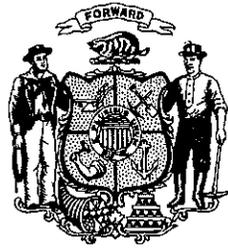


# State of Wisconsin

SENATE CHAIR  
**Alberta Darling**

317 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-5830



ASSEMBLY CHAIR  
**John Nygren**

309 East, State Capitol  
P.O. Box 8593  
Madison, WI 53708-8953  
Phone: (608) 266-2343

## Joint Committee on Finance

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative John Nygren

Date: December 29, 2017

Re: 14-Day Passive Review Approval – DOA

Pursuant to s. 16.513(3), Stats., attached is a 14-day passive review request from the Department of Agriculture, Trade and Consumer Protection; Department of Corrections; Department of Health Services; Department of Justice; and Department of Administration, received on December 29, 2017.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Friday, January 19, 2018**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:JN;jm



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor  
Scott A. Neitzel, Secretary

**Date:** December 29, 2017

**To:** The Honorable Alberta Darling, Co-Chair  
Joint Committee on Finance

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

**From:** Scott A. Neitzel, Secretary  
Department of Administration

**Subject:** Section 16.513(3) Request

DEC 29 2017  
St. Finance

SAN

Enclosed are spending plans from the Department of Agriculture, Trade and Consumer Protection; Department of Corrections; Department of Health Services; Department of Justice; and Department of Administration to address unsupported overdrafts for fiscal year 2016-17. The plans have been approved by this department under the authority granted in s. 16.513(3), Wisconsin Statutes. The explanations for the requests are included in the attached materials.

As provided in s. 16.513(3), the request(s) will be approved on **January 23, 2018**, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Kirsten Grinde at 266-1353 in the Division of Executive Budget and Finance, if you have any additional questions.

**Attachments**

cc: Bob Lang, Legislative Fiscal Bureau



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor  
Scott A. Neitzel, Secretary  
Waylon Hurlburt, Administrator

**Date:** December 29, 2017

**To:** Scott A. Neitzel  
Secretary of Administration

**From:** Waylon R. Hurlburt *WRH*  
State Budget Director

**Subject:** Fiscal Year 2016-17 Program Revenue Overdraft Review

Pursuant to s. 16.513(3), the department is required to review agency plans to address any unsupported overdrafts in program or segregated revenue appropriations, which are defined as appropriations where there are insufficient moneys, assets or accounts receivable to cover expenditures at the end of each fiscal year. The department then submits its recommendation to approve, disapprove or approve with modification the agency's plan to the Joint Committee on Finance. At the February 15, 2012, s. 13.10 meeting, the Committee approved a motion to direct the department to submit these overdraft plans for fiscal year 2011-12 and beyond within six months of the close of the fiscal year.

Since this requirement was enacted, the Department of Administration has conducted an examination of the program revenue and corresponding segregated revenue appropriations that had overdrafts at the end of each fiscal year. This examination is performed after the end of the fiscal year in order to comply with the requirements of s. 20.903(2), Wis. Stats., which states that liabilities may be created in program revenue and corresponding segregated revenue appropriations at the end of the current fiscal year not exceeding unexpended monies plus accrued accounts receivable, inventory and work in process. Certain appropriations are also authorized by statute to use the net book value of equipment and buildings (capital assets) as coverage for the overdraft. After a determination has been made that an appropriation does not have assets, receivables, inventory or, in some instances, buildings and equipment to cover the overdraft, agencies are then required by s. 16.513, Wis. Stats., to submit a plan to the department detailing how these overdrafts will be resolved.

In some cases, the deficits are long-standing and will require multiple years and statutory changes, such as revenue adjustments, reallocation of costs or reductions in program requirements, to reduce or eliminate the deficit. And at times, the Administration has included plans to address the overdrafts as part of the biennial budget bills, only some of which have been accepted by the Legislature.

The unsupported overdraft appropriations in fiscal year 2016-17 total \$76,159,680. The following agencies have unsupported overdrafts in the following appropriations:

Department of Agriculture, Trade and Consumer Protection

Appropriation 12200, Grain Inspection and Certification, in the amount of \$383,480. The fiscal year 2016-17 unsupported overdraft decreased by \$117,106 from the unsupported overdraft of \$500,586 in fiscal year 2015-16.

The department has submitted a plan to continue to lapse any remaining GPR balances at year-end to cover the deficit in this appropriation, as required by 2005 Wisconsin Act 25. In fiscal year 2016-17, the department transferred \$66,257 GPR from its general operations appropriation to address the deficit.

The 2015-17 Biennial Budget, 2015 Wisconsin Act 55, deleted 4.0 FTE positions as well as \$195,600 in associated expenditure authority from this appropriation. In addition, the 2013-15 Biennial Budget, 2013 Wisconsin Act 20, required the department to transfer an amount equal to the overdraft amount as of June 30, 2013, from unencumbered balances in program revenue appropriations, the agricultural chemical management segregated fund or the agricultural chemical cleanup program segregated fund. Going forward, the department will continue to lapse any remaining GPR balances to reduce the deficit.

RECOMMENDATION: Approve the plan.

Department of Corrections

Appropriation 32200 and 32300, which collectively are part of s. 20.410(3)(hm), in the amount of \$3,227,538. The net cash overdraft is \$5,226,530, and there are receivables of \$1,998,992 that offset a portion of the overdraft.

The overdraft in this appropriation is the result of a declining juvenile population as well as unanticipated expenditures to fund contracted health staff. In 2017 Wisconsin Act 59, the department included a \$6 add-on to the daily rate to reduce the projected deficit. An add-on to the daily rate will continue until the deficit is retired. In addition, Act 59 shifted some juvenile expenses to GPR to reduce the likelihood of increasing the deficit. The department projects that if the projected population remains the same as the fiscal year 2017-18 current population, the deficit will be retired in fiscal year 2023-24.

RECOMMENDATION: Approve the plan.

Department of Health Services

Appropriation 22500 [s. 20.435(2)(gc)], Alternative Services of Institutes and Centers, in the amount of \$14,430,068. The net cash overdraft is \$20,612,238, and there are inventories and receivables of \$6,182,170 that offset a portion of the overdraft.

The overdraft in this appropriation relates to the operations of the Northern Wisconsin Center. Since fiscal year 2004-05, the department has only operated an Intensive Treatment Program at the center for individuals with intellectual disabilities who live in the community. Under this program, counties and Family Care managed care organizations fund a portion of the costs (billed at an interim per diem rate) and the center receives Medicaid reimbursement for the remaining portion of eligible costs. Because cost settlements take several months to finalize, the department records a receivable in anticipation of reimbursement for the days of care billed.

The department has indicated the ongoing unsupported overdraft for the Northern Wisconsin Center is the result of several major factors, including the difference between the interim intensive treatment program daily rate and the actual cost per bed day at the center, declines in census that result in higher bed tax assessments than Medicaid reimbursement, and past accounting treatments of certain center costs and revenues. One interim daily rate, based on average costs, is applied to all of the department's state centers, but Northern Wisconsin Center's actual costs are significantly above the average costs due to its comparatively small size. The department estimates an average annual Medicaid claim of \$4.0 million. In addition, the center receives a Medicaid access incentive payment for each occupied bed, but pays the bed tax for all licensed beds, occupied or vacant. Due to Northern Wisconsin Center's vacancy rate, it does not receive sufficient access payments to cover the bed tax assessment.

The Medicaid practice of reimbursing centers for capital assets based on multiyear depreciation schedules has also contributed to the deficit. Centers incur the cost for vehicles or equipment, but must run a cash deficit until the depreciation schedule is complete.

The department has submitted a plan that includes a 2017 Wisconsin Act 59 provision that allows the department to retain \$1 million per year in GPR-Earned revenues to apply against the deficit. Act 59 also added language explicitly allowing the department to incur liabilities, in excess of revenues, up to the value of equipment and buildings financed from the appropriation. This language will allow the department to account for those assets in future overdraft statements, which will provide a more complete picture of the appropriation.

**RECOMMENDATION:** Approve the plan.

Appropriation 26700 [s. 20.435(2)(kx)], Interagency and Intra-Agency Operations, in the amount of \$6,441,431. The department indicated that the unsupported overdraft is the result of the costs of utilities and maintenance of common areas and vacant

buildings at the Northern Wisconsin Center. The department has the responsibility for all campus power plant, maintenance, grounds keeping and snowplowing operations without base funding for the costs. Forty-six percent of the building square footage at the Northern Wisconsin Center are vacant, and not reimbursable by Medicaid. The deficits associated with the downsizing of the Northern Wisconsin Center are transferred from the institutional operations and charges appropriation under s. 20.435(2)(gk) into appropriation 26700 in order to keep track of the costs.

The department has submitted a plan that indicates the department will continue to employ strategies identified in previous plans to address the deficit. The department will continue to seek approval from the Governor and the Joint Committee on Finance to use revenue from the sale of surplus land on the Northern Wisconsin Center campus, valued at \$3 million, to reduce the shortfall. The department will also identify any operating budget balances each year that could be used to offset the deficit. Further, beginning in fiscal year 2010-11, the department began allocating all utility and common area maintenance and grounds costs to the agencies that occupy campus facilities, including the Departments of Corrections, Military Affairs and Veterans Affairs. Previously, only the incremental costs were paid by the other agencies.

The department's plan also indicated that the department would consider moving its short-term care unit for people with intellectual disabilities from the campus to reduce overhead costs and that it supported the Department of Administration assuming responsibility for power plant, utility, maintenance and groundskeeping operations and billings on the campus to assist with streamlining operations and implementing a uniform allocation methodology.

**RECOMMENDATION:** Approve the plan.

#### Department of Justice

Appropriation 23000, Penalty Surcharge Receipts, in the amount of \$7,971,889. This is an increase of \$2,267,983 from the fiscal year 2015-16 closing deficit balance of \$5,601,299.

Beginning under 2015 Wisconsin Act 55, in order to reduce the deficits of both the justice information fee in the Department of Administration and the penalty surcharge receipts appropriations, the penalty surcharge receipts have been utilized to fund court interpreters appropriation under s. 20.625(1)(k) in the amount of \$232,700, while the funding for crime lab equipment and supplies appropriation under s. 20.455(2)(jb) is now funded by the DNA surcharge, rather than penalty surcharge, in the amount of \$558,100 annually. This is expected to reduce obligations to the fund by \$325,400 annually. However, the department indicates that without significant changes in either appropriated amounts or increased surcharges, the deficit is expected to continue.

**RECOMMENDATION:** Approve the plan and continue to review the allocation of penalty surcharge receipts to determine the most appropriate use of the funds and reduce the deficit.

Appropriation 28100, Grants for Substance Abuse, in the amount of \$1,737,927. This is a decrease of \$40,889 from the fiscal year 2015-16 deficit balance of \$1,778,816. The appropriation was originally created in the 2005-07 Biennial Budget and was transferred to the department under 2013 Wisconsin Act 20. It provides grants to counties for substance abuse treatment programs. Revenues are collected from fines on those convicted of manufacturing or distributing a controlled substance.

For fiscal years 2007-08, 2008-09 and 2009-10, the only revenues for this appropriation consisted of drug offender surcharges. Beginning in fiscal year 2007-08, the first \$850,000 of revenues collected for the drug abuse surcharges were to be deposited to a Department of Health Services appropriation and any revenues between \$850,000 and \$1,275,000 were to be deposited to the Department of Administration appropriation 622. This appropriation transferred to the Department of Justice in fiscal year 2013-14. Any drug abuse surcharge revenues that exceeded \$1,275,000 for the year are to be split one-third to the Department of Justice appropriation 28100 and two-thirds to the Department of Health Services appropriation. However, during fiscal year 2009-10, there were less than \$520,000 in drug abuse surcharge revenues, and all were deposited to the Department of Health Services appropriation. Starting with fiscal year 2009-10, the budget for this appropriation was reduced to \$7,500 with no new grant commitments. With this change, the revenues in fiscal year 2010-11 through fiscal year 2016-17 exceeded expenditures. However, it will take time to eliminate the unsupported overdraft that had accumulated over several years. At current revenue levels, the deficit will remain through fiscal year 2055-56.

**RECOMMENDATION:** Approve the plan and continue to review fund balances within the department for potential reallocation to address the deficit.

Appropriation 26700, Sobriety Programs, in the amount of \$21,600. The frequent sobriety testing program was established under 2015 Wisconsin Act 55. The program is supported by fees paid by individuals enrolled in the program. The deficit is the result of the required implementation costs for the program for information technology. When program enrollment begins the department anticipates that the revenues collected from participants will cover all costs associated with the program and that the deficit will be eliminated.

**RECOMMENDATION:** Approve the plan but continue to monitor participation levels to ensure sufficient revenues exist to cover one-time and ongoing costs.

Department of Administration

Appropriation 12300, Justice Information Fee, in the amount of \$3,471,171. This is an increase of \$1,127,830 from the fiscal year 2015-16 deficit balance of \$2,343,341.

Revenues for this appropriation come from assessments for the commencement or filing of certain civil court proceedings, including large claims, small claims forfeitures, garnishments, municipal court appeals or other claims. The current surcharge is \$21.50. Of this amount, \$6.00 is appropriated to the Court System for the operation of circuit court automated information systems (CCAP). The remaining revenues are distributed to other appropriations in the Departments of Justice and Corrections, and the Circuit Courts. Beginning with 2011 Wisconsin Act 20, the Department of Administration is also required to lapse \$700,000 of surcharge revenue in each fiscal year to the general fund.

Under 2015 Wisconsin Act 55, the justice information fee revenue transfer to support the court interpreters appropriation under s. 20.625(1)(k) was eliminated, reducing the future annual obligation of the fee revenue by \$232,700. In addition, Act 55 required that the unencumbered balances of each recipient appropriation be transferred to the justice information appropriation under s. 20.505(1)(id). In September 2015, \$1,527,075 in unencumbered balances was returned to the appropriation, reducing the fiscal year 2014-15 deficit to \$1,273,804. The unencumbered balances returned to the appropriation for fiscal year 2016-17 totaled \$248,309. Despite the ongoing transfer of those balances to s. 20.505(1)(id), the continuing imbalance between surcharge collections and required transfers will continue to increase the deficit. The department states that additional legislative changes to appropriations supported by the justice information fee will be required to address the deficit.

RECOMMENDATION: Approve the plan.

Appropriation 13800, Enterprise Resource Planning System, in the amount of \$35,860,628. The total cash overdraft is \$65,419,352, and there are capital assets of \$21,399,631 and accounts receivable of \$8,159,093 as coverage. The unsupported overdraft increased by \$5,418,566 from the fiscal year 2015-16 unsupported overdraft of \$30,442,062.

The department was directed to implement and maintain the integrated business information system (IBIS) pursuant to s. 16.971(2)(cf), Wis. Stats. After the initial system implementation was put on hold in April 2008 and maintenance payments suspended in May 2011, the Department of Administration opted to move forward in fiscal year 2012-13 with an enterprise resource planning system and announced the State Transforming Agency Resources (STAR) Project.

In fiscal year 2016-17, the department expended \$18,683,002 in costs associated with STAR Project implementation, of which \$5,888,412 was for continued development activities and \$12,794,590 was for ongoing maintenance and operations expenses. Of the total fiscal year 2016-17 STAR expenses, \$2,769,666 was financed by the state's Master Lease program.

In fiscal year 2015-16, the department implemented the project's financial module (Release 1) and human resources/payroll module (Release 2). In addition, the department implemented the STAR financial module for the Department of Transportation (Release 3). Additional functionality rolled out in fiscal year 2016-17 included the e-supplier and strategic sourcing procurement modules, the enterprise learning management system, and critical enhancements to the core modules requested by the agencies. The additional development costs are still within the STAR total development budget of \$138 million.

With the deployment of STAR Releases 1 and 2 in fiscal year 2015-16, the department began incurring postdeployment maintenance and operations costs for the system. These costs began to be recovered from agencies starting in fiscal year 2015-16, continuing in fiscal year 2016-17 and annually thereafter. As such, the maintenance and operation costs do not contribute to the deficit in this appropriation. Costs incurred by the department for STAR Project development work and financing were initially going to start to be recovered beginning in fiscal year 2016-17; however, in order to address a higher than anticipated maintenance and operations assessment as a result of additional contractors needed to assist with year-end support, the decision was made to delay that STAR assessment for one year. The STAR Project development costs will begin to be recovered by an annual assessment to state agencies beginning in fiscal year 2017-18. The department anticipates assessing agencies \$4,357,895 for STAR development and \$11,370,690 for STAR operations and maintenance in fiscal year 2017-18.

**RECOMMENDATION:** Approve the plan.

#### Information Technology Investment Fund

Appropriation 16000, Information Technology Investment Fund – Special Projects, in the amount of \$2,613,948. The unsupported overdraft decreased by \$25,004 from the fiscal year 2015-16 unsupported overdraft of \$2,638,952. The funding source to repay a one-time loan from the general fund was eliminated in fiscal year 2001-02, leaving the appropriation with a deficit. The Department of Administration has used various excess revenues to make payments towards the reduction of this deficit and continues to do so.

**RECOMMENDATION:** Approve the plan.

**FY17 Program Revenue Overdraft Review  
Reported Unsupported Overdrafts**

Fund	Agency	Appr	Description	FY17 Net Cash Overdraft	Accounts Receivable	Inventory	Capital Assets Net of Master Lease	Total Support For Overdraft	Unsupported Cash Overdraft
S100	11500	12200	Grain Inspection	(383,480)	0			0	(383,480)
S100	41000	3(hm)	Juvenile Correctional Services	(5,226,530)	1,998,992			1,998,992	(3,227,538)
S100	43500	2(g)	Alternative Services	(20,612,238)	6,182,170			6,182,170	(14,430,068) (*)
S100	43500	2(kx)	Interagency & Intra-agency Programs	(5,008,717)	(1,432,714)			(1,432,714)	(6,441,431) (*)
S100	45500	23000	Penalty Assessment Surcharge	(7,971,889)	0			0	(7,971,889)
S100	45500	26700	Sobriety Programs	(21,600)	0			0	(21,600)
S100	45500	28100	Grants for Substance Abuse	(1,737,927)	0			0	(1,737,927)
S100	50500	12300	Justice Information Fee	(3,471,171)	0			0	(3,471,171)
S100	50500	13800	Enterprise Resource Planning System	(65,419,352)	8,159,093		21,399,631	29,558,724	(35,860,628)
S280	87000	16000	Special Projects; Revenue Fees	(2,613,948)	0			0	(2,613,948)
				(112,466,852)	14,907,541	0	21,399,631	36,307,172	(76,159,680)

(\*) FY17 Overdraft Balances are amounts from the Form 78 balances adjusted for entries made after the Form 78's were last updated.

**Additional Comments:**

At this time we have not received PRO Statements for DOT or Elections/GAB.

After reviewing trial balances and other information Elections/GAB appears to have coverage for their overdrafts.

DOT historically has not had an unsupported overdraft.



State of Wisconsin  
Governor Scott Walker

**Department of Agriculture, Trade and Consumer Protection**  
Sheila E. Harsdorf, Secretary

Date: November 27, 2017

To: Waylon Hurlburt, State Budget Director  
Department of Administration

From: Jason Gherke, Finance Director  
Department of Agriculture, Trade and Consumer Protection

Subject: FY17 Program Revenue Overdraft Report

The FY17 Program Revenue Overdraft Report identified one Department of Agriculture, Trade and Consumer Protection (DATCP) appropriation as having an unsupported overdraft. As required by s.16.513, DATCP is submitting our plan to resolve the unsupported deficit.

The unsupported overdraft in appropriation s.20.115 (1)(h), grain inspection and certification, at the end of FY17 was \$383,480. The unsupported overdraft decreased by \$117,106 from the FY16 balance of \$500,586. In FY17, collected revenue was \$1,661,000 and expenditures were \$1,543,894.

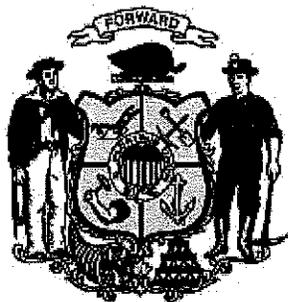
As required by s.16.56, DATCP will continue to lapse any remaining GPR balances at year end to reduce the deficit in the appropriation. In FY17, DATCP transferred \$66,257 from unencumbered balances in our GPR general operations appropriations to the grain inspection appropriation.

If you have any questions regarding DATCP's plan, please contact me at 608.224.4748.

*Agriculture generates \$88 billion for Wisconsin*

2811 Agriculture Drive • PO Box 8911 • Madison, WI 53708-8911 • Wisconsin.gov

An equal opportunity employer



# Wisconsin Department of Corrections

Governor Scott Walker | Secretary Jon E. Litscher

Date: December 12, 2017

To: Waylon Hurlburt, Director  
Division of Executive Budget & Finance  
Department of Administration

From: Jon E. Litscher, Secretary  
Department of Corrections

Subject: §16.513 – Juvenile Correctional Services Deficit

Pursuant to §16.513 Wisconsin Statutes, the Department of Corrections (DOC) submits its plan to address an unsupported overdraft in the appropriation under §20.410(3)(hm), Juvenile Correctional Services for FY17.

### **Background:**

The DOC had a year-end deficit of (\$5,226,500) Program Revenue (PR) in FY17 in its juvenile correctional services appropriation. The unsupported overdraft at the end of FY17, including the inventory/receivables coverage, was (\$3,227,500). In FY17, the funding in this appropriation was utilized by the Department's Division of Juvenile Corrections (DJC) to operate both juvenile correctional institutions (JCI) and juvenile aftercare. Beginning in FY18, the funding in this appropriation will only be utilized to operate juvenile correctional institutions.

Because the Department ended several fiscal years with an unsupported overdraft in §20.410(3)(hm), in 2007 Act 20 (the 2007-09 Biennial Budget) a provision was added which allowed DOC to transfer surplus revenues from two juvenile appropriations to §20.410(3)(hm) to reduce the overall deficit. In 2011 Wisconsin Act 32 (the 2011-13 Biennial Budget), a \$17 daily add-on was added to the JCI daily rate to reduce the juvenile operations deficit with the aim to eliminate the deficit within ten years. In 2015 Wisconsin Act 59 (the 2015-17 Biennial Budget), the add-on was reduced to \$6 per day as a result of the Department's ability to reduce the deficit.

In FY15, the Department retired the deficit and ended the year with a cash surplus. However, juvenile populations declined rapidly in FY16 and FY17, while at the same time the JCIs also incurred expenditures that were either unbudgeted or under-budgeted, such as paying for contracted healthcare staff to handle medication administration. These factors resulted in a (\$3,227,500) PR cash deficit at the end of FY17.

In 2017 Act 59 (the 2017-19 Biennial Budget), \$6 was included in the JCI daily rate to reduce the projected JCI operations deficit. This additional amount will be included in the JCI daily rate in future biennial budgets until the deficit is eliminated. The Department estimates that the deficit could be retired in FY24 if populations remain at the FY18 budgeted level.

**Plan of Action:**

With the inclusion of the \$6 add-on in the JCI daily rate and the on-going ability to transfer surplus funds from two other appropriations, the Department will work to reduce its FY17 year-end deficit in future biennia. The Department continues to review juvenile institution operations with the intent to further contain expenses and retire the juvenile correctional services deficit.

Prepared by: Peter James, Bureau of Budget and Facilities Management  
240-5422

FY17 FUND CONDITION STATEMENT  
§ 20.410(3)(hm) – Juvenile Correctional Services

	<u>FY17</u>
<u>REVENUES</u>	
Opening Balance (July 1)*	(\$2,142,800)
Total Revenue	\$25,100,900
<u>EXPENDITURES</u>	
Total Expenditures	\$28,184,600
Closing Cash Balance	(\$5,226,500)

\*The opening cash balance was supported by FY16 receivables.

# OPIB

**Department of Health Services  
Office of Policy Initiatives and Budget**

PO Box 7850  
Madison WI 53707-7850  
Phone (608) 266-3816  
Fax (608) 267-0358

**Date:** December 4, 2017

**To:** Waylon Hurlbuit  
State Budget Director  
Department of Administration

**From:** Andy Forsaith, Director   
Office of Policy Initiatives and Budget

**Subject:** FY 17 DHS Appropriation Closing with Unsupported Cash Overdraft

The State Controller's Office indicates that DHS closed appropriations with overdrafts and that a plan must be filed with the DOA State Budget Office to show how assets or receivables will be generated to cover the unsupported overdrafts.

The following appropriations ended FY 17 with an unsupported overdraft:

- Appropriation s. 20.435(2)(kx) – Interagency and Intra-Agency Programs, ended with an unsupported overdraft of \$6,441,431.
- Appropriation s. 20.435(2)(g) – Alternate services of institutes and centers, ended with an unsupported cash overdraft of \$14,430,068.46.

The attachment identifies the DHS plan to eliminate the deficits and cover ongoing expenditures.

**cc:** Tom Engels  
Amy McDowell  
Bob Halverson  
Barry Kasten  
Christina Isenring

### *Appropriation 267 – Inter/Intra Agency Operations*

The appropriation, s. 20.435(2)(kx) – Inter/Intra Agency Operations, ended FY 17 with an unsupported overdraft of \$6,441,431. The unsupported overdraft is the result of costs for utilities and maintenance of common areas and vacant buildings at Northern Wisconsin Center (NWC). In prior years, these costs were reimbursable by the Medicaid program when DHS operated a large long term care residential program for people with disabilities. Since FY 05, the Department has operated only a small short term care unit, and as a result, a significant portion of campus costs are no longer Medicaid reimbursable.

At the same time the DHS program has decreased, other agencies have increased their presence at NWC. The Department of Corrections, Military Affairs, and Veterans Affairs programs represent roughly 97% of clients served and 63% of employees on campus. These agencies occupy 34% of the building space, compared to 20% for DHS programs. Vacant and mothballed buildings comprise 46% of the building square footage.

Despite its small campus “footprint,” DHS still has the responsibility for all campus power plant, maintenance, grounds keeping, and snowplowing operations. It has no base funding for these costs.

In prior year reports, the Department indicated it would pursue three strategies to address the deficit. First, it would seek approval from the Governor and Joint Committee on Finance to use revenue from future sales of surplus land at NWC. S. 13.101(17) provides that the Department of Health Services, the Department of Corrections, and the Department of Veterans Affairs may seek approval from the Joint Committee on Finance to use the land sale revenue for activities on the Northern Center campus. The value of the surplus land is estimated to be \$3 million. Second, the Department would identify any balances that may occur in its operating budget each year that could be used to fund the deficit. Through this process, the Department would attempt to reduce the remaining deficit over several years to the extent balances occur. Lastly, beginning in FY 11, DHS began to allocate all utility and common area maintenance and grounds keeping costs incurred each year to state agencies on the Northern Center campus on a proportional basis.

The Department will continue to rely on these strategies to address the deficit. DHS recommends that DOA assume responsibility for all NWC power plant, utility, maintenance, and grounds keeping operations and billings, because it is in a better position to streamline campus operations and implement a uniform allocation methodology. The Department is also open to considering moving its short term care unit off campus, to a smaller setting in the Chippewa Valley area, as a way to reduce its overhead costs.

*Appropriation 225 – Alternate services of institutes and centers*

This appropriation, s. 20.435(2)(g), ended FY 17 with an unsupported cash overdraft of \$14,430,068.46. This overdraft relates to operations of the Northern Wisconsin Center for People with Intellectual Disabilities (NWC) in numeric appropriation 225.

The Department operates three State Centers, which are state licensed and federally certified intermediate care facilities for people with intellectual disabilities (ICF-ID) and receive full cost reimbursement for all Medicaid-eligible costs. Northern Wisconsin Center operates only an Intensive Treatment Program (ITP) that provides short term services to people with intellectual disabilities who live in the community. Counties and Family Care managed care organizations (MCOs) fund a portion of the cost of their consumers in the ITP program, because they are responsible for funding services for the individuals while in the community. NWC receives reimbursement for the remaining portion of Medicaid eligible costs from the Medicaid program.

At the beginning of the year, the Center establishes an interim per diem rate, with which it bills counties, MCOs and the Medicaid program for consumers admitted to the ITP. After the close of the rate year, the Department prepares a cost settlement report based on all actual costs for the rate year and makes an additional Medicaid claim for the difference between the amounts claimed through the interim rate and the full allowable Medicaid costs. The Department typically finalizes the cost settlement nine to twelve months after the close of the fiscal year. The Department records a receivable for days of care billed under the interim rate but not reimbursed by the end of the fiscal year; it does not record any receivable for the Medicaid settlement, which can be positive or negative.

In the past year, the Department was able to reduce the deficit, from \$16,709,119.44 in FY 16 to \$14,430,068.46 in FY 17. The Department determined it had been incorrectly crediting back to the Medicaid program the non-federal share of MCO payments to Northern Center for Medicaid days of care at the center. The Department was able to make a retroactive correction from FY 12 through FY 17, resulting in a revenue increase for appropriation (2)(g).

Below is a summary of the other major factors behind the deficit:

- All three State Centers operate ITP programs. Each year, the Department establishes one ITP daily rate for the three programs, based on their average costs. The uniform rate is important so that counties and MCOs choose the ITP program based on the needs of their consumers rather than cost. NWC's actual cost per bed day is significantly above the average cost reflected in the interim ITP rate, because of its small size. The uniform ITP rate was \$1,069 per day in FY 17; NWC's estimated FY 16 cost per day was \$1,627. Consequently, NWC will always receive a cost settlement payment from Medicaid, because its final costs will be higher than revenues received through the interim rate. It is estimated that NWC's cost settlement will average \$4.0 million per year due to the rate averaging; the settlement amount varies from year to year, causing the year-end deficit to vary also.

- The Centers do not receive Medicaid reimbursement for the state ICF-ID bed tax they are required to pay under s. 50.14(2)(bm). The Department deposits bed tax revenues from all facilities into the Medicaid Trust Fund, where they are matched with Medicaid FED and used to fund Medicaid benefits. At the same time, the Department makes a Medicaid access incentive payment to all ICFs (using GPR and FED) that, in total, approximately equals the bed tax paid by all facilities statewide. To comply with federal requirements, the access payment is a fixed amount per Medicaid bed day for all facilities. Because the access payment is a fixed amount per bed, facilities with a large number of vacant beds will pay more in assessments than they receive back in access payments. Facilities with an occupancy rate of 90.5% or more receive access payments greater than bed tax paid. In recent years, Northern Center has had occupancy rates below 90.5% due to declines in its census. The following table summarizes bed tax losses from each center since the beginning of the tax through FY 17.

<b>Bed Tax Losses FY 04 through FY 17</b>	
Northern Center	\$1,258,112
Central Center	\$2,256,583
Southern Center	\$721,247
<b>Total</b>	<b>\$4,235,943</b>

- States can claim Medicaid reimbursement for depreciation and debt service costs for buildings and other capital assets used to provide Medicaid services. Following state budget procedures, the Department calculates these amounts and then lapses them to the General Fund as "GPR-Earned." The Department then claims Medicaid funds for these costs. The lapse is required on the basis that the state initially funds construction and debt service costs with GPR through the Capital Budget, and therefore the agency should return the Medicaid reimbursement to the General Fund. Over the past several years, not all of the Centers' depreciation and debt service costs were Medicaid reimbursable. However, the Department has lapsed to the General Fund all depreciation and debt service costs, not just the Medicaid reimbursed amounts. For dates of service after FY 12, the Department subtracts Medicaid disallowed claims from the amounts it lapses as GPR-Earned. Similarly, the Department has lapsed Medicaid reimbursement for depreciation for capital asset expenditures funded from the Centers' PR appropriations under (2)(g) and (2)(gk). Under Medicaid rules, the Centers must initially incur the expense and then are reimbursed by Medicaid over time according to depreciation schedules. The Department should have retained these depreciation reimbursements in the Centers appropriations to cover the initial capital costs. For FY 14 forward, the Department will not lapse Medicaid depreciation reimbursements for capital costs paid from the Centers appropriations. The following table summarizes amounts lapsed to GPR-Earned in excess of Medicaid reimbursement.

<b>Excess GPR-Earned Lapses</b>		
	<b>Depreciation Overlaps for PR-funded Assets for FY 06-FY 13</b>	<b>Over-Lapse Amounts Associated with Disallowed Property Costs: FY 02-FY 13</b>
Northern Center	\$458,633	\$3,336,033
Central Center	\$1,731,556	
Southern Center	\$2,141,501	
<b>Total</b>	<b>\$4,331,691</b>	<b>\$3,336,033</b>

Because of the excess lapse amounts from prior years, 2017 Act 59, the 2017-19 biennial budget, provides that the Department will retain \$1,000,000 per year in current year GPR-Earned revenues to apply against the (2)(g) deficit, which will reduce the deficit slowly over the next several years.

- Apart from excess GPR-Earned lapses, the Medicaid practice of reimbursing Centers for capital assets based on multi-year depreciation schedules has also contributed to the deficit. Centers incur the cost for vehicles or equipment, for example, in the PR appropriation in the year of purchase, but must run a cash deficit until the depreciation schedule is complete. In recognition of this, Act 59 added language to s. 20.903 explicitly allowing the Department to incur liabilities in (2)(g), over and above revenues in the appropriation, up to the value of equipment and buildings financed from the appropriation. This language will allow DHS to account for such assets in future cash overdraft statements, thereby providing a more complete picture of the financial status of the appropriation beyond its cash position, by accounting for all cash and non-cash assets.

***Recommendation***

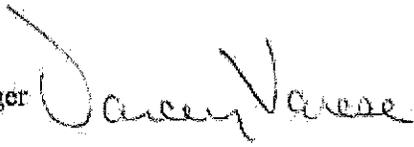
The Department will continue to work with DOA to use the tools provided in the 2017-19 biennial budget to reduce the deficit over the next several years.

**CORRESPONDENCE/MEMORANDUM****DEPARTMENT OF JUSTICE**

Date: September 28, 2017

To: Jim Behrend, Audit Supervisor  
Department of Administration

From: Darcey Varese, Financial Manager  
Department of Justice



Subject: FY17 Unsupported Cash Overdrafts

The WI Department of Justice has three appropriations with unsupported cash deficits at the end of SFY17. This memo describes these deficits as required under Wis. Stat. § 16.513.

Grants for Offenders' Substance Abuse Treatment Programs (Appropriation 281)

Appropriation 281 has an unsupported overdraft for SFY17 in the amount of \$1,737,927.45 related to the grants for offenders' substance abuse treatment program; alpha 2(kv). This appropriation was transferred to the Department of Justice from the Department of Administration in the 2013-15 biennial budget with a cash deficit of \$1,911,631.89. Subsequently, the deficit has decreased to \$1,876,968 in SFY14, \$1,823,492 in SFY 15 and \$1,778,816 in SFY16. The department has not expended any funding from this appropriation since the transfer and is applying all revenue to the deficit.

Sobriety Programs (Appropriation 267)

Appropriation 267 has a cash deficit of \$21,600 at the end of SFY17 related to the timing of expenditures and revenues. The Frequent Sobriety Testing Pilot program was created in the 2015-17 biennial budget. Under Wis. Stat. § 165.957, the costs of administering the program by participating counties and the state will be supported by revenues from fees charged to participants. The cash deficit is the result of start-up costs incurred by the department that will be supported by revenues collected after program enrollment begins.

Penalty Surcharge Receipts (Appropriation 230)

The unsupported cash deficit in appropriation 230, penalty surcharge receipts, totaled \$7,971,889.27 at the close of SFY17. The deficit was \$5,703,906.47 at the end of SFY16; \$3,701,066 at the end of SFY15 and \$2,048,000 at the close of SFY14. A portion of the deficit may be the result of a temporary delay in the receipt of fee collections from the Department of

Corrections related to the implementation of a new fee and surcharge collection information system which will resolve in SFY18. However, on a long-term basis, it is expected that this appropriation will continue to have an unsupported cash deficit without significant changes in the appropriation of penalty surcharge revenues or surcharge amounts.

Please contact me with questions at 608-266-9653.

Cc: Caitlin Frederick  
Michelle Gauger

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

Period Ended: June 30, 2017

Fund # 100 Agency # 455 Appropriation # 13200

Name of Appropriation Environmental Litigations Project

Unexpended FY17 Cash Balance (\$430,097.36)

(Should match the CLSD BAL. CONTINUING amount on Form 78)

Overdraft Coverage:

Inventory \_\_\_\_\_

Accounts Receivable - Federal Cash Draw System \_\_\_\_\_

Accounts Receivable - Other Federal \_\_\_\_\_

Accounts Receivable - Non-federal Inv #5424/5456 \$697,284.82

Equipment - [If authorized under s. 20.903(2)(b) or (br)] --- **EQUIP** \_\_\_\_\_

Outstanding Master Lease Obligations at End of FY --- **MLO** \_\_\_\_\_

Equipment Net of Master Lease Obligations (**EQUIP** minus **MLO**) \$0.00

Total Coverage for Overdraft \$697,284.82

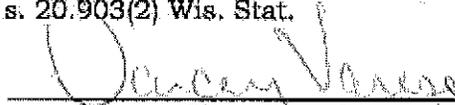
Excess (Under) Overdraft Coverage \$267,187.46

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

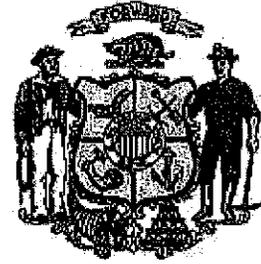
I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

  
\_\_\_\_\_  
Signature of Agency Reconciler

Darcey Varose, Financial Manager  
Printed Name and Title

**Please Remit To:**  
 DEPARTMENT OF JUSTICE  
 ATTN: BUREAU OF BUDGET AND FINANCE  
 FISCAL SERVICES  
 PO BOX 7857  
 MADISON WI 53707-7857



**INVOICE**  
 State of Wisconsin  
 Department of Justice

Bill To:

000002  
 DEPARTMENT OF NATURAL RESOURCES - WI  
 101 SOUTH WEBSTER STREET  
 MADISON WI 53703-3474

Invoice No: 455-0000005424  
 Invoice Date: 6/27/17  
 Page: 1 of 1

Customer Number: INTER37000  
 Payment Terms: NET30  
 Due Date: 7/27/17  
 AMOUNT DUE: 697,078.00 USD

**Amount Remitted**

Per MOA, DNR providing financial support to DOJ for the cost of legal services to support the enforcement and defense of laws that protect Wisconsin's air, land and water resources. For the time period July 1, 2016, through June 30, 2017.

For billing questions, please call LORI @ 608-266-1979

Line	Identifier	Description	Project	Quantity	UOM	Unit Amt	Original Net Amount
1	FY17	Legal Services From DOJ		1.00	YRS	697,078.00	697,078.00
<b>Subtotal:</b>							697,078.00
<b>Amount Due:</b>							697,078.00

13200

Please Remit To:  
 DEPARTMENT OF JUSTICE  
 ATTN: BUREAU OF BUDGET AND FINANCE  
 FISCAL SERVICES  
 PO BOX 7867  
 MADISON WI 53707-7867



**INVOICE**  
 State of Wisconsin  
 Department of Justice

Bill To:

000001  
 DEPARTMENT OF NATURAL RESOURCES - WI  
 101 SOUTH WEBSTER STREET  
 MADISON WI 53703-3474

Invoice No: 455-0000005456  
 Invoice Date: 6/30/17  
 Page: 1 of 1

Customer Number: INTER37000  
 Payment Terms: NET30  
 Due Date: 7/30/17  
  
**AMOUNT DUE: 206.82 USD**

**Amount Remitted**

FY17 4th quarter reimbursement request for Mark Bromley's and Lorraine Stoltzfus' travel expenses related to the Fox River PCB clean-up. Hardcopy of the invoice will be sent to John Kallas at DNR.

For billing questions, please call 608-266-1879

Line	Identifier	Description	Project	Quantity	DOM	Unit Amt	Original Net Amount
1	F. MARK BROMLEY	4th Quarter Travel Expenses		1.00	EA	99.28	99.28
2	LORRAINE STOLTZFUS	4th Quarter Travel Expenses		1.00	EA	107.56	107.56
<b>Subtotal:</b>							<b>206.82</b>
<b>Amount Due:</b>							<b>206.82</b>

13200

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

Period Ended: June 30, 2017

Fund # 100 Agency # 455 Appropriation # 14100

Name of Appropriation Federal Aid

Unexpended FY17 Cash Balance (\$191,425.52)  
(Should match the CLSD BAL. CONTINUING amount on Form 78)

Overdraft Coverage:

Inventory \_\_\_\_\_

Accounts Receivable - Federal Cash Draw System \_\_\_\_\_

Accounts Receivable - Other Federal Medicaid Fraud \$250,729.95

Accounts Receivable - Non-federal \_\_\_\_\_

Equipment - [If authorized under s. 20.903(2)(b) or (bn)] ---- **EQUIP** \_\_\_\_\_

Outstanding Master Lease Obligations at End of FY ---- **MLO** \_\_\_\_\_

Equipment Net of Master Lease Obligations (EQUIP minus MLO) \$0.00

Total Coverage for Overdraft \$250,729.95

Excess (Under) Overdraft Coverage \$59,304.43

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

Darcey Varese  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

141 - Medicaid Fraud Fed Q3

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted <b>U.S. Department of Health &amp; Human Services</b>		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment) <b>1701W15050</b>		Page <b>1</b>	of <b>1</b>
3. Recipient Organization (Name and complete address including Zip code) <b>WISCONSIN DEPARTMENT OF JUSTICE PO BOX 7857 ATTN: DARCEY VARESE MADISON, WI 53707-7857</b>					
4a. OJNS Number <b>809448061</b>	4b. EIN <b>39600646981</b>	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment) <b>4651L50MFE-14100 &amp; 10100</b>		6. Report Type A Quarterly B Semi-Annual C Annual <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual	7. Basis of Accounting <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual
8. Project/Grant Period From: (Month, Day, Year) <b>10/01/16</b>		To: (Month, Day, Year) <b>09/30/17</b>		9. Reporting Period End Date (Month, Day, Year) <b>06/30/17</b>	
10. Transactions					Cumulative

(Use lines a-c for single or multiple grant reporting)

Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts	N/A
b. Cash Disbursements	N/A
c. Cash on Hand (line a minus b)	N/A

(Use lines d-o for single grant reporting)

Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	856,098.00
e. Federal share of expenditures	745,820.01
f. Federal share of unliquidated obligations	5,790.91
g. Total Federal share (sum of lines e and f)	751,610.92
h. Unobligated balance of Federal funds (line d minus g)	103,488.08

Recipient Share:	
i. Total recipient share required	248,606.67
j. Recipient share of exp	248,606.67
k. Remaining recipient sh	0.00
Program Income:	
l. Total Federal program i	N/A
m. Program income exper	N/A
n. Program income exper	N/A
o. Unexpended program i	N/A

11. Indirect Expenses	a. Type	e. Amount Charged	f. Federal Share	
	Provisional	74,117.51	128,054.79	98,791.09
		74,117.51	128,054.79	98,791.09

Outstanding on 6/30 is difference between Q2 & Q3 Fed expenses  
745,820.01 - 495,090.06 = \$250,729.95

12. Remarks: Attach any exp The expenses reported reflect

13. Certification: By signing any false, fictitious, or a. Type or Printed Name an  
**Darcy Varese,**

b. Signature of Authorized C

14. Agency use only:

c. Telephone (Area code, number and extension)  
**608-266-9653**

d. Email address  
**varesef@wi.state.wi.us**

e. Date Report Submitted (Month, Day, Year)  
**8/1/2017**

Paperwork Burden Statement  
According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0061), Washington, DC 20503.

141 - Medicaid Fraud Fed Q2

### FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)		Page	of		
U.S. Department of Health & Human Services		1701W16050		1	1		
3. Recipient Organization (Name and complete address including Zip code)							
WISCONSIN DEPARTMENT OF JUSTICE PO BOX 7857 ATTN: DARCEY VARESE MADISON, WI 53707-7857							
4a. DUNS Number	4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)		6. Report Type	7. Basis of Accounting		
809448061	396006469B1	465010000-14100 & 10100		<input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input checked="" type="checkbox"/> Annual	<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual		
8. Project/Grant Period		9. Reporting Period End Date					
From: (Month, Day, Year) 10/01/16		To: (Month, Day, Year) 09/30/17		(Month, Day, Year) 09/31/17			
10. Transactions				Cumulative			
<i>(Use lines a-c for single or multiple grant reporting)</i>							
<b>Federal Cash (To report multiple grants, also use FFR Attachment):</b>							
a. Cash Receipts				N/A			
b. Cash Disbursements				N/A			
c. Cash on Hand (line a minus b)				N/A			
<i>(Use lines d-o for single grant reporting)</i>							
<b>Federal Expenditures and Unobligated Balance:</b>							
d. Total Federal funds authorized				570,086.00			
e. Federal share of expenditures				495,090.06			
f. Federal share of unliquidated obligations				19,243.39			
g. Total Federal share (sum of lines e and f)				514,333.45			
h. Unobligated balance of Federal funds (line d minus g)				55,752.55			
<b>Recipient Share:</b>							
i. Total recipient share required				165,030.02			
j. Recipient share of expenditures				165,030.02			
k. Remaining recipient share to be provided (line i minus j)				(0.00)			
<b>Program Income:</b>							
l. Total Federal program income earned				N/A			
m. Program income expended in accordance with the deduction alternative				N/A			
n. Program income expended in accordance with the addition alternative				N/A			
o. Unexpended program income (line l minus line m or line n)				N/A			
11. Indirect Expense	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
	Provisional	27.22%	7/1/2013	3/31/2017	272,781.09	74,251.01	55,888.28
	g. Totals:				272,781.09	74,251.01	55,888.28
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:							
13. Certification: By signing this report, I certify that it is true, complete, and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)							
a. Typed or Printed Name and Title of Authorized Certifying Official				c. Telephone (Area code, number and extension)			
Dorcey Varese, Financial Manager				608-266-8663			
b. Signature of Authorized Certifying Official				d. Email address			
				varese@dfc.state.wi.us			
				e. Date Report Submitted (Month, Day, Year)			
				4/24/2017			
				14. Agency use only:			

Standard Form 425  
GSA Approval Number: 01X-0061  
Revision Date: 10/01/2011

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

Period Ended: June 30, 2017

Fund # 100 Agency # 455 Appropriation # 23000

Name of Appropriation Interagency and Intra-agency Assistance

Unexpended FY17 Cash Balance (\$7,971,889.27)  
(Should match the CLSD BAL, CONTINUING amount on Form 78)

Overdraft Coverage:

Inventory \_\_\_\_\_

Accounts Receivable - Federal Cash Draw System \_\_\_\_\_

Accounts Receivable - Other Federal \_\_\_\_\_

Accounts Receivable - Non-federal \_\_\_\_\_

Equipment - [If authorized under s. 20.903(2)(b) or  
(br)] --- **EQUIP** \_\_\_\_\_

Outstanding Master Lease Obligations at End of  
FY --- **MLO** \_\_\_\_\_

Equipment Net of Master Lease Obligations (EQUIP minus MLO) \$0.00

Total Coverage for Overdraft \$0.00

Excess (Under) Overdraft Coverage (\$7,971,889.27)

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

Darcey Varese  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

To : Jim Behrend  
 State Controller's Office  
 DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

Period Ended: June 30, 2017

Fund # 100 Agency # 455 Appropriation # 23300

Name of Appropriation: Interagency and Intra-agency Assistance

Unexpended FY17 Cash Balance (\$287,524.53)  
(Should match the CLED BAL. CONTINUING amount on Form 78)

Overdraft Coverage:

Inventory \_\_\_\_\_

Accounts Receivable - Federal Cash Draw System \_\_\_\_\_

Accounts Receivable - Other Federal \_\_\_\_\_

Accounts Receivable - Non-federal WSIC 17,  
NCMEC, HSAODA,  
WISCOM \$482,523.79

Equipment - [If authorized under s. 20.903(2)(b) or  
(bn)] ---- **EQUIP** \_\_\_\_\_

Outstanding Master Lease Obligations at End of  
FY ---- **MLO** \_\_\_\_\_

Equipment Net of Master Lease Obligations (EQUIP minus MLO) \$0.00

Total Coverage for Overdraft \$482,523.79

Excess (Under) Overdraft Coverage \$194,999.26

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

Darcey Varese  
 Signature of Agency Reconciler

Darcey Varese, Financial Manager  
 Printed Name and Title

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

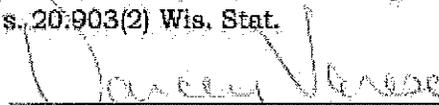
	Period Ended:	June 30, 2017	
Fund #	100	Agency # 455	Appropriation # 24100
Name of Appropriation	Interagency and Intra-agency Assistance		
Unexpended FY17 Cash Balance			(\$741,345.75)
<small>(Should match the CLSD BAL. CONTINUING amount on Form 78)</small>			
Overdraft Coverage:			
Inventory			
Accounts Receivable - Federal Cash Draw System	billed 433,399.98; unbilled 390,834.83		\$824,234.81
Accounts Receivable - Other Federal			
Accounts Receivable - Non-federal			
Equipment - [If authorized under s. 20.903(2)(b) or (bn)] ---- <b>EQUIP</b>			
Outstanding Master Lease Obligations at End of FY ---- <b>MLO</b>			
Equipment Net of Master Lease Obligations	(EQUIP minus MLO)		\$0.00
Total Coverage for Overdraft			\$824,234.81
Excess (Under) Overdraft Coverage			\$82,889.06

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

Period Ended: June 30, 2017

Fund # 100 Agency # 455 Appropriation # 26700

Name of Appropriation Interagency and Intra-agency Assistance

Unexpended FY17 Cash Balance (\$21,600.00)  
(Should match the CLSD BAL. CONTINUING amount on Form 78)

Overdraft Coverage:

Inventory \_\_\_\_\_

Accounts Receivable - Federal Cash Draw System \_\_\_\_\_

Accounts Receivable - Other Federal \_\_\_\_\_

Accounts Receivable - Non-federal \_\_\_\_\_

Equipment - [If authorized under s. 20.903(2)(b) or (bn)] --- **EQUIP** \_\_\_\_\_

Outstanding Master Lease Obligations at End of FY --- **MLO** \_\_\_\_\_

Equipment Net of Master Lease Obligations (EQUIP minus MLO) \$0.00

Total Coverage for Overdraft \$0.00

Excess (Under) Overdraft Coverage (\$21,600.00)

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

*Darcey Varese*  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

	Period Ended:	<u>June 30, 2017</u>	
Fund #	<u>100</u>	Agency # <u>455</u>	Appropriation # <u>28100</u>
Name of Appropriation	<u>Interagency and Intra-agency Assistance</u>		
Unexpended FY17 Cash Balance			<u>(\$1,737,927.45)</u>
<small>(Should match the CLSD BAL., CONTINUING amount on Form 78)</small>			
Overdraft Coverage:			
Inventory			_____
Accounts Receivable - Federal Cash Draw System			_____
Accounts Receivable - Other Federal			_____
Accounts Receivable - Non-federal			_____
Equipment - [If authorized under s. 20.903(2)(b) or (br)] ---- <b>EQUIP</b>			_____
Outstanding Master Lease Obligations at End of FY ---- <b>MLO</b>			_____
Equipment Net of Master Lease Obligations	(EQUIP minus MLO)		<u>\$0.00</u>
Total Coverage for Overdraft			<u>\$0.00</u>
Excess (Under) Overdraft Coverage			<u>(\$1,737,927.45)</u>

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

Darcey Varese  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

Period Ended: June 30, 2017

Fund # 100 Agency # 455 Appropriation # 53200

Name of Appropriation Interagency and Intra-agency Assistance

Unexpended FY17 Cash Balance (\$1,099,911.17)

(Should match the CLSD BAL. CONTINUING amount on Form 7B)

Overdraft Coverage:

Inventory \_\_\_\_\_

Accounts Receivable - Federal Cash Draw System \_\_\_\_\_

Accounts Receivable - Other Federal \_\_\_\_\_

Accounts Receivable - Non-federal DOC-Victim  
Witness Surcharge  
3rd & 4th Qtr. \$2,514,928.28

Equipment - (If authorized under s. 20.903(2)(b) or  
(bn)) ---- **EQUIP** \_\_\_\_\_  
Outstanding Master Lease Obligations at End of  
FY ---- **MLO** \_\_\_\_\_

Equipment Net of Master Lease Obligations (EQUIP minus MLO) \$0.00

Total Coverage for Overdraft \$2,514,928.28

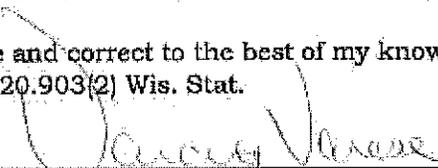
Excess (Under) Overdraft Coverage \$1,415,017.11

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

  
\_\_\_\_\_  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

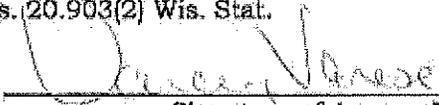
	Period Ended:	June 30, 2017	
Fund #	100	Agency # 455	Appropriation # 53700
Name of Appropriation	Interagency and Intra-agency Assistance		
Unexpended FY17 Cash Balance			(\$16,544.04)
<small>(Should match the CLSD BAL, CONTINUING amount on Form 78)</small>			
Overdraft Coverage:			
Inventory			
Accounts Receivable - Federal Cash Draw System			
Accounts Receivable - Other Federal			
Accounts Receivable - Non-federal			\$16,544.04
Equipment - [If authorized under s. 20.903(2)(b) or (bn)] --- EQUIP			
Outstanding Master Lease Obligations at End of FY --- MLO			
Equipment Net of Master Lease Obligations (EQUIP minus MLO)			\$0.00
Total Coverage for Overdraft			\$16,544.04
Excess (Under) Overdraft Coverage			\$0.00

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

Appropriation 537 is funded by reimbursement from federal appropriation 542. The reimbursement for the negative SFY17 balance was processed in SFY18.



To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

Period Ended: June 30, 2017

Fund # 100 Agency # 455 Appropriation # 54200

Name of Appropriation Interagency and Intra-agency Assistance

Unexpended FY17 Cash Balance (\$2,702,394.81)  
(Should match the CLSD BAL. CONTINUING amount on Form 79)

Overdraft Coverage:

Inventory \_\_\_\_\_

Accounts Receivable - Federal Cash Draw System 2,666,131.72 billed 39,155.16;  
unbilled \$2,705,286.88

Accounts Receivable - Other Federal \_\_\_\_\_

Accounts Receivable - Non-federal \_\_\_\_\_

Equipment - [If authorized under s. 20.903(2)(b) or  
(bn)] --- **EQUIP** \_\_\_\_\_

Outstanding Master Lease Obligations at End of  
FY --- **MLO** \_\_\_\_\_

Equipment Net of Master Lease Obligations (EQUIP minus MLO) \$0.00

Total Coverage for Overdraft \$2,705,286.88

Excess (Under) Overdraft Coverage \$2,892.07

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

Darcey Varese  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
Printed Name and Title

To : Jim Behrend  
State Controller's Office  
DOA Admin. Bldg. 5th Fl.

**STATEMENT OF PROGRAM & SEGREGATED REVENUE OVERDRAFT COVERAGE**

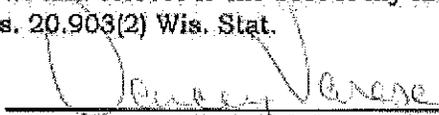
	Period Ended:	<u>June 30, 2017</u>	
Fund #	<u>100</u>	Agency # <u>455</u>	Appropriation # <u>54300</u>
Name of Appropriation	<u>Interagency and Intra-agency Assistance</u>		
Unexpended FY17 Cash Balance			<u>(\$104,471.41)</u>
	<small>[Should match the CLSD BAL. CONTINUING amount on Form 78]</small>		
Overdraft Coverage:			
Inventory			
Accounts Receivable - Federal Cash Draw System	Billed 77,000.19; unbilled 30,683.14		<u>\$107,683.33</u>
Accounts Receivable - Other Federal			
Accounts Receivable - Non-federal			
Equipment - [If authorized under s. 20.903(2)(b) or (bn)] --- <b>EQUIP</b>			
Outstanding Master Lease Obligations at End of FY --- <b>MLO</b>			
Equipment Net of Master Lease Obligations	( <b>EQUIP</b> minus <b>MLO</b> )		<u>\$0.00</u>
Total Coverage for Overdraft			<u>\$107,683.33</u>
Excess (Under) Overdraft Coverage			<u>\$3,211.92</u>

**\* Attach detail identifying what comprises the receivables, inventory or equipment (i.e. receipt #'s, billings, detail listing of equipment, etc.)**

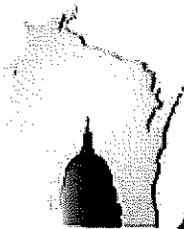
\* For any unsupported overdrafts attach an explanation of the reason for the unsupported overdraft and what steps will be taken to resolve the violation of s. 20.903(2) Wis. Stat.

I certify that the above information is true and correct to the best of my knowledge and belief and complies with the requirements of s. 20.903(2) Wis. Stat.

Date: 9/25/2017

  
\_\_\_\_\_  
Signature of Agency Reconciler

Darcey Varese, Financial Manager  
\_\_\_\_\_  
Printed Name and Title



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**SCOTT WALKER**  
GOVERNOR  
**SCOTT A. NEFFZEL**  
SECRETARY

Division of Enterprise Operations  
101 East Wilson Street, 6<sup>th</sup> Floor  
Post Office Box 7867  
Madison, WI 53707-7867  
Voice (608) 266-0779  
Fax (608) 267-0600  
<http://www.doa.state.wi.us/deo/index.asp>

Date: December 14, 2017

To: Waylon Hurlburt, State Budget Director  
Division of Executive Budget and Finance

Jeff Anderson, State Controller  
Division of Executive Budget and Finance

From: Colleen Holtan, Director *CH*  
Bureau of Financial Management  
Division of Enterprise Operations

Re: FY17 Program Revenue Unsupported Overdraft Plan

In accordance with s. 16.53, Wis. Stats., please accept this memo as the Department of Administration's ("DOA" or "Department") plan to address fiscal year 2017 (FY17) program revenue unsupported overdrafts in the following appropriations:

- Agency 505 (DOA), Appropriation 12300 - Justice Information Fee Receipts
- Agency 505 (DOA), Appropriation 13800 - Enterprise Resource Planning System
- Agency 870 (ITIF), Appropriation 16000 - Information Technology Investment Fund - Special Project

**Appropriation 12300 - Justice Information Fee Receipts**

The Justice Information Fee was created by 1995 Wisconsin Act 27 (the 1995-97 Biennial Budget) when s. 814.635 (1) of the statutes was amended to rename the "court automation fee" to "justice information fee". Under the law, the Justice Information Fee is generally assessed with a court fee for the commencement or filing of certain civil court proceedings, including large claims, small claims forfeiture, wage earner, or garnishment actions, an appeal from municipal court, third party complaint in a civil action, or for filing a counterclaim or cross complaint in a small claims action. Act 27 established a Justice Information Fee of \$5.00 and required eighty percent of the moneys received under s. 814.635 (1) to be credited to the appropriation for the development and operation of automated justice information systems under s. 16.971 (9), and the remainder to the general fund.

1997 Wisconsin Act 27 (the 1997-99 Biennial Budget) increased from \$5.00 to \$7.00 the fee amount and decreased from 80% to four-sevenths the amount of moneys received under s. 814.635 (1) to be credited to s. 20.505 (1) (ja), Justice information systems,

and directed two-sevenths and one-seventh, respectively, to 20.680 (2) (j) Court information systems and interpreters and the general fund.

1999 Wisconsin Act 9 (the 1999-01 Biennial Budget) increased from \$7.00 to \$9.00 the fee amount and modified the amount of moneys received under s. 814.635 (1) to be credited to s. 20.505 (1) (ja), Justice information systems, 20.680 (2) (j), Court information systems and interpreters, and the general fund, to two-ninths, six-ninths and one-ninth, respectively.

2003 Wisconsin Act 139 consolidated court assessments, surcharges, and restitution payments into Chapter 814 of the statutes; renumbered section 814.635 of the statutes to s. 814.86; and changed the name of all of fees, assessments, surcharges, and restitution payments to surcharges.

2005 Wisconsin Act 25 (the 2005-07 Biennial Budget) increased from \$9.00 to \$12.00 the surcharge amount and modified the amount of moneys received under s. 814.86 (1) to be credited to s. 20.505 (1) (ja), Justice information systems, 20.680 (2) (j), Court information systems and interpreters, and the general fund, to five-twelfths, 50% and one-twelfth, respectively.

2009 Wisconsin Act 28 (the 2009-11 Biennial Budget) increased from \$12.00 to \$21.50 the surcharge amount. It also increased from three to six the number of appropriations to which moneys received under s. 814.86 (1) were to be credited and changed the distribution method to one based on a fixed amount of the total fee (e.g., \$7.50 of every \$21.20 fee to s. 20.505 (1) (ja), Justice information systems). A summary of the changes in the Justice Information Surcharge is shown in TABLE 1.

TABLE 1  
Justice Information Fee/Surcharge

<u>Authorizing Legislation</u>	<u>Amount</u>
1995 Wisconsin Act 27	\$5.00
1997 Wisconsin Act 27	\$7.00
1999 Wisconsin Act 9	\$9.00
2005 Wisconsin Act 25	\$12.00
2009 Wisconsin Act 28	\$21.50 <sup>1</sup>

<sup>1</sup> Surcharge amount is unchanged as of current date

2011 Wisconsin Act 32 (the 2011-13 Biennial Budget) significantly changed the structure of the surcharge distribution with the creation of appropriation s. 20.505 (1) (id), Justice Information Fee Receipts, into which all moneys less \$700,000 received from the justice information surcharge under s. 814.86 (1) are collected for the purpose of annually transferring to the appropriation accounts the amounts in the schedule for subdivisions 1. to 8., and the retention of the transfer of \$6.00 of each \$21.50 received under s. 814.86 (1) for the operation of circuit court automated information systems. During the 2011-13 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of \$19,441,625 and transferred to appropriation accounts and the general fund a total of \$19,351,600, resulting in a FY13 ending cash balance of \$90,025.

2013 Wisconsin Act 20 (the 2013-15 Biennial Budget) retained the structure of the surcharge distribution implemented during the prior biennium. During the 2013-15 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of \$16,978,696 and transferred to appropriation accounts and the general fund a total of \$19,869,600, resulting in a FY15 ending cash balance of \$(2,800,879).

2015 Wisconsin Act 55 (the 2015-17 Biennial Budget) changed the surcharge distribution by repealing s. 20.505 (1) (id) 8., which provided for the transfer to s. 20.625 (1) (k), for Court Interpreters, and modified the appropriation language for the remaining appropriation accounts authorized under 20.505 (1) (id) to require that, notwithstanding s. 20.001 (3) (a), Wis. Stats., the unencumbered balance on June 30 of each year shall be transferred to the appropriation account under s. 20.505 (1) (id). Additionally, section 9226 of that Act required the return of certain unused moneys to the justice information surcharge appropriation account in an amount equal to the unencumbered balance as of June 30, 2015. During the 2015-17 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of \$16,882,446; transferred to appropriation accounts and the general fund a total of \$19,651,600 (\$18,251,600 and \$1,400,000, respectively); and received reversions of \$2,098,822, (\$1,527,075 under section 9226 and \$571,407), resulting in an ending cash balance of \$(3,471,171).

The annual collections to and transfers from the Justice Information Fee Receipts appropriation for the past two biennia are reported in TABLE 2. As that table shows, net collections on an annual basis were less negative in the 2015-17 biennium than they were in the 2013-15 biennium. Nonetheless, an imbalance between collections and budgeted transfers of approximately \$1.4 million remained.

TABLE 2  
Justice Information Fee Receipts

	2013-14	2014-15	2015-16	2015-17
Collections	<u>\$ 8,617,569</u>	<u>\$ 8,361,127</u>	<u>\$ 8,428,025</u>	<u>\$ 8,454,461</u>
Transfers:				
General Fund	\$ 700,000	\$ 700,000	\$ 700,000	\$ 700,000
Appropriation Accounts	<u>\$ 9,234,800</u>	<u>\$ 9,234,800</u>	<u>\$ 9,121,000</u>	<u>\$ 9,130,600</u>
Total	\$ 9,934,800	\$ 9,934,800	\$ 9,821,000	\$ 9,830,600
Less: Reversions <sup>1</sup>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ (323,438)</u>	<u>\$ (248,309)</u>
Net Transfers	<u>\$ 9,934,800</u>	<u>\$ 9,934,800</u>	<u>\$ 9,497,563</u>	<u>\$ 9,582,291</u>
Net Collections	<u>\$(1,317,231)</u>	<u>\$(1,573,673)</u>	<u>\$(1,069,538)</u>	<u>\$(1,127,830)</u>

<sup>1</sup> Excludes s. 9226 one-time reversions of \$1,527,075 in FY 2015-16.

Legislative changes to the Justice Information Fee/Surcharge and/or number or amount of appropriations supported by surcharge revenue will be required to eliminate the growing unsupported overdraft balance.

**Appropriation 13800 - Enterprise Resource Planning System**

Appropriation 13800 was created under 2007 Wisconsin Act 20 (the 2007-09 Biennial Budget) for the development of an integrated business information system (IBIS). The Department of Administration was authorized to implement and maintain the system pursuant to s. 16.971(2) (cf), Wis. Stats.

PeopleSoft Enterprise Resource Planning (PeopleSoft) software was selected for the IBIS project in 2006 and purchased from Oracle Corporation with financing provided through the State's master lease program. Semi-annual master lease payments were scheduled through FY13.

The implementation of IBIS was put on hold in April 2008; nonetheless, annual maintenance payments for the PeopleSoft software continued to be made by the IBIS Development Appropriation through FY11, at which time they were suspended to give the Administration an opportunity to review options for moving forward with an enterprise resource planning (ERP) system.

In FY13, the Administration announced the State Transforming Agency Resources (STAR) Project to implement a State ERP system. Software licenses, hardware and support purchases totaling \$17,069,720 were made using financing provided by the State's master lease program and, as of June 30, 2013, the overdraft in the IBIS Development appropriation, which was renamed the Enterprise Resource Planning System appropriation by 2013 Wisconsin Act 20 (the 2013-15 Biennial Budget), was \$(15,323,739). Of that amount \$6,879,998 was supported by PeopleSoft software purchased in 2006, for which no master lease obligations remained, and \$(8,443,741) was unsupported.

In FY14, the Department made the decision to purchase new software for the STAR Project at a cost of \$10,000,000 rather than incur a greater expense to upgrade the existing software. As a result, the previously purchased software, with a net book value of \$6.9 million, became obsolete and was written off. The Department incurred personnel and professional services costs and purchased other license, hardware and support purchases at a total cost of \$22,920,186 as it undertook the plan, analyze and design phases of the STAR Project, of which \$19,523,510 was financed using the State's master lease program. The Department also made master lease principal and interest payments totaling \$1,909,396. The June 30, 2014, appropriation balance was \$(20,629,813). Of that amount \$4,125,152 was supported by the value of equipment, software and intangible assets in excess of master lease obligations, and \$(16,504,661) was unsupported.

In FY15, the Department incurred \$47,505,392 of personnel and other supplies and services costs, the latter primarily consisting of contractual professional services, in support of the build and test phases for Release 1 and the build phase for Release 2. \$37,712,118 of that amount was financed by the State's master lease program and \$9,796,274 was paid from the ERP appropriation. The Department also made master lease principal and interest payments of \$2,286,836 and \$1,555,958, respectively. The June 30, 2015, appropriation overdraft was \$(34,268,881), of which \$8,760,254 was supported by the value of equipment, software and intangible assets in excess of master lease obligations, and \$(25,508,627) was unsupported.

In FY16, the Department incurred \$30,201,647 of costs to test, deploy and maintain Releases 1 and 2; and to build, test and deploy Release 3. \$14,577,530 of that amount was financed by the State's master lease program and \$15,624,117 was paid directly from the ERP appropriation. In addition, the Department repaid \$4,588,958 of master lease principal and \$2,749,995 of interest.

The Department implemented the STAR Operations and Maintenance Assessment in FY16, assessing agencies \$9,064,869 for estimated post-implementation maintenance and operations costs. The June 30, 2016, appropriation overdraft of \$(55,911,711) was supported by equipment, software and intangible assets in excess of master lease obligations of \$17,833,546; accounts receivable of \$7,636,103; and \$(30,442,062) was unsupported.

In FY17, the Department expended \$18,683,002 for personnel and other supplies and services costs: \$5,888,412 was for continued development activities; and \$12,794,590 was for ongoing maintenance and operations expenses. The State's master lease program financed \$2,769,666 of the expenditures while \$15,913,336 was paid directly from the ERP appropriation. Additionally, the Department repaid \$5,867,033 of master lease principal and \$3,203,122 of interest.

The FY17 STAR Operations and Maintenance Assessment was \$15,932,268 and recovered FY17 estimated operations and maintenance costs and a true up of \$1,913,568 for the amount by which prior year actual expenditures exceeded estimates. The June 30, 2017, appropriation overdraft of \$(65,419,352) was supported by equipment, software and intangible assets in excess of master lease obligations of \$21,399,631; accounts receivable of \$8,159,093; and \$(35,860,628) was unsupported.

The Department will continue to annually assess state agencies to recover ongoing operations and maintenance costs for the STAR system. The FY18 STAR Operations and Maintenance Assessment will be \$11,370,690, consisting of \$12,626,400 of FY18 estimated operations and maintenance costs and a true up of \$(1,255,710) for the amount by which prior year estimated expenditures exceeded actuals.

Additionally, in FY18 the Department will begin to assess state agencies for the STAR Project costs in an amount necessary to fully recover project and financing costs incurred in its development over a period of nineteen (19) years. The assessment will be phased in with 60% of the annual amount being collected in FY 18; 80% in FY19; and 100% in FY20 and annually thereafter through the remainder of the recovery period. The FY18 STAR Project Assessment will be \$4,357,895.

#### **Appropriation 160 - Information Technology Investment Fund - Special Project**

In FY97, General Fund appropriation s. 20.505 (1) (ke), telecommunications and data processing, in the former Division of Technology Management, loaned \$3,957,000 to Information Technology Investment Fund (ITIF) under s. 20.870, to provide grants to agencies for information technology projects. A total of \$3,668,676 of grants was made from the ITIF, net of unspent grant funds. No expenditures have been made from the appropriation since then. Since its inception in FY97, DOA has made annual payments

December 14, 2017

Page 6 of 6

of varying amounts to reduce the loan obligation and at the end of FY17 the appropriation reported an unsupported overdraft of \$(2,613,948). DOA will continue to consider various sources of revenue to apply to the overdraft and will continue to make payments towards its reduction.

Thank you for your consideration of the Department's plan. Should you have any questions or require additional information, please feel free to contact me at 266-1359.

Cc: Jim Langdon, Division Administrator