed from the trust fund to the general fund. In 2010-11, it is anticipated that an additional \$203,300 would be lapsed at the end of the fiscal year.

**7. GENERAL FUND TRANSFER TO THE VETERANS TRUST FUND**

SEG-REV	\$5,000,000
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**Joint Finance/Legislature:** Provide a one-time transfer of \$5,000,000 in 2011-12 from the general fund to the veterans trust fund.

[Act 32 Section: 9253(i)]

**8. ASSISTANCE TO NEEDY VETERANS** [LFB Papers 765 and 766]

SEG	-\$543,600
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**Governor/Legislature:** Reduce the amounts available for assistance to needy veterans by \$271,800 annually.

Currently, the assistance to needy veterans program consists of two distinct services: (a) assistance for health care costs; and (b) subsistence aids. Under the bill, the amounts available for health care costs would be reduced from \$1,069,800 to \$870,000 annually. The amounts available for subsistence aid grants would be reduced from \$172,000 to \$100,000 annually.

Under current law, the health care component can only be used to cover costs related to dental care, hearing aids, and eyeglass costs. The veteran's household may not have liquid assets in excess of \$1,000 without losing eligibility for this program. The subsistence aid portion of the program provides temporary emergency aid to veterans in the event of an illness, injury, or natural disaster that causes a loss of income. The Department may grant subsistence aid to veterans whose loss of income is the result of abuse of alcohol or other drugs if the veteran is

participating in an alcohol and other drug abuse treatment program approved by DVA.

**9. VETERANS ASSISTANCE PROGRAM** [LFB Papers 765 and 766]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	- \$592,600	\$61,000	- \$531,600

**Governor:** Delete \$296,300 annually for the veterans assistance program.

The program provides assistance to homeless, incarcerated, and other groups of needy veterans, as designated by DVA. The current DVA rules additionally specify that VAP eligibility extends to veterans with the following status: (a) unemployment or underemployment that limits the veteran's ability to be self-supporting; (b) an affliction with acute or chronic physical or mental health problems that limits the veteran's ability to be self-supporting; and (c) insufficient monthly income and resources to pay for the cost of care provided at an assisted living facility operated at a Veterans Home.

The Department uses regional centers to provide transitional housing to veterans and to assist needy veterans in receiving medical and dental care, educational support and employment services. Services provided include: (a) providing transitional housing; (b) referrals to service providers; (c) financial assistance to veterans who are eligible for residency at a veterans home but lack financial resources; (d) assistance in seeking vocational opportunities; and, as of 2009 Act 28; and (e) providing single occupancy rooms.

All veterans who have served in the U.S. armed forces with other than a dishonorable discharge are eligible to participate in the VAP. There is no state residency requirement for this program.

**Joint Finance/Legislature:** Provide an additional \$30,500 annually for the veterans assistance program for a net reduction of \$260,800 annually.

**10. VETERANS ASSISTANCE PROGRAM RECEIPTS**

SEG	\$56,500
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**Governor/Legislature:** Provide \$26,500 in 2011-12 and \$30,000 in 2012-13 to reestimate the amount of segregated revenue to be received from private payments at veterans assistance program facilities related to increased receipts for single occupancy rooms.

Under current law, DVA must operate a program to provide assistance to veterans who need services based on homelessness, incarceration, or other services designated by DVA, by rule. The Department may provide assistance in medical care, dental care, education, employment, and transitional housing. The Department may also charge fees to homeless veterans who use services at veterans assistance centers (federal code specifies that gainfully employed veterans may be charged of up to 30% of their income). The Department may provide and charge for single occupancy rooms as a service of the veterans assistance program.

**11. PERSONAL LOAN PROGRAM** [LFB Papers 765 and 766]

SEG	- \$4,200,000
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**Governor/Legislature:** Decrease funding by \$2,000,000 annually for amounts available to loan under the agency's Personal Loan Program (PLP). Reduce the amounts available for administration of the program by \$100,000 annually. Base level funding for the PLP includes \$5,000,000 for potential personal loans to veterans and \$150,000 for administration of the program. Under the bill, the amounts available for loans would be reduced to \$3,000,000 annually and the amounts for administration would be reduced to \$50,000 annually.

**12. CREATE SEPARATE PROGRAM FOR MUSEUM OPERATIONS**

**Governor/Legislature:** Create a separate Chapter 20 statutory program for Veterans Museum operations. Under the current statutes, funding for operations of the Wisconsin Veterans Museum is placed in the Loans and Aids to Veterans program within Chapter 20 of the statutes. Under the bill, the new program would be entitled "Wisconsin Veterans Museum." The new program would include renumbered appropriations (as modified by other recommendations under the bill) to include: (a) two appropriations for the Operation of the Wisconsin Veterans Museum (\$249,200 GPR annually and \$2,067,800 SEG in 2011-12 and \$2,117,400 SEG in 2012-13 and 13.45 SEG positions annually); (b) museum sales (\$205,700 SEG in 2011-12 and \$170,700 SEG in 2012-13); (c) museum facilities (\$52,800 SEG annually); and (d) veterans of World War I museum funding (\$2,500 SEG annually).

In addition, two appropriations that have no specific amounts appropriated would be transferred under the new program. Create a FED-continuing appropriation for federally funded museum acquisitions and operations. Create a SEG-continuing appropriation for the receipt and expenditure of gifts and bequests for the Wisconsin Veterans Museum.

Delete a statutory reference to an unfunded museum operations appropriation that formerly received funds from Indian gaming revenues. [The tribal gaming funded appropriation had not received funding since 2002-03.] The current SEG-continuing appropriation for acquiring, developing, enlarging and improving facilities would be modified to specify that funding would be provided from this appropriation for non-museum costs. Create an additional appropriation under the museum program for acquiring, developing, enlarging and improving Wisconsin Veterans Museum facilities.

[Act 32 Sections: 702 thru 711, 746, and 877]

**13. MUSEUM STORAGE FACILITY** [LFB Papers 765 and 766]

	Funding	Positions
SEG	\$521,600	2.00

**Governor/Legislature:** Provide \$248,500 and 2.0 project positions in 2011-12 and \$273,100 and 2.0 project positions in 2012-13 for agency costs related to moving materials into the Joint Preservation Storage Facility (JPS) in Madison. Funding would include: (a) \$176,500 and 2.0 project positions in 2011-12 and \$201,100 and 2.0 project positions in 2012-13 to prepare manuscripts, collections, and archived material for movement to

the JPS; and (b) \$72,000 annually for preparation of the storage facility.

The JPS is a storage facility designed to maintain and preserve the collections of the Department and the State Historical Society. The Department anticipates that the facility will become operational in October, 2013.

**14. LIMITED-TERM EMPLOYEES FOR VETERANS MUSEUM** [LFB Papers 765 and 766] SEG      \$120,600

**Governor/Legislature:** Provide \$60,300 annually for limited-term employees at the Wisconsin Veterans Museum. The limited term employees would be hired as a library services assistant and an operational program associate at the museum.

**15. MUSEUM EXHIBITS** [LFB Papers 765 and 766]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$150,000	-\$150,000	\$0

**Governor:** Provide one-time funding of \$62,500 in 2011-12 and \$87,500 in 2012-13 for temporary exhibits and redevelopment of existing displays. Funding would be provided for: (a) two temporary exhibits on Wisconsin's role in the Civil War as part of the 150th Anniversary of the beginning of the War (\$37,500 annually); and (b) redevelopment of the permanent gallery space at the Wisconsin Veterans Museum in Madison and moving the Wisconsin National Guard exhibit that is currently at the Veterans Museum to the Wisconsin National Guard Museum at Volk Field (\$25,000 in 2011-12 and \$50,000 in 2012-13).

**Joint Finance/Legislature:** Delete provision.

**16. VETERANS MUSEUM STORE RECEIPTS** SEG      \$109,800

**Governor/Legislature:** Provide \$72,400 in 2011-12 and \$37,400 in 2012-13 for the following improvements to the Wisconsin Veterans Museum store: (a) \$35,000 in 2011-12 as one-time financing including \$15,000 for multimedia guides describing the museum displays and \$20,000 for point of sale equipment (computers, lighting, and cabinetry); and (b) \$37,400 annually for merchandise purchases to be resold at the Wisconsin Veterans Museum. Base level funding for the SEG-continuing store receipts appropriation is \$133,400 annually. Revenues are generated from the sales of items at the store inside the Wisconsin Veterans Museum.

**17. VETERANS MUSEUM MASTER LEASE** SEG      \$105,600

**Governor/Legislature:** Provide \$52,800 annually as part of a five-year master lease of repairs at the Wisconsin Veterans Museum in Madison. The master lease would cover \$224,800

of one-time costs, including: (a) \$136,800 for eight new smoke detection systems (two new units and six replacement units); (b) \$68,000 for water detections systems in archival storage areas; and (c) \$20,000 for replacement of carpeting that was been damaged by water. The first year and one-half of funding was provided in the 2009-11 biennium on a one-time basis. This provision would provide two additional years of one-time funding.

**18. VETERANS CEMETERY FUNDING**

**Governor/Legislature:** Provide \$195,300 FED and 1.0 FED position, -\$35,500 PR and -1.0 PR position, and -\$159,800 SEG in 2011-12 and \$171,100 FED and 1.0 FED position, -\$35,500 PR and -1.0 PR position, and -\$135,600 SEG in 2012-13 to reduce veterans burial funding from program and segregated revenues and increase the amounts provided from federal burial allowances.

	<b>Funding</b>	<b>Positions</b>
FED	\$366,400	1.00
PR	- 71,000	- 1.00
SEG	<u>- 295,400</u>	<u>0.00</u>
Total	\$0	0.00

Under current law, revenues for cemetery operations include: (a) \$164,800 FED and 4.0 FED positions annually funded from federal burial allowances; (b) \$231,800 PR and 8.0 PR positions annually funded from fees charged for the burial of veterans' spouses and dependant children; and (c) \$652,600 SEG and 6.0 SEG positions annually funded from the veterans trust fund.

**19. CEMETERY FUNDING INCREASE**

FED	\$327,100
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**Governor/Legislature:** Provide \$104,900 in 2011-12 and \$222,200 in 2012-13 for veteran burial services at the Southern Wisconsin Veterans Memorial Cemetery. Funding would come from federal burial allowances. Base level funding for the cemetery operations from federal aid appropriation is \$164,800 and 4.0 positions annually.

**20. MILITARY FUNERAL HONORS**

**Joint Finance/Legislature:** Provide \$68,900 GPR in 2010-11 for increased appropriations for military funeral honors stipends to local veterans service organizations. This provision would take effect on the date after publication or retroactively to June 30, 2011, whichever is earlier.

**Veto by Governor [D-36]:** Delete provision. [Funding for this purpose was provided under 2011 Act 27.]

[Act 32 Vetoed Sections: 9253(1j) and 9453(1j)]

**21. CEMETERY MAINTENANCE**

FED	\$66,600
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**Governor/Legislature:** Provide one-time funding of \$30,600 in 2011-12 and \$36,000 in 2012-13 for infrastructure, repairs and maintenance to the administration

building and grounds of the Wisconsin Veterans Memorial Cemetery at Union Grove. Funding would be provided for the following projects in 2011-12: (a) landscape replacement (\$9,500); (b) tree trimming (\$6,000); (c) repainting of carillon tower (\$8,700); (d) asphalt sealing (\$5,500); and (e) parking lot striping (\$900). Funding would be provided for the following projects in 2012-13: (a) shelving for shop (\$6,000); (b) refurbishing brickwork on front entrance of administration building (\$10,000); and (c) remodeling of work room station (\$20,000).

**22. PAYMENTS TO VETERANS ORGANIZATIONS** [LFB 

SEG	- \$135,000
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Papers 765 and 766]

**Governor:** Delete \$67,500 annually for payments from DVA to veterans' organizations that provide benefit claims services to veterans. Base funding for the payments to veterans organizations appropriation is \$177,500.

Under current law, this program provides grants to any state or national veterans' organization that has maintained a claims service office at the USDVA regional office in Milwaukee for the purpose of assisting Wisconsin veterans with obtaining federal veteran's benefits. To qualify for the state grant, the veterans' organization must have maintained the office for at least five out of the 10 years preceding the date of application for the grant. Grant amounts are based in the total amount of salaries and travel expenses incurred by a qualifying service organization as follows: (a) for organizations with costs ranging from \$1 to \$2,499, DVA reimburses the entire amount; (b) for organizations with costs ranging from \$2,500 to \$9,999, DVA reimburses \$2,500; (c) for organizations with costs ranging from \$10,000 to \$119,999, DVA reimburses 25% of the costs; and (d) for organizations with costs of at least \$120,000, DVA reimburses \$30,000.

**Joint Finance/Legislature:** Require DVA to pro-rate the payments to veterans service organizations if the appropriated amounts are insufficient to make grants otherwise statutorily authorized.

[Act 32 Section: 1248m]

**23. PUBLIC INFORMATION FUNDING**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
SEG	\$100,000	- \$100,000	\$0

**Governor:** Provide \$60,000 in 2011-12 and \$40,000 in 2012-13 to develop and distribute a public information campaign to provide the public with information about DVA's activities and programs. According to the Department, the campaign would include print, radio, internet, social media and public relations components.

**Joint Finance/Legislature:** Delete provision.

**24. DOCUMENT IMAGING**

SEG	\$61,000
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**Governor/Legislature:** Provide \$40,000 in 2011-12 and \$21,000 in 2012-13 for increased document imaging costs for the following: (a) \$20,000 in 2011-12 and \$21,000 in 2012-13 for costs to maintain contracts for software licenses and maintenance of equipment; and (b) one-time funding of \$20,000 in 2011-12 for a consultant to upgrade the content management software. Funding would be split between the veterans trust fund (\$30,400 in 2011-12 and \$16,000 in 2012-13) and the mortgage loan repayment fund (\$9,600 in 2011-12 and \$5,000 in 2012-13).

**25. TELEMEDICINE COUNSELING SERVICES**

GPR	\$15,000
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**Governor/Legislature:** Provide \$7,900 in 2011-12 and \$7,100 in 2012-13 for post-traumatic stress disorder and other counseling assistance in connection with assistance provided at the veterans assistance centers. The Department indicates that this funding would extend the service agreements with nine facilities that allow veterans to receive counseling services via video conferencing.

**26. STUDY ON LONG-TERM FUNDING FOR THE VETERANS TRUST FUND**

**Joint Finance/Legislature:** Require DVA and the Board of Veterans Affairs to jointly provide recommendations regarding the adoption of a viable long-term funding source for the veterans trust fund. Require DVA to submit these recommendations to the Governor, the Chief Clerk of each house of the Legislature for distribution to the Chairs of veterans-related standing committees, and the Co-Chairs of the Joint Committee on Finance by June 30, 2012.

[Act 32 Section: 9153(2i)]

**27. 2013-15 EXPENDITURE RECOMMENDATIONS FOR THE VETERANS TRUST FUND [LFB Papers 765 and 766]**

**Joint Finance/Legislature:** Require the Department, as part of DVA's 2013-15 biennial budget request to include: (a) an estimate of the amount of revenues that will be deposited into the veterans trust fund in each year of that biennium; and (b) recommendations for amounts to be appropriated from the veterans trust fund that are no greater than the estimated veterans trust fund revenues in each year of that biennium.

**Veto by Governor [D-35]:** Delete language that would have specified that the total amount recommended by DVA for appropriations supported by the veterans trust fund may not be greater than the estimate of the total amount to be deposited.

[Act 32 Section: 9153(2j)]

[Act 32 Vetoed Section: 9153(2j)]

## Veterans Homes

### 1. VETERANS HOME AT CHIPPEWA FALLS [LFB Paper 775]

PR	\$6,995,300
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**Governor:** Provide \$414,900 in 2011-12 and \$6,580,400 in 2012-13 to fund staffing, overtime, night and weekend differentials, energy, supplies, and start-up costs for the new 72-bed nursing facility at the Veterans Home at Chippewa Falls, which is scheduled to open in November, 2012.

*Staffing.* Provide \$284,200 in 2011-12 and \$4,880,900 in 2012-13 to fund the equivalent of 35.0 positions in 2011-12 and 91.5 positions in 2012-13 to operate the Veterans Home at Chippewa Falls. DVA would use this funding to contract for the operation of this facility.

*Supplies and Start-up Costs.* Provide \$114,900 in 2011-12 and \$1,310,500 in 2012-13 to fund supplies and one-time start-up costs. DVA estimates that start-up costs for supplies and services, such as textiles, small wares, flatware, and dishes, will equal one-twelfth of the projected annual cost of these items.

*Overtime, Night, and Weekend Differential Personnel Costs.* Provide \$188,300 in 2012-13 to fund the overtime costs for contracted staff overtime (\$45,700 in 2012-13) and higher wages paid to staff working night and weekend shifts (\$142,600 in 2012-13).

*Energy Costs.* Provide \$15,800 in 2011-12 and \$200,700 in 2012-13 to fund projected energy costs for the new Veterans Home at Chippewa Falls.

*Statutory Changes.* Create a gifts and bequests appropriation for the Veterans Home at Chippewa Falls, which would enable DVA to expend all moneys it receives from gifts and bequests for the purposes for which the money was given.

Authorize DVA to enter into an agreement with a private entity to operate the Veterans Home at Chippewa Falls and perform such management and care using personnel employed by the private entity. Exempt this agreement from a provision requiring state departments to contract for services which can be performed more economically or efficiently through the contract and that requires state departments to prescribe, in rule, uniform procedures for determining whether services are appropriate for contracting. Under current law, DVA may employ state personnel to manage and operate the Veterans Home at Chippewa Falls.

Authorize the Legislative Audit Bureau to perform, in addition to any other Veterans Home audits required by statute, one or more financial audits of the operation of the Veterans Home at Chippewa Falls by any private entity with which DVA enters into an agreement for management and operation of the home. Specify that the audits would be performed at such time as directed by the Governor or Legislature.

**Joint Finance/Legislature:** Adopt the Governor's recommendations. In addition, require the Department of Administration (DOA) to conduct a cost-benefit analysis on the initial contract for the operation and staffing of the Veterans Home at Chippewa Falls by a private

entity. Specify that the analysis would include a comprehensive study to identify and compare the total cost, quality, technical expertise, and timeliness of a service performed by state employees and resources with the total cost, quality, technical expertise, and timeliness of the same service obtained by means of a contract for contractual services. Require DOA to submit the results of the cost-benefit analysis to the Joint Committee on Finance by February 1, 2012, or before DVA enters into the initial contract, whichever occurs first. Prohibit DOA from approving any initial contract for contractual services unless the contract contains a performance guarantee requirement that states that, during the contract period, the Veterans Home at Chippewa Falls must maintain an overall star rating that is at least equal to four stars.

**Veto by Governor [D-34]:** Delete the provision that would have exempted an agreement between DVA and a private entity to operate the Veterans Home at Chippewa Falls from a provision that permits DOA or its agents to contract only for services which can be performed more economically or efficiently by a contract, as prescribed by rules.

In addition, delete the Joint Finance provision that would have required DOA to conduct a cost-benefit analysis on the initial contract for the operation and staffing of the Veterans Home at Chippewa Falls.

As a result of these partial vetoes, and pursuant to current rules relating to agency contractual services (ADM 10), DVA will be required to conduct a cost-benefit analysis prior to contracting with a private entity for the operation and staffing of the Veterans Home at Chippewa Falls and submit the analysis to DOA. DVA may only contract for services which can be performed more economically or efficiently by such contract.

[Act 32 Sections: 65, 699, 701, 1249 thru 1269, 2665, and 9101(2u)]

[Act 32 Vetoed Sections: 234 and 9101(2u)]

**2. LICENSED BED ASSESSMENT [LFB Paper 776]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	\$3,725,000	- \$3,725,000	\$0

**Governor:** Provide \$1,862,500 annually to fund monthly nursing home bed assessments that DVA will be required to pay, beginning in July, 2011, under current law.

2009 Act 28 exempted DVA from paying the assessment in the 2009-11 biennium and reduced DVA's budget by \$1,513,900 in 2009-10 and by \$1,715,700 in 2010-11 to reflect that DVA would not need to make these payments to the Department of Health Services (DHS) in the 2009-11 biennium. In addition, Act 28 increased GPR funding for MA benefits by corresponding amounts to replace the assessment revenue DHS did not collect from DVA in the current biennium.

All assessment revenue paid by nursing homes, including the nursing homes operated by

DVA, is deposited to the medical assistance (MA) trust fund to support MA benefits costs. DVA is required to establish private pay rates at its nursing homes that are based on the actual cost of care the homes provide. These costs include DVA's cost of paying the assessment. DVA estimates that it would need to increase private pay rates at the homes by approximately \$2,200 annually to recover the costs of paying the assessment. However, if the DVA nursing homes were to remain exempt from paying the assessment, revenue to the MA trust fund would decrease by an estimated \$3,725,000 in the 2011-13 biennium, which would result in a need to replace these segregated revenues with a corresponding amount of GPR.

**Joint Finance/Legislature:** Delete provision. In addition, exempt the Veterans Homes from the bed assessment in the 2011-13 biennium. Reduce funding for the Veterans Homes by \$1,862,500 PR annually. Increase medical assistance (MA) benefits funding by \$1,715,600 GPR in 2011-12 and by \$1,813,500 SEG in 2012-13 and reduce SEG funding from the MA trust fund by corresponding amounts to reflect a reduction in nursing home bed assessment DHS would collect as a result of this change. The fiscal effect of this item on the MA program is summarized under "Health Services -- Medical Assistance -- Services."

[Act 32 Section: 9121(8r)]

**3. RESTORE TURNOVER REDUCTION**

PR	\$851,800
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**Governor/Legislature:** Provide \$425,900 annually to restore funding that would be deleted as a standard budget adjustment for turnover at the nursing home at King (\$335,700 annually), the nursing home at Union Grove (\$65,200 annually), and the assisted living facilities at Union Grove (\$25,000 annually).

Under the DOA 2011-13 budget instructions, agencies are required to reduce, by 3%, adjusted base funding for permanent salaries for all appropriations that fund more than 50 permanent positions to reflect projected savings resulting from temporary staff vacancies. The DVA standard budget adjustment reduces these three appropriations by 1%, rather than 3% in each year. DVA indicates that the agency does not save money when direct care positions are on leave, in training, or become vacant, since the hours that would have been worked by these employees are worked by other staff who work overtime, by limited term employees, or by contracted workers. This item would restore the 1% reduction that would be deleted under the standard budget adjustment, so that no turnover reduction would be applied to DVA's health care facilities.

**4. RESTORE ONE-TIME FINANCING FOR KING MASTER LEASE PAYMENTS**  
[LFB Paper 777]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
PR	\$599,100	-\$114,000	\$485,100

**Governor:** Provide \$371,100 in 2011-12 and \$228,000 in 2012-13 to maintain one-time funding DVA currently uses to support master lease payments for new furniture DVA purchased for the Veterans Home at King in the 2009-11 biennium.

2009 Wisconsin Act 28 provided one-time funding of \$200,000 in 2009-10 and \$400,000 in 2010-11 to fund the purchase of new furniture for the Veterans Home at King under a master lease agreement. Because funding for this purpose was budgeted in Act 28 as one-time funding, base funding for these payments (\$400,000 annually) would be deleted under standard budget adjustments ("removal of one-time funding"). This item would provide funding for DVA to continue to make these master lease payments in the 2011-13 biennium.

**Joint Finance/Legislature:** Reduce funding in the bill by \$114,000 in 2011-12 to reflect a reestimate of the amount of funding DVA will need to fund master lease payments in the 2011-13 biennium.

**5. DOCUMENT IMAGING SYSTEM -- KING**

PR	\$97,400
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**Governor/Legislature:** Provide \$63,700 in 2011-12 and \$33,700 in 2012-13 to implement a document imaging system for the finance department at the Veterans Home at King. Of the funding that would be provided, \$60,300 in 2011-12 and \$26,000 in 2012-13 would be provided as one-time funding. The imaging system would be used to scan and store electronic versions of veterans' bank statements, stock valuations, life insurance valuations, power of attorney and guardianship documents, explanations of benefits, and income documentation from the Social Security Administration, the U.S. Department of Veterans Affairs, and private pension funds. The imaging system is intended to decrease time associated with filing and retrieving paper documents and reduce physical storage space needed to store them.

**6. ESTABLISH GIFTS AND BEQUEST BUDGET FOR UNION GROVE VETERANS HOME**

PR	\$50,000
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**Governor/Legislature:** Establish a gifts and bequests budget for the State Veterans Home at Union Grove, and estimate that \$25,000 would be expended annually from these sources to provide services at the facility. Currently, DVA is authorized to expend all moneys it receives from gifts and bequests for the operation of the veterans homes. Although funding from this source has been budgeted to support activities at the Veterans Home at King (\$214,700 annually), no budget has been established for these funds for the Veterans Home at Union Grove.

**7. MAINTENANCE FOR WISCONSIN VETERANS MEMORIAL CEMETERY**

PR	\$66,500
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**Governor/Legislature:** Provide \$28,500 in 2011-12 and \$38,000 in 2012-13 to fund contracted maintenance services at the Central Wisconsin Veterans Memorial Cemetery (CWVMC) at King. Currently, building and grounds staff at the Veterans Home at King are responsible for mowing, trimming, pruning, plowing, and landscaping 14 acres of burial fields at

CWVMC. DVA uses funding from the estate of decedents or funding for Veterans Home institutional operations to pay for grounds keeping at the cemetery. This item would provide funding for DVA to contract for these services.

#### **8. TRANSFERS TO THE VETERANS TRUST FUND [LFB Paper 778]**

**Governor:** Authorize DVA to transfer all or part of the unencumbered balance in any of the following Veterans Home program revenue appropriations to the veterans trust fund on June 30 of each fiscal year: (a) the home exchange and work therapy program; (b) Veterans Home cemetery operations; (c) institutional operations; (d) gifts and bequests; (e) gifts and grants intended for geriatric evaluations, research, and education programs; (f) rental fees from state-owned housing at the Veterans Homes; and (g) revenue from geriatric programs.

In addition, repeal an obsolete provision that authorized DVA to transfer up to \$7.0 million in surplus PR balances from the Veterans Homes to the veterans trust fund in the 2007-09 biennium with the approval of the Joint Committee on Finance under a 14-day passive review process.

**Joint Finance/Legislature:** Modify the Governor's provision by: (a) prohibiting transfers from the appropriations funded from gifts and bequests; (b) authorizing DVA to transfer funds from the Veterans Home appropriations to the veterans trust fund only in the 2011-13 biennium; and (c) requiring that any transfer from the Veterans Home program revenue appropriations be contingent upon a 14-day passive review by the Joint Committee on Finance.

[Act 32 Sections: 698, 1242 and 9253(2u)]

#### **9. TRANSFER GERIATRIC PROGRAM BUDGET AND POSITION AUTHORITY [LFB Paper 779]**

**Governor:** Transfer \$199,900 annually and 2.0 positions, beginning in 2011-12, from a program revenue (PR) appropriation that was created to fund DVA's geriatric evaluation, research and education program, to DVA's PR appropriation that supports its general institutional operations.

Prior to 2007, the former medical director at the Veterans Home at King conducted a geriatric research program with four 0.5 nurse positions. The program was funded with revenue from program receipts in an appropriation created for this purpose, separate from the agency's general institutional operations appropriations for the DVA facilities. After research ended in 2007, when the former medical director retired, the four 0.5 nurse positions were reassigned to provide nursing care for units at King, but have been funded under the geriatric program receipts appropriation.

This item would transfer funding for these positions to the institutional operations appropriation for the Veterans Home at King to reflect the work they are currently performing. The bill would retain the geriatric program's appropriation, but no funding would be budgeted for the program.

**Joint Finance/Legislature:** Adopt the Governor's recommendation. In addition, repeal the geriatric program appropriation to reflect that no funding would be budgeted in this appropriation and DVA has no intention of continuing the geriatric program.

[Act 32 Sections: 700c and 1251]

**10. DEBT SERVICE REESTIMATE**

**Governor/Legislature:** Reduce funding by \$7,513,900 (\$374,800 GPR, -\$660,600 PR, and -\$7,228,100 SEG) in 2011-12 and by \$7,541,700 (\$281,500 GPR, -\$581,900 PR, and -\$7,241,300 SEG) in 2012-13 to reflect the current law reestimate of debt service payments for the Veterans Homes.

GPR	\$656,300
PR	- 1,242,500
SEG	<u>- 14,469,400</u>
Total	- \$15,055,600

**11. GPR DEBT RESTRUCTURING -- DEBT SERVICE [LFB Paper 175]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	- \$1,342,400	\$648,900	- \$693,500

**Governor:** Reduce funding by \$1,398,100 in 2011-12 and increase funding by \$55,700 in 2012-13 to reflect the changes in estimated GPR debt service costs associated with the proposed restructuring of general obligation bond and commercial paper GPR principal amounts that would otherwise be paid off in 2011-12. Under the bill, the state would issue refunding bonds to restructure a portion of its outstanding obligation GPR principal debt and would rollover the principal due on its outstanding commercial paper in 2011-12. (See "Building Commission" for additional information regarding this provision.) The increase in debt service for 2012-13 is associated with the initial interest amount due on the additional debt issued to replace the restructured 2011-12 principal amounts.

**Joint Finance/Legislature:** Modify debt service funding by \$671,300 in 2011-12 and -\$22,400 in 2012-13 associated with a \$100,100,000 reduction in restructuring bonding in 2011-12.

# WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

<b>Budget Summary</b>							
Fund	2010-11 Base	2011-13	2011-13	2011-13	2011-13	Act 32 Change Over	
	Year Doubled	Governor	Jt. Finance	Legislature	Act 32	Base Year Doubled	Amount
GPR	\$0	\$35,143,300	\$66,925,300	\$66,925,300	\$66,925,300	\$66,925,300	N.A.
FED	0	72,781,200	40,000,000	40,000,000	40,000,000	40,000,000	N.A.
PR	0	9,722,400	6,500,000	6,500,000	6,500,000	6,500,000	N.A.
SEG	<u>0</u>	<u>78,700,000</u>	<u>48,378,400</u>	<u>48,378,400</u>	<u>48,378,400</u>	<u>48,378,400</u>	N.A.
<b>TOTAL</b>	<b>\$0</b>	<b>\$196,346,900</b>	<b>\$161,803,700</b>	<b>\$161,803,700</b>	<b>\$161,803,700</b>	<b>\$161,803,700</b>	N.A.

<b>FTE Position Summary</b>
As an Authority, there are no state positions for the Wisconsin Economic Development Corporation.

## Budget Change Items

### 1. ESTABLISH FUNDING LEVEL [LFB Paper 786]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$35,143,300	\$32,321,600	\$67,464,900
FED	72,781,200	- 32,781,200	40,000,000
PR	9,722,400	- 2,629,800	7,092,600
SEG	<u>78,700,000</u>	<u>- 30,321,600</u>	<u>48,378,400</u>
<b>Total</b>	<b>\$196,346,900</b>	<b>- \$33,411,000</b>	<b>\$160,935,900</b>

**Governor:** Provide \$18,743,700 GPR in 2011-12, \$16,399,600 GPR in 2012-13, and \$36,390,600 FED and \$4,861,200 PR annually to establish a funding level for the Wisconsin Economic Development Corporation (WEDC). The bill would also create a segregated appropriation for economic development programs with \$38,850,000 SEG in 2011-12, and \$39,850,000 SEG in 2012-13. The funding would be provided from the newly created economic development fund, which is currently the recycling and renewable energy fund, that would be renamed under the bill. (See "Natural Resources -- Air, Waste, and Contaminated Land" for

more information).

**Joint Finance/Legislature:** Make the following base funding adjustments to WEDC's appropriations:

a. Increase expenditure authority for the WEDC program revenue appropriation for transferred general fund moneys from the Department of Commerce [s. 20.192(1)(k)] by \$1,935,100 PR in 2011-12, and decrease expenditure authority by \$4,564,900 in 2012-13, to provide expenditure authority of \$6,500,000 PR in 2011-12 and \$0 in 2012-13. This adjustment would reflect the estimated level of program revenue available to the Corporation.

b. Delete \$16,390,600 FED annually in WEDC to reflect projected federal community development block grant (CDBG) allocations of \$20 million each year

c. Delete \$15,660,800 SEG in 2011-12 and \$16,660,800 SEG in 2012-13 from the WEDC economic development fund, programs appropriation [s. 20.192 (1) (r)] to reflect deletion of tipping fee revenues from the economic development fund. However, additional funding of \$15,660,800 GPR in 2011-12 and \$16,660,800 GPR in 2012-13 would be appropriated in the WEDC operations and programs appropriation [s. 20.192 (1) (a)] to provide economic development program funding that would offset the reduction in funding from the segregated economic development fund.

d. Provide \$1,000,000 environmental fund SEG each year in a biennial appropriation for brownfield site assessment grants. The brownfield site assessment grant program statute would be transferred from DNR to WEDC. WEDC would be required to give funding priority in 2011-12 to site assessment grant applicants who would have been on the DNR 2010-11 funding award list. Grants under the site assessment grant program could not exceed 67% of eligible project costs, and the recipient would be required to cover at least 33% of a project's costs.

e. Require the WEDC to pay from the segregated economic development fund appropriation, the outstanding encumbrances for grants made under the Commerce brownfields grant program. The Commerce appropriation was funded from the environmental management account of the environmental fund and program authority is transferred to WEDC under the bill. The economic development fund would pay approximately \$9 million in encumbrances as grants are closed out on or after July 1, 2011 (consistent with the administration's intent), and the provision would help resolve a deficit in the environmental management account under the original bill provisions.

**Veto by Governor [A-6]:** Delete the requirements that: (a) brownfield site assessment grants awarded by WEDC may not exceed 67% of eligible project costs [a previous provision requiring a recipient to pay approximately 17% of project costs would remain]; and (b) WEDC must give priority in awarding brownfield site assessment grants in 2011-12 to applicants that would have been on the funding list of DNR for awards for 2010-11.

[Act 32 Sections: 501, 501c, 2990r, 2991b, and 9155(3f)]

[Act 32 Vetoed Sections: 2990r and 9155(3g)]

## 2. ADDITIONAL STATUTORY PROVISIONS [LFB Papers 234 and 786]

**Governor:** Make the following additions to statutory provisions governing the WEDC:

a. Specify that all records of the Corporation would be open to the public, under the state open records law, except those records relating to pending grants, loans, or economic development projects that, in the opinion of the Corporation, must remain confidential to protect the competitive nature of the grant, loan, or project.

b. Create a regional economic development organization grant program that would be administered by WEDC. Under the program, the Corporation would be required to award annual grants to regional economic development organizations to fund marketing activities. The maximum grant that could be awarded would be the lesser of the amount of matching funds the organization obtained from sources other than WEDC or the state, or \$100,000.

c. Require WEDC to implement a program to certify qualified Wisconsin businesses for capital gains deferral provisions included in the bill. Under the bill, claimants could exclude long-term capital gains from investments in qualified Wisconsin businesses, if certain other conditions were met. The Corporation would be authorized to certify Wisconsin businesses if it determined certain criteria were met. The Corporation would also be required to notify the Department of Revenue (DOR) of business certifications, expirations, and revocations, and to compile a list of certified businesses, which would be available on WEDC's web site. WEDC would be authorized, in consultation with DOR, to adopt rules to administer the certification process. (See "General Fund Taxes -- Income and Franchise Taxes.")

d. Provide that employees of the Corporation would be eligible to participate in WRS accumulated sick leave conversion programs.

e. Create two statutory subchapters under the WEDC statutes.

The WEDC was created as an authority under 2011 Wisconsin Act 7. It is a public body corporate and politic and has a 13-member board of directors. The Board includes the Governor, who serves as chair, and six members nominated by the Governor, and appointed with the advice and consent of the Senate. The Board also includes three members appointed by the Speaker of the Assembly and three members appointed by the majority leader of the Senate, each consisting of one majority member, one minority member, and one person employed in the private sector.

The Board is required to develop and implement economic programs to provide business support, expertise, and financial assistance to companies that are investing and creating jobs in Wisconsin, and to support new business start-ups, and business expansion and growth in the state. The Board has the authority to develop and implement any other programs related to economic development in Wisconsin, and all the powers necessary and convenient to carry out its responsibilities. In addition, the Board is specifically authorized to: (a) adopt, amend, and repeal any bylaws, policies, and procedures for regulating its affairs and conducting its business; (b) have a seal and alter it; (c) maintain an office; (d) sue and be sued; (e) accept gifts, grants, loans, or other contributions from private and public sources; (f) establish the corporation's annual budget, and monitor the fiscal management of the corporation; (g) execute contracts and

other instruments required for the operation of WEDC; (h) employ any officers, agents, and employees that it may require, and determine their qualifications, duties, and compensation; (i) issue notes, bonds, and any other obligations; (j) make loans and provide grants; and (k) incur debt.

The Governor is required nominate a chief executive officer (CEO) for WEDC to be appointed with the advice and consent of the Senate, and serve at the pleasure of the Governor. The Board is authorized delegate to the CEO any powers and duties that the Board considers proper, and to determine his or her compensation.

Act 7 created a statutory appropriations schedule (section 20.192) to fund WEDC activities, including a GPR, PR, and FED continuing appropriation. The specific appropriations include: (a) a continuing GPR operations and programs appropriation for the operations of WEDC and for funding economic development programs developed and implemented by the Board [20.192 (1) (a)]; (b) a continuing PR appropriation for transferred general fund moneys from the Department of Commerce for the operations of WEDC and for funding economic development programs developed and implemented by the Board [20.192 (1) (k)]; and (c) a continuing federal aid (FED) programs appropriation for federal moneys allocated to fund programs administered by WEDC [20.192 (1) (m)]. No funding was directly appropriated for WEDC under Act 7.

**Joint Finance/Legislature:** Apply the current law Main Street statutory provisions to WEDC (excluding provisions related to state classified positions, the Council on Main Street, the current Commerce appropriation for fee deposits, and the Main Street annual report). In addition, WEDC would be required to expend at least \$250,000 annually on the Main Street program.

WEDC would be statutorily required to establish and administer a state Main Street program to coordinate state and local participation in programs offered by the National Trust for Historic Preservation, National Main Street Center, to assist municipalities in planning, managing and implementing programs for the revitalization of business areas. The corporation would be required to:

- a. Enter into contracts to obtain business area revitalization services provided by the National Main Street Center;
- b. With assistance from interested individuals and organizations, develop a plan describing the objectives of the state Main Street program and the methods by which the corporation would: (1) coordinate the activities of that program with public and private sector business area revitalization; (2) solicit and use private sector funding for business area revitalization; and (3) assist municipalities to engage in revitalization of business areas;
- c. Coordinate with other state and local, public, and private entities that provide services to municipalities undertaking revitalization projects for business areas;
- d. Annually select up to five municipalities representing various geographic areas and populations to participate in the state Main Street program for five years. The program for each

municipality would conclude after three years, except that for each municipality selected since July 29, 1995, the program concludes after five years. The corporation would be required to select program participants representing various geographical regions and populations. A municipality could participate in the program more than one time. However, the Corporation could give priority to municipalities that have not previously participated in the program;

e. Develop criteria for selecting participants in the state Main Street program relating to at least the following: (1) private and public sector interest in, and commitment to revitalization of a business area selected by the municipality; (2) potential private sector investment in the selected business area; (3) local organizational and financial commitment to employ a program manager for at least five years; (4) local assistance in paying for the services of a design consultant; and (5) local commitment to assist in training persons to direct activities related business areas in municipalities that do not participate in the state Main Street program.

f. Provide training, technical assistance, and information on the revitalization of business areas to municipalities which do not participate in the state Main Street program. The Authority is authorized to charge reasonable fees for such information and services.

In addition to the Main Street provisions, specify that all powers and duties assigned to WEDC are exercised and carried out by the WEDC Board, unless the Board delegates the power or duty to an employee of the Corporation.

[Act 32 Sections: 1146, 1147, 1153, 1161, 2859 thru 2863, 2865, 3330c thru 3330s, and 9455(1)]

**3. TRANSFER OF CERTAIN ECONOMIC AND COMMUNITY DEVELOPMENT FUNCTIONS FROM COMMERCE [LFB Papers 238, 239, 243, and 244]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$0	- \$539,600	- \$539,600
PR	<u>0</u>	<u>- 592,600</u>	<u>- 592,600</u>
Total	\$0	- \$1,132,200	- \$1,132,200

**Governor:** Transfer certain economic development functions and programs from the Department of Commerce to the Wisconsin Economic Development Corporation (WEDC). Included in the transfer would be responsibility for administering the following tax credits: (a) early stage business investment credits; (b) electronic medical records credit; (c) jobs credit; (d) food processing plant and food warehouse investment credit; (e) meat processing facility investment credit; (f) woody biomass harvesting and processing credit; (g) economic development credit; and (h) enterprise zone credits. Also, transferred would be responsibility for administering a brownfields grant program, allocation of the federal volume cap on industrial revenue bonds, and administering the Kenosha and Janesville development opportunity zones. Statutory responsibility for discontinued economic activity zones programs including development, enterprise development, technology, and airport development zones and the agricultural development zone would be transferred. WEDC would assume general economic

and industrial development functions, create programs and distribute economic development grants and loans, and would replace Commerce as a member on certain boards and councils. (See "Commerce" for more information.)

**Joint Finance/Legislature:** Make the following adjustments to the corporation's appropriations to reflect the transfer of Commerce programs to various agencies. In total, these adjustments would decrease funding for the WEDC by \$269,800 GPR and \$296,300 PR annually.

a. Transfer \$200,000 GPR annually to DATCP for Dairy 2020 early planning grants (EPG), Milk Volume Production (MVP) loans and similar financial assistance programs. In addition, administration of the food processing plant and food warehouse investment tax credit, meat processing facility investment tax credit, and woody biomass harvesting and processing tax credit would be transferred to the Department of Agriculture, Trade, and consumer protection (DATCP).

b. Delete \$101,200 GPR annually to provide funding for the state relocation unit which is transferred to DOA.

c. Transfer administration of the electronic medical records tax credit to the Department of Revenue (DOR).

d. Provide annual funding of \$250,900 GPR related to 2.0 positions from the Commerce Bureau of Minority Business Development that would be deleted from DSPS. These positions and the related funding were inadvertently transferred to DSPS under the original bill. The additional funds would allow WEDC to employ these positions for minority business development activities.

e. Provide annual funding of \$99,000 GPR. This funding is related to the Women's business initiative corporation grant program that would be deleted under DSPS.

f. Delete \$237,200 PR annually that would not be received from the small business clean air assistance program, and delete the transfer of the 2010-11 unencumbered balance of the small business clean air assistance appropriation to the WEDC PR appropriation.

g. Delete \$59,100 PR annually that would not be received from the manufactured housing rehabilitation and recycling program, and delete the transfer of the 2010-11 unencumbered balance of the manufactured housing rehabilitation and recycling appropriation to the WEDC PR appropriation.

h. Delete \$74,600 GPR annually to correct the transfer of funding for one position who administers the private sewage system replacement and rehabilitation grant program to DSPS.

i. Delete \$243,900 GPR annually in WEDC to reflect fringe benefit cost reductions for Commerce economic and community development staff who would be transferred to WEDC.

[Act 32 Sections: 63, 66, 67, 99, 167, 358 thru 362, 499, 500, 592, 857 thru 860, 868 thru

875, 910, 911, 915, 950, 959, 960, 986, 1088, 1090, 1092 thru 1094, 1161 thru 1167, 1677, 1685, 1731 thru 1739, 1762, 1765 thru 1801, 1803 thru 1821, 1828 thru 1834, 1836, 1843, 1846 thru 1863, 1865 thru 1871, 1898 thru 1938, 1940 thru 1958, 1965 thru 1971, 1973, 1979, 1980, 1983 thru 2002, 2008, 2016 thru 2070, 2077 thru 2083, 2085, 2091, 2092, 2095 thru 2113, 2129, 2133 thru 2135, 2151, 2153 thru 2176, 2192, 2196 thru 2199, 2230 thru 2232, 2239, 2293 thru 2300, 2393, 2432, 2703, 2714, 2715, 2819, 2820, 2824, 2825, 2828 thru 2830, 2833 thru 2846, 2851, 2854, 2924, 2987, 2989, 2990r, 3289, 3305, 3315, 3318, 3327, 3329, 3333, 3341, 3355g thru 3359m, 3365, 3366, 3371, 3408 thru 3438, 3448, 9110(6), and 9210(2)&(3)]

# WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

## Budget Change Items

### 1. FINANCING FOR OUT-OF-STATE PROJECTS [LFB Paper 795]

**Governor:** Provide that projects eligible for financing by the Wisconsin Health and Educational Facilities Authority (WHEFA) would include any project located within or outside of this state. Modify the definition of "project" so that in issuing bonds, a "project" could include more than one project, as well as any combination of projects undertaken jointly with other institutions as under current law. Specify that the proceeds of a WHEFA bond issue could be used for a project in Wisconsin or any other state, except that if the bond proceeds would be used for a project in another state, that project would have to include a substantial component located in Wisconsin, as determined by the Executive Director of WHEFA.

Provide that a participating educational institution would include an entity authorized by state law to provide or operate an educational facility, or an affiliate of that entity, rather than a corporation, agency or association as under current law. Similarly, provide that a participating health institution would include an entity authorized by state law to provide or operate a health facility, or an affiliate of the entity, rather than a corporation, agency, or association as under current law. Specify that a participating research institution would be an entity organized under the laws of this state, or an affiliate of that entity. Specify that a participating child care provider would include an affiliate of a child care provider. Define entity as meaning any person other than a natural person. Define affiliate as an entity that controls, is controlled by, or is under common control with another entity.

**Joint Finance/Legislature:** Modify provision to eliminate a requirement that the Public Finance Authority receive written WHEFA approval before issuing bonds to fund any WHEFA type of project in Wisconsin.

[Act 32 Sections: 1720q, 1720s, and 2768 thru 2781]

### 2. EXCLUSION FOR INTEREST ON CERTAIN WHEFA BONDS OR NOTES

**Governor:** Provide an exclusion from income under the individual income tax, the corporate income and franchise tax, and the income tax on insurance companies for interest income received on bonds or notes issued by the Wisconsin Health and Educational Facilities Authority (WHEFA) provided the bonds or notes are issued to a person who is eligible to receive bonds or notes from another issuer for the same purpose as the bonds or notes issued for the person by WHEFA and the interest income from those other bonds or notes would also be exempt. Extend the exclusion to tax years beginning on January 1, 2011. WHEFA provides capital financing assistance to Wisconsin health care institutions, independent colleges and

universities, and certain continuing care facilities. There is a current law exclusion for interest on WHEFA-issued bonds or notes that are used by health facilities to acquire information technology hardware or software. The administration estimates that the fiscal effect of this provision would be a minimal loss of state tax revenues.

**Joint Finance/Legislature:** Delete provision.

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$0	\$10,126,000	\$0	\$0	\$0	\$0	N.A.
FED	0	69,264,800	0	0	0	0	N.A.
PR	0	2,027,400	0	0	0	0	N.A.
SEG	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	N.A.
<b>TOTAL</b>	<b>\$0</b>	<b>\$81,418,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	N.A.

<b>FTE Position Summary</b>
There are no authorized state positions for the Wisconsin Housing and Economic Development Authority.

## Budget Change Items

### 1. TRANSFER COMMERCE HOUSING PROGRAMS [LFB Paper 250]

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	\$10,126,000	- \$10,126,000	\$0
FED	69,264,800	- 69,264,800	0
PR	<u>2,027,400</u>	<u>- 2,027,400</u>	<u>0</u>
<b>Total</b>	<b>\$81,418,200</b>	<b>- \$81,418,200</b>	<b>\$0</b>

**Governor:** Transfer the following state housing programs from the Department of Commerce (Commerce) to WHEDA: (1) Housing Cost Grants and Loans, or Housing Cost Reduction Initiative [HCRI]; (2) Transitional Housing Grants; (3) State Shelter Subsidy Grant; (4) Local Housing Organizations Grants [LHOG]; and (5) Interest-Bearing Real Estate Trust Account [IBRETA].

Require the Authority to prepare the five-year comprehensive state housing strategy plan. Also, transfer to WHEDA responsibilities for issuing a report on any bill introduced in the

Legislature that affects the development, construction, cost, or availability of housing in the state. Authorize WHEDA to adopt any rules necessary to administer the reporting provision.

Further, transfer statutory authority for administration or matching funding for the following federal programs from Commerce to WHEDA: (1) Projects for Assistance in the Transition from Homelessness [PATH]; (2) housing rehabilitation portions of the Small Cities Community Development Block Grant [CDBG]; and (3) Emergency Shelter Grant under the federal Stewart B. McKinney Homeless Assistance Act.

Create a housing assistance program in WHEDA in the appropriations schedule, and create the following appropriations:

<u>Appropriation</u>	<u>Source</u>	<u>Annual Funding</u>
General operations	GPR	\$509,400
Housing grants and loans (LHOG and HCRI)	GPR	3,097,800
Payments to designated agents (HCRI)	GPR	0
Shelter for homeless and transitional housing grants	GPR	1,413,600
Mental health for homeless persons (PATH matching funds)	GPR	42,200
Housing program services (Non-state agencies)	PR	168,900
Funding for the homeless (IBRETA, State Shelter Subsidy)	PR	422,400
Sale of material and services	PR	0
Housing program services (State agencies)	PR	422,400
Federal funds; state operations	FED	1,632,400
Federal funds; local assistance	FED	10,000,000
Federal funds; aids to individuals and organizations	FED	<u>23,000,000</u>
Total		\$40,709,100

Also, delete obsolete WHEDA appropriations specifying certain transfers from Commerce to the Wisconsin job training reserve fund, which is an inactive WHEDA program.

Specify that assets and liabilities, tangible personal property, and contracts of Commerce related to its housing programs (Subchapter X of Chapter 560) would be transferred to WHEDA on the bill's effective date. Under the bill, WHEDA would assume responsibility for administering state and federal funds for housing assistance as noted above, as well as other federal funding not specifically addressed in the statutes but whose distribution is currently assigned to Commerce by the Governor under s. 16.54 of the statutes. In the event WHEDA failed to perform a duty or satisfy an obligation transferred from Commerce under the bill, the Department of Administration (DOA) would be required to ensure such obligations are met.

Specify WHEDA as the beneficial owner of interest accruing to real estate trust accounts established by real estate brokers to hold client funds. Further, transfer from Commerce to WHEDA or the Department of Safety and Professional Services (DSPS) the authority to examine or audit trust accounts at each entity's discretion. Real estate brokers holding client funds such as down payments or earnest money must hold funds in interest-bearing trust accounts at depository institutions. Commerce receives interest on the trust accounts, the proceeds of which support the

IBRETA program for grants to organizations providing shelter or services to homeless persons.

Under the original bill, WHEDA would have been appropriated \$2,141,800 each year for administration of the transferred housing programs, including \$509,400 GPR and \$1,632,400 FED. As an authority, WHEDA is not a state agency, and staff of the Authority are not included in state position authorizations.

**Joint Finance/Legislature:** Delete provisions transferring Commerce housing programs to WHEDA. Instead, transfer Commerce housing programs and housing-related responsibilities to DOA. [See entry under "Administration" for additional information.] Retain provisions deleting obsolete WHEDA appropriations and cross-references related to transfers from Commerce to the Wisconsin job training reserve fund.

[Act 32 Sections: 713 thru 715, and 2847 thru 2853]

**2. TRANSFER OF WHEDA UNENCUMBERED RESERVES TO THE STATE GENERAL FUND [LFB Paper 800]**

GPR-Transfer \$1,800,000
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**Joint Finance/Legislature:** Require WHEDA to transfer \$900,000 each year of the 2011-13 biennium from its unencumbered reserves, or surplus, to the state general fund.

WHEDA is required by statute to maintain an unencumbered general reserve fund, also referred to as a "surplus." The surplus exists within WHEDA's general fund and consists of any Authority assets in excess of operating costs and other required reserves, particularly those for WHEDA's bond issues. A calculation of unencumbered general reserve funds is done annually at the fiscal year end and reported by WHEDA to the Governor and the Legislature, along with WHEDA's plan to expend these proceeds in the subsequent fiscal year. The allocation plan is known as "Dividends for Wisconsin," and it allocates funding to support single-family homeownership, multifamily housing, small-business and other economic development, and grants to providers of emergency or transitional housing services through the WHEDA Foundation. WHEDA is required to allocate a portion of unencumbered general reserve funds to: (a) match federal funds available under the McKinney Homeless Assistance Act; (b) match federal funds available under the home investment partnership program; and (c) fund the WHEDA property tax deferral loan program. In the 2009-11 biennium, WHEDA was required to transfer \$225,000 each year from its surplus to the state general fund.

[Act 32 Section: 9224(1f)]

**3. GUARANTEED LOAN TO PUBLIC AFFAIRS NETWORK**

**Joint Finance:** Require WHEDA to guarantee, with monies from the Wisconsin Development Reserve Fund (WDRF), loans not to exceed \$5 million, provided: (a) a loan is made to a nonprofit public affairs network with the primary purpose of broadcasting meetings of the Wisconsin Legislature and other programming relating to Wisconsin politics and current

events (WisconsinEye); and (b) the loan is made by the Authority or a lender entering into a guarantee agreement with WHEDA. A loan eligible for a guarantee would: (a) be for operating or capital expenses; (b) not be for entertainment expenses or for refinancing existing debt; and (c) allow the lender, for the purpose of securing loan repayment, to take a security interest in the real or personal property of the borrower.

The Authority would guarantee, through the WDRF, not less than 90% of the principal of the eligible loan, and up to the full amount of loan principal (\$5 million). The Authority would be required to maintain a ratio of at least \$1 in reserve funding for every \$4 in total guaranteed amounts. WHEDA would be authorized to transfer, to the WDRF from the housing rehabilitation loan program administration fund, amounts necessary to support guarantees of eligible loans to nonprofit public affairs networks, but a transfer may not exceed \$5 million. Specify that WHEDA report to the Joint Committee on Finance on the amount and circumstances of any transfer from the housing rehabilitation loan program administration fund to the WDRF within 14 days after the transfer.

A loan issued under these provisions would be for a term of not less than 13 years, and the lender could not require payment of principal or of interest within the first three years after loan closing. Prior to guaranteeing a loan under the section, WHEDA would be required to document to the Secretary of Administration that combined amounts in the WDRF and housing rehabilitation loan program administration fund are sufficient to guarantee the loan.

Interest received from any bonds or notes issued by WHEDA to fund a loan to a nonprofit public affairs network would be exempt from Wisconsin personal and corporate income taxes.

**Assembly/Legislature:** Include the provision, but specify that WHEDA may, rather than shall, guarantee loans to a public affairs broadcasting network, with total guaranteed principal not to exceed \$5 million. Delete provisions specifying a minimum guarantee of 90%. Provide that if the loan defaults, the Legislature, recognizing its moral obligation, expresses its expectation that, if called upon to do so, will make an appropriation to make the Authority whole for defaults on loans to a public affairs broadcasting network guaranteed by WHEDA under the provision.

[Act 32 Sections: 1755d, 1896d, 2015d, 2840m, 2846c, 2846g, and 2846r]

#### **4. PROPERTY TAX DEFERRAL LOAN PROGRAM ELIGIBILITY**

**Joint Finance/Legislature:** Specify eligible participants in the property tax deferral loan (PTDL) program include veterans of the U.S. armed forces, as defined in s. 45.01(12)(a) through (f) of the statutes. These provisions generally include living veterans who have served under honorable conditions. Qualifying veterans would be subject to income and maximum loan limits of the program, but not the age requirement.

The PTDL program provides loans to persons age 65 or older for payment of property taxes and special assessments, including delinquent amounts. The program is intended to allow

elderly persons with limited income and substantial equity in their homes to convert equity to income for payment of property taxes. The loan becomes a lien on the property and is typically satisfied upon the sale of the house or the death of the participant. The income limit for participants is \$20,000. Loans may be up to \$3,525 annually for the primary residence of a participant. The program is currently funded through WHEDA's general reserves. The Authority is also authorized to issue bonds to fund the program, although this authority has never been used.

[Act 32 Sections: 2832g and 2832r]

# WISCONSIN TECHNICAL COLLEGE SYSTEM

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$289,181,400	\$216,494,600	\$216,494,600	\$216,494,600	\$216,494,600	- \$72,686,800	- 25.1%
FED	66,933,800	65,682,800	65,682,800	65,682,800	65,682,800	- 1,251,000	- 1.9
PR	<u>15,585,400</u>	<u>10,413,200</u>	<u>10,413,200</u>	<u>10,413,200</u>	<u>10,413,200</u>	<u>- 5,172,200</u>	- 33.2
<b>TOTAL</b>	<b>\$371,700,600</b>	<b>\$292,590,600</b>	<b>\$292,590,600</b>	<b>\$292,590,600</b>	<b>\$292,590,600</b>	<b>- \$79,110,000</b>	<b>- 21.3%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	30.25	23.25	23.25	23.25	23.25	- 7.00
FED	36.85	28.75	28.75	28.75	28.75	- 8.10
PR	<u>15.20</u>	<u>11.00</u>	<u>11.00</u>	<u>11.00</u>	<u>11.00</u>	<u>- 4.20</u>
<b>TOTAL</b>	<b>82.30</b>	<b>63.00</b>	<b>63.00</b>	<b>63.00</b>	<b>63.00</b>	<b>- 19.30</b>

## Budget Change Items

### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Provide \$109,400 GPR, \$7,600 FED, and \$46,600 PR annually to adjust the base budget for: (a) full funding of continuing salaries and fringe benefits (\$105,600 GPR and \$45,000 PR annually); (b) full funding of lease and directed moves costs (\$3,800 GPR, \$7,600 FED, and \$1,600 PR annually); and (c) minor transfers within the same appropriation.

GPR	\$218,800
FED	15,200
PR	<u>93,200</u>
<b>Total</b>	<b>\$327,200</b>

### 2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

**Governor/Legislature:** Delete \$392,600 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage.

GPR	- \$351,200
FED	- 316,600
PR	<u>- 117,400</u>
<b>Total</b>	<b>- \$785,200</b>

The reductions would include \$175,600 GPR, \$158,300 FED, and \$58,700 PR annually. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. ELIMINATE LONG-TERM VACANCIES**

**Governor/Legislature:** Delete \$1,178,300 (all funds) and 19.3 FTE positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$460,900 GPR and 7.0 GPR positions, \$474,800 FED and 8.1 FED positions, and \$242,600 PR and 4.2 PR positions annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

	Funding	Positions
GPR	- \$921,800	- 7.00
FED	- 949,600	- 8.10
PR	<u>- 485,200</u>	<u>- 4.20</u>
Total	- \$2,356,600	- 19.30

**4. STATE GENERAL AID REDUCTIONS [LFB Paper 805]**

GPR	- \$71,601,400
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**Governor/Legislature:** Delete \$35,800,700 annually for state general aid to technical college districts from base level funding of \$119,335,600. The reduction is equal to 30% of base funding for this purpose.

**5. DISTRICT BOARD LEVY LIMIT [LFB Paper 805]**

**Governor:** Prohibit a technical college district board's tax levy in 2011 and in 2012 from exceeding the district board's tax levy in 2010. For the purposes of this provision, define "tax levy" to exclude taxes levied for the purpose of paying principal and interest on valid bonds and notes. Provide that if the WTCS Board determines that a district board imposed in 2011 or 2012 an excess levy, meaning a levy amount in excess of its 2010 levy, then the WTCS Board must do all of the following: (a) reduce the amount of state aid payments to the district board in the school year in which the district board imposed the excess levy by an amount equal to the amount of the excess levy; (b) ensure that the amount of any reductions in state aid lapses to the general fund; (c) ensure that the amount of the excess levy is not included in determining the limit for the following year; and (d) ensure that, if a district board's excess levy exceeds the amount of state aid that may be reduced, then the excess amount is subtracted from state aid payments in the following years until the total amount of the excess levy is subtracted from state aid payments.

Provide that the Department of Revenue could issue a finding that a district board is not liable for a state aid penalty that would otherwise be imposed if the Department determines that the district board's excess levy is caused by one of the following clerical errors: (a) the Department, through mistake or inadvertence, has assessed to any county or taxation district, in the current year or in the previous year, a greater or lesser valuation for any year than should have been assessed, causing the district board's levy to be erroneous in a way that directly causes

an excess levy; or (b) a taxation district clerk or a county clerk, through mistake or inadvertence in preparing or delivering the tax roll, causes a district board's levy to be erroneous in a way that directly causes an excess levy.

Under current law, a district board's operating levy is limited to 1.5 mills on the full value of the taxable property of the district. The mill limitation is not applicable to taxes levied for the purpose of paying principal and interest on valid bonds or notes. Capital expenditures in excess of \$1.5 million must be approved by referendum.

**Joint Finance/Legislature:** Modify the Governor's provision to prohibit a technical college district board's tax levy in 2011 and 2012 from exceeding the greater of the following: (a) the district board's tax levy in 2010; or (b) the amount generated using the mill rate used for the tax levy in 2010. A district board's mill rate could not exceed 1.5 mills under this provision.

In addition, provide that, for a district board to exceed the levy limit otherwise applicable to the district in 2011 or 2012, the board must adopt a resolution supporting including in the final district budget an amount equal to the proposed excess levy. A district board could not propose an excess levy amount for approval by referendum that would cause the district board's levy rate to exceed 1.5 mills. The district board must notify the System Board and submit a copy of the resolution to the Board, before calling a special referendum for the purpose of submitting the resolution to the electors of the district for approval or rejection. In lieu of a special referendum, the district board may specify that the referendum be held at the next succeeding spring primary or election or September primary or general election, if the election is to be held not sooner than 42 days after the filing of the resolution of the district board. The district board would be required to follow other current law requirements for referenda and elections.

[Act 32 Section: 1095]

## **6. EXEMPTION TO THE LEVY LIMIT FOR REFUNDED OR RESCINDED PROPERTY TAXES**

**Joint Finance/Legislature:** Provide that the levy limit otherwise applicable in 2011 and 2012 would be increased by an amount equal to the amount of any refunded or rescinded property taxes paid by the district board in the year of the levy if the refunded or rescinded property taxes result in a redetermination of the district's equalized valuation by the Department of Revenue. Provide that a district's operating levy may exceed 1.5 mills on the full value of the taxable property in the district for the purpose of paying refunded or rescinded property taxes.

[Act 32 Section: 1095]

## **7. EXEMPTION FROM REFERENDUM REQUIREMENT FOR CERTAIN STUDENT HOUSING PROJECTS**

**Joint Finance/Legislature:** Provide that the referendum requirement for capital expenditures over \$1.5 million does not apply to the portion of a capital expenditure funded with

student housing payments for the purchase or construction, or lease/purchase, of a student residence facility, if the district board uses no revenue derived from its tax levy, state aid, or tuition for the purchase, construction, or lease/purchase of the facility. This provision would first apply to district board resolutions adopted on the effective date of the bill.

[Act 32 Sections: 1094g and 9346(3f)]

**8. ACROSS-THE-BOARD REDUCTIONS**

GPR	- \$31,200
PR	<u>- 261,000</u>
Total	- \$292,200

**Governor/Legislature:** Delete \$15,600 GPR and \$130,500 PR annually as part of reductions to most GPR and PR state operations appropriations excluding salaries and fringe benefits. The following table shows base level funding and annual reduction amounts for the affected appropriations.

	<u>Base</u>	<u>Annual Reduction</u>	<u>Fund Source</u>
<b>Wisconsin Technical College System</b>			
General program operations	\$3,296,800	-\$15,400	GPR
Agricultural education consultant	69,900	-200	GPR
Auxiliary services	16,900	-1,700	PR
Fire schools--state operations	437,900	-19,900	PR
Conferences	80,600	-8,000	PR
Personnel certification	276,600	-7,100	PR
Interagency projects--state operations	692,100	-56,100	PR
Interagency and intra-agency programs	272,900	-27,300	PR
Services for district boards	130,300	-3,200	PR
<b>Educational Approval Board</b>			
Proprietary school programs	497,600	-7,200	PR

**9. PROGRAM REVENUE REDUCTIONS**

PR	- \$4,401,800
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**Governor/Legislature:** Reduce funding by \$2,200,900 PR annually to reduce program revenue spending authority to reflect actual revenues received. Reduce authorized appropriation levels for the following: (a) truck driver training (\$428,200 annually); (b) interagency projects--local assistance (\$1,380,600 annually); and (c) interagency projects--state operations (\$392,100).

**10. FEE REMISSIONS FOR VETERANS AND CERTAIN DEPENDENTS [LFB Paper 749]**

**Governor:** Require each technical college district board to grant a full remission of fees for 128 credits or eight semesters, whichever is longer, less the number of credits or semesters for which the person received remission of tuition and fees from any other technical college,

from the UW System Board of Regents, and from the UW-Madison Board of Trustees, which would be created under the bill, but not less the amount of any tuition or segregated fees paid under the federal Post-9/11 G.I. Bill, to certain veterans, children, and spouses. Specify that this provision would take effect retroactively on January 1, 2010, and would first apply to students who enrolled in the spring, 2010, semester.

Under current law, each technical college district board is required to grant a full remission of fees for 128 credits or eight semesters, whichever is longer, less the number of credits or semesters for which the person received remission of tuition and fees from any other technical college and from the Board of Regents and less the amount of any tuition or segregated fees paid under the federal Post-9/11 G.I. Bill, to certain veterans, children, and spouses. Before granting a remission of tuition and segregated fees to an eligible veteran, child, or spouse, the technical college district board must require the student who is an eligible veteran, child, or spouse to apply to the payment of fees all educational assistance to which the student is entitled under the federal Post-9/11 G.I. Bill. This provision applies even if the student is eligible for benefits under the Montgomery G.I. Bill or certain other federal education programs for veterans and dependents unless the student is eligible for 12 months or less of benefits under those programs.

According to the administration, the intent of this provision is to require technical college district boards, the UW System Board of Regents, and the UW-Madison Board of Trustees to grant a full remission of tuition and fees charged for 128 credits or eight semesters, whichever is longer, without regard to the number of credits or semesters for which the student received educational assistance under federal programs for eligible veterans.

**Joint Finance/Legislature:** Modify the Governor's recommendation to specify that: (a) the Board of Regents and the technical colleges could continue to receive payments under the federal Post-9/11 G.I. Bill; (b) credits or semesters for which the amount paid under the Post-9/11 G.I. Bill covered 100% of resident tuition and fees would not be counted against the 128 credit or eight semester limit; and (c) in the case that the amount paid under the Post-9/11 G.I. Bill covered less than 100% of resident tuition and fees, the proportion of tuition and fees that were remitted by the institution would be counted against the 128 credit or 8 semester limit.

Specify that in the case of distance education, online, or other courses where the amount charged for the course equals at least 100% of the cost of the course, then both the regular fees and any additional fees would be remitted.

[Act 32 Sections: 1096bg thru 1101g, 1239x, 1240x, 9346(1), and 9446(1q)]

## **11. REPEAL NONRESIDENT TUITION EXEMPTIONS FOR CERTAIN UNDOCUMENTED PERSONS**

**Governor/Legislature:** Repeal provisions created in 2009 Act 28 requiring WTCS to consider certain undocumented persons as residents of this state for purposes of admission and tuition if that person meets all of the following requirements: (a) the person graduated from a high school in this state or received a declaration of equivalency of high school graduation from

this state; (b) the person was continuously present in this state for at least three years following the first day of attending a high school in this state or immediately preceding receipt of a declaration of equivalency of high school graduation; and (c) the person enrolls in a district school and provides the district board with proof that the person has filed or will file an application for a permanent resident visa with the U.S. Citizenship and Immigration Services as soon as the person is eligible to do so. Specify that the repeal of these provisions would first apply to persons who enroll for the semester or session following the effective date of the bill.

[Act 32 Sections: 1096 and 9346(2)]

## **12. EDUCATIONAL APPROVAL BOARD -- EXCEPTION TO RESTRICTION ON USE OF THE TERM "COLLEGE"**

**Joint Finance/Legislature:** Provide that a residential facility, whose administrative headquarters and principal place of business is in the Village of Union Grove, and that assists young adults with disabilities in transitioning from home and school to work and independent living, would be permitted to use the term "college" in its name. With limited exceptions, under current law, no higher education entity may use the term "college" or "university" unless it is accredited and provides an educational program for which it awards an associate or higher degree.

[Act 32 Section: 1105n]

## **13. EXEMPT RESEARCH AND STUDIES FROM PUBLIC INSPECTION**

**Governor:** Provide that any governing body that has custody of a record may withhold from public inspection any record that is produced or collected by or for a faculty or staff member of a technical college in conducting research or a study on a commercial, scientific, or technical subject until that information is publicly disseminated or patented. Specify that this would apply to institution and studies sponsored by the research alone or in conjunction with other entities or a private person. Under the bill, this provision would also apply to records produced or collected by UW-Madison and UW System faculty and staff.

**Joint Finance/Legislature:** Delete provision as a non-fiscal policy item.

## WORKFORCE DEVELOPMENT

<b>Budget Summary</b>							
Fund	2010-11 Base Year Doubled	2011-13 Governor	2011-13 Jt. Finance	2011-13 Legislature	2011-13 Act 32	Act 32 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$49,893,600	\$47,842,200	\$48,903,800	\$48,903,800	\$48,903,800	- \$989,800	- 2.0%
FED	450,399,200	426,375,900	415,451,300	415,451,300	415,451,300	- 34,947,900	- 7.8
PR	142,720,600	136,180,600	135,819,200	135,819,200	135,819,200	- 6,901,400	- 4.8
SEG	<u>55,715,600</u>	<u>56,500,400</u>	<u>56,500,400</u>	<u>56,500,400</u>	<u>56,500,400</u>	<u>784,800</u>	1.4
<b>TOTAL</b>	<b>\$698,729,000</b>	<b>\$666,899,100</b>	<b>\$656,674,700</b>	<b>\$656,674,700</b>	<b>\$656,674,700</b>	<b>- \$42,054,300</b>	<b>- 6.0%</b>

<b>FTE Position Summary</b>						
Fund	2010-11 Base	2012-13 Governor	2012-13 Jt. Finance	2012-13 Legislature	2012-13 Act 32	Act 32 Change Over 2010-11 Base
GPR	135.73	126.46	126.46	126.46	126.46	- 9.27
FED	1,289.15	1,033.61	1,040.58	1,040.58	1,040.58	- 248.57
PR	299.66	260.61	257.41	257.41	257.41	- 42.25
SEG	<u>103.55</u>	<u>102.30</u>	<u>102.30</u>	<u>102.30</u>	<u>102.30</u>	<u>- 1.25</u>
<b>TOTAL</b>	<b>1,828.09</b>	<b>1,522.98</b>	<b>1,526.75</b>	<b>1,526.75</b>	<b>1,526.75</b>	<b>- 301.34</b>

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Legislature:** Adjust the agency's base budget by \$1,616,600 GPR, \$3,633,200 PR, and \$935,600 SEG annually, -\$921,100 FED and -137.00 FED positions in 2011-12, and -\$5,344,000 FED and -175.50 FED positions in 2012-13.

The adjustments are for: (a) turnover reduction (-\$170,100 GPR, -\$1,475,300 FED, -\$408,500 PR, and -\$144,900 SEG annually); (b) removal of non-continuing elements from the base (-\$3,599,700 FED and -137.00 FED positions in 2011-12, -\$8,022,600 FED and -175.50 FED positions in 2012-13, and -\$88,300 SEG annually); (c) full funding of continuing position salaries and fringe benefits (\$1,814,900 GPR, \$4,323,300 FED, \$3,907,100 PR, and \$1,190,200 SEG annually); (d) overtime (\$158,300 PR annually); (e) night and weekend pay differential (\$67,400 PR annually); (f) full funding of lease and directed moves costs

	<b>Funding</b>	<b>Positions</b>
GPR	\$3,233,200	0.00
FED	- 6,265,100	- 175.50
PR	7,266,400	0.00
SEG	<u>1,871,200</u>	<u>0.00</u>
<b>Total</b>	<b>\$6,105,700</b>	<b>- 175.50</b>

(-\$28,200 GPR, -\$169,400 FED, -\$91,100 PR, and -\$21,400 SEG annually); and (g) minor transfers within the same appropriation.

The 175.50 positions, which the Governor proposes to be deleted, are federally funded project positions set to expire before the end of 2012-13. These positions include 89.00 positions for the Division of Employment and Training (DET), 85.50 positions for the Division of Unemployment Insurance (UI), and 1.00 position for the Labor and Industry Review Commission (LIRC). Of the 89.00 DET positions (24.00 of which are vacant), 52.00 were funded through ARRA funds, 21.00 were funded from Trade Adjustment Assistance grants, and 16.00 positions were funded through several federal grant awards. The DET positions were added to support training and assistance programs for unemployed workers. The 85.50 UI positions (15.00 of which are vacant) were created in response to the increase in unemployment claims for claims processing, adjudicators of disputed claims, claims investigators, and processing of claims appeals. 80.50 of the UI positions were funded from the general UI grant, and 5.0 were funded from the UI-DET Re-employment Eligibility and Assessment grant. The 1.00 LIRC position was provided for a legal associate, funded 100% by UI grants, to reduce the backlog of UI cases by preparing synopses of UI hearings used to review appeals of decisions made by UI administrative law judges.

**2. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE**

GPR	- \$1,087,000
FED	- 8,798,600
PR	- 2,827,200
SEG	- 924,200
Total	- \$13,637,000

**Governor/Legislature:** Delete \$6,818,500 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage. The reductions would include \$543,500 GPR, \$4,399,300 FED, \$1,413,600 PR, and \$462,100 SEG. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs.

**3. ELIMINATE LONG-TERM VACANCIES [LFB Papers 812 and 813]**

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
GPR	-\$976,800	-9.27	\$26,000	0.00	-\$950,800	-9.27
FED	-6,634,800	-59.76	708,000	6.97	-5,926,800	-52.79
PR	-2,182,000	-15.60	-257,000	-3.20	-2,439,000	-18.80
SEG	-162,200	-1.25	0	0.00	-162,200	-1.25
Total	-\$9,955,800	-85.88	\$477,000	3.77	-\$9,478,800	-82.11

**Governor:** Delete \$4,977,900 (all funds) and 85.88 positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$488,400 GPR and 9.27 GPR positions, \$3,317,400 FED and 59.76 FED positions, \$1,091,000 PR and

15.60 PR positions, and \$81,100 SEG and 1.25 SEG positions annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

**Joint Finance/Legislature:** Increase funding by \$238,500 (all funds) and 3.77 positions annually. As compared to the Governor's bill, this provision modifies funding and position authority for DWD by: (a) providing \$13,000 GPR annually; (b) deleting \$128,500 PR and 3.20 PR positions annually; and (c) providing \$354,000 FED and 6.97 FED positions annually. Funding and position changes, as compared to the bill, reflect modifications requested by the administration to more accurately reflect the Governor's intent regarding the elimination of vacant positions.

**4. BUDGET EFFICIENCY REDUCTIONS [LFB Papers 810, 811, and 816]**

	<b>Governor (Chg. to Base)</b>	<b>Jt. Finance/Leg. (Chg. to Gov)</b>	<b>Net Change</b>
GPR	-\$3,220,800	\$1,035,600	-\$2,185,200
PR	- 949,800	0	- 949,800
FED	<u>0</u>	<u>- 11,632,600</u>	<u>- 11,632,600</u>
Total	-\$4,170,600	-\$10,597,000	-\$14,767,600

**Governor:** Delete \$1,610,400 GPR and \$474,900 PR, annually, as part of budget adjustment efficiency measures. The reductions, by appropriation, are shown below.

<u>Fund</u>	<u>Appropriation</u>	<u>Annual Reduction</u>
GPR	General program operations; workforce development	-\$97,200
GPR	Special death benefit	-52,500
GPR	State supplement to employment opportunity demonstration projects	-22,300
GPR	Local youth apprenticeship grants	-206,500
GPR	Employment transit aids; state funds	-51,600
GPR	Youth summer jobs program	-46,900
GPR	General program operations; review commission	-1,000
GPR	Vocational rehabilitation; purchased services for clients	-1,132,400
PR	Auxiliary services	-42,200
PR	Local agreements	-195,900
PR	Unemployment interest and penalty payments	-181,600
PR	Child labor permit system; fees	-2,800
PR	Nursing workforce survey and grants	-17,300
PR	Vocational rehabilitation services for tribes	<u>-35,100</u>
	Total	-\$2,085,300

The reduced funding represents a cut of approximately 10% of the agency's adjusted base amount for the following appropriations: (a) special death benefits; (b) state supplement to employment opportunity demonstration projects; (c) local youth apprenticeship grants; (d) employment transit aids; state aids; (e) youth summer jobs program; (f) auxiliary services; (g) local agreements; (h) nursing workforce survey and grants; and (i) vocational rehabilitation services for tribes. Among the other appropriations, budget efficiency reductions reflect reduced

base funds of approximately: (1) 1.7% for general program operations; workforce development; (2) 0.6% for general program operations; review commission; (3) 7.5% for vocational rehabilitation; purchased services for clients; (4) 8.9% for unemployment interest and penalty payments; and (5) 0.6% for child labor permit system; fees.

**Joint Finance/Legislature:** Increase funding by \$517,800 GPR, annually, for the following appropriations:

<u>Fund</u>	<u>Appropriation</u>	<u>Annual Change to Bill</u>
GPR	General program operations; workforce development	\$97,200
GPR	Special death benefit	52,500
GPR	Vocational rehabilitation; purchased services for clients	<u>368,100</u>
	Total	\$517,800

The additional funding is provided to: (a) update information technology infrastructure for three central database systems maintained by the Equal Rights Division; (b) reestimate the sum sufficient appropriation for special death benefits at a higher amount to more accurately reflect current estimates of anticipated payments; and (c) increase state matching funds for vocational rehabilitation services.

The additional vocational rehabilitation funds were restored in order to meet federal maintenance of effort requirements. These additional state funds will generate federal matching funds of \$1,360,100 in each year. However, the amount of federal rehabilitation funding included in the Governor's bill was overstated by \$7,176,400 annually. Therefore, federal funding is reduced by \$5,816,300 in each year to account for the net impact of these two adjustments

## **5. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS**

**Governor/Legislature:** Delete 2.0 PR classified positions and provide 2.0 PR unclassified positions under DWD's administrative services appropriation.

Under 2011 Act 10, 38 classified positions were transferred into the unclassified service to serve as division administrators. Act 10 also redefined "administrators" to include "other managerial positions determined by an appointing authority." The State Budget Office indicates that personnel from three separate employment areas (attorney services positions, communications positions, and legislative liaison positions) would be moved from classified to unclassified service within specified agencies. The revised unclassified positions would be renamed as either chief legal advisors, communications directors, or legislative advisors. Individuals in these unclassified positions would be at will employees appointed by the heads of the respective agencies.

The provisions in the 2011-13 biennial budget bill effectuate the intent of Act 10 in regards to the transfer of classified positions to unclassified positions as recommended by the

Governor.

**6. CONVERT LEGISLATIVE LIAISON FROM CLASSIFIED TO UNCLASSIFIED POSITION [LFB Paper 814]**

**Governor:** Convert 1.0 PR classified legislative liaison position to an unclassified position under DWD's administrative services appropriation. As noted in the prior entry, 2011 Act 10 transferred 38 classified positions into the unclassified service to serve as division administrators, including 2.0 DWD positions. A technical amendment would be required to accomplish the administration's goal of converting one additional classified position into an unclassified position as compared to current law as amended by Act 10.

**Joint Finance/Legislature:** Adopt a technical amendment to specify that the number of division administrators authorized under the budget bill for DWD would increase to nine.

[Act 32 Section: 2755a]

**7. MOVE ACCOUNTANT POSITION TO DEPARTMENT OF CHILDREN AND FAMILIES (DCF)**

	<b>Funding</b>	<b>Positions</b>
PR	- \$223,200	- 1.00

**Governor/Legislature:** Delete \$111,600 and 1.00 position annually related to the transfer to DCF of one position and the incumbent employee, if any, holding that position in DWD performing duties that are primarily related to local agency reimbursement contracts for programs administered by DCF, as determined by the Secretary of Administration. Specify that the transferred employee would maintain the same rights and status at DCF that he or she enjoyed in DWD immediately prior to the transfer and that if the employee had attained permanent employment status, the employee would not be required to serve a probationary period. The proposed transfer would take effect on the day following publication of the budget bill.

According to DWD, the person occupying the position is an advanced accountant that currently allocates 100% of their workload to DCF and performs the following tasks: (a) manages and processes payments associated with DCF grants run through the Central Office Reporting System; (b) processes and performs calculations based on information from county related DCF programs, which is used to determine cost allocations; (c) determines the amount owed to the state and federal government for collections by county agencies and incentives earned by county agencies; and (d) performs audits of purchases by DCF staff. DWD reports that DCF has paid 100% of the cost for this position since 2008-09.

[Act 32 Section: 9154(1)]

**8. DELETE POSITIONS FROM THE DIVISION OF EMPLOYMENT AND TRAINING**

	<b>Funding</b>	<b>Positions</b>
FED	- \$2,324,800	- 20.28
PR	- <u>2,499,400</u>	- <u>22.45</u>
Total	- \$4,824,200	- 42.73

**Governor/Legislature:** Delete \$1,162,400 FED and \$1,249,700 PR, annually, and delete 20.28 FED and 22.45 PR positions from the Division of Employment and Training. Of these positions, 5.28 FED and 22.45 PR positions managed certain programs, such as W-2 and the Bureau of Child Support, on behalf of DCF during the transition of programs from DWD to DCF. DCF had previously paid DWD 100% of the cost of these 27.73 positions; therefore, funding for these positions no longer existed and the positions became vacant once DCF assumed management responsibility for these programs. The remaining 15.00 FED positions were mostly Employment and Training Specialists; however, those positions are currently vacant and funding for those positions no longer exists.

**9. UNEMPLOYMENT TAX AND ACCOUNTING SYSTEM; ASSESSMENTS**

PR	- \$5,124,800
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**Governor/Legislature:** Delete \$2,562,400 annually, to reflect the expiration of assessments for the unemployment tax and accounting system. The proposal would reduce expenditure authority under this appropriation to \$0. Prior to 2010, each employer that is subject to contribution financing was required to pay an assessment to the administrative account of the unemployment reserve fund equal to the lesser of 0.01% of its payroll for that year or the solvency contribution that would otherwise be payable by the employer for that year. Because the assessment is no longer being imposed, no fee revenue will be generated for this appropriation in 2011-12 or 2012-13.

**10. VOCATIONAL REHABILITATION -- HOMECRAFT SERVICES**

**Governor/Legislature:** Eliminate the requirement that DWD provide the following services to eligible persons with severe disabilities through the Division of Vocational Rehabilitation (DVR): (a) craft instruction; (b) home-based employment and craftwork opportunities; and (c) assistance in marketing finalized homecraft products. According to the Department, federal law prohibits the provision of these services with federal vocational rehabilitation monies. The proposal would eliminate references in state law to services that are no longer provided by DVR.

[Act 32 Sections: 1317 thru 1320]

**11. ELIMINATE UNUSED APPROPRIATIONS**

**Governor/Legislature:** Repeal DWD's GPR appropriation for assistance for dislocated workers, and repeal the Department's PR appropriation for dislocated worker program grants. The Governor has recommended deleting these two appropriations due to inactivity and lack of funding. Funding was last provided to the assistance for dislocated worker appropriation in 1994-95. The appropriation for dislocated worker program grants was created pursuant to 1989

Act 44, and funding was never provided for this appropriation.

[Act 32 Sections: 683, 684, and 2392]

**12. PROGRAM REVENUE REESTIMATE [LFB Paper 815]**

PR	- \$104,400
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**Joint Finance/Legislature:** Reestimate the amount of program revenues generated and reduce expenditure authority by \$106,500 PR, annually, for the enterprises and services for blind and visually impaired appropriation. Reestimate the amount of revenues generated by the following two appropriations, and increase annual expenditure authority by: (a) \$53,300 PR for the supervised business enterprise appropriation; and (b) \$1,000 for the gifts and grants appropriation. DWD indicates that these modifications would be a more accurate estimate of revenues that would accrue to these three program revenue appropriations under the budget bill.

**13. GPR-EARNED REESTIMATE [LFB Paper 817]**

GPR-Earned	- \$864,300
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**Joint Finance/Legislature:** Reestimate GPR-Earned from DWD at \$171,900 in 2011-12 and \$173,600 in 2012-13. As compared to the bill, the reestimates are \$322,700 lower in the first year and \$541,600 lower in the second year. The amounts included in the original bill of \$494,600 in 2011-12 and \$715,200 in 2012-13 were calculated incorrectly. This reestimate reflects the correct calculation.

**14. UNEMPLOYMENT INSURANCE BENEFITS -- DRUG TESTS**

**Joint Finance:** Require that if a person fails or refuses to take a test for the presence of illegal drugs that is required by an employer or prospective employer as a condition of employment, the employer or prospective employer must report the failure or refusal to DWD. Require DWD to retain information reported under this provision for the purpose of determining eligibility for unemployment insurance benefits. Specify that such individuals are ineligible to receive unemployment benefits for the following 12 months. Specify that these provisions apply to the extent permitted under federal law.

**Assembly/Legislature:** Delete the Joint Finance provisions. Instead, specify that an employee's failure to accept an offer of work under laws governing failure to accept suitable work includes: (a) an employee's refusal, without good cause, to take a test for illegal drugs given on behalf of the employer as a condition of an offer or employment; or (b) an employer's withdrawal of, or failure to extend, a job offer due to a positive test result. Specify that, under laws governing failure to accept suitable work, a drug test may not be found to be positive for illegal drugs unless the test was conducted and certified in a manner approved by DWD. Specify that this provision would apply only to the extent permitted by federal law. Require an employer to report to DWD an employee's positive test or refusal to take a drug test as required or approved by the Department. Specify that DWD must retain drug test information obtained from the employer for purposes of determining eligibility for benefits. According to DWD, this provision is estimated to reduce unemployment insurance benefit payments by \$367,000, annually.

Under current law, if it is determined that an employee, without good cause, fails to accept suitable work when offered or fails to return to work when recalled, the employee is ineligible to receive any unemployment benefits unless he or she requalifies. In order to requalify, four weeks must have elapsed since the employee failed to take work and the employee must earn wages equal to at least four times the weekly benefit rate he or she would have received had the failure to accept work not occurred. This provision specifies that if a claimant or employee were to refuse to take, or fail, a test for the presence of illegal substances, the claimant or employee would be disqualified from receiving benefits under the current law suitable work provisions.

[Act 32 Sections: 2403t thru 2403x, and 9354(2q)]

## 15. UNEMPLOYMENT INSURANCE -- ONE WEEK WAITING PERIOD

**Joint Finance/Legislature:** Require a one-week waiting period prior to receiving unemployment insurance benefits. Specify that this provision would become first effective January 1, 2012. According to DWD, a one-week waiting period is estimated to reduce benefits paid to unemployment insurance claimants by between \$41 million and \$56 million per year, depending on the unemployment rate.

[Act 32 Sections: 2403e, 2403s, and 9354(1q)]

## 16. CHILD LABOR

**Joint Finance/Legislature:** Modify laws governing hours of employment for minors in the following manner:

### Hours of Labor

Repeal the current law prohibition that no minor under age 18 may be employed or permitted to work at any gainful occupation other than domestic service, farm labor, or service as an election inspector for more than eight hours in any one day, nor more than 40 hours or six days in any week, nor during hours the minor is required to attend school. Instead, specify that no minor under age 18 may be employed or permitted to work at any gainful occupation during such hours as the minor is required to attend school.

Repeal the current prohibition that no minor under age 16 may be employed or permitted to work in any gainful occupation, other than domestic service or farm labor more than 24 hours in any one week, nor, except in domestic service, farm labor, or in public exhibitions, or in street trades before 7 a.m. nor after 6 p.m. Instead, provide that no minor under 16 years of age may be employed or permitted to work in any gainful occupation, other than in domestic service, farm labor, or public exhibitions, as follows:

- a. For more than three hours on a school day or eight hours on a nonschool day;
- b. For more than 18 hours in a school week or 40 hours on a nonschool week;
- c. For more than six days in a week;
- d. Before 7 a.m. or after 7 p.m. from the day after Labor Day to May 31; or
- e. Before 7 a.m. or after 9 p.m. from June 1 to Labor day.

## Hours of Work in Street Trades

Modify laws governing hours of work to require DWD to determine and fix reasonable hours of employment for minors in street trades to, instead, only determine and fix such hours if the minor is under 16 years of age. Specify that DWD may not fix hours of employment for minors under 16 years of age in street trades that exceed the maximum hours per day and week, the maximum days per week, or that begin earlier or end later than the hours specified above. Prohibit DWD from limiting hours of employment for minors 16 years of age or over in street trades or the hours of employment for minors of any age who are engaged in the delivery of newspapers to the consumer.

## General Standards for Employment of Minors

Modify laws governing general standards for employment of minors to specify that only minors under 16 years of age are subject to laws prohibiting a minor to be employed or permitted to work at any employment for such hours of the day or week, for such days of the week, or at such periods of the day as may be dangerous or prejudicial to the life, health, safety, or welfare of the minor.

## Powers and Duties of DWD Relating to Employment of Minors

Modify laws governing DWD's authority to investigate and fix reasonable classifications of employment for minors to apply only to minors under the age of 16. In addition, specify that for minors under 16 years of age, DWD may not fix hours of employment that exceed the maximum hours per day and per week, exceed the maximum hours per week, exceed the maximum days per week, or begin earlier or end later than the hours specified above. Provide that, for minors 16 years of age or over, DWD may fix the duration of lunch or other rest periods, but may not limit hours of employment or issue general or special orders fixing maximum hours of employment per day or per week, maximum days or employment per week, or hours at which employment may begin or end.

Under current law, DWD may issue orders fixing hours of employment for minors. Current law generally defines a minor as a person who has not attained the age of 18 years. DWD has promulgated the following rules limiting the maximum hours per day, hours per week, and times of day that minors may work:

	Hours per Day	
	<u>Minors 16 or Over</u>	<u>Minors Under 16</u>
School days other than the last school day of the week	5	4
Nonschool days and the last school day of week	8	8

	Hours per Week	
	<u>Minors 16 or Over</u>	<u>Minors Under 16</u>
Weeks in which there are 5 school days	26	18
Weeks in which there are 1 to 4 school days	32	24
Weeks in which there are no school days	50	40

**Times Minors are Permitted to Work**

Minors 16 or Over

Minors Under 16

School days	Between 7 a.m. and 11 p.m.	Between 7 a.m. and 8 p.m.
Nonschool days in a school week	Between 5 a.m. and 12:30 a.m.	Between 7 a.m. and 11 p.m.
Day in a nonschool week	No Limit	Between 7 a.m. and 11 p.m.

Under the federal Fair Labor Standards Act (FLSA), minors 16 years of age and older are not subject to any limits on hours per day and per week, days per week, or times of day. The FLSA imposes such limitations on the number of hours, days, and times a minor under the age of 16 may work in the following manner:

**Minors under 16 Years of Age**

	<u>Hours per Day</u>
School days	3
Nonschool days	8
	<u>Hours per Week</u>
School weeks	18
Nonschool weeks	40
	<u>Times of Day Permitted to Work</u>
Day after Labor Day to May 31	Between 7 a.m. and 7 p.m.
June 1 to Labor Day	Between 7 a.m. and 9 p.m.

The Joint Finance provisions would generally modify laws governing hours per day, hours per week, or permitted times of day that a minor is permitted to work for minors to be the same as federal requirements for minors under 16 years of age. The provisions would eliminate such current law requirements for minors 16 years of age and older.

Under current law, the number of days that any minor may work in a week is limited to six days. These provisions would limit any minor under the age of 16 to work no more than six days per week; however, the provisions would eliminate the current law restriction on the number of days per week a 16 or 17 year old is permitted to work.

[Act 32 Sections: 2390b and 2390zk thru 2390zp]

**17. PREVAILING WAGE**

**Joint Finance:** Make the following modifications to prevailing wage law. The first item, creating an exemption for nursing home projects, would take effect on the budget bill's effective date. The other changes would take effect on January 1, 2012.

**Exemption for Nursing Homes**

Provide an exemption from local prevailing wage law for a nursing home project of public

works in a county with a population of less than 50,000, if the project breaks ground within one year after the effective date of the budget bill.

### **Exemption for Residential Projects**

Specify that a project of state or local public works involving the erection, construction, repair, remodeling, or demolition of a residential property containing two dwelling units or less is not subject to prevailing wage law.

### **Exemption for Residential Development**

Provide an exemption for any residential development from laws governing municipal prevailing wage and hour scales. Define "residential development" to mean any development where 90% of the approved lots contain or will contain a dwelling. Define "dwelling" to mean any building that contains one or two dwelling units. Specify that the determination of whether a development is a residential development is determined at the time the development was approved by the applicable government authority. Specify that this exemption would apply to any work that is paid for by a developer and then dedicated over to a municipality, including work performed on a road, street, bridge, sanitary sewer, or water main project.

### **Exemption for Chip/Slurry Seal**

Specify that, in addition to the exemption under current law for chip and slurry work with a projected life span of less than five years, all chip and slurry work performed by towns is exempt from the prevailing wage law, except for work funded through the Town Road Improvement Program under the Local Roads Improvement Program.

### **Exemption for Trucking Activities**

Make the following changes to the current state and local prevailing wage laws governing covered employees:

Under current law, the prevailing wage provisions do not apply to a laborer, worker, mechanic, or truck driver who is regularly employed to process, manufacture, pick up or deliver materials or products from a commercial establishment that has a fixed place of business from which the establishment *regularly* supplies processed or manufactured materials or products unless either of the following applies:

- a. The individual is employed to go to the source of mineral aggregate that is to be immediately incorporated into the work, and not stockpiled or further transported by truck, pick up that mineral aggregate, and deliver that mineral aggregate to the site of a covered project by depositing the material substantially in place, directly or through spreaders from the transporting vehicle; or
- b. The individual is employed to go to the site of a covered project, pick up excavated material or spoil from the site of the project, and transport that excavated material or spoil away from the site of the project.

This Joint Finance provision would modify the above provisions by: (1) specifying that the individual would not have to be regularly employed in the activities described above in order to be exempt from coverage; (2) specify that prevailing wage law also does not apply to an individual delivering products from a facility that is not dedicated to a project; and (3) amending "a" above to specify that in order to be covered, the individual would have to be employed to go to the source of mineral aggregate and deliver that mineral aggregate to the site of a covered project by depositing the materials directly in final place, from the transporting vehicle or through spreaders from the transporting vehicle.

### **Work Performed Without Compensation**

Eliminate the current law exemption from the municipal and state prevailing wage laws for public works projects in which the labor for the project is provided by unpaid volunteers. Instead, specify that the state and municipal prevailing wage laws do not apply to projects for which the governmental unit contracting for the project is not required to compensate any contractor, subcontractor, contractor's or subcontractor's agent, or individual for performing the work.

### **Night Shift Differential and Holiday Pay**

Modify current law regarding certification of prevailing wage rates for highway projects to require that DWD must, in addition to the current prevailing wage rates, include Sunday pay, holiday pay, and shift differential, with the exception of height pay, pay for work with particular products, and supervisory pay, provided for in the collective bargaining agreement or a successor agreement.

### **Prevailing Wage Survey**

Specify that governmental units are exempt and precluded from filing a prevailing wage survey if the governmental unit performs any construction work

### **Statewide Concern; Uniformity**

Provide that the Legislature finds that the enactment of ordinances or other enactments by local governmental units requiring laborers, workers, mechanics, and truck drivers employed on projects of public works or on publicly funded private construction projects (as defined under current law) to be paid the prevailing wage rate and to be paid at least 1.5 times their hourly basic rate of pay for hours worked in excess of the prevailing hours of labor would be logically inconsistent with, would defeat the purpose of, and would go against the spirit of laws governing municipal prevailing wage and hours and the repeal of laws governing publicly funded private construction projects. Specify that these provisions must be construed as an enactment of statewide concern for the purpose of providing uniform prevailing wage rate and prevailing hours of labor requirements throughout the state.

Prohibit a local governmental unit from enacting and administering an ordinance or other enactment requiring laborers, workers, mechanics, and truck drivers employed on projects of public works or on publicly funded private construction projects to be paid the prevailing wage rate and to be paid at least 1.5 times their hourly basic rate of pay for hours worked in excess of the prevailing

hours of labor or any similar ordinance or enactment. Specify that any such ordinance or other enactment that is in effect on the effective date of this provision is void.

### **Project Thresholds**

Eliminate the current provision specifying that the prevailing wage laws for municipal and state public works projects do not apply to projects for which the estimated cost of completion is below \$25,000. Instead, specify project thresholds of: (a) \$48,000 for single-trade projects; (b) \$234,000 for multiple-trade construction projects conducted by townships or by cities and villages with populations of less than 2,500, provided that the work is contracted with a private contractor; and (c) \$100,000 for all other multiple-trade municipal and state public works projects. Define "single-trade project" as a project in which a single trade accounted for 85% or more of the total labor cost of the project. Define "multiple-trade project" as a project in which no single trade accounted for 85% or more of the total labor cost of the project.

### **Reporting Requirements**

Repeal the monthly wage reporting requirements for contractors, subcontractors, or contractor's or subcontractor's agents enacted in 2009 Act 28. Under current law, if a contractor, subcontractor, or agent of a contractor or subcontractor performs work on a project that is subject to the prevailing wage laws, the contractor, subcontractor, or agent must submit to DWD in an electronic format a certified record of hours worked by, and wages paid to, its employees who worked on the project in that preceding month. However, if all persons employed by the contractor, subcontractor, or agent who are performing work on a covered project are covered under a collective bargaining agreement and the wage rates for those persons are not less than the prevailing wage rate, the contractor, subcontractor, or agent must submit to DWD in an electronic format a copy of all collective bargaining agreements that are pertinent to the project of public works by no later than the end of the first week of the first month in which the contractor, subcontractor, or agent performs work on the project of public works.

Repeal the requirement that DWD post the reported information on its Internet site. Current law requires DWD to post on its Internet site all certified records and collective bargaining agreements submitted under the above provisions, except that DWD may not post the name of or any other personally identifiable information relating to any employee of a contractor, subcontractor, or agent that submits the information to the Department.

### **Inspection of Records**

Modify the current law provisions requiring DWD to inspect contractor wage records for state and local projects subject to prevailing wage law when requested by individuals to, instead, specify that if another party requests that DWD inspect a contractor's records, the contractor is required to submit records for four weeks of payroll only once per calendar quarter for each project. Require these reports to be available for public inspection. Specify that, once a request is made under this provision, the Department may not approve a request for an inspection of records if made by any other party in the same calendar quarter for that project. Specify that no fee would be charged to any party making such a request. Require that a unique identifier must be included on

the report so that the identity of employees listed is in compliance with state and federal laws governing divulging personal information. These provisions would replace the current law provisions governing inspection of records.

Under current law, if requested by any person, DWD must inspect the payroll records of any contractor, subcontractor, or agent performing work on a project that is covered by the prevailing wage law to ensure compliance. In the case of a request made by a person performing covered work, if DWD finds that the contractor, subcontractor, or agent subject to the inspection is in compliance and that the request is frivolous, the Department must charge the person making the request the actual cost of the inspection. In the case of a request made by a person not performing covered work, if DWD finds that the contractor, subcontractor, or agent subject to the inspection is in compliance and that the request is frivolous, the Department must charge the person making the request \$250 or the actual cost of the inspection, whichever is greater.

### **Publicly Funded Private Construction Projects**

Repeal the prevailing wage statutes regarding publicly funded private construction projects, which were adopted in 2009 Act 28.

2009 Act 28 created the state prevailing wage law for publicly funded private construction projects, which is similar to prevailing wage laws for municipal and state public works projects. These provisions generally apply to any owner or developer of real property who enters into a contract for the erection, construction, remodeling, repairing, or demolition of any publicly funded private construction project. "Publicly funded private construction project" means a construction project in which the developer, investor, or owner of the project receives direct financial assistance from a local governmental unit for the erection, construction, repair, remodeling, or demolition, including any alteration, painting, decorating, or grading, of a private facility, including land, a building, or other infrastructure. A "publicly funded private construction project" does not include a project involving any of the following:

- a. Residential property, if the project is supported by affordable housing grants, home improvement grants, or grants from a local housing trust fund.
- b. A residential property containing four dwelling units or less.
- c. A residential property that contains retail, office, or commercial components, if the project is intended to increase the supply of affordable housing in the community.

"Direct financial assistance" is defined as moneys, in the form of a grant or other arrangement or included as part of a contract or cooperative agreement, or any other arrangement, including a redevelopment agreement under the municipal blight elimination and slum clearance law, economic development agreement contract for a project under the tax increment finance law, or assistance provided under the municipal business improvement district law, that a local governmental unit directly provides or otherwise makes available to assist in the erection, construction, repair, remodeling, or demolition of a private facility. The Act 28 provisions do not apply to projects that receive less than \$1 million in direct financial assistance from local units of

government.

**Assembly/Legislature:** Modify the effective date so that all of the provisions modifying laws governing prevailing wage take effect on the general effective date of the bill instead of January 1, 2012. In addition to the Joint Finance changes to the current law exemption for trucking activities, specify that an establishment would not have to *regularly* supply processed or manufactured materials or products in order for the exemption to apply.

[Act 32 Sections: 354y, 1727mb thru 1727y, 2390c thru 2390zhi, 2390zr, 2404c, 2404q, 2725t, 3534e thru 3535h, 9154(2c), and 9354(1u)]

## **REPORTS AND STUDIES**

## REPORTS AND STUDIES

Date Due	Nature	Prepared By	Reported To
Quarterly	<b>Investment Board Expenditure and Position Reports.</b> Quarterly reports identifying all operating expenditures and the number of full-time equivalent positions created or abolished during that quarter. [Sections 868e thru 868g]	State of Wisconsin Investment Board	Department of Administration, the Co-Chairpersons of the Joint Committee on Finance, and the Co-Chairpersons of the Joint Committee on Audit
Quarterly, beginning within 90 days of the effective date of the act	<b>Unspecified Medical Assistance (MA) Program Changes.</b> Updated descriptions of any MA program changes implemented by DHS, including a description of any amendments to the state MA plan, estimates of the projected savings of those changes, and projections of the total MA benefit expenditures during the biennium and how these projections compare to the funding in the 2011-13 biennial budget act. [Section 1423k]	Department of Health Services	Joint Committee on Finance
Within 14 days of transfer	<b>WHEDA Transfers Report.</b> Report on the amount and circumstances of transfers, if any are made, from the housing rehabilitation loan program administration fund to the Wisconsin Development Reserve Fund (WDRF). Transfers would be for the purpose of providing sufficient WDRF reserves for guarantees made for loans to a public affairs broadcasting network. [Section 2840m]	Wisconsin Housing and Economic Development Authority	Joint Committee on Finance
Annually	<b>Investment Board Appearance and Report.</b> Officials of the Investment Board must appear each fiscal year at the first quarterly meeting under s. 13.10 of the Joint Committee on Finance to provide an update of the Board's budget changes, position authorization changes, assessment of the funds under management, and performance of the funds under management for the current and next fiscal year. [Section 868j]	State of Wisconsin Investment Board	Joint Committee on Finance
No later than July 1, 2011	<b>Implementation of 2011 Act 23 (Voter Identification).</b> Prior to making any expenditures for public outreach and information under the provisions of 2011 Act 23, submit a written plan identifying the specific proposed purposes for the expenditures and proposed amounts to be expended for each specific purpose. [Section 9118(1q)]	Government Accountability Board	Joint Committee on Finance

Date Due	Nature	Prepared By	Reported To
August 31, 2011	<b>Local Child Support Incentive Payments.</b> Detailed plan for distributing child support incentive payments to counties during calendar years 2012 and 2103, including a description of the method used to calculate the distributions. [Section 9108(2i)]	Department of Children and Families	Joint Committee on Finance
September 1, 2011	<b>Subsidized Guardianship Training.</b> A proposal for a subsidized guardianship training curriculum and a statewide guardianship training program, including an estimate of the cost of providing that training program, as part of the annual income augmentation plan. [Section 9108(1u)(b)]	Department of Children and Families	Department of Administration
October 1, 2011	<b>Student Information System.</b> DPI must submit a plan for the expenditure of \$15,000,000 for a student information system to the Governor for approval. Once approved by the Governor, the plan must be submitted to JFC for its approval. [Section 9137(1)]	Department of Public Instruction	Governor and Joint Committee on Finance
No later than October 31, 2011	<b>Study of Group Insurance Board Health Insurance Options.</b> Study of the feasibility of all of the following: (a) offering to employees eligible to receive health care coverage under the Group Insurance Board, beginning on January 1, 2013, the options of receiving health care coverage through either a low-cost health care coverage plan, or through a high-deductible health plan and the establishment of a health savings account, as defined in federal law; (b) implementing a three-level health insurance premium cost structure that would establish separate premium levels for single individuals, married couples with no dependents, and families with dependents; (c) implementing a program to provide an online marketplace for the purchase of prescription drugs as a supplement to the pharmacy benefit management program provided under the plans offered by the Group Insurance Board; (d) requiring state employees to receive health care coverage through a health benefits exchange established pursuant to the federal Patient Protection and Affordable Care Act of 2010; and (e) creating a health care insurance purchasing pool for all state and local government employees and individuals receiving health care coverage under the Medical Assistance program. [Section 9143(2q)]	Director of the Office of State Employment Relations and Secretary of the Department of Employee Trust Funds	Governor and Joint Committee on Finance
November 15, 2011 (and biennially thereafter)	<b>Land Acquisition Goals.</b> A biennial report which specifies DNR's land acquisition goal in acres. [Section 822t]	Department of Natural Resources	Joint Committee on Finance, legislative standing committees on natural resources

Date Due	Nature	Prepared By	Reported To
November 15, annually	<b>Land Management Contracts.</b> Expand the current law requirement that DNR submit an annual report regarding contracts with NCOs and private companies to include contracts with NCOs and other third parties for land management, maintenance, and improvement activities on DNR land. [Section 822s]	Department of Natural Resources	Joint Committee on Finance
December 31, 2011	<b>MA and FoodShare -- Photo ID and Nutritional Foods and Beverages.</b> Study on the costs and feasibility of the following policies: (a) requiring MA enrollment cards and FoodShare electronic benefit transfer cards to contain a photo of the beneficiary; and (b) promoting the purchase of, and requiring FoodShare beneficiaries to purchase, nutritional foods and beverages. [Section 9121(12b)]	Department of Health Services	Joint Committee on Finance
January 1, 2012	<b>Local Child Care Fraud Investigation Incentive Program.</b> Plan for a program to reward county departments, Wisconsin Works agencies, and tribal governing bodies that administer Wisconsin Shares for identifying fraud in Wisconsin Shares. [Section 1405g]	Department of Children and Families	Joint Committee on Finance
Before January 1, 2012	<b>Study of Open Enrollment Aid Transfer.</b> Report on the history of the transfer amount and alternatives for increasing the amount as well as for transferring the resident school district's revenue limit amount or state aid amount to the nonresident district. [Section 9130(1u)]	Legislative Audit Bureau	Governor, Joint Committees on Finance and Audit, appropriate standing committees of the Legislature
By January 1, 2012 and January 1, 2013	<b>Pupil Assessment System.</b> Report on the progress of the transition from the current pupil assessment system to a new system. [Section 9137(1u)]	Department of Public Instruction	Co-Chairpersons of the Joint Committee on Finance
By January 1, 2012	<b>UW System Restructuring and Flexibilities.</b> Study structure of UW System, personnel system, tuition flexibility and role of Legislature in setting tuition, compensation plans, additional operational flexibilities, and improvements to articulation and credit transfers. [Section 9152(1tc)]	17-member Special Task Force	Joint Committee on Finance and appropriate standing committees of the Legislature

Date Due	Nature	Prepared By	Reported To
January 10, 2012	<b>Community Partnerships.</b> Plans to provide funding to community-based nongovernmental organizations to establish partnerships, centering on organizations that provide advocacy for children and serve as liaison between families and staff with the goal of improving educational outcomes and promoting and teaching greater self-sufficiency, with agencies that license foster homes, and school districts. DCF's and DPI's plans must be submitted to DOA, and then DOA must submit the plan to the Joint Committee on Finance for approval under s. 13.10. [Section 9101(3i)]	Department of Children and Families, Department of Public Instruction	Department of Administration and then Joint Committee on Finance
Third quarterly meeting of the Joint Committee on Finance in 2011-12 under s. 13.10	<b>License Plate Sticker Report.</b> A report that includes a proposal to establish a license plate sticker system under which stickers would be issued centrally by a third-party vendor and would carry an identification marker specific to the license plate or vehicle for which the sticker is issued. [Section 9148(9i)]	Department of Transportation	Joint Committee on Finance
No later than June 30, 2012	<b>Study of Potential Modifications to the Wisconsin Retirement System.</b> Study of the structure of the Wisconsin Retirement System (WRS) and benefits provided under the WRS that specifically address the following issues: (a) establishing a defined contribution plan as an option for participating employees; and (b) permitting employees to not make employee-required contributions and limiting retirement benefits for employees who do not make employee-required contributions to a money purchase annuity calculated under current law provisions. [Section 9115(3q)]	Secretary of the Department of Administration, Director of the Office of State Employment Relations, and Secretary of the Department of Employee Trust Funds	Governor and Joint Committee on Finance
June 30, 2012	<b>PACE Program Modifications.</b> Evaluate the purchase of agricultural conservation easements (PACE) program, including but not limited to the administration of the program, source of funding, state participation and requirements for a local match. Require DATCP to include options for a replacement program that would be less costly and more efficient for preserving farmland. [Section 9103(1i)]	Department of Agriculture, Trade and Consumer Protection	Joint Committee on Finance, legislative standing committees for agricultural matters
June 30, 2012	<b>Juvenile Correctional Services Report.</b> Report on juvenile correctional services, including: (a) list of all providers of juvenile correctional services; (b) the number of juveniles receiving juvenile correctional services and whether each juvenile was supervised by a county or the state; and (c) an accounting of the costs of the juvenile correctional services provided. [Section 9111(2q)]	Department of Corrections	Legislature

Date Due	Nature	Prepared By	Reported To
June 30, 2012	<b>Study on Long-Term Funding for the Veterans Trust Fund.</b> Recommendations on adoption of a viable long-term funding source for the veterans trust fund. [Section 9153( 2i)]	Secretary of Veterans Affairs and the Board of Veterans Affairs	Joint Committee on Finance, Veterans-related standing committees of the Legislature, and Governor
By January 1, 2013	<b>UW System Use of Broadband Services.</b> Financial and performance evaluation audit of the use of broadband services by the UW System and its relationship with Wisconsin's research and education network known as WiscNet. [Section 9152(2c)]	Legislative Audit Bureau	All agencies listed under s. 13.94(1)(b) of the statutes (includes Legislature, Governor, and Joint Committee on Finance)
March 1, 2013	<b>Income Maintenance (IM) System Audit.</b> An audit of the statewide IM administration system with respect to timeliness, program integrity, and efficiency. [Section 9121(10x)]	Legislative Audit Bureau	All agencies listed under s. 13.94(1)(b) of the statutes (includes Legislature, Governor, and Joint Committee on Finance)
March 1, 2013	<b>Transportation Finance and Policy Commission.</b> A report on the findings and recommendations of the Transportation Finance and Policy Commission, including: (a) the estimated costs of highway maintenance, rehabilitation, reconstruction, and expansion projects over a ten-year period; (b) the estimated cost of local government transportation aid and assistance programs; (c) projections of transportation fund revenues over the same ten-year period; (d) projections of transportation fund debt service over the same ten-year period, under various scenarios for the use of bonds; (e) various options for increasing transportation fund revenues or adjusting transportation fund expenditures over the ten-year period to achieve a stable balance between expenditures, revenues, and debt service; and (f) the impact of highway project planning for specific projects on landowners with property abutting proposed improvements. [Section 9148(7g)]	Transportation Finance and Policy Commission	Four legislative leaders and the Governor
No Date Specified	<b>Elementary School Reading Task Force.</b> Recommendations for a program to assess and improve literacy in elementary school children. [Sections 726 and 9101(2)]	Governor's Task Force on Elementary School Reading	Governor

Date Due	Nature	Prepared By	Reported To
No Date Specified	<b>Agrichemical Funds.</b> Study and evaluate the condition of the segregated agricultural chemical cleanup program and the agrichemical management funds and make recommendations to correct any structural imbalances by which authorized expenditures exceed annual revenues. [Section 9103(2u)]	Department of Agriculture, Trade and Consumer Protection	Joint Committee on Finance
No Date Specified	<b>Automated Attendance Tracking System.</b> Plan that details how an automated attendance tracking system would work and how funds of \$1 million annually would be spent. [Section 9108(1v)]	Department of Children and Families	Joint Committee on Finance
Upon completion of plan to implement cost saving measures	<b>Wisconsin Shares Cost Saving Measures.</b> Report that sets out the plan for implementing cost saving measures in the Wisconsin Shares program. [Section 1383]	Department of Children and Families	Joint Committee on Finance
No Date Specified	<b>Additional Funding for Participant Services.</b> The Department of Employee Trust Funds (ETF) may, by the applicable due date for agency requests for any of the Committee's quarterly meetings under s. 13.10, submit one or more requests for supplemental funding for the support of participant services. Any supplementation request must include a detailed expenditure plan and a description of how the plan addresses increasing workload and service improvements. Any request for additional positions must be consistent with the methodology, developed by the Secretary of ETF pursuant to section 9115(1x) of 2009 Wisconsin Act 28. If the Secretary intends to request an increase in authorized positions beyond the number derived from the methodology, the ETF Board would be required to approve the request to the Committee. The Committee is not required to find that an emergency exists prior to approving a supplementation request. [Section 9115(1q)]	Department of Employee Trust Funds	Joint Committee on Finance
No Date Specified	<b>Additional Funding for Audit of Dependent Eligibility.</b> The Department of Employee Trust Funds may request all or part of available supplemental funding for an audit of dependent eligibility under a 14 day passive review process. A request must specify the results of any pilot survey relating to dependent eligibility and provides a detailed budget for a full audit of dependent eligibility relating to group health insurance programs administered by the Department. [Section 9115(2q)]	Department of Employee Trust Funds	Joint Committee on Finance

Date Due	Nature	Prepared By	Reported To
No Date Specified	<b>Study of Certified Nurse Mid-Wife Benefits.</b> Study of the feasibility of including, in the uniform benefits of state employee health insurance coverage, the costs of certified nurse-midwife services to assist in births at home or at stand-alone birth centers. [Section 9115(6j)]	Group Insurance Board	Not Specified
No Date Specified	<b>Competitive Bidding for Generic Drugs.</b> Determine whether the use of a competitive bidding process for the purchase of generic drug equivalents that are provided to MA recipients would generate cost savings to the MA program. [Section 9121(1i)]	Department of Health Services	Joint Committee on Finance
No Date Specified	<b>Long-Term Care Cost-Effectiveness.</b> Study the cost-effectiveness of the Family Care, PACE, Family Care Partnership, and IRIS programs, and compare the cost-effectiveness of the following: (a) each program to each of the other programs; (b) each program to the benefits provided through MA card services; and (c) the care that individuals receive before they enroll in one of the programs to the care that the individuals receive in one of the programs. [Section 9121(3g)]	Department of Health Services	Joint Committee on Finance
No Date Specified	<b>Phosphorus and Shoreland Zoning Study.</b> Prepare an economic impact analysis of the existing administrative rules on phosphorus effluent limitations and shoreland zoning. [Section 9135(3f)]	Department of Natural Resources	DOA, Governor, appropriate standing committees of the Legislature, and Joint Committee for Review of Administrative Rules
No date specified	<b>Transportation Bonding Policy Plan.</b> A 10-year plan that includes: (a) an estimate of total transportation fund revenues, proposed bonding, and estimated debt service for each year of the period; (b) a presentation of various scenarios with different levels of transportation spending, from bond or cash sources, and different levels of revenues; (c) at least one scenario that results in achieving a stable debt service percentage by the end of the 10-year period; and (d) an identification of the potential consequences for specific transportation programs of reduced net revenues associated with any scenarios that result in an increasing debt service percentage. [Section 2200m]	Department of Transportation	Not specified.

Date Due	Nature	Prepared By	Reported To
No date specified	<p><b>Zoo Interchange Reconstruction Project Financing Report.</b> A report that does the following: (a) outlines a financing plan and schedule for the Zoo Interchange project, including planned expenditures by year and by funding source, through the year of completion; (b) shows the impact on transportation fund debt service of the issuance of bonds for the project as well as past and future issuance of transportation fund-supported bonds for other projects and programs; and (c) provides estimates of the percentage of gross transportation fund revenues that would be required for the payment of transportation debt service on any bonds described under (b), through two years following the year of completion of the Zoo Interchange project. [Section 9148(8f)]</p>	Department of Transportation	Joint Committee on Finance

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# LEGISLATIVE FISCAL BUREAU

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**2011 ACT 10**



# SUMMARY OF PROVISIONS OF 2011 ACT 10

## Introduction

Special Session Assembly Bill 11 was introduced by the Committee on Assembly Organization, at the request of Governor Scott Walker, on February 15, 2011, and referred to the Joint Committee on Finance. The Finance Committee held a public hearing on the bill on February 15 and took executive action on February 17. The Assembly passed the bill on February 22 and messaged it to the Senate. On March 9, a Committee of Conference met on SS AB 11 and adopted a conference report -- Conference Substitute Amendment 1. On the same day, the Senate adopted the conference report and messaged it to the Assembly. The Assembly concurred in the Senate's action on March 10. The bill was signed by the Governor on March 11, 2011, as 2011 Act 10.

Following a series of legal challenges, Act 10 was published on June 28, 2011, and became effective the following day.

Below is an identification of the general fund fiscal effects of Act 10 for 2010-11.

Following the table of fiscal effects is a Table of Contents, History of Act 10, and a Comparative Summary of each provision of the Act.

## 2010-11 General Fund Fiscal Effects

	<u>2010-11</u>
<b>REVENUES</b>	
<i>Departmental Revenues (GPR-Earned)</i>	
Increases in Employee Health and Retirement Contributions	\$27,891,400
<b>APPROPRIATIONS</b>	
Family Care Aging and Disability Resource Centers	-\$3,100,000
Joint Finance Supplemental Appropriation	<u>-4,590,400</u>
Total	-\$7,690,400
<b>LAPSES OR TRANSFERS</b>	
Increases in Employee Health and Retirement Contributions -- Legislature, Courts, Governor	\$1,908,600
Effect on General Fund Balance	\$37,490,400

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## History of 2011 Act 10

On February 14 and 15, 2011, the Committees on Senate and Assembly Organization, respectively, introduced, at the request of Governor Scott Walker, Special Session Senate Bill 11 and Special Session Assembly Bill 11 (companion bills) to address estimated budget shortfalls for the 2010-11 fiscal year. Among other things, the bills would: (a) repeal the state's collective bargaining laws for certain public employees (excluding negotiation of limited wage increases); (b) require certain state and local public employees to pay for a portion of retirement contributions and health insurance premium costs; (c) increase funding for medical assistance benefits and the Department of Corrections; (d) restructure the state's debt; and (e) make changes to the state medical assistance program.

The Joint Committee on Finance held a public hearing on SB/AB 11 on February 15. The following day, the Finance Committee held an executive session and recommended the bills for passage, as amended by Amendment 1, on a vote of 12-4.

On February 17, the Senate met to consider Senate Bill 11. The Senate adopted the Finance Committee's version of the bill and gave the bill its third reading. However, a vote for passage of the bill was not taken because a required quorum for that vote was not present in the Senate chamber.

Article 8, Section 8, of the Wisconsin Constitution states:

*"Vote on fiscal bills; quorum. Section 8. On the passage in either house of the legislature of any law which imposes, continues or renews a tax, or creates a debt or charge, or makes, continues or renews an appropriation of public or trust money, or releases, discharges or commutes a claim or demand of the state, the question shall be taken by yeas and nays, which shall be duly entered on the journal; and three-fifths of all the members elected to such house shall in all such cases be required to constitute a quorum therein."*

The 14 Democratic Senators were not in the Senate chamber at the time of the vote for passage. Although the 19 Republican Senators were present, the quorum for a vote for passage of the bill required the presence of 20 members. Thus, a vote on passage could not be taken.

On February 18, the Assembly began deliberations on Assembly Bill 11, but soon recessed until February 22. On February 25, the Assembly completed its work on the bill and passed the bill, as amended, on a vote of 51 to 17. The bill was immediately messaged to the Senate.

On February 25, the Senate scheduled AB 11 for floor action. The bill received its third reading, but could not be considered due to the lack of a quorum under the provisions of Article 8, Section 8, of the Wisconsin Constitution.

On March 9, the Senate requested a Committee of Conference on AB 11 and appointed Senators Fitzgerald, Ellis, and Miller as its conferees. On the same date, the Assembly agreed to a Committee of Conference and appointed Representatives Fitzgerald, Suder, and Barca as its

conferees. On March 9, the Committee of Conference met and recommended Conference Substitute Amendment 1 to AB 11 on a vote of 4 to 1. Representative Barca was recorded voting against the report and Senator Miller was absent.

The conference report was drafted to remove provisions of AB 11 that, if included, would have required a quorum of 20 members of the Senate in order to pass the bill. The Senate adopted the Conference Report on March 9 by a vote of 18-1. By a vote of 53-42 the report was concurred in by the Assembly on March 10. Governor Walker signed the bill as 2011 Act 10 on March 11.

On March 16, 2011, the Dane County District Attorney's Office filed a summons, complaint, and motion for a temporary restraining order (TRO), alleging violations of Wisconsin's open meetings law regarding legislative passage of January, 2011 Special Session Assembly Bill 11. The named defendants included members of the Committee of Conference and Secretary of State Douglas La Follette. The Dane County District Attorney's Office sought the following relief from the Dane County Circuit Court regarding the actions of the Committee of Conference in passing AB 11: (a) judgment against the conferees finding that they violated Wisconsin's open meetings law; (b) judgment declaring that the Committee of Conference violated Article I, Section 4, and Article IV, Section 10, of the Wisconsin Constitution; (c) judgment voiding the actions of the Committee on Conference; (d) judgment declaring Act 10 void; (e) assessment of forfeitures on the conferees; (f) a temporary and permanent injunction enjoining the Secretary of State from publishing Act 10; and (g) such further relief as the court deems equitable and just.

On March 18, 2011, the Dane County Circuit Court (Judge MaryAnn Sumi) issued a TRO and enjoined any further implementation of Act 10, and enjoined the Secretary of State from publishing Act 10 until further order of the court.

On March 22, 2011, the Department of Justice (DOJ), on behalf of the Secretary of State, sought the following relief from the Wisconsin Court of Appeals: (a) an order staying the non-final order entered by the Dane County Circuit Court granting a TRO enjoining the Secretary of State from publishing Act 10; (b) leave to appeal the non-final order granting the TRO or, in the alternative, certification of the defendant's petition for leave to appeal a non-final order to the Wisconsin Supreme Court; and (c) relief pending final disposition for leave to appeal the TRO, consisting of an order staying the TRO. Staying the TRO would permit the Secretary of State to publish Act 10 on its statutorily prescribed date of March 25, 2011.

The Court of Appeals declined to stay the TRO issued by the Dane County Circuit Court. However, on March 24, 2011, the Court of Appeals certified the petition for leave to appeal and accompanying motion for temporary relief to the Wisconsin Supreme Court. The Court of Appeals certified the following questions to the Supreme Court: "(1) whether striking down a legislative act--also known as voiding--is an available remedy for a violation of the Open Meetings law by the legislature or a subunit thereof; and, if so, (2) whether a court has the authority to enjoin the secretary of state's publication of an act before it becomes law."

Section 35.095(3)(a) of the statutes provides that, "The legislative reference bureau shall publish every act and every portion of an act which is enacted by the legislature over the governor's partial veto within 10 working days after its date of enactment." On March 25, 2011, the Legislative Reference Bureau (LRB) published Act 10 pursuant to s. 35.095(3)(a) of the statutes.

On March 28, 2011, DOJ, on behalf of the Secretary of State, petitioned the Wisconsin Court of Appeals to withdraw its appeal. The Department of Justice argued that the litigation was now moot as the LRB had published Act 10 on March 25<sup>th</sup>, and Act 10 therefore became effective on March 26, 2011.

On March 29, 2011, the Court of Appeals denied the DOJ petition to withdraw its appeal. The Court of Appeals expressed the view that it lacked the authority to grant the DOJ motion after it had certified the matter to the Wisconsin Supreme Court.

On March 29, 2011, the Dane County Circuit Court granted the motion of the Secretary of State to receive substitute counsel in place of DOJ. On this same date, the Dane County Circuit Court issued an amended order again granting the TRO and enjoining the Secretary of State from designating the date of publication for Act 10, or any further implementation of Act 10. In its amended order granting the motion for a TRO dated March 31, 2011, the Dane County Circuit Court also found that Act 10 had not been published within the meaning of state law and was therefore not in effect.

On April 6, 2011, the Secretary of State moved for leave from the Supreme Court to substitute counsel, withdraw from the litigation, or, in the alternative, to dismiss the petition for leave to appeal before the Supreme Court. The Secretary of State argued that DOJ had a conflict of interest in representing both the Secretary of State and the members of the Committee of Conference.

On April 7, 2011, the Secretary of the Department of Administration (previously not a party to the litigation) filed a petition for supervisory writ with the Supreme Court. The Secretary of Administration requested that the Supreme Court issue a writ of mandamus directing the Dane County Circuit Court to vacate its March 31, 2011, temporary restraining order. The Secretary of Administration also requested that the Supreme Court enter an immediate order staying the TRO pending further review of the petition by the Supreme Court. The Supreme Court did not enter an immediate order staying the TRO.

On May 4, 2011, the Supreme Court ordered briefs in regards to the petition for supervisory writ filed with the Court by the Secretary of Administration. In its May 4<sup>th</sup> order, the Supreme Court ordered the parties to address whether the petition for supervisory writ from the Secretary of Administration "should be recast as a petition for original action." On June 6, 2011, the Supreme Court heard oral arguments.

On June 14, 2011, the Supreme Court denied the certification and motions for temporary relief from the Court of Appeals. The Supreme Court also ordered that the petition for original jurisdiction be granted and that all motions to dismiss and for supplemental briefing be denied. It further ordered that all orders and judgments of the Dane County Circuit Court be vacated and declared void. Finally, the Supreme Court found that in enacting Act 10, the Legislature did not violate Article IV, Section 10, of the Wisconsin Constitution. This section provides that, "The doors of each house shall be kept open except when the public welfare shall require secrecy."

On June 28, 2011, Act 10 was republished and became effective on June 29, 2011.

## Comparative Summary of Provisions

### CHILDREN AND FAMILIES

#### 1. EARNED INCOME TAX CREDIT

**Governor:** Provide \$37,000,000 in 2010-11 in temporary assistance for needy families (TANF) block grant funds for the earned income tax credit (EITC), which would be transferred from the Department of Children and Families (DCF) to the EITC supplement appropriation, and reduce GPR funding for the EITC by a corresponding amount.

The EITC is a refundable tax credit that provides assistance to low-income workers. The credit provides a supplement to the wages and self-employment income of lower-income families and is intended to offset the impact of the taxes paid by such families and increase the incentive to work. The federal TANF regulations allow states to utilize TANF funds for the refundable portion of the state EITC. Approximately 77% of the EITC is refundable. The EITC is currently funded with TANF and GPR. The EITC is estimated to cost \$132.9 million (\$6.7 million FED and \$126.2 million GPR) in 2010-11.

On June 8, 2010, the Department of Administration submitted a request to the Joint Committee on Finance under sections 16.515 and 16.505(2) of the statutes to increase the amount of federal TANF funds used to support the EITC by \$29.0 million annually during the 2009-11 biennium. TANF funding for the EITC would have increased from \$6.7 million to \$35.7 million annually.

Of the requested TANF funds, \$29,000,000 in 2009-10 and \$9,759,300 in 2010-11 was available to be reallocated to the EITC due to underspending in Wisconsin Shares, the state's child care subsidy program. An additional \$19,240,700 in 2010-11 was available under the federal American Recovery and Reinvestment Act (ARRA) of 2009. On June 24, 2010, the Committee approved the use of \$19,240,700 in ARRA funds for the EITC in 2009-10. The Committee placed the remaining \$38,759,300 from underspending in Wisconsin Shares in its federal funds general program supplementation appropriation and required DCF to return to the Committee to request any further expenditure of these funds.

The bill would increase the total amount of TANF funds allocated for the EITC in 2010-11 to \$43,664,200 (an increase of \$37,000,000) and would transfer \$37,000,000 of the funds that had been placed in the Committee's federal funds general program supplemental appropriation to DCF for the EITC. The bill would then transfer these funds from DCF to the EITC supplement appropriation. As a result, although the overall cost of the EITC in 2010-11 is still estimated at \$132.9 million, GPR for the EITC would be \$89.2 million, rather than \$126.2 million.

The most recent estimates of TANF-related programs show a TANF balance of \$76.6 million at the end of 2010-11. With the allocation of an additional \$37.0 million in TANF funds

for the EITC, this balance would decrease to \$39.6 million. The TANF balance at the end of the 2011-13 biennium would depend on any changes made during the biennial budget process.

**Conference Committee/Legislature:** Delete the provisions that would have increased DCF's appropriation by \$37,000,000 and would have transferred these funds to the EITC supplement appropriation.

As a result, the bill would decrease the Committee's federal funds general program supplemental appropriation by \$37,000,000, but these funds would not be transferred to another appropriation. In addition, the bill would increase the statutory TANF allocation for the EITC in 2010-11 by \$37,000,000. However, because the provision that would have increased the EITC supplement appropriation by \$37,000,000 was deleted, there would be no authority to spend these funds for the EITC in 2010-11.

[Act 10 Sections: 98 and 9227(1)]

## **2. COLLECTIVE BARGAINING FOR DAY CARE PROVIDERS**

**Governor/Legislature:** Eliminate the authority for a single collective bargaining unit for a certified or licensed day care provider who provides care and supervision for not more than eight children who are not related to the day care provider. For child care providers who are covered by a collective bargaining agreement, this provision would first apply on the date on which the agreement expires or is terminated, extended, modified, or renewed, whichever occurs first.

In addition, eliminate the authority for DCF to enter into a memorandum of understanding with the certified representative of county employees performing services for the child care provider services unit in Milwaukee County to modify hours and conditions of employment. Eliminate the authority for DCF to unilaterally resolve disputes as to hours or conditions of employment for these Milwaukee County employees if good faith efforts to resolve disputes fail.

Provisions of 2009 Act 28 authorized, under Subchapter I (Employment Peace) to Chapter 111 (Employment Relations), a single collective bargaining unit for a certified or licensed day care provider who provides care and supervision for not more than eight children who are not related to the day care provider. A certified or licensed day care provider who provides care and supervision for not more than eight children who are not related to the day care provider was included in the definition of employee under Subchapter I. With respect to such day care providers, employer was defined as the state, counties, and other administrative entities involved in regulation and subsidization of the day care providers. The definitions in Subchapter I of "fair-share agreement," "maintenance of membership agreement," and "referendum" were modified to reflect the inclusion of such day care providers and the labor organization representing them. The bill would eliminate these provisions.

Provisions of Act 28 also provided for the state takeover of the administration of Wisconsin Shares, the state's child care subsidy program, from Milwaukee County. As part of the state takeover, Act 28 detailed the treatment of employees of the new child care provider

services unit in Milwaukee County established to administer Wisconsin Shares. Act 28 specified that DCF was permitted to enter into a memorandum of understanding with the certified representative of Milwaukee County employees performing services for the unit and to unilaterally resolve a dispute as to hours or conditions of employment that remained between DCF and the certified representative if good faith efforts to resolve the dispute failed. The bill would eliminate the authority for DCF to enter into this memorandum of understanding or to unilaterally resolve disputes with Milwaukee County employees regarding hours and conditions of employment.

[Act 10 Sections: 95, 164, 185 thru 193, 197, and 9355(1)(b)]

## GENERAL FUND TAXES

### 1. TECHNICAL CORRECTION TO TAX DEDUCTION FOR NEW HIRES

**Joint Finance/Legislature:** 2011 Act 3 created an income and franchise tax deduction and credit for businesses that relocate to Wisconsin from outside the state, and 2011 Act 5 created an income and franchise tax deduction based on the increased number of full-time equivalent (FTE) employees hired by a business in Wisconsin. Act 5 includes a provision under the individual income tax specifying that a claimant of the deduction for new FTE hires may not also claim the credit for relocating to Wisconsin. However, the word "credit" should have been "deduction." This item makes a technical correction to the Act 5 provisions to use the proper wording.

[Act 10 Section: 176]

## BUDGET MANAGEMENT

### 1. REDUCE 2007 ACT 20 AUTHORITY FOR DOA TO LAPSE OR TRANSFER MONEYS TO THE GENERAL FUND

**Governor:** Reduce the 2007 Act 20 lapse or transfer requirement by \$79 million, which currently requires the Secretary of the Department of Administration (DOA) to lapse or transfer \$200 million in the 2009-11 biennium from the unencumbered balances of appropriations of executive branch state agencies, other than sum sufficient and federal appropriations. This required \$200 million lapse and transfer amount was included as a revenue to the general fund (GPR-Earned) in 2010-11 in the January 31, 2011, revenue estimate letter by this office, so the effect of this provision would be to reduce estimated revenues to the general fund by \$79 million in 2010-11.

For the 2009-11 biennium, 2007 Act 20 and 2009 Acts 2 and 28 established lapse or transfer requirements for the Secretary of DOA totaling \$641.8 million. The administration made approximately \$300 million of lapses or transfers in 2009-10, leaving \$341.8 million remaining to be lapsed or transferred in 2010-11. Staff from DOA indicate that the proposed reduction of \$79 million would reduce the cumulative requirements under 2007 Act 20 and 2009 Acts 2 and 28 to reflect the actual amount of lapses and transfers that DOA believes can be made during the remainder of the current fiscal year.

**Conference Committee/Legislature:** Delete provision.

## BUILDING COMMISSION

### 1. GPR DEBT RESTRUCTURING

**Governor:** Provide \$165,000,000 of general obligation refunding bonding for the purpose of restructuring \$165,000,000 in outstanding principal on GPR-supported, general obligation debt that would otherwise be paid off in May, 2011. The bill would authorize this bonding by increasing a current refunding authorization from \$309,000,000 to \$474,000,000 (an increase of \$165,000,000) of state public debt that may be issued to refund any unpaid indebtedness relating to tax-supported or self-amortizing facilities. These bonds cannot be issued after June 30, 2011.

Although this bonding could be used to restructure both tax-supported and self-amortizing bonds, the administration indicates that only GPR-supported bonds would be restructured. Based on information from the administration on the potential structure of these refunding bonds, this provision would: (a) increase GPR-Lapses by \$165,000,000 in 2010-11 from GPR debt service appropriations to reflect the reduced GPR principal payments to be made from those appropriations in that year; and (b) increase anticipated GPR debt service costs in the 2011-13 biennium by \$29,570,000 to reflect the initial principal payment (\$15,560,000) associated with the expected ten-year amortization of the \$165,000,000 in deferred principal and the initial interest payments (\$14,010,000) due on that principal.

**Conference Committee/Legislature:** Delete provision.

## UNIVERSITY OF WISCONSIN HOSPITAL AND CLINICS AUTHORITY

### 1. REPEAL COLLECTIVE BARGAINING RIGHTS FOR UNIVERSITY OF WISCONSIN HOSPITALS AND CLINICS AUTHORITY EMPLOYEES

**Governor/Legislature:** Eliminate collective bargaining rights for employees of the University of Wisconsin Hospitals and Clinics Authority. Under current law, three collective

bargaining units are established for the representation of employees of the Authority: (1) fiscal and staff services; (2) patient care; and (3) science. The treatment of these provisions would first apply to employees who are covered by a collective bargaining agreement that contains provisions inconsistent with these provisions on the day on which the agreement expires or is terminated, extended, modified, or renewed, whichever comes first.

[Act 10 Sections: 183, 184, 188, 190 thru 196, 199 thru 209, 372, 378, and 9355(1)(b)]

<b>UNIVERSITY OF WISCONSIN HOSPITAL AND CLINICS BOARD</b>
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**1. ELIMINATE UNIVERSITY OF WISCONSIN HOSPITAL AND CLINICS BOARD**

	<u>2010-11</u>	<u>2011-13</u>
PR	-\$76,872,500	-\$307,479,000
Positions	-2,609.38	-2,609.38

**Governor/Legislature:** Delete statutory language establishing the University of Wisconsin Hospital and Clinics Board (UWHCB) and the requirement that the University of Wisconsin Hospitals and Clinics Authority contract with UWHCB for certain services. Eliminate an existing program revenue (PR) appropriation for the UWHCB with annual base level funding of \$153,739,500 and 2,609.38 positions. Eliminate the two nonvoting members of the Authority's Board of Directors who are appointed by the Governor and who must be an employee or a representative of one of the collective bargaining units representing the employees of the Authority or the Board. Delete provisions related to carry-over employees who were members of collective bargaining units during 1996-97 when the Authority was created.

Terminate the existing contract between the Board and the Authority on the effective date of the bill and transfer all employees of UWHCB to the Authority. Require the Authority to adhere to the terms of any collective bargaining agreement covering the UWHCB employees that is in effect on the bill's effective date, until that agreement terminates, including specifically terms relating to employer payment of any employee required contributions under the Wisconsin Retirement System and employer payment of any health insurance premiums on behalf of employees. Provide that upon termination of the collective bargaining agreement, the Authority would establish the compensation and benefits of the Board's employees as under current law for other Authority employees.

UWHCB and the Authority were created by 1995 Act 27. The Authority operates and manages the University of Wisconsin Hospitals and Clinics and UWHCB employs the non-professional represented employees that provide services to the Authority. Current law requires the Authority to contract with UWHCB for the provision of certain services and prohibits the Authority from contracting with any other entity for the provision of such services. UWHCB is a state agency and its employees are state employees who are represented in the following

collective bargaining units: (a) clerical and related; (b) blue collar and nonbuilding trades; (c) building trades crafts; (d) security and public safety; and (e) technical. UWHCB employees are paid through a PR appropriation with revenues received from the Authority; UWHCB does not receive any state GPR funding.

The Authority is not a state agency and employees of the Authority are not state employees. Current law establishes three collective bargaining units for representation of employees of the Authority: (1) fiscal and staff services; (2) patient care; and (3) science. Collective bargaining units for the representation of employees of the Authority who are not engaged in one of the three activities must be approved by the Employment Relations Commission.

[Act 10 Sections: 10 thru 12, 21, 23, 24, 48, 59, 64, 183, 184, 274, 275, 277, 279, 281 thru 283, 292, 300, 301, 304, 317, 335, 358, 362, 363, 370 thru 383, and 9151(1)&(2)]

## HEALTH SERVICES

### 1. MEDICAL ASSISTANCE -- STUDY AND IMPLEMENTATION OF PROGRAM CHANGES

**Governor:** Require the Department of Health Services (DHS) to study potential changes to the medical assistance (MA) program, and authorize DHS to promulgate emergency rules, subject to review by the Joint Committee on Finance under a 14-day passive review process, to implement program changes, as described below.

*Study.* Direct DHS to study potential changes to the MA state plan and to waivers of federal law relating to MA obtained from the U.S. Department of Health and Human Services (DHHS) for all of the following purposes: (a) increasing the cost effectiveness and efficiency of care and the care delivery system for MA programs; (b) limiting switching from private health insurance to MA programs; (c) ensuring the long-term viability and sustainability of MA programs; (d) advancing the accuracy and reliability of eligible MA programs and claims determinations and payments; (e) improving the health status of individuals who receive benefits under the MA program; (f) aligning MA program benefit recipient and service provider incentives with health care outcomes; and (g) supporting responsibility and choice of MA recipients.

*Rules.* Provide that if DHS determines, as a result of the study described above, that revision of existing statutes or rules would be necessary to advance a purpose described above, DHS could promulgate rules that do any of the following related to the MA programs: (a) require cost-sharing from recipients up the maximum allowed by federal law or a waiver of federal law; (b) authorize providers to deny care or services if a program benefit recipient is unable to share costs, to the extent allowed by federal law or waiver; (c) modify existing benefits or establish various benefit packages for different groups of recipients; (d) revise provider

reimbursement models for particular services; (e) mandate that program benefit recipients enroll in managed care; (f) restrict or eliminate presumptive eligibility; (g) to the extent permitted by federal law, impose restrictions on providing benefits to individuals who are not citizens of the United States; (h) set standards for establishing and verifying eligibility requirements; (i) develop standards and methodologies to assure accurate eligibility determinations and redetermine continuing eligibility; and (j) reduce income levels for purposes of determining eligibility to the extent allowed by federal law or waiver, subject to other provisions in the bill regarding waiver requests and a potential reduction in the eligibility standard for non-pregnant, non-disabled adults.

Permit DHS to promulgate any rule under this provision as an emergency rule, using the procedures for emergency rules established in Chapter 227. However, provide that DHS is not required to provide evidence that promulgating a rule as an emergency rule is necessary for the preservation of the public peace, health, safety, or welfare and that DHS is not required to provide a finding of an emergency for the rule. In addition, provide that an emergency rule promulgated under this provision remains in effect until whichever of the following occurs first: (1) the effective date of the repeal of the emergency rule; or (2) the date on which the permanent rule takes effect.

*Joint Finance Review of Proposed Rules and DHS Plan to Implement Program Changes.* Require DHS to submit to the Joint Committee on Finance any proposed rule described above, and any plan that DHS develops as a result of the study. Provide that if the Co-Chairs of the Committee do not notify DHS within 14 working days after the date of the DHS submittal that the Committee has scheduled a meeting for the purpose of reviewing the proposed rule or plan, the proposed rule may be promulgated and any plan may be implemented as proposed by DHS. However, if, within 14 working days after the date of the DHS submittal the Co-Chairs notify DHS that the Committee has scheduled a meeting for the purpose of reviewing the proposed rule or plan, the proposed rule could be promulgated, and the plan implemented, only upon approval of the Committee.

*Submission of State Plan Amendments and Waiver Requests.* Require DHS to submit an amendment to the state MA plan or request a waiver of federal MA law, if necessary, to the extent necessary to implement any rule promulgated under these provisions. Provide that if DHHS does not allow the amendment or does not grant the waiver, DHS could not put the rule into effect or implement the action described in the rule.

*Waiver of PPACA Eligibility MOE Requirement and Potential Reduction in Financial Eligibility Standard for Non-Disabled, Non-Pregnant Adults.* Require DHS to request a waiver from the U.S. Department of Health and Human Services (DHHS) Secretary to permit DHS to have in effect eligibility standards, methodologies, and procedures under the state MA plan or waivers of federal laws relating to MA that are more restrictive than those in place on March 23, 2010. Specify that if the waiver request does not receive federal approval before December 31, 2011, DHS would be required to reduce income eligibility standards on July 1, 2012, for non-disabled, non-pregnant adults to 133% of the federal poverty level (FPL), to the extent permitted under provisions enacted as part of the federal Patient Protection and Affordable Care Act (PPACA).

PPACA includes a general requirement that prevents states from having in effect eligibility standards, methodologies, or procedures under their state MA programs that are more restrictive than the eligibility standards, methodologies, or procedures that were in effect on the date PPACA was enacted (March 23, 2010). This maintenance of effort (MOE) requirement took effect on March 23, 2010, and continues until the date on which the DHHS Secretary determines that the state has a fully operational health benefit exchange (which is assumed to be January 1, 2014). The federal MOE requirement, as it relates to children under the age of 19, continues until October 1, 2019.

However, during the period beginning January 1, 2011, through December 31, 2013, PPACA contains an exception to the general MOE requirement for non-pregnant, non-disabled adults with incomes greater than 133% of the FPL if the state certifies to the DHHS Secretary that it has a budget deficit during the fiscal year in which the certification is made, or that it is projected to have a budget deficit in the succeeding state fiscal year.

As of December, 2010, it is estimated that there were approximately 63,200 non-disabled, non-pregnant adults in families with income greater than 133% of the FPL enrolled in BadgerCare Plus, excluding approximately 6,800 adults without dependent children who were enrolled in the Core plan. All of these individuals are in families with income less than 200% of the FPL, which is the maximum family income individuals in these groups may have to be eligible for these programs.

*Scope of Emergency Rules.* For the purposes of these provisions, define an MA program to include any program operated under Subchapter IV of Chapter 49 ("Medical Assistance"), demonstration program operated under 42 USC 1315 ("MA Demonstration Projects"), and a program operated under a waiver of federal law relating to MA that is granted by DHHS.

Based on this definition of a "medical assistance" program, it appears that the emergency rules under these provisions could potentially affect a broad range of MA-related programs, including (but not limited to) the following: (a) BadgerCare Plus and its subprograms, including the BadgerCare Plus Core Plan for childless adults and the family planning waiver program; (b) Medicaid for elderly, blind and disabled populations (EBD Medicaid) and its subprograms, including SSI-related Medicaid, the MA purchase plan, institutional and community-based long-term care programs (including Family Care, the community options waiver programs, and the community integration program), the Katie Beckett program, the Medicare premium assistance programs for individuals who are eligible for both MA and Medicare ("dual eligibles"), and Wisconsin Well-Woman Medicaid; and (c) SeniorCare.

However, the Legislative Reference Bureau indicates that any such emergency rules could not conflict with current statutory provisions relating to these programs, except those provisions that are referenced in the bill as not applicable if DHS promulgates rules that would conflict with these sections. These sections are listed below.

**Statutory Provisions Referenced in the Bill that Potentially Could be  
Superseded by Conflicting Emergency Rules**

<u>Statute</u>	<u>Subject</u>
49.45 (3)	MA payments generally, including (but not limited to) the following: Payments to counties for administrative (income maintenance) services Payments to aging and disability resource centers for conducting functional screens Payments to contracted entities that provide prepaid health care Payments to hospitals, including payments partially funded from hospital assessments Payments for specialized medical vehicle transportation services
49.45 (6m)	Payment to nursing homes, intermediate care facilities for the mentally retarded, and community-based residential facilities, including the state Centers for the Developmentally Disabled and the Wisconsin Veterans Homes
49.45 (8)(b)&(c)	Payment for home health services provided by certified home health agencies and independent nurses
49.45(8r)	Payment for obstetric and gynecological care in primary care shortage areas
49.45(8)(v)	Payments to pharmacies that perform services that result in savings to the MA program
49.45(18)(ac)	Recipient cost sharing (copayments, coinsurance and deductibles)
49.45(18)(ag)	Copayments for generic and brand-name drugs
49.45(18)(b)	Services and individuals who are exempt from cost-sharing requirements, including: Services provided to individuals in skilled nursing homes and certified intermediate care facilities Services provided to persons under 18 years of age in families with income less than 100% of the federal poverty level Services provided to pregnant women Emergency services Family planning services Transportation by common carrier or private motor vehicle, if authorized in advance by a county  Home health services or, if a home health agency is unavailable, nursing services Personal care services Case management services
49.45(18)(d)	A \$12 per month limit on cost-sharing for prescription drugs used by recipients who designate a pharmacy as a sole provider
49.45(23)(a)	Requirement that DHS request a federal waiver to permit DHS to conduct a demonstration project to provide health care coverage for adults under the age of 65 with family incomes up to 200% of the federal poverty level, and who are not otherwise eligible for MA coverage (the BadgerCare Plus waiver)
49.45(23)(b)	DHS authority to promulgate rules relating to the MA coverage of childless adults under the core plan, including eligibility requirements and cost-sharing requirements (including the annual \$75 enrollment fee)
49.45(24g)(c)	Payments to physicians under the physician payment pilot program created in 2009 Wisconsin Act 28, which authorized increases in payments to qualifying physicians
49.45(24n)(a)&(b)	DHS authority to implement a demonstration project to provide family planning services to women and men between the ages of 15 and 44 whose family income does not exceed 200% of the federal poverty level.

<u>Statute</u>	<u>Subject</u>
49.45(25g)(c)	Payments to certain qualifying providers that also receive DHS grants for HIV/AIDS-related services
49.45(27)	Prohibition on MA eligibility for non-citizens and aliens lawfully admitted for permanent resident or otherwise permanently residing in the United States under color of law, except as provided under federal law.
49.45(39)(b)1	Payment for school medical services
49.46(1)	MA eligibility -- list of groups eligible for MA
49.46(2)(a)&(b)	MA benefits -- list of services and benefits available to MA recipients
49.465(2)	Presumptive eligibility for pregnant women
49.47(4)(a)	MA eligibility for medically indigent populations
49.47 (6)(a)	MA payments for services provided to individuals eligible for both MA and Medicare (dual eligibles)
49.471 (4) through (8), (10)&(11)	BadgerCare Plus -- general eligibility criteria, presumptive eligibility, miscellaneous eligibility and benefit provisions, special income provisions, provisions relating to health insurance coverage and eligibility, cost-sharing, and benchmark plan benefits and copayments
49.472 (3)&(4)(b)	MA purchase plan -- eligibility and premiums
49.473 (2) & (5)	MA eligibility for women diagnosed with breast or cervical cancer or precancerous conditions, and payments for services

Statutes pertaining to several "medical assistance" programs are not included in the above list. For example, s. 49.688 of the statutes defines the financial eligibility requirements and the cost-sharing requirements for SeniorCare. Similarly, s. 46.286 of the statutes identifies functional and financial eligibility requirements for Family Care, and specifies who is entitled to the Family Care benefit. On its face, the language of the bill may extend to these statutory sections. Under the LRB's interpretation of the bill, however, DHS could not implement emergency rules that conflict with these statutory provisions.

*MA Eligibility Determinations and Reevaluations of Continuing Eligibility.* Authorize DHS to make additional investigations of eligibility at any time determined by the Department under the rules described under this item, to determine eligibility or to reevaluate continuing eligibility. However, specify that if federal law allows a reevaluation of eligibility more frequently than every 12 months and if there is no conflicting provision of state law, DHS would not be required to promulgate a rule to reevaluate eligibility under this provision.

Under current law, DHS may make additional investigations of eligibility under the following circumstances: (a) when there is reasonable ground for belief that an applicant may not be eligible or that the recipient may have received benefits to which the recipient may not be entitled; or (b) upon the request of the DHHS Secretary.

**Joint Finance:** Specify that all of these provisions would sunset on January 1, 2015.

Under this change, any emergency rules or plans approved by the Joint Committee on Finance, any amendment to the MA state plan, and any waiver agreements DHS enters into as a

result of these provisions would terminate on January 1, 2015, if they are inconsistent with the MA statutes that are in effect as of that date. Further, if MA eligibility for non-disabled, non-pregnant adults is reduced to individuals with family income no greater than 133% of the federal poverty level as of July 1, 2012, as provided under the bill, this group would again become eligible for MA as of January 1, 2015, unless the statutes are modified to reflect this reduction in the eligibility standard for this group. It is not clear whether an emergency rule promulgated under the procedures established in the bill would remain in effect after that date.

**Conference Committee/Legislature:** Modify the bill as follows. First, delete the provision that would direct DHS to submit to the Joint Committee on Finance any proposed rule and any plan that DHS develops as a result of its study for the Committee's review and approval under a 14-day passive review process. Instead, DHS would be required to promulgate rules in order to implement program changes. Second, delete the provision that would authorize DHS to promulgate any such rules as emergency rules. Consequently, DHS would use the current rule-making process to make program changes.

The bill would retain the Joint Finance provision that would sunset all of these provisions on January 1, 2015. After that date, none of the rules promulgated by the Department could potentially conflict with statutory provisions that are effective after that date.

[Act 10 Sections: 99 thru 163 and 9421(1q)]

## **2. MEDICAL ASSISTANCE -- BENEFITS FUNDING**

**Governor:** Increase funding for medical assistance (MA) benefits by \$410,835,500 (\$134,000,000 GPR, \$270,135,500 FED, and \$6,700,000 SEG) in 2010-11 to address a projected shortfall in funding for MA benefits during the 2009-11 biennium. The GPR increase (\$134,000,000) represents additional state funding that would be provided to support MA benefit costs in the 2009-11 biennium. The SEG increase (\$6,700,000) reflects the administration's intention to fully expend the projected uncommitted balance in the MA trust fund as of June 30, 2011. The FED increase (\$270,135,500) represents an estimate of the additional federal matching funds the state would be able to claim, based on the increases in GPR and SEG funding that would be authorized in the bill.

The total GPR increase in the bill (\$134.0 million) is \$19.2 million less than the amount indicated in January would be needed to address the shortfall. Since that time, the administration has identified several adjustments to the estimated shortfall, reducing the projected need for supplemental funding.

Higher-than-expected enrollment is the primary reason MA benefit costs have exceeded 2009 Act 28 (the 2009-11 budget) funding levels. This is shown in the following table, which compares the enrollment projections used as the basis for the benefits funding provided in Act 28 to actual MA enrollment in 2009-10, and to the Department's most recent enrollment projections for 2010-11, for each major MA eligibility group.

### Average Monthly Enrollment by Major MA Eligibility Group

<u>Group</u>	<u>Fiscal Year</u>	<u>Act 28 Projection</u>	2009-10 Actual and Current 2010-11 Estimate <u>Enrollment</u>	<u>Difference</u>	
				<u>Number</u>	<u>Percentage</u>
Elderly, Blind and Disabled	2009-10	188,500	198,900	10,400	5.5%
	2010-11	187,300	205,800	18,500	9.9
BadgerCare Plus	2009-10	638,100	705,600	67,500	10.6
	2010-11	648,400	745,800	97,400	15.0
BadgerCare Plus Core Plan	2009-10	24,900	56,000	31,100	124.9
	2010-11	39,500	49,200	9,700	24.6
Other	2009-10	77,600	83,800	6,200	8.0
	2010-11	<u>78,500</u>	<u>95,100</u>	<u>16,600</u>	21.1
Total MA	2009-10	929,100	1,044,300	115,200	12.4%
	2010-11	953,700	1,095,900	142,200	14.9%

As indicated, total average monthly enrollment for MA programs exceeded Act 28 projections by 12.4% in 2009-10, and is expected to exceed Act 28 projections by 14.9% in 2010-11. (The table excludes individuals enrolled in SeniorCare.) By contrast, the projected GPR shortfall of \$134.0 million for 2009-11 MA benefit expenditures represents 5.4% of the GPR budgeted for that purpose in Act 28. The principal reason the projected GPR deficit, as stated in percentage terms (5.4%), is smaller than the greater-than-expected enrollment increases (12.4% in 2009-10 and 14.9% in 2010-11) is the additional federal funds the state received during the 2009-11 biennium, compared to what was anticipated in Act 28. Those additional federal dollars came from three sources.

First, in February, 2010, the U.S. Department of Health and Human Services (DHHS) announced that the enhanced federal medical assistance percentages (FMAPs) available to states under the American Recovery and Reinvestment Act of 2009 (ARRA) would apply to states' clawback payments to the federal government. States make those clawback payments to reimburse the federal government for a portion of the savings they realize on prescription drugs costs for dual eligible enrollees following the creation of Medicare Part D. The DHHS decision to apply ARRA's enhanced FMAPs to those clawback liabilities benefited Wisconsin's MA program by approximately \$77 million during the 2009-11 biennium. Second, on August 10, 2010, the President signed P.L. 111-226 into law, which partially extended the ARRA-enhanced FMAPs states receive for their MA programs through June 30, 2011. Under ARRA, those enhanced FMAPs had originally been set to expire on December 31, 2010. At the time P.L. 111-226 was enacted, DHS estimated that it would generate approximately \$194 million in additional federal MA matching funds for Wisconsin. Third, in December, 2010, the state received a \$23.1 million "bonus payment" from the federal government under the Children's Health Insurance Program Reauthorization Act of 2009 for simplifying MA enrollment and renewal processes.

In addition, the bill would repeal an Act 28 provision that does the following: (a) prevents the unencumbered balance in the GPR-funded MA benefits appropriation from reverting to the general fund at the end of the 2009-11 biennium; and (b) authorizes DHS, in the 2009-11 biennium, to expend the amount equal to this unencumbered balance, in addition to the amounts budgeted in the GPR-funded MA benefits appropriation for state fiscal years 2009-10 and 2010-11.

*SeniorCare.* Not reflected in the bill is the administration's current estimate that SeniorCare will end the 2009-11 biennium with a GPR surplus of approximately \$20.4 million. These funds are anticipated to lapse to the general fund at the end of the 2010-11 fiscal year. This anticipated lapse is reflected in the 2010-11 general fund condition statement.

**Conference Committee/Legislature:** Delete provision.

### **3. MEDICAL ASSISTANCE BENEFITS FUNDING TO ACCRUE ADDITIONAL FEDERAL MATCHING FUNDS**

**Joint Finance:** Increase medical assistance (MA) benefits funding in the bill by an additional \$42.7 million GPR in 2010-11 to enable DHS to partially fund June, 2011, capitation payments to health maintenance organizations and other entities that provide MA services through managed care in the current fiscal year to take advantage of the higher federal medical assistance percentage (FMAP) that applies to MA benefit payments made through June 30, 2011. Increase estimated FED funding for MA benefits costs by \$82.6 million in 2010-11.

As introduced, the bill would provide \$134 million GPR and \$6.7 million SEG from the MA trust fund in 2010-11 to address a projected shortfall in funding for MA benefits during the 2009-11 biennium. That projected shortfall assumes that DHS, consistent with past practice, will defer certain June, 2011, capitation payments to managed care entities until July, 2011.

Federal matching funds help support the cost of benefits under the state's MA program at a rate based on the state's FMAP. In recent years, Wisconsin's FMAP has been approximately 60.0%, meaning federal matching funds supported 60.0% of most of the program's benefit costs. The American Recovery and Reinvestment Act of 2009, however, temporarily increased states' FMAPs during the period October 1, 2008, through December 31, 2010. That period was subsequently extended through June 30, 2011. As a result of that extension, Wisconsin's FMAP during the final quarter of state fiscal year 2010-11 (April 1, 2011, through June 30, 2011) is expected to be 65.92%. Under current law, that FMAP will revert to 60.16% on July 1, 2011.

With the scheduled decline in the state's FMAP beginning July 1, 2011, deferring June, 2011, capitation payments will result in the state receiving less federal matching funds to support those payments. This provision would increase funding for MA benefits by \$42.7 million GPR in 2010-11 in order to pay a portion of the June, 2011, MA capitation payments that would otherwise be deferred into July, 2011. Doing so would generate approximately \$7.2 million in additional federal matching funds in 2010-11, compared to the federal matching funds that would be generated if the payments were made in July, 2011.

This provision would enable the state to pay \$42.7 million GPR in 2010-11 to make MA capitation payments that would cost \$49.9 million GPR if they are made in July, 2011. If enacted, the administration indicates that the \$49.9 million GPR savings for MA benefits that would be realized in 2011-12 will be included in the Governor's 2011-13 biennial budget bill as a GPR-Lapse from the Department of Health Services in the 2011-13 biennium.

**Conference Committee/Legislature:** Delete provision.

#### **4. MEDICAL ASSISTANCE -- ADMINISTRATION CONTRACTS**

**Governor:** Provide \$16,000,000 GPR to fund a projected shortfall for MA administrative contract expenses in the 2009-11 biennium. As most MA administrative costs are supported 50% with federal matching funds, it is estimated that the GPR increase in the bill would result in a corresponding increase in federal funds to support administrative contracts.

DHS is responsible for a variety of administrative duties in connection with the state's Medicaid, BadgerCare Plus, and FoodShare programs. Those responsibilities include eligibility determinations, program integrity, rate-setting, enrollee services, and federal reporting requirements. DHS contracts with other entities to help perform some of those duties. The largest such contracts are with HP Enterprise Services, which acts as the state's fiscal agent, its enrollment broker, and which helps administer the Enrollment Services Center (ESC). DHS also has major contracts with Deloitte and the Department of Administration's Division of Enterprise Technology relating to the client assistance for reemployment and economic support (CARES) system, a mainframe system that assists state and county staff in making eligibility determinations and maintaining case information for several state assistance programs. In addition to these major contracts, DHS contracts for a range of consulting, actuarial, and other administrative services.

Act 28 budgeted \$79,849,100 (\$31,451,700 GPR and \$48,397,400 FED) in 2009-10 and \$78,229,900 (\$32,175,900 GPR and \$46,054,000 FED) in 2010-11 to support MA administrative contract costs. In addition, several sources of program revenue (PR), including the \$60 annual enrollment fees paid by BadgerCare Plus Core Plan participants, are expected to contribute approximately \$5.2 million and \$5.4 million toward these costs in 2009-10 and 2010-11, respectively.

The ESC is the single largest source of the projected cost overruns for MA administrative contracts. The ESC is located in Madison and was established by DHS to perform certain income maintenance activities for the BadgerCare Plus Core Plan. Two factors contributed to the ESC cost overruns during the biennium. The first was the large number of enrollment applications that accompanied the Core Plan's statewide expansion in July, 2009. Act 28 had assumed that the Core Plan's average monthly enrollment would be 24,900 in 2009-10. The program's actual average monthly enrollment that year of 56,000 was more than twice the budgeted assumption. In addition, this greater-than-expected demand for Core Plan services prompted DHS to establish a waitlist which by December, 2010, had grown to approximately 80,000 individuals. DHS added staff to the ESC to process these Core Plan applications, and the resulting personnel costs contributed to the projected cost overruns.

The second factor was the Department's decision to have ESC perform certain income maintenance activities for childless adults throughout the state who applied for FoodShare benefits. Prior to that time, those activities were performed by county income maintenance workers. While the Department's decision reduced the demands on county income maintenance agencies (particularly at a time of sharply rising FoodShare caseloads), it required DHS to further increase ESC staffing levels.

Most of the ESC's costs are personnel-related. According to DHS, the ESC is currently staffed by 333 HP employees and 73 public employees. As of December, 2010, those personnel were responsible for approximately 115,100 active cases, including the following: (a) 47,000 MA-only cases; (b) 26,300 combined MA/FoodShare cases; and (c) 41,800 FoodShare-only cases.

ESC costs exceeded Act 28 funding levels by \$3.2 million GPR in 2009-10, and are projected to exceed budgeted levels by an additional \$12.5 million GPR in 2010-11. Several other items also contributed to the projected GPR shortfall in the administrative contracts appropriation during the 2009-11 biennium, including systems-related costs stemming from the Department's ForwardHealth rate reform project. Act 28 did not provide any funding for those rate reform costs, which totaled approximately \$1.3 million GPR in 2009-10 and \$2.7 million GPR in 2010-11.

DHS addressed part of the 2009-11 GPR shortfall in the administrative contracts appropriation by expending approximately \$10.8 million of the revenues credited to the segregated MA trust fund. The fiscal effect of using those MA trust fund revenues to fund administrative contracts costs instead of MA benefits costs was to increase the projected 2009-11 GPR shortfall for MA benefits by \$10.8 million. That GPR shortfall is addressed in the item entitled "Medical Assistance -- Benefits Funding." The remaining 2009-11 GPR shortfall in the MA administrative contracts appropriation of \$16.0 million is addressed in this item.

**Conference Committee/Legislature:** Delete provision.

## **5. MEDICAL ASSISTANCE -- INCOME MAINTENANCE**

**Governor:** Increase funding by \$2,500,000 GPR to fund the projected deficit in the DHS income maintenance appropriation in 2010-11. Because these expenditures are typically supported 50% with federal matching funds, it is estimated that the GPR increase in the bill would result in a corresponding increase in federal funds.

Act 28 provided \$31,451,700 GPR in each year of the 2009-11 biennium to support the state share of costs funded by the income maintenance appropriation. Those costs include state support for county income maintenance agencies, the Wisconsin funeral and cemetery aids program, and the FoodShare for qualified aliens program. Funding in the income maintenance appropriation is also used to support the state's share of the costs to operate Milwaukee Enrollment Services (MiES), which is responsible for income maintenance activities in Milwaukee County. DHS has indicated that cost overruns in the funeral and cemetery aids program, the FoodShare for qualified aliens program, and for MiES all contributed to the

projected GPR shortfall of \$2,500,000.

**Conference Committee/Legislature:** Delete provision.

## 6. AGING AND DISABILITY RESOURCE CENTERS

	<u>2010-11</u>
GPR	-\$3,100,000
FED	-1,205,600

**Governor/Legislature:** Reduce funding budgeted for Family Care aging and disability resource centers (ADRCs) by \$3,100,000 GPR in 2010-11 to reflect estimates of cost savings that DHS will realize because several ADRCs began operations in the 2009-11 biennium later than the dates assumed in Act 28. Currently, approximately 28% of the total funding budgeted for ADRCs is supported with federal MA administration funds. Consequently, the GPR funding reduction in the bill would reduce estimated federal funds by approximately \$1,205,600 in 2010-11, compared to the amount budgeted in Act 28.

ADRCs provide information, assessments, functional eligibility determinations, prevention, wellness, and other services relating to long-term care. The funding that was provided in 2009 Act 28 was based on the administration's assumption that ADRCs would begin operating in seven counties during the 2009-11 biennium -- Dane, Langelade, Lincoln, Rock, Walworth, Winnebago, and Milwaukee Counties. ADRCs in four of these counties started operating later than was assumed in Act 28, and two counties, Dane and Rock, will not begin operating ADRCs in the 2009-11 biennium.

[Act 10 Section: 9221(2)]

## 7. WISCONSIN QUALITY HOME CARE AUTHORITY

**Governor/Legislature:** Repeal all statutory provisions relating to the Wisconsin Quality Home Care Authority (WQHCA), including provisions that establish a process under which certain independent, qualified home care providers can establish a single statewide collective bargaining unit for the purpose of bargaining collectively with the state with respect to wages and fringe benefits.

In 2010-11, DHS is budgeted \$275,000 GPR and \$225,000 FED to support WQHCA. The bill would not reduce funding in the current fiscal year for WQHCA. However, if this provision were enacted, base funding for WQHCA could be reduced as part of the 2011-13 biennial budget.

*Description of WQHCA.* 2009 Act 28 created the WQHCA as a means for improving the supply and quality of independent home care workers. Individuals who receive services under Family Care, Family Care Partnership, the Program for All-inclusive Care for the Elderly (PACE), Include, Respect, I Self-Direct (IRIS), and some county-administered long-term care programs have the option to self-direct some of the long-term care services they receive, including home care services. Individuals who choose to self-direct their care are responsible for

finding and hiring their home care providers.

To facilitate the hiring process, WQHCA is required to maintain a registry of independent home care providers and provide referrals to individuals in need of home care services. The registry includes contact information for the provider and information regarding the provider's experience and qualifications. All registered providers must pass a background check. WQHCA is also required to develop recruitment, retention, and skills training programs for home care providers, as well as a backup provider system with a 24-hour call service.

*Representation for Independent Home Care Providers.* Act 28 created provisions that required DHS to provide a labor organization with the list of independent home care providers maintained by the WQHCA, if the organization met certain specified criteria. The Employment Relations Commission was directed to hold an election in which independent home care providers could vote on whether they wished to be represented. If the majority of home care providers vote for a single labor organization, the labor organization would be the exclusive representative for all home care providers in that collective bargaining unit.

In May, 2010, these independent home care workers voted to make the Service Employees International Union (SEIU) Healthcare Wisconsin their exclusive representative. DHS, representing the state, reached an agreement with SEIU in December, 2010, under which DHS agreed to ensure that home care payers pay providers at least \$9 per hour, effective July 1, 2012. Bills to ratify the agreement negotiated between the state and SEIU Healthcare Wisconsin (2009 Assembly Bill 995 and SB 725) failed to pass the Legislature.

*Transfer of Assets and Contracts.* Transfer all assets, liabilities, personal property (including records), and contracts of the WQHCA to DHS on the effective date of the bill. Specify that all contracts entered into by the WQHCA in effect on the effective date of the bill would remain in effect and be transferred to DHS. Direct DHS to carry out any obligations under such a contract until the contract is modified or rescinded by DHS to the extent allowed under the contract.

[Act 10 Sections: 1, 4, 5, 7 thru 9, 13 thru 20, 25 thru 29, 31 thru 42, 94, 96, 97, 165, 172, 175, 177, 179 thru 181, 263, 265, 269, 274, 275, 280 thru 282, 287, 291, 296, 297, 302, 307, 313, 316, 318, 337, 384 thru 386, and 9155(2)]

## **8. INCOME AUGMENTATION FUNDING LAPSE**

**Governor/Legislature:** Require DHS to lapse \$4,500,000 FED and the Department of Children and Families (DCF) to lapse \$2,011,200 PR to the general fund in 2010-11, but require the Secretary of the Department of Administration (DOA) to apply these lapses to the \$200 million lapse requirement for the 2009-11 biennium included in 2007 Act 20. As a result, this provision would not increase anticipated lapses to the general fund in 2010-11. However, it would specify in statute two appropriations from which specific lapse amounts would occur. In addition, it would authorize the lapse of federal revenues to the general fund, which is prohibited under the Act 20 provision.

The source of revenue for these lapses is federal medical assistance matching funds the state claims for targeted case management (TCM) services counties provide to children in out-of-home care whose costs are not reimbursable under Title IV-E of the Social Security Act. TCM funds are a component of income augmentation revenue the state generates by contracting with an agency to conduct activities to maximize federal reimbursement. The state may use these federal funds for any purpose. Under current law, DHS and DCF must submit a plan for the use of these funds to the DOA Secretary by September 1 of the fiscal year after the fiscal year in which the moneys were received. If the DOA Secretary approves the plan, it is then subject to approval by the Joint Committee on Finance under a 14-day passive review.

The bill would require DCF and DHS to lapse a total of \$6,511,200 of these funds in state fiscal year 2010-11, rather than wait for the September 1, 2011, plan to allocate these funds. Any remaining income augmentation revenue the state collects in 2010-11 would be allocated under the September, 2011, plan, the 2011-13 biennial budget, or other legislation that specifically allocates these funds.

[Act 10 Sections: 9208(1) and 9221(1)]

## ADMINISTRATION

### 1. SALE AND CONTRACTUAL OPERATION OF STATE-OWNED POWER PLANTS

**Governor:** Allow the Department of Administration (DOA) to sell any state-owned heating, cooling, or power plant or contract with private entities for the operation of any such plant, with or without solicitation of bids, for any amount the Department determines to be in the best interest of the state.

Under current law, through June 30, 2011, DOA may sell state-owned property, if the Department determines that it is in the best interest of the state. The sale may be conducted using public bids, or negotiated prices. The Department may reject bids if they do not serve the state's interest. Such sales must be approved by the Building Commission. After June 30, 2011, such property would have to be declared surplus (property not needed for agency operations) in order to be sold by the state. In addition, the University of Wisconsin System Board may sell or dispose of property as allowed under statute and as is deemed beneficial to the System and the state. The bill would exempt the sale of state-owned heating, cooling and power plants from these current law requirements. Specify that DOA may attach conditions to the sale or contractual services agreement as it finds in the best interest of the state.

Specify that any outstanding public debt, including principal, interest, and premiums related to refunding of the debt associated with a state-owned heating, cooling or power plant would be paid from the net proceeds of any sale of the property. Specify that property acquired, constructed, or improved using federal financial assistance would be repaid to the federal

government through any net proceeds, if required under federal law. If there are any net proceeds after debt service, and repayments to the federal government have been completed, specify that remaining funds be deposited into the budget stabilization fund, unless the sale of property comes from the sale of property or assets at the Northern Center for the Developmentally Disabled, in which case the proceeds would be used for the current law purpose of deposits into the Department of Health Services institutional operations appropriation.

Specify that public utilities would not have to seek Public Service Commission (PSC) approval in order to buy or contract for the operation of a state-owned heating, cooling or power plant. Under current law, the PSC must approve and certify construction, renovation, improvement, expansion, sale, lease, and consolidation of electric generating facilities for public utilities. Public utilities are currently defined as an entity that provides heat, light, water, or power directly or indirectly to the public.

Specify that DOA would only be responsible for state power plants if they are owned and operated by the state. Under current law DOA must operate, maintain, and keep in repair certain state facilities, including the Capitol heating plant, and other power plants that are operated in conjuncture with state facilities.

If DOA sells or enters a contract for the operation of a state-owned heating, cooling, or power plant, unless otherwise agreed between DOA and the operator, specify that the purchaser or contractor would continue to operate the plant, keep it in good repair, and continue to provide adequate and sufficient heating, cooling and/or power to meet the state's current and future needs. Specify that the contract would also have to require the purchaser to submit to the jurisdiction of PSC, if the Commission determines that the purchaser or contractor qualifies as a public utility. If it is determined that the purchaser or operator is not a public utility because it is not providing service directly or indirectly to the public, specify that PSC would regulate the facility as a public utility, if, upon the petition of DOA, PSC determines that it is in the interest of the public.

Require the DOA Secretary to require agencies to submit expenditure estimates for any appropriation related to the operation of a state-owned heating, cooling or power plant during a biennium in which a plant is sold that provides services to that agency. The DOA Secretary would be required to deny estimates for the operation of the facility if the plant will be operated by a private entity. The Secretary could then allow the agency to expend these funds for payments of contractual services for heating, cooling and power. Specify that if the DOA Secretary determines that less funds would be needed to pay for heating, cooling, or power under a contract with a private entity, the Secretary may lapse or transfer from GPR or PR sum certain appropriations the estimated excess into the general fund, effective on the date in which the facility is no longer operated by the state.

Specify that, if a state-owned heating, cooling, or power plant is sold or a contract is agreed to for the operation of the facility, then the DOA Secretary could identify and delete any full-time equivalent positions authorized for the operation of the facility. The reduction of state positions would be effective on the date in which the facility is no longer operated by the state.

Specify that the DOA Secretary would have to notify the Co-chairpersons of the Joint Committee on Finance of any action taken to sell these facilities, delete agency position

authority, payment of debt service, deposit funds into the budget stabilization fund, transfer or lapse appropriated amounts for the operation of plants into the general fund, or reallocate resources within appropriations for contracted services relating to purchasing contracted services.

The provision does not require the sale of state-owned heating, cooling or power plants, nor does it specify profit margins in the event of a sale. It is, therefore, unknown what amounts, if any, would be deposited into the budget stabilization fund from net proceeds or into the general fund from lapses and transfers from operating budgets.

The Department of Administration identifies 37 heating, cooling and power plants, including 14 at University of Wisconsin institutions, 13 at Department of Corrections facilities, five at Department of Health Services facilities and five at other agency facilities.

Since most of the heating, cooling, and power plants are tied into specific state facilities, it is likely that any purchase or lease would be agreed to only if there was an additional agreement requiring the state to purchase heating, cooling, and power from the purchaser or leaser. The long-term value of any sale, from the state's perspective, will hinge on any contractor's ability to provide heating, cooling and power for less than it would cost to produce the same commodities on its own. The value from the perspective of any buyer or leaser would be based on that company's ability to recover more net profits (including sales price, production costs, and taxes and tax incentives) from the purchase or lease than in the absence of such a purchase or lease.

**Joint Finance:** Specify that the Department of Administration (DOA) could not sell, enter a lease, or contract for any of the operations of a state-owned heating, cooling or power plant unless such a transaction was approved by the Joint Committee on Finance under a 14-day passive review process. Require the Department of Administration to submit the following to the Committee as part of any request: (a) estimated value of the facility as determined by DOA and at least one qualified privately-owned assessor; (b) full cost of retiring remaining debt for the facility; (c) a cost benefit analysis that considers the short-term and long-term costs and benefits to the state for selling, leasing, or entering a contract for facility operations; (d) the length and conditions of any proposed sale, lease or service agreement between the state and a proposed purchaser; (e) the estimated budgetary impact for affected state agencies for at least the current and following biennium; and (f) any other information requested by the Committee.

Authorize the Building Commission to determine and make payments to the federal government so as to avoid an adverse effect on any exclusion of interest from gross income for federal income tax purposes on public debt, revenue obligations, appropriation obligations, operating notes, and master lease obligations and to make payments to advisors that assist in making the determination. This provision would allow the state to make payments to federal Internal Revenue Service (IRS) so as to retain the tax exempt status of bonds issued to finance a power plant or facility in the event that plant or facility is subsequently sold to a private entity for which that tax exempt status would not apply. Under current law, the Building Commission has the authority to only make payments to federal government so that public debt, revenue obligations, and operating notes are not treated as arbitrage bonds. The payment provisions under the amendment are broad enough to continue to allow these payments to be made. The amendment would also modify the existing program revenue appropriation from which current

law payments can be made to incorporate the payments allowed under the amendment.

Modify the portions of the bill relating to the payment of any debts owed on the heating, cooling and power plants in the event of a sale, lease, or contract for service to specify that debt service shall be repaid for the portion of a building project that was related to the construction of the heating, cooling, or power plant.

Require DOA to determine any actions that may be necessary or appropriate as to avoid an adverse effect on any exclusion of interest on such public debt from gross income for federal income tax purposes should a plant be sold, leased or where there would be a contractual services agreement. This may include payments to advisors or the IRS. Net proceeds from the sale of a plant would be in the following order, based on sufficiency of funds: (a) payments to advisors or the IRS determined by DOA to be necessary and appropriate; (b) the repayment of any federal funds used to acquire, construct, or improve the plant, that are required under federal law; (c) to deposit sufficient amounts in the bond security and redemption fund to repay the principal and the interest on any portion of the total debt used to construct the plant; and (d) budget stabilization fund.

**Conference Committee/Legislature:** Delete provisions specifically relating to the sale or lease of power plants. Retain sections that would authorize the Building Commission to determine and make payments to the federal government so as to avoid an adverse effect on any exclusion of interest from the gross income for federal income tax purposes on public debt, revenue obligations, appropriation obligations, operating notes, and master lease obligations and make payments to advisors that assist in making the determination. This provision would allow the state to make payments to the IRS so as to retain the tax exempt status of the bonds issued to finance a state facility in the event such a facility is subsequently sold to a private entity for which that tax exempt status would not apply. Under current law, the Building Commission has the authority to only make payments to the federal government so that public debt revenue obligations and operating notes are not treated as arbitrage bonds. The payment provisions would continue to allow these payments to be made.

[Act 10 Section: 6]

<b>CORRECTIONS</b>
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**1. DEPARTMENT OF CORRECTIONS SHORTFALL - ADULT GENERAL PROGRAM OPERATIONS AND COMMUNITY CORRECTIONS**

**Governor:** Provide \$19,537,900 to the Department of Corrections to address a shortfall in the Department of Corrections' adult general program appropriation and its community corrections services appropriation. The Department has identified a total shortfall of

\$30,082,600 GPR, including \$27,944,200 in the adult general program appropriation and \$2,138,400 in the community corrections services appropriation. According to Corrections, the shortfall is associated with insufficient funding to address: (a) the 2% raise provided for represented staff in 2009; (b) fringe benefit expenditures, which are higher than the anticipated supplement amount; (c) non-salary institutional costs, including health care services and inmate supplies; and (d) increased LTE costs related to providing mental health services.

In order to address the total deficit (\$30,082,600), the budget adjustment bill would provide increased funding of \$19.5 million and transfer \$10.5 million from other appropriations with identified surpluses. The table below identifies the appropriation changes as a result of the bill.

	<u>2010-11</u>
Adult General Program Operations	\$27,944,200
Services for Community Corrections	2,138,400
Energy Costs	-5,362,500
Contract Bed Funding	-2,825,300
Pharmacological Treatment for Child Sex Offenders	-10,700
Earned Release Review Commission	-100,200
Serious Juvenile Offender Program	-2,209,400
Juvenile General Program Operations	<u>-36,600</u>
Total Change to Base Funding	\$19,537,900

Of the amount transferred from the energy costs appropriation (\$5,362,500), \$2,000,000 had previously been estimated as a lapse to the general fund. As a result, the GPR lapse estimate is reduced by \$2,000,000 in 2010-11.

**Conference Committee/Legislature:** Delete provision.

**LEGISLATURE**

**1. JOINT COMMITTEE ON FINANCE SUPPLEMENTAL APPROPRIATION**

	<u>2010-11</u>
GPR	- \$4,590,400

**Governor/Legislature:** Reduce funding by \$4,590,400 GPR in 2010-11 in the Joint Committee on Finance's general program revenue supplementation appropriation. Under 2009 Act 100, \$8.8 million was placed in the Joint Committee on Finance's supplemental appropriation for potential release to various state agencies and the courts for costs associated with operating while intoxicated legislation. On March 16, 2010, \$4,209,600 GPR was released to the Departments of Corrections and Justice, the District Attorneys, the State Public Defender, and the circuit courts. The reduction under the bill would eliminate the remaining reserve for

2009 Act 100.

[Act 10 Sections: 9227(1)&(2)]

<b>STATE CIVIL SERVICE SYSTEM</b>
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**1. REPLACEMENT OF CLASSIFIED POSITIONS WITH UNCLASSIFIED POSITIONS**

	<u>2010-11</u>	<u>2011-13</u>
All Funds	1.0	1.0

**Governor:**

*Maximum Division Administration Allocation.* Increase the number of current statutorily-authorized division administrators that may be appointed from the unclassified service, for the agencies listed below, by 35 and redefine "administrators" to include other managerial positions determined by an appointing authority.

<u>Agency</u>	<u>Current</u>	<u>Proposed</u>	<u>Modification</u>
Administration*	12	13	1
Agriculture, Trade and Consumer Protection	6	9	3
Children and families	5	8	3
Corrections	4	7	3
Financial Institutions	3	5	2
Health Services	6	9	3
Natural Resources	7	10	3
Office of the Commissioner of Insurance	0	2	2
Office of State Employment Relations*	2	3	1
Public Service Commission	5	8	3
Regulation and Licensing	4	6	2
Revenue	4	7	3
Tourism	0	1	1
Transportation	6	9	3
Workforce Development	<u>6</u>	<u>8</u>	<u>2</u>
Total	70	105	35

\* Under current law, OSER is administratively attached to DOA, and its division administrator allotment is included under DOA.

Under current law, two unclassified positions for the Office of State Employment Relations (OSER) are included under the Department of Administration's (DOA's) division administrator maximum. The bill would increase the maximum for OSER to three administrators. Further, of DOA's 12 allowable division administrator positions, the Department

currently only utilizes 10. Under the bill, the two unutilized division administrator allocations are eliminated and three new unclassified positions are created, resulting in a net increase of one division administrator.

In addition, create 1.0 PR additional unclassified position within the DOA. The State Budget Office indicates that this position would act as a division administrator for facilities management, allowing the agency to split the current Division of State Facilities into two divisions: (a) Buildings and Police Services, which would include space rental, state power plant operations, and state building operations maintenance; and (b) Facilities Development, which would include architectural and engineering services and other duties related to capital improvements and Building Commission activities. The provision does not identify any new funding for salary, fringe benefits or supplies and services for this new position, and the State Budget Office indicates that existing funding would be used in 2010-11. [It should be noted that once salary and fringe benefits are assigned to the new position, that amount would be included under standard budget adjustments for future years. The average salary and fringe benefits of current DOA division administrators is \$143,100 annually.]

Finally, allow the Director of OSER to appoint either a deputy director or an executive assistant from outside the classified service. Under current law, the Director of OSER may appoint an executive assistant outside of the classified service (unclassified). The pay scales for executive assistants are set at two ranges below that of the agency head, while the pay scale of deputies are one below that of the agency head. The current pay scale for an executive assistant at OSER is between \$107,300 and \$166,400 annually for salary and fringe benefits. The pay scale for a deputy at OSER would be between \$115,900 and \$179,800 annually for salary and fringe benefits.

*Classified to Unclassified Position Replacement.* Specify the Secretary of the Department of Administration would identify 36.0 (all funds) classified positions for deletion within specified appropriations and create 37.0 unclassified division administrator positions within specified appropriations, as identified below:

<u>Fund</u>	<u>Appropriation</u>	<u>Agency</u>	<u>Classified Deletions</u>	<u>Unclassified Additions</u>	<u>Change</u>
GPR	Program Operations	Agriculture, Trade and Consumer Protection	-3.00	3.00	0.00
GPR	Program Operations	Children and Families	-1.85	1.85	0.00
GPR	Program Operations	Corrections	-3.00	3.00	0.00
GPR	Program Operations	Health Services	-2.00	2.00	0.00
GPR	Program Operations	Revenue	-2.55	2.55	0.00
GPR	Program Operations	Tourism	<u>-1.00</u>	<u>1.00</u>	<u>0.00</u>
	GPR Total		-13.40	13.40	0.00
FED	Indirect Cost Reimbursements	Administration	-1.00	0.00	-1.00
FED	Federal Projects	Children and Families	-0.15	0.15	0.00
FED	Indirect Cost Reimbursements	Health Services	<u>-1.00</u>	<u>1.00</u>	<u>0.00</u>
	FED Total		-2.15	1.15	-1.00
PR	Materials and Services to State Agencies	Administration	0.00	1.00	1.00
PR	Facility Operations and Maintenance	Administration	0.00	1.00	1.00
PR	Legal Services	Administration	-1.00	1.00	0.00
PR	Administrative and Support Services	Children and Families	-1.00	1.00	0.00
PR	Program Operations	Financial Institutions	-2.00	2.00	0.00
PR	Program Operations	Office of the Commissioner of Insurance	-2.00	2.00	0.00
PR	Program Operations	Office of State Employment Relations	-1.00	1.00	0.00
PR	Program Operations	Public Service Commission	-3.00	3.00	0.00
PR	Program Operations	Regulation and Licensing	-2.00	2.00	0.00
PR	Administrative Services	Workforce Development	<u>-2.00</u>	<u>2.00</u>	<u>0.00</u>
	PR Total		-14.00	16.00	2.00
SEG	Program Operations - Land	Natural Resources	-1.00	1.00	0.00
SEG	Program Operations - Administrative and Technology	Natural Resources	-2.00	2.00	0.00
SEG	Program Operations	Revenue	-0.45	0.45	0.00
SEG	Management and Operations	Transportation	<u>-3.00</u>	<u>3.00</u>	<u>0.00</u>
	SEG Total		-6.45	6.45	0.00
	All Funds Total		-36.00	37.00	1.00

The State Budget Office indicates that personnel from three separate employment areas would be moved from classified to unclassified service under the agencies identified, including: (a) 14.0 (all funds) attorney services positions; (b) 14.0 (all funds) communications positions; and (c) 8.0 (all funds) legislative liaison positions. The revised unclassified positions would be renamed as chief legal advisors, communications directors, and legislative advisors. Individuals in these unclassified positions would be at will employees appointed by the heads of the respective agencies. The State Budget Office does not anticipate any salary and fringe benefits changes related to this reclassification. However, to the extent that the new unclassified positions are hired at a higher, or lower, salary level than the deleted classified positions, there would be a fiscal effect.

**Joint Finance/Legislature:** Modify provision to specify that 2.0 classified positions under the Department of Justice would move from classified to unclassified service (1.0 position under s. 20.455(1)(a) legal services general program operations, and 1.0 position under s. 20.455(3)(a) administrative services general program operations). Specify that the Department of

Justice may have five rather than the currently authorized three unclassified division administrator positions. The Department of Administration indicates that there would be one communications and one legislative liaison position moved into unclassified service.

[Act 10 Sections: 61, 338, 340 thru 357, 9101(2), 9103(1), 9108(1), 9111(1), 9117(1), 9121(1), 9125(1), 9129(1), 9135(1), 9139(1), 9140(1), 9141(1), 9143(2), 9147(1), 9148(1), and 9154(1)]

## **2. TRANSFER OF CAREER EXECUTIVE EMPLOYEES**

**Governor/Legislature:** Provide that an appointing authority may reassign an employee in a career executive position to a career executive position in any agency if the appointing authority in the agency to which the employee is to be reassigned approves of the reassignment.

Under current law, the Director of the Office of State Employment Relations (OSER) may promulgate rules to establish a career executive program. The program is intended to provide state agencies with highly qualified executive candidates, provide outstanding administrative employees a broad opportunity for career advancement, and provide for the mobility of such employees among state agencies for the most advantageous use of their managerial and administrative skills. Under current administrative rules, an appointing authority may reassign a career executive employee from one career executive position to another career executive position within the same state agency. The bill would permit an appointing authority to reassign an employee in a career executive position to a career executive position in any state agency if the appointing authority in the state agency to which the employee is to be reassigned approves of the reassignment.

[Act 10 Section: 361]

## **3. DISCHARGE OF STATE EMPLOYEES**

**Governor/Legislature:** Provide that, during a state of emergency declared by the Governor under state emergency management law, an appointing authority may discharge any employee who does any of the following: (a) fails to report to work as scheduled for any three working days during the state of emergency and the employee's absences from work are not approved leaves of absence; or (b) participates in a strike, work stoppage, sit-down, stay-in, slowdown, or other concerted activities to interrupt the operations or services of state government, including specifically participation in purported mass resignations or sick calls. Provide that engaging in any of these actions constitutes just cause for discharge. Before discharging an employee, the appointing authority would be required to provide the employee notice of the action and must furnish to the employee in writing the reasons for the action. The appointing authority would also be required to provide the employee an opportunity to respond to the reasons for the discharge.

Under current law, the Governor may issue an executive order declaring a state of emergency for the state or any portion of the state if he or she determines that an emergency

resulting from a disaster or the imminent threat of a disaster exists. Generally, a disaster is a severe or prolonged, natural or human-caused, occurrence that threatens or negatively impacts life, health, property, infrastructure, the environment, the security of this state or a portion of this state, or its critical systems. A state of emergency may not exceed 60 days, unless the state of emergency is extended by joint resolution of the Legislature.

[Act 10 Section: 365]

<b>WISCONSIN RETIREMENT SYSTEM AND PUBLIC SECTOR HEALTH INSURANCE BENEFITS</b>
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**1. REQUIRED RETIREMENT CONTRIBUTIONS AND ADDITIONAL RETIREMENT-RELATED LIMITATIONS APPLICABLE TO LOCAL UNITS OF GOVERNMENT**

**Governor:** Under current law, employee and employer WRS contributions are deposited in the public employee trust fund for investment. There are three components to the WRS contributions: (a) participant (active employee) normal contributions; (b) employer normal contributions; and (c) benefit adjustment contributions (BAC). The benefit adjustment contributions were instituted under 1983 Wisconsin Act 141 to fund increases in retirement benefits of that act. The contribution rates for these components, expressed as a percentage of earnings, also vary by the participant's employment classification. These classifications are: (a) general employees; (b) elected officials and state executives; (c) protective occupation employees who receive social security coverage; and (d) protective occupation employees without social security, which includes only fire fighters employed by local governments.

The following table shows the WRS contribution rates for 2011 by contribution component and the participant's employment classification.

**Wisconsin Retirement System Required Contributions -- 2011**

	<u>General Participants</u>	<u>Executives and Elected Officials</u>	<u>Protective Occupation With Social Security</u>	<u>Protective Occupation Without Social Security</u>
Employer Normal Cost	5.1%	9.4%	8.9%	12.2%
Benefit Adjustment Contribution	1.5	0.0	0.0	0.0
Employee Normal Cost	<u>5.0</u>	<u>3.9</u>	<u>5.8</u>	<u>4.8</u>
Total Normal Cost	11.6%	13.3%	14.7%	17.0%

The statutes authorize, but do not require, WRS employers to pay, on behalf of the employee, all or a part of any employee-required contributions. Over time, public employee

groups have negotiated, or have been provided, an employer "pickup" of employee-required contributions. Currently, under the state's compensation plan for nonrepresented employees and the pickup provisions under the collective bargaining agreements with represented state employees, the state payment for the employee-required normal retirement contributions equals 5% of earnings. Under these provisions, the employee would be required to pay any required contribution amount above 5%. Therefore, state protective occupation employees, with an employee-required normal contribution rate of 5.8%, must pay the 0.8% of earnings that is not paid by the state.

In addition, as shown in the table, a benefit adjustment contribution is currently applied to general employees only. In 2011, the BAC rate is 1.5% of gross salary. For state employees subject to the BAC, the state will pay up to 1.3% of earnings. Therefore, general employees are required to contribute 0.2% of earnings to the WRS in 2011.

The bill would repeal the current law authority for WRS employers (both the state and local employers), except in certain cases, to pay all or part of the contributions required of participating employees. Prohibit such contributions unless they are required in a collective bargaining agreement with represented local police, local firefighters, state troopers, or state inspectors.

Provide that a WRS general participant, and an executive or elected official participant would be required to make an employee contribution to the WRS in an amount equal to one-half of all actuarially-required contributions, as approved by the Employee Trust Fund (ETF) Board. [Under the current 2011 rates, one-half of the general participant rate would be 5.8% and one-half the executive/elected official rate would be 6.65%.] Require WRS participants who are protective occupation employees (both those who are and are not covered by social security) to contribute the percentage of earnings that would be paid by general participants (5.8% in 2011).

Provide that, notwithstanding the employer and employee required contributions rates established under law for 2011 by the ETF Board, beginning on the first day of the first pay period after March 13, 2011, the employee required contributions, as provided under the bill, would be in effect for the remainder of 2011, and the employer required contributions would be adjusted to reflect the increases in employee required contributions for the remainder of 2011. Provide that, beginning on the first day of the first pay period after March 13, 2011, for the purpose of calculating employee required contributions, the benefit adjustment contribution would be treated as an employer required contribution for the remainder of 2011. Provide that, if an employer is unable to modify payroll procedures in sufficient time to collect the increased employee-required contributions before the first day of the first pay period after March 13, 2011, the employer must recover all amounts that employees owe before July 1, 2011.

Repeal the benefit adjustment contribution component of the WRS contribution rate. Repeal the current law authority of the ETF Board, on the advice of the actuary, to modify the components of the contribution rate to reflect overall increases or decreases in the rate over time. [Under current law, ETF and its consulting actuary approve the overall contribution rates for the WRS. Additional statutory provisions specify how increases or decreases in the rates each year are to be allocated to the employer and employee components of the rates. These latter

adjustment provisions would be deleted from law under the bill, but ETF would retain its authority to modify overall contribution rates each year.]

Provide that, beginning on the effective date of these provisions, in the retirement systems operated by the City of Milwaukee and Milwaukee County, except as otherwise provided in a collective bargaining agreement entered into with represented local police and firefighters, employees would be required to pay one-half of all actuarially required contributions for funding benefits under the retirement system. The employer (the City or the County) would not be allowed to pay, on behalf of an employee, any of the employee's share of the actuarially required contributions.

Provide that a local governmental unit (a political subdivision of the state, a special purpose district, an agency or corporation of a political subdivision or special purpose district, or a combination or subunit of any of the foregoing) may not establish a defined benefit pension plan for its employees unless the plan requires the employees to pay half of all actuarially required contributions for funding benefits under the plan and prohibits the local governmental unit from paying on behalf of an employee any of the employee's share of the actuarially required contributions.

The treatment of these provisions would first apply to employees who are covered by a collective bargaining agreement that contains provisions inconsistent with those sections on the day on which the agreement expires or is terminated, extended, modified, or renewed, whichever occurs first.

**Joint Finance/Legislature:** Modify a provision relating to employee contributions under the City of Milwaukee Retirement System from a requirement to contribute half of all actuarially required contributions to a requirement that all employee-required contributions be made by these employees. The modification would delete the words "half of all actuarially required" and substitute the words "all employee required" to utilize terminology more consistent with the provisions of City of Milwaukee Retirement System.

Delete the provision that, beginning on the first day of the first pay period after March 13, 2011, for the purpose of calculating employee required contributions, the benefit adjustment contribution would be treated as an employer required contribution for the remainder of 2011.

[Act 10 Sections: 3, 67, 69 thru 76, 87, 166, 167, 171, 9115(2), and 9315(2)]

## **2. HEALTH INSURANCE PREMIUM CONTRIBUTIONS FOR STATE EMPLOYEES AND LOCAL EMPLOYEES PARTICIPATING IN GROUP INSURANCE BOARD COVERAGE**

**Governor/Legislature:** Repeal current law requirements related to the amount that the employer (state) must pay for health insurance for its insured employees. Provide instead that, except as otherwise provided in a collective bargaining agreement with represented local police, local firefighters, state troopers, or state inspectors, the employer must pay for its current insured employees, as follows: (a) for eligible employees who are not part-time employees or university

teaching and graduate assistants as described below, an amount not more than 88 percent of the average premium cost of plans offered in the tier with the lowest employee premium cost (tier-1 plan), as established annually by the director of the Office of State Employment Relations (OSER); and (b) for insured part-time employees (other than university teaching and graduate assistants) who are appointed to work less than 1,566 hours per year, an amount determined annually by the OSER Director. For university teaching and graduate assistants, provide that annually, the OSER Director must establish the amount that the employer is required to pay for teaching and graduate assistant health care coverage.

Under nonstatutory provisions, modify state employee health insurance premium contributions in 2011, to provide that, notwithstanding the provisions described above, beginning with health insurance premiums paid in April, 2011, and ending with coverage for December, 2011, employee contributions would be required at the rates shown in the following table. The proposed rates are compared to the rates currently in effect for 2011 for nonrepresented state employees.

**Proposed State Employee Monthly Contribution Rates  
2011**

	<u>Current Law</u>		<u>Bill</u>		<u>Change to Current Law</u>	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
Tier 1	\$36	\$89	\$84	\$208	\$48	\$119
Tier 2	79	198	122	307	43	109
Tier 3	188	471	226	567	38	96

Provide that covered part-time employees described in (b) above, as well as craft and related nonrepresented employees, would be required to pay the same amounts that they are required to pay on the day before the effective date of these provisions. For eligible university teaching and graduate assistants, provide that 50% of the amounts required for employees described in (a) above would be required as contributions in 2011.

If an employer is unable to modify payroll procedures in sufficient time to collect employees' increased share of the premium costs for health care coverage, as specified in these provisions, the employer would be required to recover all amounts that employees owe for the increased share of premium costs before July 1, 2011.

For local government employers that participate in a health insurance plan offered by the Group Insurance Board (GIB), provide that beginning on January 1, 2012, except as otherwise provided in a collective bargaining agreement with local police or firefighters, an employer may not offer the GIB health care coverage plan to its employees if the employer pays more than 88 percent of the average premium cost of plans offered in any tier with the lowest employee premium cost (tier-1 plan).

The treatment of these provisions would first apply to employees who are covered by a collective bargaining agreement that contains provisions inconsistent with these provisions on

the day on which the agreement expires or is terminated, extended, modified, or renewed, whichever occurs first.

Under current law, state employees and employees of public authorities created by the state, receive health care coverage under plans offered by the Group Insurance Board (GIB). These plans are assigned to one of three tiers depending on the employee's premium costs. The employer share of premium costs for employees who work more than 1,565 hours a year is an amount not less than 80 percent of the average premium costs under the various health care coverage plans. For employees working less than 1,566 hours per year, the employee contribution must be 50% of the contribution for a full-time employee. Under the compensation plan for nonrepresented state employees and the collective bargaining agreements with represented employees, the employer pays the difference between the total premium cost and the employee share of contributions (which are shown in the table above under current law). The GIB also makes available a health insurance coverage program for local governments to utilize, if they choose to do so.

[Act 10 Sections: 65, 77, 78, 81, 88, 89, 9115(1), and 9315(1)]

### 3. GENERAL FUND LAPSES IN 2010-11 RELATING TO EMPLOYER SAVINGS IN FRINGE BENEFIT COSTS

	<u>2010-11</u>	<u>2011-13</u>
GPR-Earned	\$27,891,400	
GPR-Lapse	\$1,908,600	
GPR-Lapse/Transfer		\$275,600,000

**Governor/Legislature:** Transfer or lapse a total of \$29,800,000 to the general fund to reflect projected savings resulting from increases in the portion of premiums that state employees must pay for health insurance and increases in the retirement contributions that state employees must pay. Specific lapse requirements would be as follows:

Require that, before July 1, 2011, the Secretary of DOA to lapse to the general fund, from the unencumbered balances of general purpose revenue and program revenue appropriations to executive-branch state agencies, other than sum sufficient appropriations and appropriations of federal revenues, an amount equal to \$27,891,400. The Secretary would not be allowed to lapse any amount from program revenue appropriations under the University of Wisconsin System, from segregated revenues or from federal appropriations. Provide that the DOA Secretary may not lapse moneys if the lapse would violate a condition imposed by the federal government on the expenditure of the moneys or if the lapse would violate the federal or state constitution. Provide that the amount lapsed must be in addition to the amounts that are required to be lapsed or transferred to the general fund under 2009 Wisconsin Act 28.

Require that, before July 1, 2011, the Co-chairpersons of the Joint Committee on Legislative Organization to take actions to ensure that from general purpose revenue appropriations to the Legislature, an amount equal to \$717,700 is lapsed from sum certain

appropriation accounts or is subtracted from the expenditure estimates for any other type of appropriations, or both. Provide that the amount lapsed must be in addition to the amounts that are required to be lapsed or transferred to the general fund under 2009 Wisconsin Act 28.

Require that, before July 1, 2011, the Chief Justice of the Supreme Court take actions to ensure that, from general purpose revenue appropriations to the judicial branch of government, an amount equal to \$1,153,400 is lapsed from sum certain appropriation accounts or is subtracted from the expenditure estimates for any other type of appropriations, or both.

Require that, before July 1, 2011, the Governor take actions to ensure that from general purpose revenue appropriations to the Office of the Governor an amount equal to \$37,500 is lapsed from sum certain appropriation accounts or is subtracted from the expenditure estimates for any other type of appropriations, or both.

On an annualized basis, the Department of Administration estimates that the WRS and health insurance modifications under the bill could result in a cost reduction for the state of \$228.1 million. Of that total, it is estimated that \$137.8 million annually could be lapsed or transferred to the general fund.

[Act 10 Sections: 9219(1), 9230(1), 9245(1), and 9255(1)]

#### **4. ELIMINATION OF RETIREMENT AND HEALTH CARE COVERAGE BENEFITS FOR LIMITED-TERM EMPLOYEES**

**Governor:** Prohibit state employees who have limited-term appointments from participating in the Wisconsin Retirement System (WRS) and prohibit these employees from receiving health insurance coverage under the state employee plan offered by the Group Insurance Board (GIB).

Under current law, a state employee becomes a participant in the WRS if they are expected to work at least one-third of what is considered full-time employment by ETF, as determined by rule (currently 600 hours per year), and have an expected duration of employment of one year or more. If a state employee becomes a participating employee in the WRS, the employee is also eligible for health insurance coverage under a program administered by the GIB. These eligibility provisions apply to limited-term employees. Limited-term appointments in the state civil service are provisional appointments or appointments for less than 1,044 hours per year.

**Joint Finance/Legislature:** Delete provision.

#### **5. STUDY OF POTENTIAL MODIFICATIONS OF THE WISCONSIN RETIREMENT SYSTEM AND STATE EMPLOYEE HEALTH INSURANCE OPTIONS**

**Governor:** *Wisconsin Retirement System (WRS).* Require the Secretary of DOA, the Director of the Office of State Employment Relations (OSER), and the Secretary of ETF to study the structure of the WRS and benefits provided under the WRS. The study must specifically address the following issues: (a) establishing a defined contribution plan as an option for

participating WRS employees; (b) establishing a vesting period of one, five, or 10 years for employer contributions, and for eligibility for retirement benefits; (c) modifying the supplemental health insurance conversion credits programs; and (d) permitting employees to not make employee required contributions and limiting retirement benefits for employees who do not make employee required contributions to a money purchase annuity. Provide that, no later than June 30, 2012, the Secretary of DOA, the OSER Director, and the Secretary of ETF must report their findings and recommendations to the Governor.

*Health Insurance Options.* Require the OSER Director and the Secretary of ETF to study the feasibility of offering to state employees and local governmental employees covered under health care insurance plans offered by the Group Insurance Board (GIB), beginning on January 1, 2013, the options of receiving health care coverage through either a low-cost health care coverage plan or through a high-deductible health plan and the establishment of a health savings account as defined in federal law. The OSER Director and the Secretary of ETF would also be required to study the feasibility of requiring state employees to receive health care coverage through a health benefits exchange established pursuant to the federal Patient Protection and Affordable Care Act of 2010, and creating a health care insurance purchasing pool for all state and local government employees and individuals receiving health care coverage under the Medical Assistance program. Require that, no later than June 30, 2012, the OSER Director and Secretary of ETF report their findings and recommendations to the Governor.

Create a GPR sum sufficient appropriation account under ETF to fund the cost of studies, including any actuarial studies and costs incurred by ETF, conducted under these provisions. Provide that no moneys may be expended from this appropriation without the approval of the Secretary of DOA.

Under current law, the WRS is a defined benefit pension system in which participants are vested immediately. The employee share of WRS contributions are currently required to be made, but may be made by the employer on behalf of the employee. Under the supplemental health insurance conversion credits program, an employee is credited at retirement with one hour of additional sick leave credit for each hour of unused accumulated sick leave up to a maximum of 52 hours per year for all years of service through the 24th year. For all years of continuous service beyond the 24th year, an employee will be granted one hour of additional sick leave credit for each hour of previously accumulated sick leave up to a maximum of 104 hours per year. The credits may only be used for the payment of premium costs of continued state group health insurance in retirement. The value of the supplemental credits may is determined by multiplying the credited hours times the employee's highest base hourly pay rate. The supplemental credits do not provide additional sick leave to employees. The supplemental credits are in addition to sick leave credits provided to retiring employees for accumulated unused sick leave hours.

The establishment of health savings accounts are authorized under federal law. Individuals may establish health savings accounts into which they and their employers can make federal tax-exempt contributions that can be used for the payment of certain qualified medical expenses. Annual contribution limits are established under federal law and are based on the individual's status, eligibility, and health plan coverage. As a condition of establishing a health

savings account, an individual must be covered under a high-deductible health plan. The specific requirements of high-deductible health plans are provided in federal law, but generally require the payment of a certain minimum deductible and the expenditure of certain out-of-pocket expenses before an individual's medical services are covered under the plan.

**Joint Finance:** Require a 14-day passive review by the Joint Committee on Finance prior to any expenditure.

**Conference Committee/Legislature:** Delete provision.

## **6. MODIFY RETIREMENT MULTIPLIER FOR STATE EXECUTIVE AND ELECTED OFFICIAL WRS PARTICIPANTS**

**Governor/Legislature:** Provide that, for WRS creditable service performed on or after the effective date of this provision, the multiplier used to calculate the normal pension benefit be reduced from 2% to 1.6% for state and local elected officials and state executives participating in the WRS. The provision has the effect of lowering the pension benefit for service performed after the effective date of the provision.

The provision would first apply to creditable service that is performed by elected officials (other than judges) on the first day of a term of office that begins after the effective date of the provision. For Supreme Court justices, Court of Appeals judges, and Circuit Court judges, the provision would first apply to creditable service that is performed on the day on which the next Supreme Court justice, Court of Appeals judge, or Circuit Court judge assumes office after the effective date of the provision.

Under current law, when a WRS participant becomes eligible for a retirement annuity, the amount of the annuity is determined by multiplying the participant's final average earnings by the participant's years of creditable service and by a percentage multiplier. [The multiplier is not applicable to a money purchase annuity.] For current service, the multipliers are as follows: general participants (1.6%); elected and executives (2%); protective under Social Security (2.0); and protection not under Social Security (2.5%). The provision would reduce the multiplier for elected and executives to the same as that for general participants (1.6%).

[Act 10 Sections: 86 and 9315(3)]

## **7. REALLOCATION OF GROUP HEALTH AND PHARMACY BENEFIT RESERVES**

**Governor:** Notwithstanding any action of the Group Insurance Board, require the Secretary of ETF to allocate, from reserve accounts established for group health insurance and pharmacy benefits for state employees, an amount equal to \$28,000,000 to reduce employer costs for providing group health insurance for state employees for the period beginning on July 1, 2011, and ending on December 31, 2011.

Under current law, ETF and the Group Insurance Board (GIB) have the authority to

establish reserves to meet the requirements of providing health and pharmacy benefits. The monthly premiums charged for health insurance coverage for state employees include amounts that are allocated to the state's self-insured prescription drug plan to cover the prescription drug benefit costs of the program. In a report to GIB in August, 2010, the consulting actuary showed a net fund balance for the pharmacy reserve of \$90.8 million. The reserve for these pharmacy benefits includes accrued, but not received drug rebates and accrued Medicare retiree drug subsidies. DOA officials indicate that the reserve is large enough to support the one-time reallocation provided for under the bill. The bill does not specify how the reallocation of costs are to be made or how the savings will be captured by the state.

**Conference Committee/Legislature:** Delete provision.

## **8. MANDATED HEALTH INSURANCE COST REDUCTIONS AND COPAYMENTS**

**Governor/Legislature:** Provide that a current law restriction on the Group Insurance Board (GIB) modifying agreements for group insurance coverage for state employees would not apply to any agreements entered into by the GIB to modify group insurance coverage for the 2012 and 2013 calendar years. Require the GIB to design health care coverage plans for the 2012 calendar year that, after adjusting for any inflationary increase in health benefit costs, as determined by the GIB, reduces the average premium cost of plans offered in the tier with the lowest employee premium cost by at least 5% from the cost of such plans offered during the 2011 calendar year. Require the GIB to include copayments in the health care coverage plans for the 2012 calendar year and allow GIB to require health risk assessments for state employees and participation in wellness or disease management programs.

Under current law, GIB may not enter into agreements to modify or expand group insurance coverage in a manner that conflicts with applicable statutes, or rules promulgated by ETF, or that materially affects the level of premiums required to be paid by the state or its employees or the level of benefits provided under any group insurance coverage. Under the bill, this prohibition would not apply to GIB agreements relating to group insurance coverage for the 2012 and 2013 calendar years.

[Act 10 Sections: 9115(3)&(4)]

## **9. GROUP INSURANCE BOARD AUTHORITY: WELLNESS AND DISEASE MANAGEMENT PROGRAMS, DATA-COLLECTION CONTRACTS**

**Governor:** Allow the Group Insurance Board to encourage participation in wellness or disease management programs. Current law, with certain exceptions, prevents the GIB from modifying or expanding group insurance coverage in such a manner as to materially affect the level of premiums paid by the state or its employees, or the level of benefits to be provided, under any group insurance coverage plan. The bill would provide that this restriction does not prevent GIB from encouraging participation in wellness or disease management programs under any of its group insurance coverage plans.

Allow the GIB to contract for any other consulting services related to the benefit plans offered by the Board. Authorize that the costs of contracts for other consulting services be paid from an ETF annual segregated appropriation account for health insurance data collection and analysis. Under current law, GIB may contract with the Department of Health Services (DHS) and other public or private entities for data collection and analysis services related to health maintenance organizations and insurance companies that provide health insurance to state employees. The bill would expand this authority to contracting for other consulting services.

**Conference Committee/Legislature:** Delete the provision to allow the Group Insurance Board to contract for any other consulting services related to the benefit plans offered by the Board. Delete the provision to authorize that the costs of contracts for other consulting services be paid from an ETF annual segregated appropriation account for health insurance data collection and analysis.

[Act 10 Section: 68]

## 10. AUDIT OF DEPENDENT ELIGIBILITY UNDER BENEFIT PROGRAMS

**Governor/Joint Finance:** Provide that, if ETF determines that an audit of benefit programs administered by the Department is necessary for the purpose of verifying the eligibility of dependents covered under the benefit programs, the Department must submit a written request to the Secretary of DOA to expend an amount not exceeding \$700,000 SEG from ETF's administration appropriation account for the 2011–12 fiscal year to fund the cost of the audit. If the Secretary of DOA approves the request, ETF may proceed with the audit.

**Conference Committee/Legislature:** Delete provision.

## 11. GROUP INSURANCE BOARD MEMBERSHIP REQUIREMENT

**Governor:** Require that any designee of the Attorney General to the Group Insurance Board must be an attorney. Under current law, the Attorney General, or his or her designee, serves on the GIB; however, a designee does not have to be an attorney.

**Joint Finance/Legislature:** Delete provision.

# COLLECTIVE BARGAINING AND EMPLOYMENT RELATIONS PROVISIONS

## 1. PUBLIC EMPLOYEE COLLECTIVE BARGAINING MODIFICATIONS

**Governor:** Modify the Municipal Employment Relations Act (MERA) and the State Employment Labor Relations Act (SELRA) to alter the collective bargaining rights of public employees in Wisconsin, with the exception of certain protective occupation participants under

the Wisconsin Retirement System (WRS) or under the City of Milwaukee or Milwaukee County retirement systems.

*Represented Employee Classification.* Collective bargaining rights under current law would be retained for public safety employees only. Under MERA, a public safety employee would be defined as any municipal employee who is employed in a position classified as a protective occupation participant who is a police officer, a fire fighter, a deputy sheriff, a county traffic police officer, a person employed by a village to provide police and fire protection services, or a comparable position under the provisions of a county (Milwaukee) or city (Milwaukee) retirement system. Under SELRA, a public safety employee would be defined as a member of the state traffic patrol or a state motor vehicle inspector. All other represented municipal and state public employees, including school teachers and employees of the Wisconsin Technical College System, would be defined as general employees for the purposes of collective bargaining and would be subject to the modifications that follow.

*Prohibited Subjects of Collective Bargaining.* Prohibit any municipal employer under MERA or the state under SELRA from bargaining collectively with a collective bargaining unit containing a general municipal employee with respect to any factor or condition of employment except wages. Wages would include only total base wages and would exclude any other compensation, including, but not limited to, overtime, premium pay, merit pay, performance pay, supplemental compensation, pay schedules, and automatic pay progressions. Unless approved by referendum as described below, prohibit any increase in base wages that exceeds the total base wages for authorized positions 180 days before the expiration of the previous collective bargaining agreement by a greater percentage than the increase in the consumer price index. The Department of Revenue would be authorized, upon a request from WERC, to determine, for the purposes of these provisions, the average annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the federal Department of Labor, for the 12 months immediately preceding the request from WERC.

If there is a decrease in the consumer price index, the maximum salary level that can be bargained for would be the base amount minus the percentage decline in the CPI.

Provide that, if a local governmental unit (any city, village, town, county, metropolitan sewerage district, long-term care district, transit authority, technical college district, local cultural arts district, or any other political subdivision of the state, or instrumentality of one or more political subdivisions of the state) wishes to increase the total base wages of its general municipal employees in an amount that exceeds these CPI limits, the governing body of the local governmental unit must adopt a resolution to that effect. The resolution must specify the amount by which the proposed total base wages increase will exceed the CPI limit. The resolution may not take effect unless it is approved in a referendum called for that purpose. The referendum must occur in November for collective bargaining agreements that begin the following January 1. The results of a referendum apply to the total base wages only in the next collective bargaining agreement. The referendum question must be substantially as follows: "Shall the general municipal employees in the local governmental unit receive a total increase in wages from \$[current total base wages] to \$[proposed total base wages], which is a percentage wage increase that is [x] percent higher than the percent of the consumer price index increase, for a total

percentage increase in wages of [x]?”

These referendum provisions would also apply to elementary and secondary school districts, except that the referendum would occur in April for collective bargaining agreements that begin in July of that year. For state employees, a statewide referendum would be required, but there is no specification of the timing of the referendum or the required ballot language.

Provide that no local governmental unit, or any school district, except as provided under MERA, may collectively bargain with its employees. If a local governmental unit has in effect, on the effective date of the bill, an ordinance or resolution that is inconsistent with this requirement, the ordinance or resolution would not apply and may not be enforced. Each local governmental unit that is collectively bargaining with its employees would be required to determine the maximum total base wages expenditure that is subject to collective bargaining under the provisions of the bill.

*Collective Bargaining Unit Annual Certification.* Under MERA, require the Wisconsin Employment Relations Commission (WERC) to conduct an annual election to certify the representative of the collective bargaining unit that contains a general municipal employee. The election would be required to occur no later than December 1 for a collective bargaining unit containing school district employees and no later than May 1 for a collective bargaining unit containing general municipal employees who are not school district employees. WERC would be required to certify any representative that receives at least 51 percent of the votes of all of the general municipal employees in the collective bargaining unit. If no representative receives at least 51 percent of the votes of all of the general municipal employees in the collective bargaining unit, at the expiration of the collective bargaining agreement, WERC would be required to decertify the current representative and the general municipal employees would be nonrepresented. Provide that, if a representative is decertified the affected general municipal employees may not be included in a substantially similar collective bargaining unit for 12 months from the date of decertification. Require that WERC assess and collect a certification fee for each election that is conducted. Such fees would be credited to an existing WERC appropriation account.

In a nonstatutory provision under the bill, require that, for each collective bargaining unit under MERA containing general municipal employees who are subject to an extension of their collective bargaining agreement, collective bargaining agreements must be terminated as soon as legally possible and employees must vote to certify or decertify their representatives as provided under the bill. Notwithstanding the dates provided above for unit certification, provide that the vote must be held in April, 2011.

Under SELRA, require WERC, in April, 2011, and no later than December 1, of each subsequent year, to conduct an election to certify the representative of a collective bargaining unit that contains a general employee. Require that the ballot include the names of all labor organizations having an interest in representing the general employees participating in the election. Allow WERC to exclude from the ballot one who, at the time of the election, stands deprived of his or her rights under labor law by reason of a prior adjudication of his or her having engaged in an unfair labor practice. Require WERC to certify any representative that

receives at least 51 percent of the votes of all of the general employees in the collective bargaining unit. If no representative receives at least 51 percent of the votes of all of the general employees in the collective bargaining unit, at the expiration of the collective bargaining agreement, WERC would be required to decertify the current representative and the general employees would be nonrepresented. If a representative is decertified, the affected general employees may not be included in a substantially similar collective bargaining unit for 12 months from the date of decertification.

The WERC's certification of the results of any election would be conclusive unless reviewed as provided under administrative and procedure review law. Require that WERC assess and collect a certification fee for each election that is conducted and credit such fees to an existing WERC appropriation account.

Under current law, a collective bargaining unit selects a labor organization as its representative when a majority of the employees in that collective bargaining unit who are actually voting elects the labor organization as its representative. The labor organization remains the representative unless a percentage of members of the collective bargaining unit supports a petition for a new election and subsequently votes to decertify the representative.

*Union Dues Provisions.* Under MERA, prohibit a municipal employer from deducting labor organization dues from the earnings of a general municipal employee or supervisor. Under SELRA, prohibit the state from deducting labor organization dues from a general employee's earnings.

Provide that a general municipal or state employee would have the right to refrain from paying labor organization dues while remaining a member of a collective bargaining unit. [A public safety employee, however, may be required to pay dues, as provided under current law.]

Under current law, a fair-share agreement between the employer and a labor organization is permitted under which all of the employees in a collective bargaining unit are required to pay their proportionate share of the cost of the collective bargaining process and contract administration measured by the amount of dues uniformly required of all members. A maintenance of membership agreement is an agreement between the employer and a labor organization representing employees that requires that all of the employees whose dues are being deducted from earnings at the time the agreement takes effect must continue to have dues deducted for the duration of the agreement and that dues must be deducted from the earnings of all employees who are hired on or after the effective date of the agreement. Under the bill, these provisions would apply only to represented public safety employees. Fair-share and maintenance of membership agreements would not be allowed for represented general employees.

*Interest Arbitration under MERA.* Repeal current law interest arbitration provisions that allow general municipal employees, including teachers, to petition the WERC to initiate compulsory, final and binding arbitration if: (a) a dispute involving wages, hours and conditions of employment has not been settled after a reasonable period of negotiation and mediation by the WERC; and (b) any other settlement procedures established by the parties have been exhausted. Repeal factors that an arbitrator must consider in arriving at the arbitration award decision,

including the factor given greatest weight, the factor given greater weight, and other factors to be considered. Repeal WERC's authority to adopt rules pertaining to the conduct of arbitration for general municipal employees.

Under current law, for general municipal employees, either or both parties in a dispute may petition the WERC to initiate compulsory, final and binding arbitration if: (a) a dispute involving wages, hours and conditions of employment has not been settled after a reasonable period of negotiation and mediation by the WERC; and (b) any other settlement procedures established by the parties have been exhausted. The statutes establish the procedures for the stages of the arbitration process, including the petition for WERC intervention, preliminary final offers, WERC investigation, final offers, appointment of an arbitrator, public hearing, arbitration hearing, and arbitration award. The statutes establish a variety of factors that the arbitrator must consider in arriving at the arbitration award decision. Except in arbitrations involving school district employees, the arbitrator must first give "greatest weight" to those state legislative and administrative directives that impose spending or revenue collection limitations on the municipal government. The arbitrator is required to provide a written accounting in the final arbitration decision of the consideration given to this "greatest weight" factor in making the award. Except in arbitrations involving school district employees, the arbitrator must next give "greater weight" to the economic conditions in the jurisdiction of the municipal employer. Lastly, in any arbitration involving general municipal employees, including school district employees, the arbitrator must give "weight" to a series of additional factors; however, there is no rank-ordering of these elements in terms of their relative importance.

*Strikes under MERA.* Provide that nothing contained in Wisconsin labor law constitutes a grant of the right to strike by any municipal employee or labor organization and such strikes are expressly prohibited. Repeal a current law provision that provides that, in addition to the other impasse resolutions under MERA, a municipal employer and labor organization may at any time, as a permissive subject of bargaining, agree in writing to a dispute settlement procedure, including authorization for a strike by municipal employees or binding interest arbitration that is acceptable to the parties for resolving an impasse over terms of any collective bargaining agreement. Repeal a current law interest arbitration provision that, after an arbitrator is appointed, but prior to the arbitration hearing, either party has the opportunity to withdraw its final offer and any agreed modifications, and if both parties withdraw their final offers, the labor organization may strike, but only after having given 10 days' written, advance notice.

Under current law, strikes by municipal employees in Wisconsin are generally prohibited under MERA. Notwithstanding this general prohibition against strikes by municipal employees, strikes involving nonprotective municipal employees, including teachers, are permitted under limited circumstances. These limited circumstances, described in the paragraph above, would be repealed under the bill.

The bill would also provide that any labor organization representing municipal public safety employees which violates the prohibition on strikes may not collect any dues under a collective bargaining agreement or under a fair-share agreement from any public safety employee covered by either agreement for a period of one year. At the end of the period of suspension, any such agreement must be reinstated unless the labor organization is no longer

authorized to represent the public safety employees covered by the collective bargaining agreement or fair-share agreement, or the agreement is no longer in effect.

Under current law, any labor organization that violates the current law prohibition on strikes must be penalized by the suspension of any dues check-off agreement and fair-share agreement between the municipal employer and the labor organization for a period of one year. At the end of the period of suspension, any such agreement must be reinstated unless the labor organization is no longer authorized to represent the municipal employees covered by such dues check-off or fair-share agreement or the agreement is no longer in effect.

Other strike penalties under current law are unaffected by the bill. These provisions include: (a) any labor organization which violates the strike prohibition after an injunction has been issued must be required to forfeit \$2 per member per day, but not more than \$10,000 per day, with each day of continued violation constituting a separate offense; and (b) any individual who violates the strike prohibition after an injunction against a strike has been issued must be fined \$10, with each day of continued violation constituting a separate offense. In addition, after the injunction has been issued, any municipal employee who is absent from work because of purported illness is presumed to be on strike unless the illness is verified by a written report from a physician to the municipal employer. The court is required to order that any fine imposed be paid by means of a salary deduction at a rate to be determined by the court.

*Term of Agreements.* Under MERA, provide that, except for the initial collective bargaining agreement between the parties and except as the parties otherwise agree, every collective bargaining agreement covering general municipal employees must be for a term of one year and may not be extended. [Note that the clause "and except as the parties otherwise agree," which is in current law, was intended to be stricken under the bill.] No collective bargaining agreement covering general municipal employees may be reopened for negotiations unless both parties agree to reopen the collective bargaining agreement. Under current law, except for an initial contract between the parties and unless the parties otherwise agree, collective bargaining agreements covering municipal employees must be for a term of two years. In no case, however, may a contract for non-school district employees exceed a term of three years, or a contract for school district employees exceed a term of four years. Further, unless both parties agree, an arbitration award may not provide for a reopening of negotiations during the term of the collective bargaining agreement.

Under SELRA, provide that no agreements covering a collective bargaining unit containing a general employee may be for a period that exceeds one year, and each agreement must coincide with the state fiscal year. Provide that agreements covering a collective bargaining unit containing a general employee may not be extended. Under current law, agreements must coincide with the fiscal year or biennium. Current collective bargaining agreements are for the 2007-09 biennium and have been extended by mutual agreement of the state and labor organizations representing state employees. Under these agreements, the extension may be terminated by either party with either 10 or 30 days notice, depending on the agreement. [On February 11, 2011, the Director of the Office of State Employment Relations (OSER) informed the state's labor unions that the contract extensions would be terminated on March 13, 2011.]

### *Other Provisions*

Retain current law methods for peaceful settlement of disputes for general municipal employees. These methods relate to notice of commencement of contract negotiations, presentation of initial proposals, mediation, and grievance arbitration.

Repeal a declaration of policy under MERA. Under current law, the statutes specify that: "The public policy of the state as to labor disputes arising in municipal employment is to encourage voluntary settlement through the procedures of collective bargaining. Accordingly, it is in the public interest that municipal employees so desiring be given an opportunity to bargain collectively with the municipal employer through a labor organization or other representative of the employees' own choice. If such procedures fail, the parties should have available to them a fair, speedy, effective and, above all, peaceful procedure for settlement as provided in this subchapter." The bill would repeal this language. In addition, under another MERA statutory provision, the bill deletes a statement that, in creating MERA, "the legislature recognizes that the municipal employer must exercise its powers and responsibilities to act for the government and good order of the jurisdiction which it serves, its commercial benefit and the health, safety, and welfare of the public to assure orderly operations and functions within its jurisdiction, subject to those rights secured to municipal employees by the constitutions of this state and of the United States and by this subchapter."

Repeal the declaration of policy under SELRA. Under current SELRA law, a declaration of policy is made regarding the public policy of the state as to labor relations and collective bargaining in state employment. Briefly stated, it includes: (a) a discussion of public, employee, and employer interests; (b) the assertion that the orderly and constructive employment relations for employees and the efficient administration of state government are promotive of all these interests; (c) that negotiations of terms and conditions of state employment should result from voluntary agreement between the state and its employees and that employees have the option of organizing and bargaining collectively through representatives of the employee's own choosing; and (d) to encourage the practices and procedures of collective bargaining by establishing standards of fair conduct in state employment relations and by providing a convenient, expeditious and impartial tribunal in which these interests may have their respective rights determined. The bill would repeal this declaration of policy.

Modify WERC's authority to determine appropriate collective bargaining units by prohibiting WERC from deciding that any group of municipal employees constitutes an appropriate collective bargaining unit if the group includes both school district employees and general municipal employees who are not school district employees. Further, provide that WERC may not decide that any group of municipal employees constitutes an appropriate collective bargaining unit if the group includes both public safety employees and general municipal employees. Under current law, a collective bargaining unit under MERA is defined as a unit consisting of municipal employees who are school district employees, or of municipal employees who are not school district employees, as determined by WERC to be appropriate for the purpose of collective bargaining. The bill would add the additional restriction described above to WERC's authority in this area.

Repeal a provision that requires the Director of OSER, prior to award and under conditions established by rule by DOA, to review contracts for contractual services in order to ensure that agencies properly utilize the services of state employees, evaluate the feasibility of using limited term appointments prior to entering into a contract for contractual services, and do not enter into any contract for contractual services in conflict with any collective bargaining agreement under SELRA or UW System faculty and academic staff labor relations.

Provide that a local cultural arts district created under Subchapter V of Chapter 229 (the Madison Overture Center) would be included in the definition of a municipal employer under MERA. Under the provision, general employees of the cultural arts district would be subject to the bill's MERA provisions. Under current law, this cultural arts district is specifically excluded from the provisions of MERA, but may collectively bargain with its employees under the provisions of subchapter I of Chapter 111 (Employment Peace).

Provide that it would be a prohibited practice for a municipal employer to violate any collective bargaining agreement affecting general municipal employees, that was previously agreed upon by the parties with respect to wages.

Repeal a provision that permits clerks in the Municipal Court in Milwaukee to bargain over supervision issues. The current law provision is inconsistent with the modifications to MERA under the bill.

Under current law, the state is not required to bargain on matters related to employee occupancy of houses or other lodging. Under the bill, this provision is repealed. The provision is inconsistent with the modifications to SELRA under the bill.

Nonstatutory language would provide that, upon termination of any collective bargaining agreement between the state and a labor organization representing state employees, the OSER Director may continue to administer those provisions of the collective bargaining agreements that the Director determines necessary for the orderly administration of the state civil service system until the compensation plan under section 230.12 of the statutes is established for the 2011–13 fiscal biennium.

Provide that, if an employee is covered under a collective bargaining agreement under SELRA, the state's compensation plan provisions would apply to that employee, except for those provisions relating to matters that are subject to bargaining under a collective bargaining agreement that covers the employee.

Require DOA to evaluate the staffing requirements of WERC and to submit the report of the evaluation to the Joint Committee on Finance under section 13.10 of the statutes.

#### *Initial Applicability*

The treatment of these provisions would first apply to employees who are covered by a collective bargaining agreement, under either MERA or SELRA, that contains provisions inconsistent with these provisions on the day on which the agreement expires or is terminated, extended, modified, or renewed, whichever occurs first.

**Assembly:** Delete the clause "and except as the parties otherwise agree," in the provision that, except for the initial collective bargaining agreement between the parties and except as the parties otherwise agree, every collective bargaining agreement covering general municipal employees must be for a term of one year and may not be extended. This is a technical correction to accurately reflect the intent of the provision.

**Conference Committee/Legislature:** Delete the MERA provision to require that WERC assess and collect a certification fee for each election that is conducted and credit such fees to an existing WERC appropriation account. Delete the SELRA provision to require that WERC assess and collect a certification fee for each election that is conducted and credit such fees to an existing WERC appropriation account.

[Act 10 Sections: 30, 47, 50, 58, 168, 169, 178, 182, 198, 210 thru 262, 264, 266 thru 268, 270 thru 273, 276, 278, 284 thru 286, 288 thru 290, 293 thru 299, 303, 305, 306, 308 thru 312, 314, 315, 319 thru 322, 324 thru 334, 359, 364, 366, 387, 388, 9101(1), 9132(1), 9143(1), 9155(1), 9332(1), and 9355(1)(a)]

## **2. REPEAL COLLECTIVE BARGAINING RIGHTS FOR UNIVERSITY OF WISCONSIN SYSTEM FACULTY AND ACADEMIC STAFF**

**Governor/Legislature:** Repeal Subchapter VI of Chapter 111 that provides faculty and academic staff of the University of Wisconsin System (UW System) with the right to collectively bargain over wages, hours, and conditions of employment. Collective bargaining rights were granted to UW System faculty and academic staff under 2009 Wisconsin Act 28. Under current law, the Board of Regents is authorized to negotiate and administer collective bargaining agreements for UW faculty and academic staff, to represent the state in its responsibility as an employer, and to coordinate its actions with the Director of the Office of State Employment Relations. To date, no collective bargaining agreements have been negotiated with faculty or academic staff. Under the bill, all provisions relating to UW System faculty and academic staff collective bargaining would be repealed.

[Act 10 Sections: 2, 3, 22, 43 thru 47, 49 thru 57, 60, 62, 63, 66, 78 thru 80, 82 thru 85, 90 thru 93, 323, 336, 339, 360, 367 thru 369, and 9355(1)(b)]

## **3. LOCAL GOVERNMENT CIVIL SERVICE SYSTEMS**

**Joint Finance/Legislature:** Require a local governmental unit (a political subdivision of the state, a special purpose district in the state, an agency or corporation, of a political subdivision or special purpose district, or a combination or subunit of any of the foregoing) that does not have a civil service system on the effective date of the bill to establish a grievance system not later than the first day of the fourth month beginning after the effective date of the bill. Provide that, to comply with the required grievance system a local governmental unit may establish either a civil service system under any provision authorized by law, to the greatest extent practicable, if no specific provision for the creation of a civil service system applies to that local governmental unit, or establish a grievance procedure as described below.

Provide that, any civil service system that is established under any provision of law, and any grievance procedure that is created under the above provisions, must contain at least all of the following provisions: (a) a grievance procedure that addresses employee terminations; (b) employee discipline; and (c) workplace safety.

If a local governmental unit creates a grievance procedure under these provisions, the procedure must contain at least all of the following elements: (a) a written document specifying the process that a grievant and an employer must follow; (b) a hearing before an impartial hearing officer; and (c) an appeal process in which the highest level of appeal is the governing body of the local governmental unit.

Provide that, if an employee of a local governmental unit is covered by a civil service system on the effective date of the bill, and if that system contains provisions that address the above provisions, the provisions that apply to the employee under his or her existing civil service system continue to apply to that employee.

Provide that the treatment of provisions first apply on the first day of the fourth month beginning after the effective date of the bill.

[Act 10 Sections: 170 and 9332(2)]

<b>SHARED REVENUE AND TAX RELIEF</b>
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## **1. TAX INCREMENTAL FINANCING DISTRICT -- INCLUSION OF WETLANDS**

**Joint Finance/Legislature:** Modify a current law limitation to allow a wetland that has been converted in compliance with state law to no longer be a wetland to be included in a tax incremental financing (TIF) district. Specify that for an area that is identified on a wetland map and that is within the boundaries of a TIF district, or is part of a TIF district parcel, the area would be considered part of the TIF district for determining the applicability of exemptions from, or compliance with, water quality standards that are applicable to wetlands.

2011 Act 6 exempts an activity affecting a Village of Ashwaubenon wetland from the water quality standards applicable to wetlands and from any prohibition, restriction, requirement, permit, license, approval, authorization, fee, notice hearing or procedure, penalty, specified rule promulgated, order issued, or ordinance adopted if the activity meets certain requirements, including the site of the activity is zoned for community business use and is part of a TIF district. However, under current law, a TIF district cannot include a wetland.

[Act 10 Sections: 173 and 174]

**2011 ACT 13**



# SUMMARY OF PROVISIONS OF 2011 ACT 13

## Introduction

At the request of Governor Scott Walker, the Committee on Senate Organization introduced Special Session Senate Bill 12 on March 13, 2011. The bill addressed many of the fiscal provisions originally contained in Special Session Senate Bill 11 that were removed by the Committee of Conference on Assembly Bill 11 (which was enacted into law as 2011 Act 10).

On April 5, 2011, Senate Bill 12 was passed by the Senate, without amendment, on a vote of 22-11. That same day, the Assembly concurred in Senate Bill 12 by a vote of 58-39. The bill was approved, without partial veto, by the Governor on April 6, 2011, and published on April 7, 2011, as 2011 Act 13.

Below is an identification of the general fund fiscal effects of Act 13 for 2010-11. This is followed by a summary of each item of Act 13.

## 2010-11 General Fund Fiscal Effects

	<u>2010-11</u>
<b>REVENUES</b>	
Reduction in DOA Required Transfers/ Lapses to the General Fund	-\$79,000,000
<b>APPROPRIATIONS</b>	
Corrections	\$19,537,900
Earned Income Tax Credit	-37,000,000
Medical Assistance (MA) Benefits	149,000,000
Medical Assistance Administration Contracts	21,000,000
Medical Assistance Income Maintenance	<u>6,500,000</u>
Total	\$159,037,900
<b>LAPSES OR TRANSFERS</b>	
Debt Restructuring	\$165,000,000
Corrections -- Fuel and Utilities	<u>- 2,000,000</u>
Total	\$163,000,000
Effect on General Fund Balance	-\$75,037,900

**1. REDUCE 2007 ACT 20 AUTHORITY FOR DOA TO LAPSE OR TRANSFER MONEYS TO THE GENERAL FUND**

	<u>2010-11</u>
GPR-Earned	-\$79,000,000

Reduce the 2007 Act 20 lapse or transfer requirement by \$79 million, which currently requires the Secretary of the Department of Administration (DOA) to lapse or transfer \$200 million in the 2009-11 biennium from the unencumbered balances of appropriations of executive branch state agencies, other than sum sufficient and federal appropriations. This required \$200 million lapse and transfer amount was included as a revenue to the general fund (GPR-Earned) in 2010-11 in the January 31, 2011, revenue estimate letter by this office, so the effect of this provision would be to reduce estimated revenues to the general fund by \$79 million in 2010-11.

For the 2009-11 biennium, 2007 Act 20 and 2009 Acts 2 and 28 established lapse or transfer requirements for the Secretary of DOA totaling \$641.8 million. The administration made approximately \$300 million of lapses or transfers in 2009-10, leaving \$341.8 million remaining to be lapsed or transferred in 2010-11. Staff from DOA indicate that the proposed reduction of \$79 million would reduce the cumulative requirements under 2007 Act 20 and 2009 Acts 2 and 28 to reflect the actual amount of lapses and transfers that DOA believes can be made during the remainder of the current fiscal year.

[Act 13 Section: 3]

**2. GPR DEBT RESTRUCTURING**

	<u>2010-11</u>	<u>2011-13</u>
GPR-Lapse	\$165,000,000	\$0
GPR	0	29,570,000
BR	165,000,000	0

Provide \$165,000,000 of general obligation refunding bonding for the purpose of restructuring \$165,000,000 in outstanding principal on GPR-supported, general obligation debt that would otherwise be paid off in May, 2011. The bill would authorize this bonding by increasing a current refunding authorization from \$309,000,000 to \$474,000,000 (an increase of \$165,000,000) of state public debt that may be issued to refund any unpaid indebtedness relating to tax-supported or self-amortizing facilities. These bonds cannot be issued after June 30, 2011.

Although this bonding could be used to restructure both tax-supported and self-amortizing bonds, the administration indicates that only GPR-supported bonds would be restructured. Based on information from the administration on the potential structure of these refunding bonds, this provision would: (a) increase GPR-Lapses by \$165,000,000 in 2010-11 from GPR debt service appropriations to reflect the reduced GPR principal payments to be made from those appropriations in that year; and (b) increase anticipated GPR debt service costs in the 2011-13

biennium by \$29,570,000 to reflect the initial principal payment (\$15,560,000) associated with the expected ten-year amortization of the \$165,000,000 in deferred principal and the initial interest payments (\$14,010,000) due on that principal.

[Act 13 Section: 1]

### 3. EARNED INCOME TAX CREDIT

	<u>2010-11</u>
GPR	- \$37,000,000
FED	37,000,000

Provide \$37,000,000 in 2010-11 in temporary assistance for needy families (TANF) block grant funds for the earned income tax credit (EITC), which would be transferred from the Department of Children and Families (DCF) to the EITC supplement appropriation, and reduce GPR funding for the EITC by a corresponding amount.

The EITC is a refundable tax credit that provides assistance to low-income workers. The credit provides a supplement to the wages and self-employment income of lower-income families and is intended to offset the impact of the taxes paid by such families and increase the incentive to work. The federal TANF regulations allow states to utilize TANF funds for the refundable portion of the state EITC. Approximately 77% of the EITC is refundable. The EITC is currently funded with TANF and GPR. The EITC is estimated to cost \$132.9 million (\$6.7 million FED and \$126.2 million GPR) in 2010-11.

On June 8, 2010, the Department of Administration submitted a request to the Joint Committee on Finance under sections 16.515 and 16.505(2) of the Wisconsin statutes to increase the amount of federal TANF funds used to support the EITC by \$29.0 million annually during the 2009-11 biennium. TANF funding for the EITC would have increased from \$6.7 million to \$35.7 million annually.

Of the requested TANF funds, \$29,000,000 in 2009-10 and \$9,759,300 in 2010-11 was available to be reallocated to the EITC due to underspending in Wisconsin Shares, the state's child care subsidy program. An additional \$19,240,700 in 2010-11 was available under the federal American Recovery and Reinvestment Act (ARRA) of 2009. On June 24, 2010, the Committee approved the use of \$19,240,700 in ARRA funds for the EITC in 2009-10. The Committee placed the remaining \$38,759,300 from underspending in Wisconsin Shares in its federal funds general program supplementation appropriation and required DCF to return to the Committee to request any further expenditure of these funds.

The bill would increase the total amount of TANF funds allocated for the EITC in 2010-11 to \$43,664,200 (an increase of \$37,000,000) and would transfer \$37,000,000 of the funds that had been placed in the Committee's federal funds general program supplemental appropriation to DCF for the EITC. The bill would then transfer these funds from DCF to the EITC supplement appropriation. As a result, although the overall cost of the EITC in 2010-11 is still estimated at

\$132.9 million, GPR for the EITC would be \$89.2 million, rather than \$126.2 million.

The most recent estimates of TANF-related programs show an ending TANF balance of \$91.1 million at the end of 2010-11. With the allocation of an additional \$37.0 million in TANF funds for the EITC, this balance would decrease to \$54.1 million. The TANF balance at the end of the 2011-13 biennium would depend on any changes made during the biennial budget.

It should be noted that under 2011 Act 10, the TANF statutory allocation for the EITC was increased to \$43,664,200 and the Committee's federal funds general program supplemental appropriation was reduced by \$37,000,000. As a result, this bill would decrease the Committee's appropriation by \$37,000,000 only if this reduction did not occur pursuant to the Act 10 provision.

[Act 13 Sections: 2, 9208(1), 9227(1), and 9241(1)]

#### **4. DEPARTMENT OF CORRECTIONS SHORTFALL - ADULT GENERAL PROGRAM OPERATIONS AND COMMUNITY CORRECTIONS**

	<u>2010-11</u>
GPR	\$19,537,900
GPR-Lapse	- \$2,000,000

Provide \$19,537,900 to the Department of Corrections to address a shortfall in the Department's adult general program appropriation [s. 20.410(1)(a)]. In addition, transfer funding from the following Corrections' appropriations to the general program appropriation: (a) energy costs, \$5,362,500 GPR; (b) contract bed funding, \$2,825,300 GPR; (c) Earned Release Review Commission, \$100,200 GPR; (d) serious juvenile offender program, \$71,000 GPR, (e) pharmacological treatment for child sex offenders, \$10,700 GPR; and (f) juvenile general program operations, \$36,600 GPR. (In total, funding in the Department's general program operations budget would increase by \$27,944,200 GPR in 2010-11.)

Transfer \$2,138,400 from the serious juvenile offender program to the Department's community corrections appropriation [s. 20.410(1)(b)].

According to the Department, the shortfall is associated with insufficient funding to address: (a) the 2% raise provided for represented staff in 2009; (b) fringe benefit expenditures, which are higher than the anticipated supplement amount; (c) non-salary institutional costs, including health care services and inmate supplies; and (d) increased LTE costs related to providing mental health services.

Of the amount transferred from the energy costs appropriation (\$5,362,500), \$2,000,000 had previously been estimated as a lapse to the general fund. As a result, the GPR lapse estimate is reduced by \$2,000,000 in 2010-11.

[Act 13 Sections: 9211(1)&(2)]

## 5. REALLOCATION OF GROUP HEALTH AND PHARMACY BENEFIT RESERVES

Notwithstanding any action of the Group Insurance Board, require the Secretary of ETF to allocate, from reserve accounts established for group health insurance and pharmacy benefits for state employees, an amount equal to \$28,000,000 to reduce employer costs for providing group health insurance for state employees for the period beginning on July 1, 2011, and ending on December 31, 2011.

Under current law, ETF and the Group Insurance Board (GIB) have the authority to establish reserves to meet the requirements of providing health and pharmacy benefits. The monthly premiums charged for health insurance coverage for state employees include amounts that are allocated to the state's self-insured prescription drug plan to cover the prescription drug benefit costs of the program. In a report to GIB in August, 2010, the consulting actuary showed a net fund balance for the pharmacy reserve of \$90.8 million. The reserve for these pharmacy benefits includes accrued, but not received drug rebates and accrued Medicare retiree drug subsidies. DOA officials indicate that the reserve is large enough to support the one-time reallocation provided for under the bill. The bill does not specify how the reallocation of costs are to be made or how the savings will be captured by the state.

[Act 13 Section: 9115(1)]

## 6. MEDICAL ASSISTANCE -- BENEFITS FUNDING

	<u>2010-11</u>
GPR	\$149,000,000
FED	300,397,200
SEG	6,700,000

Increase funding for medical assistance (MA) benefits by \$456,097,200 (\$149,000,000 GPR, \$300,397,200 FED, and \$6,700,000 SEG) in 2010-11 to address a projected shortfall in funding for MA benefits during the 2009-11 biennium. The GPR increase (\$149,000,000) represents additional state funding that would be provided to support MA benefit costs in the 2009-11 biennium. The SEG increase (\$6,700,000) reflects the administration's intention to fully expend the projected uncommitted balance in the MA trust fund as of June 30, 2011. The FED increase (\$300,397,200) represents an estimate of the additional federal matching funds the state would be able to claim, based on the increases in GPR and SEG funding that would be authorized in the bill.

The GPR increase in the bill for MA benefits (\$149.0 million) is \$15.0 million more than the amount that would have been provided under Special Session Assembly Bill 11, as introduced. Since that time, the administration has reestimated the amount of the projected shortfall, using expenditure data through March 23, 2011.

Higher-than-expected enrollment is the primary reason MA benefit costs have exceeded 2009 Act 28 (the 2009-11 budget) funding levels. This is shown in the following table, which

compares the enrollment projections used as the basis for the benefits funding provided in Act 28 to actual MA enrollment in 2009-10, and to the Department's most recent enrollment projections for 2010-11, for each major MA eligibility group.

**Average Monthly Enrollment  
by Major MA Eligibility Group**

<u>Group</u>	<u>Fiscal Year</u>	<u>Act 28 Projection</u>	2009-10 Actual and Current 2010-11 Estimate	Difference	
			<u>Enrollment</u>	<u>Number</u>	<u>Percentage</u>
Elderly, Blind and Disabled	2009-10	188,500	198,900	10,400	5.5%
	2010-11	187,300	205,800	18,500	9.9
BadgerCare Plus	2009-10	638,100	705,600	67,500	10.6
	2010-11	648,400	745,800	97,400	15.0
BadgerCare Plus Core Plan	2009-10	24,900	56,000	31,100	124.9
	2010-11	39,500	49,200	9,700	24.6
Other	2009-10	77,600	83,800	6,200	8.0
	2010-11	<u>78,500</u>	<u>95,100</u>	<u>16,600</u>	21.1
Total MA	2009-10	929,100	1,044,300	115,200	12.4%
	2010-11	953,700	1,095,900	142,200	14.9%

As indicated, total average monthly enrollment for MA programs exceeded Act 28 projections by 12.4% in 2009-10, and is expected to exceed Act 28 projections by 14.9% in 2010-11. (The table excludes individuals enrolled in SeniorCare.) By contrast, the projected GPR shortfall of \$149.0 million for 2009-11 MA benefit expenditures represents 6.0% of the GPR budgeted for that purpose in Act 28. The principal reason the projected GPR deficit, as stated in percentage terms (6.0%), is smaller than the greater-than-expected enrollment increases (12.4% in 2009-10 and 14.9% in 2010-11) is the additional federal funds the state received during the 2009-11 biennium, compared to what was anticipated in Act 28. Those additional federal dollars came from three sources.

First, in February, 2010, the U.S. Department of Health and Human Services (DHHS) announced that the enhanced federal medical assistance percentages (FMAPs) available to states under the American Recovery and Reinvestment Act of 2009 (ARRA) would apply to states' clawback payments to the federal government. States make those clawback payments to reimburse the federal government for a portion of the savings they realize on prescription drugs costs for dual eligible enrollees following the creation of Medicare Part D. The DHHS decision to apply ARRA's enhanced FMAPs to those clawback liabilities benefited Wisconsin's MA program by approximately \$77 million during the 2009-11 biennium. Second, on August 10, 2010, the President signed P.L. 111-226 into law, which partially extended the ARRA-enhanced FMAPs states receive for their MA programs through June 30, 2011. Under ARRA, those enhanced FMAPs had originally been set to expire on December 31, 2010. At the time P.L. 111-226 was enacted, DHS estimated that it would generate approximately \$194 million in additional

federal MA matching funds for Wisconsin. Third, in December, 2010, the state received a \$23.1 million "bonus payment" from the federal government under the Children's Health Insurance Program Reauthorization Act of 2009 for simplifying MA enrollment and renewal processes.

In addition, the bill would repeal an Act 28 provision that does the following: (a) prevents the unencumbered balance in the GPR-funded MA benefits appropriation from reverting to the general fund at the end of the 2009-11 biennium; and (b) authorizes DHS, in the 2009-11 biennium, to expend the amount equal to this unencumbered balance, in addition to the amounts budgeted in the GPR-funded MA benefits appropriation for state fiscal years 2009-10 and 2010-11.

*SeniorCare.* Not reflected in the bill is the administration's current estimate that SeniorCare will end the 2009-11 biennium with a GPR surplus of approximately \$20.4 million. These funds are anticipated to lapse to the general fund at the end of the 2010-11 fiscal year. This anticipated lapse is reflected in the 2010-11 general fund condition statement.

[Act 13 Sections: 4 and 9221(1),(4)&(5)]

## 7. MEDICAL ASSISTANCE -- ADMINISTRATION CONTRACTS

	<u>2010-11</u>
GPR	\$21,000,000
FED	21,000,000

Provide \$21,000,000 GPR to fund a projected shortfall for MA administrative contract expenses in the 2009-11 biennium. As most MA administrative costs are supported 50% with federal matching funds, it is estimated that the GPR increase in the bill would result in a corresponding increase in federal funds to support administrative contracts.

The GPR increase in the bill (\$21.0 million) is \$5.0 million more than the amount that would have been provided under Special Session Assembly Bill 11, as introduced. Since that time, the administration has reestimated the shortfall, increasing the projected need for supplemental funding.

DHS is responsible for a variety of administrative duties in connection with the state's Medicaid, BadgerCare Plus, and FoodShare programs. Those responsibilities include eligibility determinations, program integrity, rate-setting, enrollee services, and federal reporting requirements. DHS contracts with other entities to help perform some of those duties. The largest such contracts are with HP Enterprise Services, which acts as the state's fiscal agent, its enrollment broker, and which helps administer the Enrollment Services Center (ESC). DHS also has major contracts with Deloitte and the Department of Administration's Division of Enterprise Technology relating to the client assistance for reemployment and economic support (CARES) system, a mainframe system that assists state and county staff in making eligibility determinations and maintaining case information for several state assistance programs. In addition to these major contracts, DHS contracts for a range of consulting, actuarial, and other

administrative services.

Act 28 budgeted \$79,849,100 (\$31,451,700 GPR and \$48,397,400 FED) in 2009-10 and \$78,229,900 (\$32,175,900 GPR and \$46,054,000 FED) in 2010-11 to support MA administrative contract costs. In addition, several sources of program revenue (PR), including the \$60 annual enrollment fees paid by BadgerCare Plus Core Plan participants, are expected to contribute approximately \$5.2 million and \$5.4 million toward these costs in 2009-10 and 2010-11, respectively.

The ESC is the single largest source of the projected cost overruns for MA administrative contracts. The ESC is located in Madison and was established by DHS to perform certain income maintenance activities for the BadgerCare Plus Core Plan. Two factors contributed to the ESC cost overruns during the biennium. The first was the large number of enrollment applications that accompanied the Core Plan's statewide expansion in July, 2009. Act 28 had assumed that the Core Plan's average monthly enrollment would be 24,900 in 2009-10. The program's actual average monthly enrollment that year of 56,000 was more than twice the budgeted assumption. In addition, this greater-than-expected demand for Core Plan services prompted DHS to establish a waitlist which by December, 2010, had grown to approximately 80,000 individuals. DHS added staff to the ESC to process these Core Plan applications, and the resulting personnel costs contributed to the projected cost overruns.

The second factor was the Department's decision to have ESC perform certain income maintenance activities for childless adults throughout the state who applied for FoodShare benefits. Prior to that time, those activities were performed by county income maintenance workers. While the Department's decision reduced the demands on county income maintenance agencies (particularly at a time of sharply rising FoodShare caseloads), it required DHS to further increase ESC staffing levels.

Most of the ESC's costs are personnel-related. According to DHS, the ESC is currently staffed by 333 HP employees and 73 public employees. As of December, 2010, those personnel were responsible for approximately 115,100 active cases, including the following: (a) 47,000 MA-only cases; (b) 26,300 combined MA/FoodShare cases; and (c) 41,800 FoodShare-only cases.

ESC costs exceeded Act 28 funding levels by \$3.2 million GPR in 2009-10, and are projected to exceed budgeted levels by an additional \$14.25 million GPR in 2010-11. Several other items also contributed to the projected GPR shortfall in the administrative contracts appropriation during the 2009-11 biennium, including systems-related costs stemming from the Department's ForwardHealth rate reform project. Act 28 did not provide any funding for those rate reform costs, which totaled approximately \$1.3 million GPR in 2009-10 and \$2.7 million GPR in 2010-11.

DHS addressed part of the 2009-11 GPR shortfall in the administrative contracts appropriation by expending approximately \$10.8 million of the revenues credited to the segregated MA trust fund. The fiscal effect of using those MA trust fund revenues to fund administrative contracts costs instead of MA benefits costs was to increase the projected 2009-11

GPR shortfall for MA benefits by \$10.8 million. That GPR shortfall is addressed in the item entitled "Medical Assistance -- Benefits Funding." The remaining 2009-11 GPR shortfall in the MA administrative contracts appropriation of \$21.0 million is addressed in this item.

[Act 13 Section: 9221(2)]

**8. MEDICAL ASSISTANCE -- INCOME MAINTENANCE**

	<u>2010-11</u>
GPR	\$6,500,000
FED	6,500,000

Increase funding by \$6,500,000 GPR to fund the projected deficit in the DHS income maintenance appropriation in 2010-11. Because these expenditures are typically supported 50% with federal matching funds, it is estimated that the GPR increase in the bill would result in a corresponding increase in federal funds.

The GPR increase in the bill for income maintenance contracts (\$6.5 million) is \$4.5 million more than the amount that would have been provided under Special Session Assembly Bill 11, as introduced. Since that time, the administration has reestimated the shortfall, increasing the projected need for supplemental funding.

Act 28 provided \$31,451,700 GPR in each year of the 2009-11 biennium to support the state share of costs funded by the income maintenance appropriation. Those costs include state support for county income maintenance agencies, the Wisconsin funeral and cemetery aids program, and the FoodShare for qualified aliens program. Funding in the income maintenance appropriation is also used to support the state's share of the costs to operate Milwaukee Enrollment Services (MiES), which is responsible for income maintenance activities in Milwaukee County. DHS has indicated that cost overruns in the funeral and cemetery aids program, the FoodShare for qualified aliens program, and for MiES all contributed to the projected GPR shortfall of \$6,500,000.

[Act 13 Section: 9221(3)]

**2011 ACT 27**



## SUMMARY OF PROVISIONS OF 2011 ACT 27

### Introduction

On May 25, 2011, Assembly Bill 148, authored by Representative Warren Petryk and co-sponsored by Senator Alberta Darling, was introduced. The primary purposes of AB 148 were to transfer \$235 million from the general fund to the injured patients and families compensation fund to pay the amount ordered by the Wisconsin Supreme Court in *Wisconsin Medical Society, Inc. v. Morgan* and increase medical assistance payments in 2010-11 in order to take advantage of higher federal matching amounts.

On May 26, 2011, the bill was recommended for passage, as amended, by the Joint Committee on Finance, on a vote of 16-0. AB 148 was passed by the Assembly on June 8 by a vote of 84 to 12. The Senate concurred with the Assembly, 33-0, on June 14. The bill was signed into law by the Governor as 2011 Act 27 on June 15 and was published on June 29, 2011.

Below is an identification of the general fund fiscal effects of Act 27. This is followed by a summary of each item of Act 27.

### General Fund Fiscal Effects

#### 2010-11

##### *Revenues*

Reduction in DOA Required Transfers/Lapses to General Fund	-\$54,000,000
Repeal Act 10 Provisions Relating to Employer Savings in Fringe Benefit Costs	-27,891,400

##### *Appropriations*

Increase Medical Assistance Benefits	147,000,000
Family Care Aging and Disability Resource Centers	-3,100,000
Joint Finance Committee Supplemental Appropriation	-4,590,400
Military Funeral Honors	68,900
Repeal Act 10 Lapse for Fringe Benefits of the Legislature, Courts, and Governor	<u>-1,908,600</u>
Total	\$139,309,600

Effect on 2010-11 General Fund Balance -\$223,178,500

#### 2011-12

##### *Appropriations*

Reduce Medical Assistance Benefits	-\$170,000,000
Transfer to the Injured Patients and Families Compensation Fund	<u>235,000,000</u>
Effect on 2011-12 General Fund Balance	-\$65,000,000

**Total Net Effect on General Fund Balance -\$288,178,500**

**1. TRANSFER TO THE INJURED PATIENTS AND FAMILIES COMPENSATION FUND**

	<u>2011-12</u>
GPR-Transfer	\$235,000,000

Transfer \$235 million from the general fund to the injured patients and families compensation fund by June 30, 2012, for the purpose of paying the amount ordered by the court in Wisconsin Medical Society, Inc. v. Morgan. If the amount ordered by the court is less than \$235 million, the Secretary of DOA would transfer the amount ordered by the court.

[Act 27 Section: 9225(1)]

**2. MEDICAL ASSISTANCE (MA) BENEFITS FUNDING TO ACCRUE ADDITIONAL FEDERAL MATCHING FUNDS**

	<u>2010-11</u>	<u>2011-12</u>
GPR	\$147,000,000	-\$170,000,000
FED	282,727,000	-259,727,000

Increase MA benefits funding by \$147 million GPR in 2010-11 to fund capitation payments to managed care organizations to take advantage of the higher federal medical assistance percentage (FMAP) that applies to MA benefit payments made through June 30, 2011. This provision would enable the state to pay \$147 million GPR in 2010-11 to make MA capitation payments that would cost \$170 million GPR if they were made in July, 2011. This would produce a savings of \$23 million GPR over the two-year period.

[Act 27 Sections: 9221(1)&(2), and 9421(1)]

**3. REDUCE REQUIREMENT FOR DOA TO LAPSE OR TRANSFER MONEYS TO THE GENERAL FUND**

	<u>2010-11</u>
GPR-Earned	-\$54,000,000

For the 2009-11 biennium, 2007 Act 20 and 2009 Acts 2 and 28 established lapse/transfer requirements for the Secretary of DOA totaling \$641.8 million; \$300 million of lapses/transfers were made in 2009-10 leaving \$341.8 million remaining for 2010-11. 2011 Act 13 reduced the remaining requirement by \$79.0 million to \$262.8 million. The bill would further reduce the requirement by an additional \$54.0 million. Thus, the amount to be lapsed/transferred by the DOA Secretary in 2010-11 would be \$208.8 million.

[Act 27 Section: 1]

**4. REPEAL 2011 ACT 10 PROVISIONS RELATING TO GENERAL FUND LAPSES FOR EMPLOYER SAVINGS IN FRINGE BENEFIT COSTS**

	<u>2010-11</u>
GPR-Earned	-\$27,891,400
GPR-Lapse	-\$1,908,600

Repeal the Act 10 provisions that require transfers/lapses of \$29.8 million in 2010-11 to the general fund related to projected savings resulting from increases in health insurance premiums and retirement contributions from state employees. Of this amount, \$27,891,400 is attributable to state agencies and \$1,908,600 would have lapsed from the Legislature, Courts, and Governor. Given the June 28, 2011, publication date of Act 10, the \$29.8 million savings would not be realized in 2010-11.

[Act 27 Sections: 2, 5, 6, and 7]

**5. AGING AND DISABILITY RESOURCE CENTERS (ADRCs)**

	<u>2010-11</u>
GPR	-\$3,100,000

Reduce funding budgeted in 2010-11 for Family Care aging and disability resource centers by \$3.1 million GPR to reflect estimates of cost savings that will be realized because several ADRCs began operating later than the dates assumed in the 2009-11 budget act. This provision is also included in 2011 Act 10 and would be repealed from Act 10 under the bill. [The fiscal effect shown above is the net result of the treatment of Act 10 and Act 27 for this item.]

[Act 27 Sections: 3 and 9221(3)]

**6. JOINT COMMITTEE ON FINANCE SUPPLEMENTAL APPROPRIATION**

	<u>2010-11</u>
GPR	-\$4,590,400

Reduce funding by \$4,590,400 GPR in 2010-11 in the Joint Committee on Finance's general program revenue supplementation appropriation. Under 2009 Act 100, \$8.8 million was placed in the Joint Committee on Finance's supplemental appropriation for potential release to various state agencies and the courts for costs associated with operating while intoxicated legislation. On March 16, 2010, \$4,209,600 GPR was released to the Departments of Corrections and Justice, the District Attorneys, the State Public Defender, and the circuit courts. The reduction under the bill would eliminate the remaining reserve for 2009 Act 100. This provision is also included in 2011 Act 10 and would be repealed from Act 10 under the bill. [The fiscal effect shown above is the net result of the treatment of Act 10 and Act 27 for this item.]

[Act 27 Sections: 4 and 9227(1)]

## **7. INCOME AUGMENTATION FUNDING LAPSE**

Require the Department of Health Services (DHS) to lapse \$4,500,000 FED and the Department of Children and Families (DCF) to lapse \$2,011,200 PR to the general fund in 2010-11, but require the Secretary of the Department of Administration (DOA) to apply these lapses to the \$200 million lapse requirement for the 2009-11 biennium included in 2007 Act 20. As a result, this provision would not increase anticipated lapses to the general fund in 2010-11. However, it would specify in statute two appropriations from which specific lapse amounts would occur. In addition, it would authorize the lapse of federal revenues to the general fund, which is prohibited under the Act 20 provision. This provision is also included in 2011 Act 10 and would be repealed from Act 10 under the bill.

[Act 27 Sections: 1p, 2p, 9208(1), and 9221(4)]

## **8. MILITARY FUNERAL HONORS**

	<u>2010-11</u>
GPR	\$68,900

Provide \$68,900 GPR to the Department of Veterans Affairs in 2010-11 for increased appropriations for military funeral honors stipends to local veterans service organizations. This provision would take effect on the date after publication or retroactively to June 30, 2011, whichever is earlier.

[Act 27 Sections: 9253(1q) and 9453(1q)]