State of Wisconsin

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Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: December 20, 2023

Re: 14-Day Passive Review Approval – Unsupported Overdrafts

Pursuant to s. 16.513(3), Stats., attached is a 14-day passive review request from DATCP; DHS; DWD; DOJ; and DOA, received on December 20, 2023.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Wednesday, January 10, 2024,** 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

HM:MB:jm

DEPARTMENT OF ADMINISTRATION

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary

Date: December 20, 2023

DEC 2 0 2023
Jt. Finance

To: The Honorable Howard Marklein, Co-Chair
Joint Committee on Finance

The Honorable Mark Born, Co-Chair
Joint Committee on Finance

From: Kathy Blumenfeld, Secretary KB
Department of Administration

Subject: Section 16.513(3) Request

Enclosed are spending plans from the Department of Agriculture, Trade and Consumer Protection; Department of Health Services; Department of Workforce Development; Department of Justice; Department of Military Affairs; and Department of Administration to address unsupported overdrafts for fiscal year 2022-23. 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 12, 2024, 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 kirsten.grinde@wisconsin.gov in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

cc: Bob Lang, Legislative Fiscal Bureau

Date: December 20, 2023

To: Kathy Blumenfeld
Secretary

From: Brian Pahnke
State Budget Director

Subject: Fiscal Year 2022-23 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, Governors have 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 2022-23 total $171,925,258. The following agencies have unsupported overdrafts in the following appropriations:

Department of Agriculture, Trade and Consumer Protection

Appropriation 12200 [s. 20.115(1)(h)], Grain Inspection and Certification, in the amount of $816,395. The net cash overdraft is $847,404, and there are accounts receivable of $31,009 as coverage. The fiscal year 2022-23 unsupported overdraft increased by $180,338 from the unsupported overdraft of $636,057 reported in fiscal year 2021-22.

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 2022-23, the department transferred $242,046 GPR from its general operations appropriations 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 Health Services

Appropriation 12800 [s. 20.435(1)(ja)], Congenital Disorders; Diagnosis, Special Dietary Treatment and Counseling, in the amount of $681,141. The fiscal year 2022-23 unsupported overdraft increased by $146,179 from the unsupported overdraft of $534,962 reported in fiscal year 2021-22.

The overdraft is the result of rising costs in the Newborn Screening Program, which screens for certain congenital health conditions and provides services to individuals with those conditions, as well as declining revenues from the fee that supports the program.

The program is funded primarily from the blood card collection form fee, which has not been increased since 2010. Due to declining births, revenues are projected to decline 3.7 percent per year in fiscal years 2023-24 and 2024-25 and by 2 percent in subsequent years.

To address the deficit, 2023 Wisconsin Act 19 raised the fee from $109 to $195, effective July 2023. In addition, in light of projected declining births and increased program costs in future years, the department has begun the administrative rule-making process to amend administrative rules to further increase the fee to ensure the program continues to have sufficient funding in future years.

RECOMMENDATION: Approve the plan.

Appropriation 22500 [s. 20.435(2)(g)], Alternative Services of Institutes and Centers, in the amount of $12,164,359. The net cash overdraft is $14,800,950, and there are accounts receivable of $2,364,000 and capital assets of $272,591 that offset a portion of the overdraft. The fiscal year 2022-23 unsupported overdraft increased by $613,276 from the unsupported overdraft of $11,551,083 in fiscal year 2021-22.

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. As a result, Northern Wisconsin Center will always receive a cost settlement payment from Medicaid, because the final costs will be higher than revenues received through the interim rate. It is estimated that the center's cost settlement will average approximately $4 million per year due to the rate averaging. The settlement amount varies from year to year, causing the year-end deficit to vary. 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 received authority through 2013 Wisconsin Act 19 to retain $3 million in GPR-earned revenue per year to address deficits at Northern Wisconsin Center and intends to apply $1 million GPR-earned annually to the appropriation until the deficit is eliminated. The remainder of the retained GPR-earned revenue is applied to the overdraft in the appropriation under s. 20.435(2)(kx) as described in the following item.

RECOMMENDATION: Approve the plan.

Appropriation 26700 [s. 20.435(2)(kx)], Interagency and Intra-Agency Programs, in the amount of $7,411,756. The net cash overdraft is $4,829,203, and there are accounts receivable of -$2,582,553 that increase the overdraft. The fiscal year 2022-23 unsupported overdraft increased by $969,025 from the unsupported overdraft of $6,442,731 in fiscal year 2021-22. 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 plants, maintenance, groundskeeping and snowplowing operations without base funding for the costs. Forty-six percent of the building square footage at the Northern Wisconsin Center is vacant and not reimbursable by Medicaid.

The department recommends two strategies to eliminate the deficit. First, the department recommends applying the proceeds from the sale of surplus land on the campus toward the deficit. In April 2022, the department sold five parcels of land on the Northern Center campus for $2,330,000 and deposited the net proceeds in the appropriation under s. 20.435(2)(gk) as required under s. 51.06(6). The department could apply these funds toward the deficit with Joint Committee on Finance approval under s. 13.101(17).

In addition, the department received authority through 2023 Wisconsin Act 19 to retain $3 million in GPR-earned revenue per year to address deficits at Northern Wisconsin Center and intends to apply $2 million GPR-earned annually to the appropriation until the deficit is eliminated. The remainder of the retained GPR-earned revenue is applied to the overdraft in the appropriation under s. 20.435(2)(g) as described in the preceding item.

RECOMMENDATION: Approve the plan.

Department of Workforce Development

Appropriation 13600 [s. 20.445(1)(gd)], Unemployment Interest and Penalty Payments, in the amount of $45,683,663. The fiscal year 2022-23 unsupported overdraft decreased by $3,517,817 from the unsupported overdraft of $49,201,480 in fiscal year 2021-22.

Unemployment insurance benefits generally are paid out of the unemployment insurance trust fund. The fund is supported by unemployment insurance taxes paid quarterly by most employers, but "reimbursable employers" reimburse the fund as benefits are paid to former employees of the reimbursable employer. Under 2019 Wisconsin Act 185 and 2021 Wisconsin Act 4, benefits related to the COVID-19 pandemic were paid on a one-time basis from the department's unemployment interest and penalties appropriation instead of the fund. The acts specified that pandemic-related benefits for benefit weeks beginning after March 12, 2020, and before March 14, 2021, must be charged to the appropriation instead of the fund, shifting the burden of benefit payments off of reimbursable employers. The appropriation is funded from assessments on employers and beneficiaries related to underpayments, overpayments, falsifying information, misclassification and other violations of law.

Generally, expenditures only cover certain unemployment insurance benefits and administrative costs, and revenues are sufficient to cover these costs.

However, the significant one-time payment of reimbursable employer unemployment insurance benefits from the appropriation during the March 2020 through March 2021 period greatly exceeded revenues in that period, resulting in an overdraft that will take a long period of time to eliminate. The department's overdraft plan is to maintain prepandemic levels of revenues and expenditures in fiscal year 2022-23 and thereafter. Excess revenues will reduce the appropriation's deficit over time until the overdraft is eliminated in approximately 23 years.

RECOMMENDATION: Approve the plan.

Department of Justice

Appropriation 23000 [s. 20.455(2)(i)], Penalty Surcharge, Receipts, in the amount of $33,424,370. This is an increase of $5,727,040 from the fiscal year 2021-22 closing deficit balance of $27,697,330.

The Department of Justice notes that revenues from the penalty surcharge are appropriated in six state agencies across 15 appropriations. 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 the court interpreters appropriation under s. 20.625(1)(k) in the amount of $232,700, while the funding for the crime laboratory 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. While those changes reduced obligations to the fund, expenditures by other appropriations have increased, negating the effort to reduce the deficit. Beginning under 2023 Wisconsin Act 19, the penalty surcharge-supported local assistance law enforcement training appropriation was repealed and replaced by a SEG-supported appropriation. This will reduce the annual deficit to approximately $450,000. The department indicates that without additional changes in either appropriated amounts or surcharges, the deficit is expected to continue and grow. The department plans to continue to advocate for approaches to reduce demand on this appropriation.

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 [s. 20.455(2)(kv)], Grants for Substance Abuse Treatment Programs for Criminal Offenders, in the amount of $1,492,327. This is a decrease of $39,456 from the fiscal year 2021-22 deficit balance of $1,531,783. The appropriation was originally created under the Department of Administration in the 2005-07 Biennial Budget and was transferred to the Department of Justice 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 was transferred to the Department of Justice in fiscal year 2013-14. Any drug abuse surcharge revenues that exceed $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 under s. 20.435(5)(gb). 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. Under 2023 Wisconsin Act 19, this amount was further reduced to $0. With these changes, the revenues have 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 2060-61.

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

<u>Department of Military Affairs</u>

Appropriation 13300 [s. 20.465(1)(Li)], Gifts and Grants, in the amount of $3,021,382. This is a decrease of $29,402 from the fiscal year 2021-22 closing deficit balance of $3,050,784.

The Department of Military Affairs incurred costs between March 2020 and June 2020 for a State Active Duty mission to assist with COVID-19 testing statewide. At that time the costs were to be covered with CARES funding received by the State of Wisconsin. In January 2021, the federal government changed its guidance, making all State Active Duty activities eligible for 100 percent reimbursement through the Federal Emergency Management Agency's (FEMA) Disaster program. The department has submitted the claim to FEMA under the DR-4520 disaster declaration, and it is currently under review by FEMA.

RECOMMENDATION: Approve the plan.

Appropriation 34100 [s. 20.465(3)(m)], Federal Aid, State Operations, in the amount of $779,192. The net cash overdraft is $1,146,839, and there are accounts receivable of $367,647 that offset a portion of the overdraft.

The Department of Military Affairs received confirmation of the annual Emergency Management Planning Grant from FEMA in September 2023, and sufficient funds were received from the federal government to eliminate the overdraft.

RECOMMENDATION: Approve the plan.

Department of Administration

Appropriation 12300 [s. 20.505(1)(id)], Justice Information Fee Receipts, in the amount of $11,865,820. This is an increase of $1,954,146 from the fiscal year 2021-22 deficit balance of $9,911,674.

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 back to the justice information appropriation under s. 20.505(1)(id). In September 2015, $1,527,075 in unencumbered balances were returned to the appropriation, reducing the fiscal year 2015-16 deficit. The unencumbered balances returned to the appropriation for fiscal year 2016-17 totaled $248,309, fiscal year 2017-18 totaled $267,362, fiscal year 2018-19 totaled $395,121, fiscal year 2019-20 totaled $222,926 and fiscal year 2020-21 totaled $94,468. 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.

In an executive session for the 2021-23 Biennial Budget on June 10, 2021, the Joint Committee on Finance approved converting $1,000,000 PR annually in justice information fee-funded Treatment Alternative and Diversion grants to $1,000,000 GPR annually. When the committee's substitute amendment was drafted, this adopted provision was excluded and was not a part of the final budget. This item was resubmitted in the Governor's 2023-25 executive budget and included in the final adopted budget (2021 Wisconsin Act 19). This change will help reduce the deficit in future fiscal years but will not be enough to eliminate the overdraft. The department states that additional legislative changes to the transfer to the general fund and the appropriations supported by the justice information fee will be required to address the deficit.

RECOMMENDATION: Approve the plan and continue to review the allocation of justice information fee receipts to determine the most appropriate use of the funds and reduce the deficit.

Appropriation 12800 [s. 20.505(1)(im)], Services to Nonstate Governmental Units; Entity Contract, in the amount of $27,441. The net cash overdraft is $154,815, and there are capital assets of $127,374 that support a portion of the overdraft. This is a decrease of $131,827 from the unsupported overdraft of $159,268 in fiscal year 2021-22.

Revenues for this appropriation come from two main sources. The first are fees related to the garnishment of employee earnings pursuant to s. 16.53(1)(d), for garnishment actions prescribed under s. 812.42. Wage garnishment expenditures are generally equal to revenues each fiscal year, and the department plans to continue evaluating the alignment of work effort and fee revenues. The second main source of revenue is fees charged for the State Vanpool Program. Where the appropriation was previously used for other programs, such as wiring school district facilities with data lines, the appropriation is now primarily used for vanpool and wage garnishment operations.

The State Vanpool Program is operated by the Bureau of Enterprise Fleet within the Division of Facilities and Transportation Services. Under s. 16.82(5), the department is required to operate a group transportation program. Group transportation is supported by a fee which recovers the full cost of administration, maintenance, operation, insurance and depreciation of the assets of the program. Factors including the number of vanpools, number of riders, and fixed and variable costs affect the fees.

Ridership within the vanpool program declined between 2017 and 2019, from 686 to 596 riders. The pandemic, however, caused a sudden and dramatic decline in ridership, to 60 riders in 2020. Ridership has increased slightly to 84 by 2023, but the department anticipates a long-term or permanent decline in the use of the vanpool program by employees and other commuters. The department has reduced the fleet size from 58 vans in 2021 to 13 vans in 2023. The reduction in ongoing van maintenance expenditures and one-time revenues from the sale of vans has improved the program's position. Even with these changes, the long-term reduction of vanpool usage will necessitate additional changes, and in fiscal year 2022-23, the department began pursuing a long-term solution via a modified service model consisting of a private entity service provider. As a result, the department is aiming to sell all vanpool assets during fiscal year 2023-24.

RECOMMENDATION: Approve the plan.

Appropriation 13400 [s. 20.505(1)(kb)], Transportation and Records, in the amount of $3,605,621. The net cash overdraft is $29,626,805, and there are accounts receivable of $947,085 and capital assets of $25,074,099 that support a portion of the overdraft. This is an increase of $1,644,694 from the unsupported overdraft of $1,960,927 in fiscal year 2021-22.

This appropriation funds transportation and records operations, including Central Fleet, Enterprise Fleet Management, Wisconsin Air Services, State Records Center and Mail Transportation Services. Revenues that the appropriation receives come from fees charged for the various services. Mail Transportation Services and Central and Enterprise Fleet Management currently maintain a positive or net-zero program position; however, the others have an operational deficit, in part, as a result of the COVID-19 pandemic. As part of its plan, the department indicated that it will continue to evaluate these services and the changing use by and needs of state agencies and may adjust cost allocation methodologies as needed.

The Central Fleet Program provides short- and long-term leased vehicles to state employees for work-related travel, and various rates are charged depending on factors such as the type and duration of the lease with mileage add-ons. The program has typically recovered costs sufficient to cover all expenses and end with a net gain for the appropriation. However, the use of Central Fleet dropped considerably since the pandemic, from 19.2 million miles driven in 2019 to 9.84 million miles driven in 2023. While the fleet had historically provided positive support to the appropriation through assets and equipment, revenues have declined compared to prepandemic levels. The department indicated that revenues increased by 5.6 percent in fiscal year 2021-22 and by 2.7 percent in fiscal year 2022-23, up since fiscal year 2020-21. However, due to lower levels of assets and equipment used to support the program position, the ending balance of fiscal year 2022-23 saw a net loss of $1,004,696. The department states that beginning in fiscal year 2023-24, modifications have been made to the rate structure and to insurance deductibles to continue to improve the program position.

In addition to providing a transport option for State and University of Wisconsin System officials and employees, Wisconsin Air Services maintains the State's fleet of work aircraft for law enforcement, fire protection and resource management for the Department of Natural Resources and Department of Transportation. The program has operated at a net loss since at least fiscal year 2017-18 due to the lack of recovery of the full operational costs and depreciable values of the fleet aircraft. This has been further exacerbated by the pandemic when flights were reduced by approximately half. The program ended with a negative balance of nearly $7 million in fiscal year 2020-21, prompting a change in the cost recovery methodology. Cost recovery had once only been charged based on miles flown or at a per flight hour basis; however, that method did not recover the depreciation values of the aircraft. The new cost recovery method for the airplanes is now related to annual operating costs for the airplanes including maintenance and depreciation, using a two-year cost recovery model. This resulted in a 188 percent increase in fiscal year 2021-22 revenues compared to the prior year. However, after accounting for the prior year deficit and a reduction in equipment and assets that can be used to support the deficit, the ending balance of fiscal year 2021-22 was -$7.4 million. The ending balance in fiscal year 2022-23 was -$8,121,176 including a net loss of $709,129 and the support of $15,048,044 in assets. The department continues to evaluate the transport aircraft consumption and recovery model and has implemented a new fuel surcharge in fiscal year 2023-24 to reflect the significant increase in fuel prices experienced in fiscal year 2022-23.

The State Records Center program has also operated at a loss since at least fiscal year 2017-18 due to rates not fully covering the cost of operations, which resulted in an ending balance of -$335,868 in fiscal year 2020-21. The department raised rates in fiscal year 2021-22 to better meet expenses. The ending balance in fiscal year 2022-23 was -$22,748, a net gain of $95,850 compared to the prior year.

RECOMMENDATION: Approve the plans.

Appropriation 13800 [s. 20.505(1)(kd)], Enterprise Resource Planning System, in the amount of $48,126,734. The total cash overdraft is $68,978,346, and there are capital assets of $20,851,612 that offset a portion of the overdraft. This is an increase of

$2,783,486 from the fiscal year 2021-22 unsupported overdraft of $45,343,248. By the end of fiscal year 2020-21, the department finalized the initial STAR Project implementation at a total cost over a nine-year period of $131,658,510, consisting of total direct costs of $119,995,160, master lease interest paid of $19,510,664, estimated future master lease interest of $5,811,580 and downward master lease adjustment of $13,658,895.

The department was directed to implement and maintain the integrated business information system (IBIS) pursuant to s. 16.971(2)(cf). 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 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).

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 and annually thereafter. As such, the maintenance and operations costs do not contribute to the deficit in this appropriation. In fiscal year 2022-23, the department assessed agencies $15,772,350 for STAR operations and maintenance, including $16,760,471 for standard STAR operations and maintenance, $497,074 for operations and maintenance of the Cornerstone learning management system, and a downward adjustment of $1,485,195 for prior year costs that were below estimates.

The STAR Project development costs began to be recovered through an annual assessment to state agencies beginning in fiscal year 2017-18. The department assessed agencies $7,127,792 in fiscal year 2022-23 for STAR project development costs, which represented 100 percent of the annual amount necessary to fully recover project and financing costs of the project.

The department will continue to annually assess state agencies for ongoing operations and maintenance costs and to fully collect project and financing costs over the total period of 19 years. In addition, the department plans to continue to assess agencies for previously unrecovered costs incurred from the IBIS project. The department continues to assess agencies in the amount of $591,212 annually, which represents 100 percent of the annual amount necessary to fully recover the remaining balance over the remaining time period.

RECOMMENDATION: Approve the plan.

Appropriations 84500 and 84600 [s. 20.505(8)(jn)], General Program Operations; Raffles and Bingo, in the amount of $361,110. This is an increase of $82,804 from the fiscal year 2021-22 unsupported overdraft of $278,306.

Revenues for this appropriation come from bingo and raffle licenses, fees and taxes. Of the two methods of charitable gaming — bingo and raffles — revenues from bingo licenses, fees and taxes had been in decline for over a decade, although revenues increased in fiscal year 2021-22 and again in fiscal year 2022-23. In fiscal year 2017-18, bingo revenues totaled $312,157 compared to $179,842 in fiscal year 2021-22 and $256,206 in fiscal year 2022-23. Because of the increased revenues and actions taken by the department to more accurately attribute costs to each program, the negative balance improved slightly to -$286,642 in fiscal year 2022-23 compared to -$288,834 in fiscal year 2021-22. The licenses, fees and taxes collected for raffle gaming have fluctuated less significantly, from $294,164 in fiscal year 2017-18 to $294,228 in fiscal year 2021-22, and to $310,073 in fiscal year 2022-23. However, the closing balance in the raffle appropriation was -$74,468 in fiscal year 2022-23.

After conducting a time study to refine the estimated costs assignable to each gaming appropriation, the department proposed in its 2021-23 biennial budget request to modify staff allocation and merge the bingo and raffle appropriations. The proposal was included in the final budget. The department then proposed in the 2023-25 biennial budget to correct a funding mismatch, which reallocated staff from the bingo program to raffles and Indian gaming. This was approved and allowed the department to more accurately attribute costs to where there was a continuing balance and to remove costs from bingo. In addition to these actions, the department has implemented cost savings measures including digitizing documents and decreasing office rental space. The department states that these measures will allow for more effective financial management and cost savings, and it will continue to evaluate opportunities to address the current overdraft as part of the 2025-27 Executive Budget process.

RECOMMENDATION: Approve the plan.

Information Technology Investment Fund

Appropriation 16000, Information Technology Investment Fund – Special Projects, in the amount of $2,463,948. The unsupported overdraft decreased by $25,000 from the fiscal year 2021-22 unsupported overdraft of $2,488,948. 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 has used various excess revenues to make payments towards the reduction of this deficit and continues to do so.

RECOMMENDATION: Approve the plan.

Program Revenue and Segregated Revenue Overdraft Review
Unsupported Overdrafts
Fiscal Year 2023

						Agency Asserted Support for Overdraft					
Agency	**Statutory Fund**	**Numeric Appropriation**	**Program Alpha**	**Appropriation Description**	**FY 2023 Closed Balance Continuing**	**Accounts Receivable**	**Inventory**	**Capital Assets Net of Master Lease**	**Total Support for Overdraft**	**Unsupported Overdraft**	
11500	S100	12200	(01)(H)	Grain Inspection and Certification	(847,404.22)	31,009.34	-	-	31,009.34	(816,394.88)	
43500	S100	12800	(01)(JA)	Congenital Disorders; Diagnosis, Special Dietary Treatment and Counseling	(681,140.85)	-	-	-	-	(681,140.85)	
43500	S100	22500	(02)(G)	Alternative Services of Institutes and Centers	(14,800,950.18)	2,364,000.09	-	272,591.19	2,636,591.28	(12,164,358.90)	
43500	S100	26700	(02)(KX)	Interagency and Intra-agency Programs	(4,829,202.74)	(2,582,553.00)	-	-	(2,582,553.00)	(7,411,755.74)	(*)
44500	S100	13600	(01)(GD)	Unemployment Interest and Penalty Payments	(45,683,662.83)	-	-	-	-	(45,683,662.83)	
45500	S100	23000	(02)(I)	Penalty Surcharge, Receipts	(33,424,369.57)	-	-	-	-	(33,424,369.57)	
45500	S100	28100	(02)(KV)	Offenders	(1,492,327.35)	-	-	-	-	(1,492,327.35)	
46500	S100	13300	(01)(LI)	Gifts and Grants	(3,021,382.15)	-	-	-	-	(3,021,382.15)	
46500	S100	34100	(03)(M)	Federal Aid, State Operations	(1,146,839.71)	367,647.33			367,647.33	(779,192.38)	
50500	S100	12300	(01)(ID)	Justice Information Fee Receipts	(11,865,820.39)	-	-	-	-	(11,865,820.39)	
50500	S100	12800	(01)(IM)	Services to Nonstate Governmental Units; Entity Contract	(154,814.87)	-	-	127,374.37	127,374.37	(27,440.50)	
50500	S100	13400	(01)(KB)	Transportation and Records	(29,626,804.65)	947,085.46		25,074,098.62	26,021,184.08	(3,605,620.57)	
50500	S100	13800	(01)(KD)	Enterprise Resource Planning System	(68,978,345.64)	-	-	20,851,612.02	20,851,612.02	(48,126,733.62)	
50500	S100	84500 84600	(08)(JN)	General Program Operations; Raffles and Bingo	(361,110.24)	-	-	-	-	(361,110.24)	
87000	S280	16000	(1)(Q)	Infomation Tech Investment Fund	(2,463,947.83)	-	-	-	-	(2,463,947.83)	
					($ 219,378,123.22)	$ 1,127,189.22	$ -	$ 46,325,676.20	$ 47,452,865.42	($ 171,925,257.80)	

(*) Receivables are used to reflect the actual unsupported overdraft for Northern Wisconsin Center (NWC) campus deficit.

State of Wisconsin
Governor Tony Evers

Department of Agriculture, Trade and Consumer Protection
Secretary Randy Romanski

Date: October 17, 2023

To: Brian Pahnke, State Budget Director
Department of Administration

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

Subject: FY23 Program Revenue Overdraft Report

The FY23 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, was $816,395 at the end of FY23. The total cash overdraft was $847,404; and there were accounts receivable of $31,009. The unsupported overdraft increased by $180,338 from the FY22 unsupported balance of $636,057. In FY23, collected revenue was $1,016,973 and expenditures were $1,198,571.

As required by s.16.56, DATCP will continue to lapse any remaining GPR balances at fiscal year-end to reduce the deficit in the appropriation. In FY23, DATCP transferred $242,046 from unencumbered balances in our GPR general operations appropriations to the grain inspection appropriation.

If you have any questions regarding DATCP's plan to address this appropriation overdraft, please contact me at 608.224.4748.

State of Wisconsin
Department of Health Services
Tony Evers, Governor
Kirsten L. Johnson, Secretary

October 6, 2023

Brian Pahnke
State Budget Director
Department of Administration
101 East Wilson Street
Madison, WI 53702

Dear Mr. Pahnke:

The Department of Health Services ended FY 23 with unsupported cash deficits in three program revenue appropriations. Attached is the Department's plan for addressing the deficits.

The following appropriations ended FY 23 with an unsupported overdraft:

- Appropriation s. 20.435(2)(kx) – Interagency and Intra-Agency Programs, ended with an unsupported overdraft of $7,411,755.74.
- Appropriation s. 20.435(2)(g) – Alternate services of institutes and centers, ended with an unsupported cash overdraft of $12,164,358.90
- Appropriation s. 20.435(1)(ja) – Congenital disorders, ended with an unsupported cash overdraft of $681,140.85.

Please contact me if you have any questions about this plan.

Sincerely,

Kirsten Johnson

Kirsten L. Johnson
Secretary-designee

Appropriation 267 – Inter/Intra Agency Operations

The appropriation, s. 20.435(2)(kx), Wis. Stats. – Inter/Intra Agency Operations, ended FY 23 with an unsupported overdraft of $7,411,755.74. 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. 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.

Plan for Reducing the Deficit
DHS recommends two strategies to eliminate the deficit. First, the Department recommends applying the proceeds from the sale of surplus land on the campus towards the deficit. In April 2022, DHS sold five parcels of land on the Northern Center campus for $2,330,000. The Department could apply these funds toward the deficit with Joint Committee on Finance approval under s. 13.101(17).

To further reduce the accumulated deficit, DHS sought authority in the biennial budget process to retain Medicaid reimbursements received by the State Centers for depreciation and interest costs that would otherwise lapse to the General Fund as "GPR-earned" and apply it to the Northern Center campus deficit. In FY23, DHS generated $4.7 million in GPR-earned revenue from the State Centers. DHS received authority through 2023 Act 19 to retain $3 million in GPR-earned revenue per year to address deficits at Northern Center and intends to apply $2 million GPR-earned annually to the appropriation 267 deficit until it is eliminated.

Appropriation 225 – Alternate services of institutes and centers

This appropriation, s. 20.435(2)(g), Wis. Stats., ended FY 23 with an unsupported cash overdraft of $12,164,358.90. 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) which 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.

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 because it allows counties and MCOs choose the ITP program based on the needs of their consumers, rather than cost of the services. Because of its small size, NWC's actual cost per bed day is significantly above the average cost reflected in the interim ITP rate. The uniform ITP rate was $1,857 per day in FY 23; NWC's actual FY 22 cost per day was $2,328. Consequently, NWC will always receive a cost settlement payment from Medicaid, because the final costs will be higher than revenues received through the interim rate. It is estimated that NWC's cost settlement will average approximately $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), Wis. Stats. 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 23.

Bed Tax Losses FY 04 through FY 23	
Northern Center	$2,028,854
Central Center	$5,490,947
Southern Center	$2,498,553
Total	$10,018,354

- 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.

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

Plan for Reducing the Deficit

To further reduce the accumulated deficit, DHS sought authority in the biennial budget process to retain Medicaid reimbursements received by the State Centers for depreciation and interest costs that would otherwise lapse to the General Fund as "GPR-earned" and apply it to the Northern Center deficits. In FY23, DHS generated $4.7 million in GPR-earned revenue from the State Centers. DHS received authority through 2023 Act 19 to retain $3 million in GPR-earned revenue per year to address deficits at Northern Center and intends to apply $1 million GPR-earned annually to the appropriation 225 deficit until it is eliminated.

Appropriation 128 – Congenital Disorders

The appropriation, s. 20.435(1)(ja) – Congenital Disorders, ended FY 23 with an unsupported overdraft of $681,140.85. The unsupported overdraft is the result of rising costs for screening newborns for certain congenital health conditions and services to individuals with those conditions, as well as declining births and associated fee revenues that supports the program.

The Department of Health Services (DHS) Newborn Screening Program's (NBS) role is to help ensure the program succeeds in screening, diagnosing, and treating all Wisconsin newborns for certain conditions. The Wisconsin State Lab of Hygiene is responsible for the laboratory component of newborn blood screening. DHS contracts with providers for special dietary treatment and other services to individuals identified with a congenital disorder. The NBS program is mandated under s. 253.13 and 253.115.

NBS is funded almost entirely by program revenue from the blood card collection form fee. Set in Wis. Admin. Code DHS 115.055, the FY 23 NBS card fee covers "the costs of testing and to fund follow-up services and other activities under s. 253.13 (2), Stats." NBS cards are purchased from the Wisconsin State Lab of Hygiene (WSLH) by hospitals, who bill patients' insurance for the cost. Revenues from the fee cards is shared between WSLH and DHS. From 2010 until a recently enacted increase July 2023, the fee totaled $109, with the WSLH receiving $60.50, or 55.55% of the card fee for newborn screening laboratory operations and DHS receiving $48.50, or 44.45% for newborn screening program operations.

Plan for Reducing the Deficit
2023 Act 19, the 2023-25 biennial budget, raised the fee to $195 effective July 2023. DHS and WSLH jointly agreed to a 46/54% split under the new fee with $90.34 for DHS and $104.66 for WSLH. This increase will help address the deficit. In addition, in light of projected declining births and increased program costs in future years, the Department has begun the administrative rulemaking process to amend DHS 115 to further increase the fee, to ensure the program continues to have sufficient funding in future years.

Department of Workforce Development
Secretary's Office
201 E. Washington Avenue
P.O. Box 7946
Madison, WI 53707
Telephone: (608) 266-3131
Fax: (608) 266-1784
Email: sec@dwd.wisconsin.gov

STATE OF WISCONSIN
DWD
Department of Workforce Development

Tony Evers, Governor
Amy Pechacek, Secretary

09/19/2023

Brian Pahnke
State Budget Director
Department of Administration

Dear Brian:

In accordance with s.16.513, Wis. Stats, agencies are required to file a plan to document any unsupported appropriation balances. The Department of Workforce Development has an unsupported negative continuing balance in **Appropriation 20.445(1)(gd) – Numeric 13600 - Unemployment Interest and Penalty Payments.**

The state Fiscal Year 2023 Closed Balance Continuing on the Annual Appropriation Certification is **($45,683,662.83)**. The negative continuing balance was reduced by about $3.5 million from state fiscal year 2022 to state fiscal year 2023.

The types of revenue collection allowed are described under 20.445(1)(gd). They consist primarily of interest and penalties paid by employers and UI claimants. The expenditures charged to this appropriation are payments for specified unemployment benefits and administrative functions. The benefits are paid out of the UI Trust Fund and then reimbursed out of appropriation 13600.

Normally revenues have exceeded expenditures resulting in an increasing cash balance. At the beginning of state fiscal year 2022, the beginning cash balance was $17.4 million.

2019 Wisconsin Act 185 provided that certain unemployment compensation benefits initially paid from the UI Trust Fund during the COVID-19 pandemic would be recharged to (1)(gd) to support those employers using reimbursement financing and, simultaneously, the UI Trust Fund. The expenditures recharged to appropriation 13600 based on this recharging activity totaled $69,802,017.33. This large, one-time expenditure activity resulted in the negative Closed Balance Continuing amount on the Annual Appropriation Certification of ($49,201,480.18) at the end of state fiscal year 2022.

The revenues to get the appropriation into a positive balance will continue to come from the interest and penalty payments made by employers and UI claimants. The typical expenditures for specified unemployment benefits and administrative functions will also continue each year. Below is the history of the revenues and expenditures in this appropriation over the last several years, which shows the trends in the cash balance over time. The numbers are taken from the Annual Appropriation Certification form.

Fiscal Year	Revenues	Expenditures	Difference
2013	$4,153,526	$1,557,154	$2,596,372
2014	$4,151,996	$798,795	$3,353,201
2015	$3,978,509	$719,329	$3,259,180
2016	$3,956,142	$836,016	$3,120,126
2017	$4,111,280	$1,435,689	$2,675,591
2018	$3,900,336	$670,199	$3,230,137

2019	$3,777,523	$630,628	$3,146,895
2020	$3,513,660	$734,870	$2,778,790
2021	$3,623,543	$1,824,411	$1,799,132
2022	$3,566,247	$70,186,337	($66,620,090)
2023	$4,099,260	$581,443	$3,517,817

The average increase in the cash balance since 2013, and excluding SFY 2022, is about $2.95 million. If the current revenue and expenditure trend continues, the appropriation will be in a positive balance in approximately 16 years. This analysis will be updated at the end of each state fiscal year as the negative balance is reduced.

If there are any questions or for additional information, please contract Tami Moe at tami.moe@dwd.wisconsin.gov.

Sincerely,

DocuSigned by:
Pamela McGillivray
236276D775EDA48...

Pamela McGillivray
Deputy Secretary
Wisconsin Department of Workforce Development

STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

Josh Kaul
Attorney General

17 W. Main Street
P.O. Box 7951
Madison, WI 53707-7951

Kristina Trastek-Nelson
Division Administrator
Division of Management Services

SENT VIA EMAIL (DOADEBFAuditServices@wisconsin.gov)

Date: September 22, 2023

To: Brian Pahnke, State Budget Director
Department of Administration

From: Darcey Varese, Chief Darcey Varese
Department of Justice Finance Section

Subject: Fiscal Year 2023 Unsupported Cash Overdraft Plans

Pursuant to § 16.513, Wis. Stat., the Department of Justice (DOJ) is submitting plans to address unsupported shortfalls in two program revenue appropriations in state fiscal year 2023 (FY23).

20.455 (2)(i) Penalty Surcharge, Receipts

The unsupported cash overdraft for FY23 was ($33,424,369.57) and FY22 was ($27,697,330.48), which is an increase of $5,727,039.09. The overdraft for FY21 was ($23,015,514.26).

Revenues from the penalty surcharge were appropriated in six state agencies across fifteen appropriations. The deficit has continued to grow because the amount appropriated in the biennial budget exceeds revenues. In its past several agency biennial budget requests, DOJ has proposed solutions to reduce the pressures on the penalty surcharge. Most recently, in our 2023-25 agency budget request, DOJ proposed shifting appropriations supporting law enforcement drug crimes enforcement, youth diversion programs, county victim and witness programs, and law enforcement communication systems from penalty surcharge revenue to GPR. Instead, the 2023-25 biennial budget, 2023 Wisconsin Act 19, included a partial fix by repealing and replacing the local assistance law enforcement training appropriation supported by the penalty surcharge with a segregated appropriation. As a result of this change, the expected deficit in penalty surcharge revenues is projected to decrease from $5 million to $450,000 per year.

The department will continue to advocate for ways to alleviate the demands on this appropriation as the deficit will continue to grow in future years without legislative action to transfer expenditures to other funding sources or increase penalty surcharge revenues.

20.455 (3)(kv) Grants for Substance Abuse Treatment Programs for Criminal Offenders

The unsupported cash overdraft for FY23 was ($1,492,327.35) and FY22 was ($1,531,783.10), which is a decrease of $39,455.75. The overdraft for FY21 was ($1,572,121.05). This appropriation was transferred from the Department of Administration in the 2013-15 biennium with a cash deficit of ($1,911,631.89). The Department of Justice has not expended any funds from this appropriation since the transfer which allows the deficit to be reduced each year by the appropriation authority. The revenue in the appropriation is derived from the Drug Abuse Program Improvement Surcharge.

If you have any questions, please contact me at (608) 266-9653.

Cc: Kristen Grinde, State Budget Office Deputy Administrator
Krista Rick, State Budget Office Program Specialist
Michelle Gauger, DOJ Budget and Finance Director

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN

DEPARTMENT OF MILITARY AFFAIRS
OFFICE OF THE ADJUTANT GENERAL
STATE BUDGET & FINANCE SECTION
2400 WRIGHT STREET
MADISON, WI 53704

DATE: September 19, 2023

TO: State Controller's Office

FROM: Anna M. Oehler Anna Oehler
Director State Budget & Finance

RE: **Outstanding Overdraft Explanations:**

Please accept this submission for the required overdraft report.

Appropriation 133:

The Department of Military Affairs (DMA) incurred costs between March 2020 and June 2020 for a State Active Duty mission to assist with COVID19 testing statewide. At that time the costs were to be covered with CARES funding received by the State of Wisconsin. In January 2021, the federal government changed guidance, making all State Active Duty activities eligible for 100% reimbursement through the FEMA Disaster program. DMA has submitted the claim to FEMA under the DR-4520 disaster declaration and is currently under review by FEMA. Once the grant costs are fully reconciled and approved by FEMA and the agency has been notified the federal funds are ready for payment, an internal transfer will be done under DMA's appropriation s. 20.465(3)(e), therefore no accounts receivable has been entered into the system. See attached Damage Inventory Report that identifies $3,255,950.10 in claimed costs for project worksheet 552271.

Appropriations 341

The Division of Emergency Management has just received confirmation of award of their annual Emergency Management Planning Grant from the Federal Emergency Management Agency. See attached award letter from FEMA Funds will be drawn the week of September 25th.

Questions or concerns can be addressed to Lucinda Fritchen at 608-242-3156.

Department of Homeland Security
Federal Emergency Management Agency

General Info

Applicant Name	Wisconsin Department of Military Affairs	**Incident Name**	COVID-19
Applicant FIPS	000-UDL80-00	**Incident Start Date**	1/20/2020
Event Name	4520DR-WI	**Incident End Date**	5/11/2023
Event Job #	4520DR	**Declaration Date**	3/13/2020

Contacts

Applicant / Recipient Contacts

Name	Oehler, Anna	Primary POC
Title	Budget Director	
Phone	(608) 242-3155	
Email	anna.oehler@widma.gov	

Name	Fritchen, Lucinda	Alternate POC
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Name	Sorensen, Jenny	Recipient POC
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Name	Learn, Eric	Alternate Recipient POC
Title	State Public Assistance Officer	
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FEMA Contacts

Name	MCBRIDE, TEX L.	Primary PDMG
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Email	TEX.MCBRIDE@FEMA.DHS.GOV	

Name	MACEK, JEFFREY	PDMG
Phone	(202) 412-4968	

Email jeffrey.macek.2@fema.dhs.gov

Damage Inventory

Damage #	Category	Name	Description	Project	Address 1	Address 2	City	State	Zip	Lat	Long	Primary Cause of Damage	Approx. Cost	% Work Complete	Labor type	Has Prior PA Grant?	Applicant Priority
933333	B	Damage for Project [552271] SFY20 COVID19 WI National Guard Response		[552271] SFY20 COVID19 WI National Guard Response								Biological	$3,255,950.10	100	Unknown	No	High
933338	B	Damage for Project [552280] SFY21-23 WI National Guard Costs for COVID Response		[552280] SFY21-23 WI National Guard Costs for COVID Response								Biological	$6,788,239.98	100	Unknown	No	High

180-Day Deadline 11/07/2023 **Signed By** Unsigned **Signed On** Unsigned

U.S. Department of Homeland Security
Washington, D.C. 20472

Greg Engle
Department of Military Affairs - Wisconsin Emergency Management
2400 Wright St
Madison, WI 53704 -

Re: Grant No.EMC-2023-EP-00002

Dear Greg Engle:

Congratulations, on behalf of the Department of Homeland Security, your application for financial assistance submitted under the Fiscal Year (FY) 2023 Emergency Management Performance Grants has been approved in the amount of $6,388,552.00. As a condition of this award, you are required to contribute a cost match in the amount of $6,388,552.00 of non-Federal funds, or 50.00 percent of the total approved project costs of $12,777,104.00.

Before you request and receive any of the Federal funds awarded to you, you must establish acceptance of the award. By accepting this award, you acknowledge that the terms of the following documents are incorporated into the terms of your award:

- Agreement Articles (attached to this Award Letter)
- Obligating Document (attached to this Award Letter)
- FY 2023 Emergency Management Performance Grants Notice of Funding Opportunity.
- FEMA Preparedness Grants Manual

Please make sure you read, understand, and maintain a copy of these documents in your official file for this award.

In order to establish acceptance of the award and its terms, please follow these instructions:

Step 1: Please log in to the ND Grants system at https://portal.fema.gov.

Step 2: After logging in, you will see the Home page with a Pending Tasks menu. Click on the Pending Tasks menu, select the Application sub-menu, and then click the link for "Award Offer Review" tasks. This link will navigate you to Award Packages that are pending review.

Step 3: Click the Review Award Package icon (wrench) to review the Award Package and accept or decline the award. Please save or print the Award Package for your records.

System for Award Management (SAM): Grant recipients are to keep all of their information up to date in SAM, in particular, your organization's name, address, Unique Entity Identifier (UEI) number, EIN and banking information. Please ensure that the UEI number used in SAM is the same one used to apply for all FEMA awards. Future payments will be contingent on the information provided in the SAM; therefore, it is imperative that the information is correct. The System for Award Management is located at http://www.sam.gov.

If you have any questions or have updated your information in SAM, please let your Grants Management Specialist (GMS) know as soon as possible. This will help us to make the necessary updates and avoid any interruptions in the payment process.

THOMAS CHARLES SIVAK

U.S. Department of Homeland Security
Washington, D.C. 20472

AGREEMENT ARTICLES
Emergency Management Performance Grants

GRANTEE:	Department of Military Affairs - Wisconsin Emergency Management
PROGRAM:	Emergency Management Performance Grants
AGREEMENT NUMBER:	EMC-2023-EP-00002-S01

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Article XLVIII	Federal Leadership on Reducing Text Messaging while Driving

Article I - DHS Standard Terms and Conditions Generally

The Fiscal Year (FY) 2023 DHS Standard Terms and Conditions apply to all new federal financial assistance awards funded in FY 2023. These terms and conditions flow down to subrecipients unless an award term or condition specifically indicates otherwise. The United States has the right to seek judicial enforcement of these obligations.
All legislation and digital resources are referenced with no digital links. The FY 2023 DHS Standard Terms and Conditions will be housed on dhs.gov at www.dhs.gov/publication/fy15-dhs- standard-terms-and-conditions.

Article II - Assurances, Administrative Requirements, Cost Principles, Representations and Certifications

I. DHS financial assistance recipients must complete either the Office of Management and Budget (OMB) Standard Form 424B Assurances - Non-Construction Programs, or OMB Standard Form 424D Assurances - Construction Programs, as applicable. Certain assurances in these documents may not be applicable to your program, and the DHS financial assistance office (DHS FAO) may require applicants to certify additional assurances. Applicants are required to fill out the assurances as instructed by the awarding agency.

II. DHS financial assistance recipients are required to follow the applicable provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards located at Title 2, Code of Federal Regulations (C.F.R.) Part 200 and adopted by DHS at 2 C.F.R. Part 3002.

III. By accepting this agreement, recipients, and their executives, as defined in 2 C.F.R. section 170.315, certify that their policies are in accordance with OMB?s guidance located at 2 C.F.R. Part 200, all applicable federal laws, and relevant Executive guidance.

Article III - General Acknowledgements and Assurances

All recipients, subrecipients, successors, transferees, and assignees must acknowledge and agree to comply with applicable provisions governing DHS access to records, accounts, documents, information, facilities, and staff.

I. Recipients must cooperate with any DHS compliance reviews or compliance investigations conducted by DHS.

II. Recipients must give DHS access to examine and copy records, accounts, and other documents and sources of information related to the federal financial assistance award and permit access to facilities or personnel.

III. Recipients must submit timely, complete, and accurate reports to the appropriate DHS officials and maintain appropriate backup documentation to support the reports.

IV. Recipients must comply with all other special reporting, data collection, and evaluation requirements, as prescribed by law, or detailed in program guidance.

V. Recipients (as defined in 2 C.F.R. Part 200 and including recipients acting as pass-through entities) of federal financial assistance from DHS or one of its awarding component agencies must complete the DHS Civil Rights Evaluation Tool within thirty (30) days of receipt of the Notice of Award for the first award under which this term applies. Recipients of multiple awards of DHS financial assistance should only submit one completed tool for their organization, not per award. After the initial submission, recipients are required to complete the tool once every two (2) years if they have an active award, not every time an award is made. Recipients should submit the completed tool, including supporting materials, to CivilRightsEvaluation@hq.dhs.gov. This tool clarifies the civil rights obligations and related reporting requirements contained in the DHS Standard Terms and Conditions. Subrecipients are not required to complete and submit this tool to DHS. The evaluation tool can be found at https://www.dhs.gov/publication/dhs-civil-rights-evaluation-tool. DHS Civil Rights Evaluation Tool | Homeland Security

The DHS Office for Civil Rights and Civil Liberties will consider, in its discretion, granting an extension if the recipient identifies steps and a timeline for completing the tool. Recipients should request extensions by emailing the request to CivilRightsEvaluation@hq.dhs.gov prior to expiration of the 30-day deadline.

Article IV - Acknowledgement of Federal Funding from DHS

Recipients must acknowledge their use of federal funding when issuing statements, press releases, requests for proposal, bid invitations, and other documents describing projects or programs funded in whole or in part with federal funds.

Article V - Activities Conducted Abroad

Recipients must ensure that project activities performed outside the United States are coordinated as necessary with appropriate government authorities and that appropriate licenses, permits, or approvals are obtained.

Article VI - Age Discrimination Act of 1975

Recipients must comply with the requirements of the Age Discrimination Act of 1975, Public Law 94-135 (1975) (codified as amended at Title 42, U.S. Code, section 6101 et seq.), which prohibits discrimination on the basis of age in any program or activity receiving federal financial assistance.

Article VII - Americans with Disabilities Act of 1990

Recipients must comply with the requirements of Titles I, II, and III of the Americans with Disabilities Act, Pub. L. 101-336 (1990) (codified as amended at 42 U.S.C. sections 12101? 12213), which prohibits recipients from discriminating on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities.

Article VIII - Best Practices for Collection and Use of Personally Identifiable Information

Recipients who collect personally identifiable information (PII) are required to have a publicly available privacy policy that describes standards on the usage and maintenance of the PII they collect. DHS defines PII as any information that permits the identity of an individual to be directly or indirectly inferred, including any information that is linked or linkable to that individual. Recipients may also find the DHS Privacy Impact Assessments: Privacy Guidance and Privacy Template as useful resources respectively.

Article IX - Civil Rights Act of 1964 - Title VI

Recipients must comply with the requirements of Title VI of the Civil Rights Act of 1964 (codified as amended at 42 U.S.C. section 2000d et seq.), which provides that no person in the United States will, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. DHS implementing regulations for the Act are found at 6 C.F.R. Part 21 and 44 C.F.R. Part 7.

Article X - Civil Rights Act of 1968

Recipients must comply with Title VIII of the Civil Rights Act of 1968, Pub. L. 90-284, as amended through Pub. L. 113-4, which prohibits recipients from discriminating in the sale, rental, financing, and advertising of dwellings, or in the provision of services in connection therewith, on the basis of race, color, national origin, religion, disability, familial status, and sex (see 42 U.S.C. section 3601 et seq.), as implemented by the U.S. Department of Housing and Urban Development at 24 C.F.R. Part 100. The prohibition on disability discrimination includes the requirement that new multifamily housing with four or more dwelling units-i.e., the public and common use areas and individual apartment units (all units in buildings with elevators and ground-floor units in buildings without elevators)-be designed and constructed with certain accessible features. (See 24 C.F.R. Part 100, Subpart D.)

Article XI - Copyright

Recipients must affix the applicable copyright notices of 17 U.S.C. sections 401 or 402 and an acknowledgement of U.S. Government sponsorship (including the award number) to any work first produced under federal financial assistance awards.

Article XII - Debarment and Suspension

Recipients are subject to the non-procurement debarment and suspension regulations implementing Executive Orders (E.O.) 12549 and 12689, which are at 2 C.F.R. Part 180 as adopted by DHS at 2 C.F.R. Part 3002. These regulations restrict federal financial assistance awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

Article XIII - Drug-Free Workplace Regulations

Recipients must comply with drug-free workplace requirements in Subpart B (or Subpart C, if the recipient is an individual) of 2 C.F.R. Part 3001, which adopts the Government-wide implementation (2 C.F.R. Part 182) of Sec. 5152-5158 of the Drug-Free Workplace Act of 1988 (41 U.S.C. sections 8101-8106).

Article XIV - Duplication of Benefits

Any cost allocable to a particular federal financial assistance award provided for in 2 C.F.R. Part 200, Subpart E may not be charged to other federal financial assistance awards to overcome fund deficiencies; to avoid restrictions imposed by federal statutes, regulations, or federal financial assistance award terms and conditions; or for other reasons. However, these prohibitions would not preclude recipients from shifting costs that are allowable under two or more awards in accordance with existing federal statutes, regulations, or the federal financial assistance award terms and conditions may not be charged to other federal financial assistance awards to overcome fund deficiencies; to avoid restrictions imposed by federal statutes, regulations, or federal financial assistance award terms and conditions; or for other reasons.

Article XV - Education Amendments of 1972 (Equal Opportunity in Education Act) - Title IX

Recipients must comply with the requirements of Title IX of the Education Amendments of 1972, Pub. L. 92-318 (1972) (codified as amended at 20 U.S.C. section 1681 et seq.), which provide that no person in the United States will, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any educational program or activity receiving federal financial assistance. DHS implementing regulations are codified at 6 C.F.R. Part 17 and 44 C.F.R. Part 19.

Article XVI - E.O. 14074 - Advancing Effective, Accountable Policing and Criminal Justice Practices to Enhance Public Trust and Public Safety

Recipient State, Tribal, local, or territorial law enforcement agencies must comply with the requirements of section 12(c) of E.O. 14074. Recipient State, Tribal, local, or territorial law enforcement agencies are also encouraged to adopt and enforce policies consistent with E.O. 14074 to support safe and effective policing.

Article XVII - Energy Policy and Conservation Act

Recipients must comply with the requirements of the Energy Policy and Conservation Act, Pub. L. 94- 163 (1975) (codified as amended at 42 U.S.C. section 6201 et seq.), which contain policies relating to energy efficiency that are defined in the state energy conservation plan issued in compliance with this Act.

Article XVIII - False Claims Act and Program Fraud Civil Remedies

Recipients must comply with the requirements of the False Claims Act, 31 U.S.C. sections 3729- 3733, which prohibit the submission of false or fraudulent claims for payment to the Federal Government. (See 31 U.S.C. sections 3801-3812, which details the administrative remedies for false claims and statements made.)

Article XIX - Federal Debt Status

All recipients are required to be non-delinquent in their repayment of any federal debt. Examples of relevant debt include delinquent payroll and other taxes, audit disallowances, and benefit overpayments. (See OMB Circular A-129.)

Article XX - Fly America Act of 1974

Recipients must comply with Preference for U.S. Flag Air Carriers (air carriers holding certificates under 49 U.S.C.) for international air transportation of people and property to the extent that such service is available, in accordance with the International Air Transportation Fair Competitive Practices Act of 1974, 49 U.S.C. section 40118, and the interpretative guidelines issued by the Comptroller General of the United States in the March 31, 1981, amendment to Comptroller General Decision B-138942.

Article XXI - Hotel and Motel Fire Safety Act of 1990

Recipients must ensure that all conference, meeting, convention, or training space funded in whole or in part with federal funds complies with the fire prevention and control guidelines of Section 6 of the Hotel and Motel Fire Safety Act of 1990, 15 U.S.C. section 2225a.

Article XXII - John S. McCain National Defense Authorization Act of Fiscal Year 2019

Recipients, subrecipients, and their contractors and subcontractors are subject to the prohibitions described in section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, Pub. L. No. 115-232 (2018) and 2 C.F.R. sections 200.216, 200.327, 200.471, and Appendix II to 2 C.F.R. Part 200. Beginning August 13, 2020, the statute - as it applies to DHS recipients, subrecipients, and their contractors and subcontractors - prohibits obligating or expending federal award funds on certain telecommunications and video surveillance products and contracting with certain entities for national security reasons.

Article XXIII - Limited English Proficiency (Civil Rights Act of 1964 - Title VI)

Recipients must comply with Title VI of the Civil Rights Act of 1964, (42 U.S.C. section 2000d et seq.) prohibition against discrimination on the basis of national origin, which requires that recipients of federal financial assistance take reasonable steps to provide meaningful access to persons with limited English proficiency (LEP) to their programs and services. For additional assistance and information regarding language access obligations, please refer to the DHS Recipient Guidance: https://www.dhs.gov/guidance-published-help-department-supported-organizations-provide-meaningful-access-people-limited and additional resources on http://www.lep.gov.

Article XXIV - Lobbying Prohibitions

Recipients must comply with 31 U.S.C. section 1352, which provides that none of the funds provided under a federal financial assistance award may be expended by the recipient to pay any person to influence, or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any federal action related to a federal award or contract, including any extension, continuation, renewal, amendment, or modification.

Article XXV - National Environmental Policy Act

Recipients must comply with the requirements of the National Environmental Policy Act of 1969, (NEPA) Pub. L. 91-190 (1970) (codified as amended at 42 U.S.C. section 4321 et seq.) and the Council on Environmental Quality (CEQ) Regulations for Implementing the Procedural Provisions of NEPA, which require recipients to use all practicable means within their authority, and consistent with other essential considerations of national policy, to create and maintain conditions under which people and nature can exist in productive harmony and fulfill the social, economic, and other needs of present and future generations of Americans.

Article XXVI - Nondiscrimination in Matters Pertaining to Faith-Based Organizations

It is DHS policy to ensure the equal treatment of faith-based organizations in social service programs administered or supported by DHS or its component agencies, enabling those organizations to participate in providing important social services to beneficiaries. Recipients must comply with the equal treatment policies and requirements contained in 6 C.F.R. Part 19 and other applicable statues, regulations, and guidance governing the participations of faith-based organizations in individual DHS programs.

Article XXVII - Non-Supplanting Requirement

Recipients receiving federal financial assistance awards made under programs that prohibit supplanting by law must ensure that federal funds do not replace (supplant) funds that have been budgeted for the same purpose through non-federal sources.

Article XXVIII - Notice of Funding Opportunity Requirements

All the instructions, guidance, limitations, and other conditions set forth in the Notice of Funding Opportunity (NOFO) for this program are incorporated here by reference in the award terms and conditions. All recipients must comply with any such requirements set forth in the program NOFO.

Article XXIX - Patents and Intellectual Property Rights

Recipients are subject to the Bayh-Dole Act, 35 U.S.C. section 200 et seq, unless otherwise provided by law. Recipients are subject to the specific requirements governing the development, reporting, and disposition of rights to inventions and patents resulting from federal financial assistance awards located at 37 C.F.R. Part 401 and the standard patent rights clause located at 37 C.F.R. section 401.14.

Article XXX - Procurement of Recovered Materials

States, political subdivisions of states, and their contractors must comply with Section 6002 of the Solid Waste Disposal Act, Pub. L. 89-272 (1965), (codified as amended by the Resource Conservation and Recovery Act, 42 U.S.C. section 6962.) The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 C.F.R. Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition.

Article XXXI - Rehabilitation Act of 1973

Recipients must comply with the requirements of Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (1973) (codified as amended at 29 U.S.C. section 794), which provides that no otherwise qualified handicapped individuals in the United States will, solely by reason of the handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

Article XXXII - Reporting of Matters Related to Recipient Integrity and Performance

General Reporting Requirements:
If the total value of any currently active grants, cooperative agreements, and procurement contracts from all federal awarding agencies exceeds $10,000,000 for any period of time during the period of performance of this federal award, then the recipients must comply with the requirements set forth in the government-wide Award Term and Condition for Recipient Integrity and Performance Matters located at 2 C.F.R. Part 200, Appendix XII, the full text of which is incorporated here by reference in the award terms and conditions.

Article XXXIII - Reporting Subawards and Executive Compensation

Reporting of first tier subawards:
Recipients are required to comply with the requirements set forth in the government-wide award term on Reporting Subawards and Executive Compensation located at 2 C.F.R. Part 170, Appendix A, the full text of which is incorporated here by reference in the award terms and conditions.

Article XXXIV - Required Use of American Iron, Steel, Manufactured Products, and Construction Materials

Recipients must comply with the "Build America, Buy America" provisions of the Infrastructure Investment and Jobs Act and E.O. 14005. Recipients of an award of Federal financial assistance from a program for infrastructure are hereby notified that none of the funds provided under this award may be used for a project for infrastructure unless:
(1) all iron and steel used in the project are produced in the United States--this means all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States;

(2) all manufactured products used in the project are produced in the United States?this means the manufactured product was manufactured in the United States; and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product, unless another standard for determining the minimum amount of domestic content of the manufactured product has been established under applicable law or regulation; and

(3) all construction materials are manufactured in the United States-this means that all manufacturing processes for the construction material occurred in the United States.

The Buy America preference only applies to articles, materials, and supplies that are consumed in, incorporated into, or affixed to an infrastructure project. As such, it does not apply to tools, equipment, and supplies, such as temporary scaffolding, brought to the construction site and removed at or before the completion of the infrastructure project. Nor does a Buy America preference apply to equipment and furnishings, such as movable chairs, desks, and portable computer equipment, that are used at or within the finished infrastructure project but are not an integral part of the structure or permanently affixed to the infrastructure project.
Waivers
When necessary, recipients may apply for, and the agency may grant, a waiver from these requirements. Information on the process for requesting a waiver from these requirements is on the website below.

(a) When the Federal agency has made a determination that one of the following exceptions applies, the awarding official may waive the application of the domestic content procurement preference in any case in which the agency determines that:

(1) applying the domestic content procurement preference would be inconsistent with the public interest;
(2) the types of iron, steel, manufactured products, or construction materials are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
(3) the inclusion of iron, steel, manufactured products, or construction materials produced in the United States will increase the cost of the overall project by more than 25 percent.

A request to waive the application of the domestic content procurement preference must be in writing. The agency will provide instructions on the format, contents, and supporting materials required for any waiver request. Waiver requests are subject to public comment periods of no less than 15 days and must be reviewed by the Made in America Office.

There may be instances where an award qualifies, in whole or in part, for an existing waiver described at "Buy America" Preference in FEMA Financial Assistance Programs for Infrastructure | FEMA.gov.

The awarding Component may provide specific instructions to Recipients of awards from infrastructure programs that are subject to the "Build America, Buy America" provisions. Recipients should refer to the Notice of Funding Opportunity for further information on the Buy America preference and waiver process.

Article XXXV - SAFECOM

Recipients receiving federal financial assistance awards made under programs that provide emergency communication equipment and its related activities must comply with the SAFECOM Guidance for Emergency Communication Grants, including provisions on technical standards that ensure and enhance interoperable communications.

Article XXXVI - Terrorist Financing

Recipients must comply with E.O. 13224 and U.S. laws that prohibit transactions with, and the provisions of resources and support to, individuals and organizations associated with terrorism. Recipients are legally responsible to ensure compliance with the Order and laws.

Article XXXVII - Trafficking Victims Protection Act of 2000 (TVPA)

Trafficking in Persons:

Recipients must comply with the requirements of the government-wide financial assistance award term which implements Section 106 (g) of the Trafficking Victims Protection Act of 2000 (TVPA), codified as amended at 22 U.S.C. section 7104. The award term is located at 2 C.F.R. section 175.15, the full text of which is incorporated here by reference.

Article XXXVIII - Universal Identifier and System of Award Management

Requirements for System for Award Management and Unique Entity Identifier Recipients are required to comply with the requirements set forth in the government-wide financial assistance award term regarding the System for Award Management and Universal Identifier Requirements located at 2 C.F.R. Part 25, Appendix A, the full text of which is incorporated here by reference.

Article XXXIX - USA PATRIOT Act of 2001

Recipients must comply with requirements of Section 817 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), which amends 18 U.S.C. sections 175? 175c.

Article XL - Use of DHS Seal, Logo and Flags

Recipients must obtain permission from their DHS FAO prior to using the DHS seal(s), logos, crests or reproductions of flags or likenesses of DHS agency officials, including use of the United States Coast Guard seal, logo, crests or reproductions of flags or likenesses of Coast Guard officials.

Article XLI - Whistleblower Protection Act

Recipients must comply with the statutory requirements for whistleblower protections (if applicable) at 10 U.S.C section 2409, 41 U.S.C. section 4712, and 10 U.S.C. section 2324, 41 U.S.C. sections 4304 and 4310.

Article XLII - Environmental Planning and Historic Preservation (EHP) Review

DHS/FEMA funded activities that may require an Environmental Planning and Historic Preservation (EHP) review are subject to the FEMA EHP review process. This review does not address all federal, state, and local requirements. Acceptance of federal funding requires the recipient to comply with all federal, state and local laws.

DHS/FEMA is required to consider the potential impacts to natural and cultural resources of all projects funded by DHS/ FEMA grant funds, through its EHP review process, as mandated by: the National Environmental Policy Act; National Historic Preservation Act of 1966, as amended; National Flood Insurance Program regulations; and any other applicable laws and executive orders. General guidance for FEMA's EHP process is available on the DHS/FEMA Website. Specific applicant guidance on how to submit information for EHP review depends on the individual grant program and applicants should contact their grant Program Officer to be put into contact with EHP staff responsible for assisting their specific grant program. The EHP review process must be completed before funds are released to carry out the proposed project; otherwise, DHS/FEMA may not be able to fund the project due to noncompliance with EHP laws, executive orders, regulations, and policies.

If ground disturbing activities occur during construction, applicant will monitor ground disturbance, and if any potential archaeological resources are discovered the applicant will immediately cease work in that area and notify the pass-through entity, if applicable, and DHS/FEMA.

Article XLIII - Applicability of DHS Standard Terms and Conditions to Tribes

The DHS Standard Terms and Conditions are a restatement of general requirements imposed upon recipients and flow down to sub-recipients as a matter of law, regulation, or executive order. If the requirement does not apply to Indian tribes or there is a federal law or regulation exempting its application to Indian tribes, then the acceptance by Tribes of, or acquiescence to, DHS Standard Terms and Conditions does not change or alter its inapplicability to an Indian tribe. The execution of grant documents is not intended to change, alter, amend, or impose additional liability or responsibility upon the Tribe where it does not already exist.

Article XLIV - Acceptance of Post Award Changes

In the event FEMA determines that changes are necessary to the award document after an award has been made, including changes to period of performance or terms and conditions, recipients will be notified of the changes in writing. Once notification has been made, any subsequent request for funds will indicate recipient acceptance of the changes to the award. Please call the FEMA/GMD Call Center at (866) 927-5646 or via e-mail to: ASK-GMD@fema.dhs.gov if you have any questions.

Article XLV - Disposition of Equipment Acquired Under the Federal Award

For purposes of original or replacement equipment acquired under this award by a non-state recipient or non-state sub-recipients, when that equipment is no longer needed for the original project or program or for other activities currently or previously supported by a federal awarding agency, you must request instructions from FEMA to make proper disposition of the equipment pursuant to 2 C.F.R. section 200.313. State recipients and state sub-recipients must follow the disposition requirements in accordance with state laws and procedures.

Article XLVI - Prior Approval for Modification of Approved Budget

Before making any change to the FEMA approved budget for this award, you must request prior written approval from FEMA where required by 2 C.F.R. section 200.308.

For purposes of non-construction projects, FEMA is utilizing its discretion to impose an additional restriction under 2 C.F.R. section 200.308(f) regarding the transfer of funds among direct cost categories, programs, functions, or activities. Therefore, for awards with an approved budget where the federal share is greater than the simplified acquisition threshold (currently $250,000), you may not transfer funds among direct cost categories, programs, functions, or activities without prior written approval from FEMA where the cumulative amount of such transfers exceeds or is expected to exceed ten percent (10%) of the total budget FEMA last approved.

For purposes of awards that support both construction and non-construction work, FEMA is utilizing its discretion under 2 C.F.R. section 200.308(h)(5) to require the recipient to obtain prior written approval from FEMA before making any fund or budget transfers between the two types of work.

You must report any deviations from your FEMA approved budget in the first Federal Financial Report (SF-425) you submit following any budget deviation, regardless of whether the budget deviation requires prior written approval.

Article XLVII - Indirect Cost Rate

2 C.F.R. section 200.211(b)(15) requires the terms of the award to include the indirect cost rate for the federal award. If applicable, the indirect cost rate for this award is stated in the budget documents or other materials approved by FEMA and included in the award file.

Article XLVIII - Federal Leadership on Reducing Text Messaging while Driving

Recipients are encouraged to adopt and enforce policies that ban text messaging while driving as described in E.O. 13513, including conducting initiatives described in Section 3(a) of the Order when on official government business or when performing any work for or on behalf of the Federal Government.

BUDGET COST CATEGORIES

Personnel	$2,548,288.65
Fringe Benefits	$905,556.75
Travel	$54,000.00
Equipment	$5,500.00
Supplies	$33,841.02
Contractual	$324,856.48
Construction	$0.00

Indirect Charges	$272,657.10
Other	$8,632,404.00

Obligating Document for Award/Amendment

1a. AGREEMENT NO.	2. AMENDMENT NO.	3. RECIPIENT NO.	4. TYPE OF ACTION	5. CONTROL NO.
EMC-2023-EP-00002-S01	***	396006460	AWARD	CX00222N2023T

6. RECIPIENT NAME AND ADDRESS	7. ISSUING FEMA OFFICE AND ADDRESS	8. PAYMENT OFFICE AND ADDRESS
Department of Military Affairs - Wisconsin Emergency Management 2400 Wright St Madison, WI, 53704 -	FEMA-GPD 400 C Street, SW, 3rd floor Washington, DC 20472-3645 POC: 866-927-5646	FEMA Finance Center 430 Market Street Winchester, VA 22603

9. NAME OF RECIPIENT PROJECT OFFICER	PHONE NO.	10. NAME OF FEMA PROJECT COORDINATOR
Kristina Page	6087330265	Central Scheduling and Information Desk Phone: 800-368-6498 Email: Askcsid@dhs.gov

11. EFFECTIVE DATE OF THIS ACTION	12. METHOD OF PAYMENT	13. ASSISTANCE ARRANGEMENT	14. PERFORMANCE PERIOD
09/12/2023	PARS	Cost Reimbursement	**From:** 10/01/2022 **To:** 09/30/2025 **Budget Period** 10/01/2022 09/30/2025

15. DESCRIPTION OF ACTION

a. (Indicate funding data for awards or financial changes)

PROGRAM NAME ACRONYM	CFDA NO.	ACCOUNTING DATA (ACCS CODE) XXXX-XXX-XXXXXX-XXXXX-XXXX-XXXX-X	PRIOR TOTAL AWARD	AMOUNT AWARDED THIS ACTION + OR (-)	CURRENT TOTAL AWARD	CUMULATIVE NON-FEDERAL COMMITMENT
Emergency Management Performance Grants	97.042	2023-FA-GA01-R057- -4101-D	$0.00	$6,388,552.00	$6,388,552.00	See Totals
			$0.00	**$6,388,552.00**	**$6,388,552.00**	**$6,388,552.00**

b. To describe changes other than funding data or financial changes, attach schedule and check here.
N/A

16 a. FOR NON-DISASTER PROGRAMS: RECIPIENT IS REQUIRED TO SIGN AND RETURN THREE (3) COPIES OF THIS DOCUMENT TO FEMA (See Block 7 for address)

Emergency Management Performance Grants recipients are not required to sign and return copies of this document. However, recipients should print and keep a copy of this document for their records.

16b. FOR DISASTER PROGRAMS: RECIPIENT IS NOT REQUIRED TO SIGN

This assistance is subject to terms and conditions attached to this award notice or by incorporated reference in program legislation cited above.

17. RECIPIENT SIGNATORY OFFICIAL (Name and Title)	DATE
Jeffrey Whittow, Mr	Thu Sep 14 17:57:18 UTC 2023

18. FEMA SIGNATORY OFFICIAL (Name and Title)	DATE
THOMAS CHARLES SIVAK,	Tue Sep 12 17:53:03 UTC 2023

DEPARTMENT OF ADMINISTRATION

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
Tony Evers, Governor
Kathy Blumenfeld, Secretary
Jana Steinmetz, Administrator

Date: October 9, 2023

To: Brian Pahnke, Administrator
Division of Executive Budget and Finance

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

Re: FY 2022-23 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 2022-23 (FY 2022-23) program revenue unsupported overdrafts in the following appropriations:

- Agency 505 (DOA), Appropriation 12300 - Justice Information Fee Receipts
- Agency 505 (DOA), Appropriation 12800 - Services to Nonstate Governmental Units
- Agency 505 (DOA), Appropriation 13400 - Transportation and Records
- Agency 505 (DOA), Appropriation 13800 - Enterprise Resource Planning System
- Agency 505 (DOA), Appropriations 84500 and 84600 - General Program Operations; Raffles and Bingo
- Agency 870 (ITIF), Appropriation 16000 - Information Technology Investment Fund Special Project

<u>Appropriation 12300 – Justice Information Fee Receipts</u>

The Justice Information Fee was created by 1995 Wisconsin Act 27 (the 1995-97 Biennial Budget) when s. 814.635 (1), Wis. Stats., 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), Wis. Stats., and the remainder to the general fund.

1997 Wisconsin Act 27 (the 1997-99 Biennial Budget) increased the fee amount from $5.00 to $7.00; decreased the amount of moneys received under s. 814.635 (1) to be credited to s. 20.505 (1) (ja), Wis. Stats., Justice information systems, from 80% to four-sevenths; and directed two-sevenths and one-seventh, respectively, to s. 20.680 (2) (j) Court information systems and interpreters and the general fund.

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

2003 Wisconsin Act 139 consolidated court assessments, surcharges, and restitution payments into Chapter 814 of the statutes; renumbered from s. 814.635 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 the surcharge amount from $9.00 to $12.00 and modified moneys received under s. 814.86 (1) to be credited to s. 20.505 (1) (ja), s. 20.680 (2) (j), and the general fund, to five-twelfths, 50% and one-twelfth, respectively.

2009 Wisconsin Act 28 (the 2009-11 Biennial Budget) increased the surcharge amount from $12.00 to $21.50; increased the number of appropriations from three to six 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 $21.50 fee to s. 20.505 (1) (ja)). A summary of the changes in the Justice Information Surcharge is shown in Table 1.

TABLE 1
Justice Information Fee/Surcharge

Authorizing Legislation	Amount
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 [1]

[1] 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), Wis. Stats., 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 FY 2012-13 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 surcharge revenues decreased by more than $2.4 million to $16,978,696 and the amount transferred to appropriation accounts and the general fund increased $518,000 to a total of $19,869,600, resulting in a FY 2014-15 ending cash balance of $(2,800,879).

2015 Wisconsin Act 55 (the 2015-17 Biennial Budget) eliminated from the surcharge distribution s. 20.505 (1) (id) 8 and modified the appropriation language for the remaining appropriation accounts authorized under s. 20.505 (1) (id) to require the unencumbered balance on June 30 of each year to be transferred to the appropriation account under s. 20.505 (1) (id). Additionally, section 9226 of Act 55 required the return 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; and received reversions of $2,098,822, resulting in an ending cash balance of $(3,471,171).

Since 2017 Wisconsin Act 59 (the 2017-19 Biennial Budget), the surcharge amount and distribution structure has been retained. The annual collections to, transfers from, and resultant cash balance of the Justice Information Fee Receipts appropriation for the current and past biennia is shown in Table 2.

From the first year of the 2019-21 biennium to second year of the 2021-23 biennium, the net collection amount decreased by $6,486,027. During the 2021-23 biennium, the Justice Information Fee Receipts appropriation collected surcharge revenues of $14,395,900; transferred to appropriation accounts and the general fund a total of $18,705,397; and received reversions of $314,405, resulting in an ending cash balance of $(11,865,820). The annual net collection amount is equal to the Justice Information Fee Receipts appropriation's collected surcharge revenues less revenues transferred to statutorily prescribed appropriations and the general fund.

TABLE 2
Justice Information Fee Receipts Cash Balance

	2019-20	**2020-21**	**2021-22**	**2022-23**
Beginning Balance	$(5,379,793)	$(5,952,154)	$(7,870,727)	$ (9,911,674)
Collections	$ 8,215,514	$ 7,023,259	$ 7,223,773	$ 7,172,127
Transfers:				
General Fund	$ 700,000	$ 700,000	$ 700,000	$ 700,000
Appropriation Accounts	8,310,800	8,336,300	8,652,497	8,652,900
Total	$ 9,010,800	$ 9,036,300	$ 9,352,497	$ 9,352,900
Less: Reversions	(222,926)	(94,468)	(87,778)	(226,627)
Net Transfers	$ 8,787,874	$ 8,941,832	$ 9,264,719	$ 9,126,273
Net Collections	$ (572,361)	$(1,918,574)	$(2,040,946)	$ (1,954,146)
Ending Balance	$(5,952,154)	$(7,870,727)	$(9,911,674)	$(11,865,820)

As the negative cash balance in the Justice Information Fee Receipts appropriation continues to grow, legislative changes to: utilize alternative revenue sources for appropriations supported by the surcharge; and/or to modify the Justice Information System Surcharge annual transfer to the general fund such that the amount transferred per s. 20.505 (1) (id) is the lesser of $700,000 or the amount remaining in the appropriation after all other transfers under subds. 1 to 6 are made, should be considered. It should continue to be noted that the latter change would, itself, be insufficient to prevent further increases in the amount by which the appropriation is unsupported.

Appropriation 12800 – Services to Nonstate Governmental Units

The Services to Nonstate Governmental Units; Entity Contract, Appropriation 12800 was created under s. 20.505 (1) (im), Wis. Stats., for providing services and to repurchase inventory items for primarily non-State purchasers, and as an appropriation to be used to collect for the sale of such services and items.

The Services to Nonstate Governmental Units appropriation defines certain authorized purposes, including for: collection of fees paid to the Department by school districts for wiring district facilities with data lines and video links, for reimbursement of the Department's capital planning and building construction appropriation under s. 20.505 (1) (kc), Wis. Stats., Capital planning and building construction services, as pursuant to s. 16.85 (15), Wis. Stats.; contracting with an entity to perform services for the collection, analysis, and dissemination of health care information of hospitals and ambulatory surgery centers as pursuant to s. 153.05 (2m), Wis. Stats., Collection and dissemination of health care and related information; and to provide for group transportation as pursuant to s. 16.82 (5), Wis. Stats. The Department is also authorized for use of the appropriation for garnishing employee earnings pursuant to s. 16.53 (1) (d), Wis. Stats., Salaries and benefits; when payable, for garnishment actions prescribed under s. 812.42, Wis. Stats., Garnishment of earnings of public officers and employees.

Appropriation 12800 does not contain activity under either s. 16.85 (15) or s. 153.05 (2m), for wiring school district facilities with data lines or video links, or for health care information contracting, and rather is currently used for the State Vanpool Program ("Vanpool Program" or "Vanpool"), wage garnishment operations, and for other revenues from non-State entities (e.g., Supplier Diversity Program).

As is shown in Table 4, the overall program position of Appropriation 12800 has declined, primarily as a result of decreasing support from equipment (principally Vanpool vehicles) and other intangible assets, and as a result of decreasing revenues. While revenues began to decline prior to the COVID-19 pandemic ((9.9%) decline from FY 2017-18 to FY 2018-19), a more precipitous decline was experienced during the pandemic ((35.6%) decline from FY 2018-19 to FY 2020-21)) due to a reduction in the consumption of Vanpool services. Vanpool fee revenue collections have stagnated in the most recent three-year period (i.e., FY 2020-21 through FY 2022-23), averaging $510,000 annually, compared to $908,800 in the pre-pandemic period of FY 2018-19.

Efforts to right-size and modify the operations of the Vanpool Program resulted in the reduction in operational expenditures and thus an incrementally improved program position from FY 2021-22 to FY 2022-23, with a $131,827 increase in the ending program position as shown in Table 4. At the end of FY 2022-23, Appropriation 12800 reported an unsupported overdraft of $(27,441), which includes the support of $127,374 equal to equipment and other intangible assets.

The Vanpool Program is operated by the Bureau of Enterprise Fleet ("BEF") within the Division of Facilities and Transportation Services ("DFTS"), and wage garnishments are operated by the State Controller's Office ("SCO") within the Division of Executive Budget and Finance ("DEBF"). The fee structure, fiscal summary, and cost recovery methodology for the Vanpool Program and wage garnishment operations are as detailed below, in addition to summaries of operational changes made to the program beginning in FY 2022-23.

Group Transportation

Section 16.82 (5) requires the Department to operate a group transportation program and encourage participation in the program and of alternate means of group transportation, for State, local, and private employees. Under this authorization, DFTS operates the State Vanpool Program, which evolved from a demonstration project initiated in July 1978, when approximately 100 commuters began riding to and from work in eight vans. It was originally developed for the primary purpose of encouraging energy conservation.

As legislatively defined, group transportation is provided for through a fee which "recovers the full cost of administration, maintenance, operation, insurance and depreciation of the group transportation program, plus interest for general purpose revenues utilized for the program."

The basis of the fee structure formula used for cost recovery of the Vanpool Program includes the total number of vanpools in operation, multiplied by the annual biweekly pay periods. From these consumption variables, the per-day round-trip cost is determined by the daily commute miles (rounded by daily round trip mileage), number of riders, driver/coordinator discounts, if any, and fixed and variable costs as specified by the Vanpool Program annual operating budget. Daily full-time rider fare is determined by dividing the per-day cost of operation by the number of paying riders. Individual vanpool rates vary according to van size (12 or 15 riders), total daily average round-trip miles, and the number of paying riders.

As under s. 20.903 (2) (b), Wis. Stats., Anticipation of accounts receivable, the Department is required to calculate and assess for interest earnings whether in a negative or positive state, respectively, in an additional amount not exceeding the depreciated value of equipment for Vanpool Program operations and is required to deposit the amounts collected into the general fund, or to retain under Appropriation 12800 if positive.

The use of State vanpools has declined over time and has more precipitously declined beginning in calendar year ("CY") 2020 due to COVID-19 pandemic safety protocols implemented through remote and flexible workplace policies, Wisconsin's Safer at Home Emergency Orders, and the change in commuting practices. As shown in Table 3, Vanpool ridership averaged 607 active participants from CY 2018 through CY 2019, whereas the average from CY 2020 through CY 2023 (through July) was 76, with a minor increase in ridership from CY 2020 to CY 2022 and 2023.

TABLE 3
Vanpool Operations Statistics

Metric	2018	2019	2020	2021	2022	2023
Program Ridership[1]	617	596	60	74	84	84
Active Routes Count	56	49	7	9	10	10
Active Vans Count	72	61	61	58	15	13
Van Mileage	1,349,772	1,304,412	473,893	172,120	136,823	184,837

Note: Information is provided on a CY Basis, with CY 2023 including information through July.
[1] Based upon headcount of participants.

The fiscal activity of the Vanpool Program reflects the general decline in ridership as shown in Table 4, which consists of: the aforementioned vanpool fees, which have declined by (44.0%) from FY 2019-20 to FY 2022-23; the decline in the support of the assets of the vans and gain/loss of revenues from the sale of vans; interest earnings paid to the general fund; expenditures associated with the operations of the program and maintenance and acquisition of vans; and an annual rideshare revenue transfer from Appropriation 53100, s. 20.505 (5) (ka), Wis. Stats., Facility operations and maintenance, in an amount equal to the prior year transfer adjusted annually to reflect changes in the U.S. Consumer Price Index as determined by the U.S. Department of Labor.

As a result of the ongoing reductions in ridership and consumption of the State Vanpool Program services, the Department evaluated methods to reflect a change in its service model to more appropriately meet changing service needs. The Department began with initial efforts to right-size the program through the sale of a portion of the Vanpool Program's vehicle fleet (as seen in Table 3 with the reduction in active van count from 58 in CY 2021 to 13 in CY 2023 (through July)). The reduction in ongoing van maintenance expenditures and the one-time revenues from the sale of vans has resulted in post-pandemic partial improvements to Appropriation 12800's program position, inclusive of the support of equipment, vehicles, and intangible assets (i.e., 92.8% increase from FY 2020-21 to FY 2022-23, inclusive of insignificant non-Vanpool fiscal activity).

To further align with the ongoing consumption of BEF Vanpool services, in FY 2022-23 the Department began pursuing a long-term solution via a modified service model consisting of a private entity service provider offering rideshare services to enrolled participants.

The resulting action from this model is the sale of the remaining state-owned fleet of vans within the State Vanpool Program, which began in FY 2022-23, in order for DFTS to sell all Vanpool Program assets and rely fully on the private rideshare program vendor to provide service to participants. The private rideshare service provider is fully funded by fees paid directly from the rideshare participants, and no associated underlying operational costs will be paid by the State for the rideshare program operations once the transition is finalized, which is anticipated to occur in FY 2023-24.

Wage Garnishment Operations

The Department is responsible for garnishing the earnings of State employee debtors until each judgement is satisfied or terminated under the court, as prescribed under s. 812.42 (2). A garnishee fee of $15 is collected from a creditor concurrent with the Department's receipt of an earnings garnishment form, and an additional $3 fee is collected by the Department for each payment after the first payment for the administration of the garnishment operations. Pursuant to s. 812.42 (2) (b), the $3 fee is deducted from the amount provided to the creditor. Fees collected by the SCO are deposited into Appropriation 12800 and are used to cover the expenditures associated primarily with the SCO personnel costs for administering the garnishments.

Garnishment expenditures are generally equal to revenues each fiscal year (e.g., $333,111 in total expenditures and $335,070 in revenues from FY 2019-20 through FY 2022-23); expenditures that exceed revenues within a fiscal year are typically subsequently transferred to the financial services appropriation (under s. 20.505 (1) (kj), Wis. Stats., Financial services), and is shown in Table 4.

The Department and DEBF continue to evaluate the work effort associated with wage garnishment operations, through such means as time and effort task reporting, in order to understand the alignment of the amount of revenues collected from the garnishment administrative fee to the work effort of administration.

Other Non-State Revenues

In FY 2021-22, the Department determined certain existing activities were most appropriately recorded in Appropriation 12800, due to their non-State nature. This resulted in the transfer of legacy activity and a prospective change in treatment of non-State fiscal activities.

The legacy transfers included expenditures and revenues transferred from the Supplier Diversity Program previously held under appropriation 13200, s. 20.505 (1) (kf), Procurement services, to Appropriation 12800. Legacy revenues and expenditures were also transferred as non-State government operations under the Business Opportunities in the Government Sector to appropriation 12800 in FY 2021-22, with revenues in excess of expenditures in the amount of $10,784.

In FY 2022-23, expenses of other non-State activities, including Business Opportunities in the Government Sector and Conferences, had expenditures in excess of revenues in the amount of $2,408. Appropriate recovery for this amount will be evaluated and addressed in the upcoming biennium.

TABLE 4
Vanpool, Wage Garnishments, and Non-State Activity Program Position

	2019-20	2020-21	2021-22	2022-23
Beginning Balance[1]	$ (716,130)	$ (767,095)	$ (938,327)	$ (419,330)
Plus: Collected Revenue				
Wage Garnishments[2]	$ 93,225	$ 85,093	$ 83,894	$ 72,858
Vanpool Fees	825,356	259,987	807,965	462,177
Non-State Revenue - Other	0	0	13,351	0
Interest Earnings	(13,602)	(907)	(180)	14,200
Net Collected Revenue	$ 904,979	$ 344,173	$ 905,029	$ 549,235
Less: Expenses				
Wage Garnishments	$ 93,225	$ 85,093	$ 81,935	$ 72,858
Vanpool	862,730	430,312	301,531	209,454
Non-State – Other	0	0	2,567	2,408
Net Expenses	$ 955,955	$ 515,405	$ 386,032	$ 284,720
Closed Balance Continuing	$ (767,106)	$ (938,327)	$ (419,330)	$ (154,815)
Accounts Receivable	$ 8,002	$ 813	$ 2	$ 0
Equipment, Vehicles, Intangible Assets[3]	$ 770,085	$ 556,481	$ 260,060	$ 127,374
Ending Program Position	$ 10,982	$ (381,033)	$ (159,268)	$ (27,441)

[1] Beginning balance in FY 2020-21 includes a prior year adjustment for collected revenue of $11 resulting in the change in beginning balance in FY 2020-21 from closed balance continuing in FY 2019-20.
[2] Revenue includes additional collections to cover pre-existing FY 2014-15 negative program position balance of $(1,959).
[3] Equipment and assets are calculated at net book value.

Appropriation 13400 – Transportation and Records

The Transportation and Records Appropriation 13400 was created under s. 20.505 (1) (kb), Wis. Stats., for the purpose of providing "State vehicle and aircraft fleet, mail transportation, and records services primarily to State agencies, and to provide for the general program operations of the public records board," as administered by the Bureau of Enterprise Fleet ("BEF") within the Division of Facilities and Transportation Services ("DFTS").

The overall program position of Appropriation 13400 has declined over time, primarily as a result of decreasing revenues, as shown in Table 5. While BEF revenues began declining prior to the COVID-19 pandemic ((3.1%) decline from FY 2017-18 to FY 2018-19), a more precipitous decline was experienced during the pandemic ((5.9%) decline from FY 2018-19 to FY 2019-20 and (19.6%) decline from FY 2020-21)) due to reductions in the consumption of BEF services.

Revenues increased in FY 2021-22 (i.e., 23.4% increase from FY 2020-21 to FY 2021-22) with the increased use of fleet services but decreased slightly in FY 2022-23 ((4.6%) decrease from FY 2021-22 to FY 2022-23). With increases in expenditures and reductions in corresponding assets, the program position declined by (83.9%) from FY 2021-22 to FY 2022-23.

At the end of FY 2022-23, the appropriation reported an unsupported overdraft of \$(3,605,621), which includes the support of \$25,074,099 equal to equipment and other intangible assets net of master lease obligations, excluding accounts receivables (equal to \$947,085), as shown in Table 5.

The FY 2019-20 through FY 2020-21 reduction in BEF consumption and services was in part a result from the COVID-19 pandemic and subsequent safety protocol implemented through remote and flexible workplace policies, Wisconsin's Safer at Home Emergency Orders, a reduction in the performance of in-office functions, and the need to convene through alternate remote methods. Through a partial return to travel and the workplace for fleet consumers, increased usage was experienced incrementally again in FY 2022-23. However, revenues have not in net returned to pre-pandemic levels and expenditures have continued to increase.

As changes in flexible workplace patterns, service delivery needs, technology, and meeting and conference needs and norms begin to stabilize in the post-pandemic landscape, State employee transportation and records management consumption needs will continue to be evaluated by DFTS and the Department.

Each service of DFTS as follows is comprised of a corresponding fee structure and cost recovery methodology, financial status from FY 2019-20 through FY 2022-23, and summary of evaluation of the need for change in service delivery or fiscal recovery.

Central Fleet

The Central Fleet Program is operated and cost recovered for two categories of vehicle usage, pool (short-term rental) and assigned vehicles (long-term leases), each consisting of a fleet of vehicles for State employees to use for work-related travel. Operations of the Central Fleet Program are authorized under s. 16.04, Wis. Stats., which prescribes the guidelines for acquisition and use of State fleet vehicles as well as other fleet maintenance and operations policies and procedures.

The pool vehicle charge is comprised of a fixed daily rate with a variable mileage add-on and assigned vehicles have mileage and monthly rate increases of \$0.02 per mile and \$18.00 per month, respectively, for usage over 2,000 miles during the period.

While fairly stable prior to the COVID-19 pandemic, the Central Fleet Program was impacted by the decline in ability and need of State employees to use the State fleet for travel during and after the pandemic, as illustrated by the fleet mileage information from CY 2019 through CY 2023 (through July) in Table 6.

The CY 2019 vehicle mileage for the Central Fleet Program was 19.2 million miles, and from CY 2020 to CY 2022 was an annual average of 11.4 million miles. As illustrated in Table 5, while Central Fleet has historically (and continues) to provide positive support to the appropriation through assets and equipment, as well has temporarily increased net gains through declines in expenditures as a result of delayed vehicle buys due to national supply chain disruptions, revenues have declined overall and by (14.1%) from the first year of the 2019-21 biennium to the second year of the FY 2022-23 biennium. Revenues incrementally increased by 5.6% in FY 2021-22 and 2.7% in FY 2022-23 from FY 2020-21, and while expenditures were greater in correlation to increased fleet operations (increased by \$203,084 from FY 2021-22), the net gain in operations was \$419,688 in FY 2022-23.

The Central Fleet Program fiscal position over the 2021-23 biennium is as follows: the ending balance of FY 2020-21 was equal to an approximate \$6,389,435, including a net loss of \$(844,471) and the support of \$13,290,277 equal to equipment and other intangible assets net of master lease obligations excluding accounts receivables. The ending balance of FY 2021-22 was equal to an approximate \$5,303,283, including a net loss of $(1,086,152) and the support of $11,357,152 equal to equipment and other intangible assets net of master lease obligations excluding accounts receivables. The ending balance of FY 2022-23 was equal to an approximate $4,298,587, including a net loss of $(1,004,696) and the support of $9,976,628 equal to equipment and other intangible assets net of master lease obligations excluding accounts receivables.

To address the net loss and other economic climate conditions, modifications to the rate structure, effective beginning FY 2023-24, included removal of the first fifty miles free per day for each vehicle rented and an increase by $0.04 per mile to the variable mileage rate to align with the significant increases to fuel costs experienced in the beginning of FY 2022-23.

Lastly, and as a result of an evaluation of risk management practices in FY 2022-23, the Department instituted a change in the party responsible for payment of insurance deductibles up to $1,000 from the Department to the respective driver's State agency.

DFTS and the Department will continue to evaluate the structure, fleet size, and rate schedules for the Central Fleet Program due to the change in the landscape of consumption and impact on State employee travel needs and as the results of the FY 2023-24 enacted changes are realized and evaluated.

Enterprise Fleet

The State Enterprise Fleet Management ("EFM") operates the EFM System for State and University of Wisconsin employees for vehicle registration, mileage reporting, and for access to State fleet policies and procedures. Operations of EFM are also authorized under s. 16.04, Wis. Stats., which prescribes fleet manager assignment requirements and enterprise fleet management practices. The Department charges agencies for recovery for EFM service expenditures, utilizing the number of vehicles owned by each agency to determine the number of vehicles assessed under each.

The set amount assessed per vehicle is determined based upon cost recovery for expenditures, and although the rate has been recently historically static at $50 per vehicle, it has and will be modified to reflect changes in costs for operation, such as for the development of the EFM System as experienced in FY 2019-20 (as increased to $73 per vehicle resulting in a corresponding increase in FY 2019-20 enterprise fleet revenues as contained in Table 5). Table 6 contains the number of vehicles that have been allocated by agency on an annual basis as invoiced with the annual Department's Enterprise Assessments, and with the mentioned rate per vehicle cost allocation process, has accounted for the fluctuation in revenues since FY 2018-19.

The EFM's ending balance of FY 2019-20 was equal to an approximate $50,281, including a net gain of $207,269. The ending balance of FY 2020-21 was equal to an approximate $256,543, including a net gain of $206,262. The ending balance of FY 2021-22 was equal to an approximate $341,876, including a net gain of $85,333. The ending balance of FY 2022-23 was equal to an approximate $340,803, including a net loss of $(1,074).

EFM has maintained a positive position, with net annual gains beginning in FY 2019-20 driven primarily by a reduction in expenditures from the finalization of the initial development of the EFM system and the per vehicle recovery rate net of expenditures. The Department will continue its practice of performing an annual evaluation of the rate per vehicle charge to ensure that any potential over- or under-collection for EFM operations is mitigated for FY 2023-24, while also attempting to smooth annual cost fluctuations due to one-time over- or under-expenditures.

Wisconsin Air Services

Wisconsin Air Services ("WAS") is operated and maintained for State and University of Wisconsin officials and employees as a transport option for public service delivery and State operations. WAS also maintains the State's fleet of work aircraft for law enforcement, fire protection, and resource management for the Department of Natural Resources ("DNR") and the Department of Transportation ("DOT"). The Department's acquisition and management of State aircraft is authorized under s. 16.04, which prescribes the Department's responsibility under s. 16.04 (4) for providing central "scheduling and dispatching of all air-transportation and state-owned aircraft."

The charged rate for transportation planes is calculated by statute mile distance from departure to destination, plus an hourly charge for WAS pilots and transportation crew to wait for passengers to make return flights. Expenses may also include airport landing and facility charges, hotels, ground transportation and meals for the WAS crew. The rates for leased work aircraft were charged based upon the class of aircraft at a per flight hour basis prior to FY 2021-22 and were last-revised in FY 2015-16 using this now sun-setted methodology.

The negative financial position of WAS has continued to grow over time, due primarily to the lack of recovery of the depreciable values of the fleet of aircraft owned by the Department, and as accelerated by a temporary reduction in transport flights during the COVID-19 pandemic.

Table 5 illustrates the overall decline in WAS revenues throughout the pandemic and prior to the implementation of the partially offsetting cost recovery method for work aircraft implemented in FY 2021-22 (i.e., FY 2019-20 to FY 2020-21 of $(416,224)). The WAS ending balance of FY 2019-20 was equal to an approximate $(6,045,178), including a net loss of $(743,289) and the support of $14,301,360 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2020-21 was equal to an approximate $(6,980,284), including a net loss of $(935,107) and the support of $14,146,267 equal to equipment and other intangible assets excluding accounts receivables.

The ending balance of FY 2021-22 was equal to an approximate $(7,412,047), including a net loss of $(431,763) and the support of $13,973,207 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2022-23 was equal to an approximate $(8,121,176), including a net loss of $(709,129) and the support of $15,048,044 equal to equipment and other intangible assets excluding accounts receivables.

Table 6 illustrates the decrease in WAS passenger plane flight hours during the COVID-19 pandemic, from 867 hours in CY 2019 to 440 hours in CY 2020. Flight hours increased to near pre-pandemic levels in CY 2022, with 855 passenger hours, and is similarly on trend through July of CY 2023 (i.e., 506 hours). Annual flight hours of leased aircraft remained relatively consistent throughout the past five years, with variable usage not correlated to pre- and post-pandemic trends.

As a result of the growing negative position of WAS and the dependency on aircraft use to partially recover aircraft costs, as aircraft may not be flown for periods of time and with depreciation thus remaining unrecovered, the Department evaluated the work aircraft cost recovery methodology. The ultimate goal of this recovery analysis was to identify a fair and reasonable method to mitigate the net loss work aircraft usage was contributing to the WAS negative position.

Resulting from this analysis, the Department determined that through correlating recovery to actual annual operating expenditures, it would improve the overall status of the appropriation while fairly attributing costs to those agencies leasing work aircraft. As such, the depreciable value of the work aircraft as of FY 2021-22 is charged using an annual assessment methodology, which uses a two-year cost recovery model inclusive of all depreciation of existing plane engines' remaining values, 20% of the hulls' remaining values, remaining values of any other components of the aircraft determined to be depreciable per *Wisconsin Accounting Manual,* Section 16-03, such as propellers, and any master lease interest if financing is used.

In addition to the recovery of the depreciable aircraft values over a two-year period, operational costs, either attributable to each aircraft or allocated proportionately across the fleet, are recovered for on an annual basis while those planes remain in operation until replacement. Operational costs result from BEF work aircraft fleet management, such as BEF staff, maintenance costs, and administrative costs. The operational costs are recovered through an annual assessment of the estimated annual expenditures, which are trued up to actual expenditures in the subsequent fiscal year.

With the implementation in FY 2021-22 of this new cost recovery method for work aircraft, revenues noticeably increased during the 2021-23 biennium from the 2019-21 biennium (i.e., 108.0% increase). However, given the declining support in assets and increasing expenditures, the work aircraft recovery is not able to singularly offset the WAS's negative growth trend.

While the aforementioned transport aircraft model of recovery remains the same, a fuel surcharge was implemented beginning in FY 2023-24 at an increase of $0.50 per statute mile, to reflect the significant increases in fuel prices experienced in the beginning of FY 2022-23.

In addition to the work aircraft solution and fuel surcharge and given the continued negative position and that WAS is the greatest contributor to the unsupported position in Appropriation 13400, DFTS and the Department will continue to evaluate the transport aircraft consumption and recovery model.

<u>State Records Center</u>
Pursuant to s. 16.61, Wis. Stats., Records of state offices and other public records, the Public Records Board, attached to and administered by the Department, provides management, security and maintenance, storage/retrieval, records policy development/administration, and disposition, for records management for State agencies. Services are provided by BEF's State Records Center ("SRC"). State agencies are required to hold an approved Records Disposition Authorization ("RDA") for records they wish to store. A current RDA (less than 10 years old) for the agency's records must be approved by the Public Records Board.

The costs to operate SRC include: SRC personnel; the rental space for storage; operating supplies and services, such as bins and boxes for storage; and other administrative expenditures. To recover for these costs, SRC charges for monthly box and file storage services set at various rates by category (e.g., reels, electronic media cases, etc.) and for records service requests, such as for checking out boxes/cases at a per-box rate.

The decline in service requests is attributable to the overall change in the landscape of records services and management due to technology and process changes, resulting in less physical storage and document retrieval needs and greater use of other electronic document storage and management systems. This trend was accelerated by the COVID-19 pandemic and employee remote work and has caused for a reduction in the number of service requests.

Further, one of the largest SRC consumers, the University of Wisconsin Hospitals and Clinics ("UWHC"), has significantly reduced consumption; the reduction in service requests received from UWHC has declined from an average of 111 daily requests in FY 2009-10 to 4 average daily requests in FY 2022-23.

Overall, the annual volume of storage and service requests have declined over time. As seen in Table 6, the consumption of records center services and storage have declined from CY 2019 to CY 2022, with a (35.3%), (9.2%), and (12.9%) decline in service request counts, box storage item counts, and file storage item counts, respectively. As contained in Table 5, collected revenues have increased by 51.9% (or $1,094,731) from the 2019-21 biennium to the 2021-23 biennium and operated at a net gain of $422,923 in the 2021-23 biennium, due to the rate changes detailed below.

The overall negative position is due to the aforementioned net annual loss of operational revenues and decline in the support of equipment and intangible assets as follows: the ending balance of FY 2019-20 was equal to an approximate $(51,120), including a net loss of $(360,886) and the support of $116,192 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2020-21 was equal to an approximate $(335,868), including a net loss of $(284,748) and the support of $89,423 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2021-22 was equal to an approximate $(118,598), including a net gain of $147,270 and the support of $66,414 equal to equipment and other intangible assets excluding accounts receivables. The ending balance of FY 2022-23 was equal to an approximate $(22,748), including a net gain of $165,850 and the support of $49,427 equal to equipment and other intangible assets excluding accounts receivables.

Since the Department had not modified SRC service and storage rates since FY 2014-15, an analysis was undertaken in FY 2020-21 to determine if a potential adjustment was needed to account for this under-recovery. Resulting from this analysis and to address the unsupported status and recover operational costs, the Department modified rates in FY 2020-21; the update was equal to a proportionate 40.0% increase to all service and storage rates to fully recover the SRC's annual operating costs.

Further, a process for setting and reviewing certain Departmental rates was developed, using records services as the pilot, to allow for recurring rate reviews to standardize the process to regularly change rate schedules to ensure that over- or under-recovery occurrences are able to be addressed on a standing basis. The Department sets a two-year schedule for SRC rates, which allows for rates to maintain responsivity for uncertain consumption patterns.

The current rate review period is FY 2022-24, which includes a 15.0% proportionate rate increase that began in FY 2023-24, in order to recover all projected BEF staff time and supplies and services costs. The Department will continue to evaluate the aforementioned changing landscape in the usage of physical storage in order to be responsive to the changing service needs of State agencies and other consumers.

Mail Transportation Services

Mail transportation services is comprised of the Mail Unit that sorts incoming United States Postal Service ("USPS") and State Agency Inter-D mail and distributes to agencies throughout the city. The Inter-D Mail unit and the University of Wisconsin-Madison ("UW-Madison") programs interface for the transfer of mail and materials between the two entities. The UW-Madison is a separate organization and maintains their own Inter-D mail unit, servicing most UW-Madison facilities. The Inter-D system also connects with certain local and governmental systems to provide a wide network of hard copy communications and material transfers.

Mail transportation operations are cost recovered through an annual transfer of revenues from Appropriations 53100 and 12600 (under s. 20.505 (1) (kL), Wis. Stats., Printing, mail, communication, document sales, and information technology services; state agencies; veterans services.) in an amount equal to the annual expenditures, split currently at 54% and 46%, respectively. As such, the program position for this operation at year-end is typically $0.

TABLE 5
Transportation and Records Program Position

	2019-20	2020-21	2021-22	2022-23
Beginning Balance[1]	$ (26,815,661)	$ (30,336,485)	$ (29,534,864)	$ (28,391,559)
Plus Collected Revenue:				
Air Services	$ 1,097,181	$ 680,957	$ 1,962,664	$ 1,735,729
Central Fleet	8,840,310	7,395,812	7,813,897	7,597,200
Document Sales[2]	226,133	0	0	759
Enterprise Fleet	582,099	361,099	375,929	308,839
Mail Transportation	559,416	577,448	546,290	560,046
Records Center	1,128,914	980,288	1,636,539	1,567,394
Total Collected Revenue	$ 12,434,052	$ 9,995,603	$ 12,335,319	$ 11,769,967
Less: Expenses	15,594,883	9,193,982	11,192,014	13,005,213
Closed Balance	$ (30,336,491)	$ (29,534,864)	$ (28,391,559)	$ (29,626,805)
Accounts Receivable	$ 1,070,823	$ 1,255,583	$ 1,033,860	$ 947,085
Tangible/Intangible Assets[3]	30,254,833	27,449,112	25,396,772	25,074,099
Ending Program Position	$ 989,165	$ (830,170)	$ (1,960,927)	$ (3,605,621)

[1] Beginning Balance in FY 2020-21 includes a prior year adjustment for collected revenue of $6 resulting in the change in beginning balance in FY 2020-21 from closed balance continuing in FY 2019-20.
[2] Document Sales and its balance were transferred to Appropriation 12600 in FY 2019-20, the collected revenue in FY 2022-23 is a result of reversing an excess amount previously transferred in FY 2019-20.
[3] Equipment and assets are calculated at net book value (NBV) less master lease obligations.

TABLE 6
Bureau of Enterprise Fleet Operations Statistics

Program	Metric	2019	2020	2021	2022	2023
Central Fleet	Vehicle Mileage	19,271,975	11,396,499	12,494,937	10,244,229	9,841,788
	Vehicle Count	1,536	1,606	1,664	1,552	1,531
Records Center	Service Requests Count	22,435	17,372	16,086	14,509	8,901
	Box Storage Items Count	3,561,090	3,464,643	3,328,142	3,232,848	1,846,646
	File Storage Items Count	1,022,042	978,053	933,771	890,425	506,014
Air Services	Flight Hours – Transport	867	440	504	855	506
	Flight Hours – Work	2,870	2,704	2,804	2,270	2,046
	Aircraft Count – Transport	4	4	4	4	4
	Aircraft Count – Work	15	14	14	15	15
Enterprise Fleet	Vehicle Count	6,267	6,369	6,374	6,051	5,973

Note: Information is provided on a CY Basis, with 2023 including information through July.
The fleet inventory excludes aircraft not in operation pending sale.

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 FY 2012-13.

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 FY 2010-11, 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 FY 2012-13, 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, and as of June 30, 2013, the overdraft in the IBIS Development appropriation, which was renamed the ERP appropriation by 2013 Wisconsin Act 20 (the 2013-15 Biennial Budget), was $(15,323,739). Of that amount, $(15,007,022) was attributable to IBIS; $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 FY 2013-14, 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 that year, of which $19,523,510 was financed using the State's master lease program.

The Department continued to develop STAR, including following its implementation in FY 2015-16, using a combination of financing originated through the State's master lease program and expenditures made directly in the ERP appropriation. In FY 2017-18, the Department began assessing to recover project and financing costs incurred in the development of STAR over a period of nineteen years from FY 2017-18 through FY 2035-36, and which was phased in from 60% to 100% over three fiscal years from FY 2017-18 through FY 2019-20 based on an assumed project cost of $138 million.

The Department finalized the initial STAR Project development in FY 2021-22 at $131,658,510. As a result of refinancing on current master lease obligations, STAR Project development has seen a reduction in the FY 2022-23 development amount to $131,616,576, as shown in Table 7 and consisting of: total direct costs of $119,995,160; master lease interest payments of $22,242,469; estimated future master lease interest of $3,805,627. The finalization of the initial STAR development (i.e., $131.6 million) resulted in a development assessment reduction of approximately $135,000 annually, as contained in Table 8.

The Department began assessing state agencies on an annual basis for estimated STAR system operations and maintenance costs in FY 2015-16, when implemented, with amounts trued up to actual expenditures in the subsequent year. The operations and maintenance assessment and true-up amounts can be seen in Table 8 below, from 2019-20 through 2022-23.

In FY 2019-20, the Department also began assessing State agencies for the previously unrecovered costs associated with IBIS with a one-time assessment of $5,547,624, and annual assessments thereafter of $591,212 over a period of sixteen years and in alignment with the duration of STAR development cost recovery. Lastly, in FY 2020-21, the Department began annually assessing for estimated Cornerstone costs.

TABLE 7
Enterprise Resource Planning System Development Costs

Fiscal Year	Master Lease Origination[1]	Appr 13800 Expense[2,3]	Subtotal	Master Lease Interest[4]	Master Lease Adjustments[5]	Total
2012-13	$17,069,720	$ 316,715	$ 17,386,436	$ 0	$ 0	$ 17,386,436
2013-14	19,523,510	3,396,676	$ 22,920,186	994,904	0	$ 23,915,090
2014-15	37,712,118	9,796,274	$ 47,508,392	1,555,958	0	$ 49,064,350
2015-16	14,577,530	4,645,680	$ 19,223,210	2,749,995	0	$ 21,973,204
2016-17	2,738,066	3,150,346	$ 5,888,412	3,203,122	0	$ 9,091,534
2017-18	0	2,691,250	$ 2,691,250	3,181,722	0	$ 5,872,972
2018-19	0	1,601,201	$ 1,601,201	2,893,227	0	$ 4,494,428
2019-20	0	1,566,601	$ 1,566,601	2,605,403	0	$ 4,172,004
2020-21	0	1,209,473	$ 1,209,473	2,326,333	0	$ 3,535,805
2021-22	0	0	$ 0	1,374,906	0	$ 1,374,906
2022-23	0	0	$ 0	1,356,899	0	$ 1,356,899
Unassigned	0	0	$ 0	0	(14,426,680)	$(14,426,680)
Subtotal	$91,620,944	$28,374,216	$119,995,160	$22,242,469	$(14,426,680)	$127,810,950
Future Interest[6]	0	0	$ 0	3,805,627	0	$ 3,805,627
Total	$91,620,944	$28,374,216	$119,995,160	$26,048,096	$(14,426,680)	$131,616,576

[1] Amount disbursed by master lease program based upon approved invoices.
[2] Amount expended from s. 20.505 (1) (kd), Wis. Stats., excluding amounts master lease principal or interest only.
[3] Amount attributed to STAR development and operations and maintenance as recorded in the general ledger and as adjusted based on a detailed analysis of expenditure data by account code and accounting period.
[4] Interest paid on master lease obligations.
[5] Principal balance adjustments on outstanding master lease schedules.
[6] Estimated based on outstanding master lease schedules.

TABLE 8
Enterprise Resource Planning System Assessments

	2019-20	2020-21	2021-22	2022-23
Ops and Maintenance	$14,424,100	$14,556,367	$18,245,665	$16,760,471
Ops and Maintenance True Up	(3,167,843)	(434,222)	667,240	(1,485,195)
Cornerstone	0	851,430	732,961	497,074
Development[1]	7,310,540	7,263,158	7,127,792	7,127,792
Development True Up	47,382	0	0	0
IBIS[2]	5,547,624	591,212	591,212	591,212
Total Assessments	$24,161,803	$22,827,945	$27,364,870	$23,491,354

[1] STAR development assessment was assessed at 60% of the annual amount to recover the project over 19 years in FY 2017-18, 80% in 2018-19, and 100% thereafter.
[2] Starting in FY 2020-21, IBIS is assessed at $591,212 annually over 16 years to recover previously unrecovered costs.

The program position for the Enterprise Resource Planning System appropriation for the periods FY 2019-20 through FY 2022-23 is shown in Table 9 and includes the beginning cash balance; revenues collected and expenditures incurred; the depreciated value of equipment and software net of master lease obligations; and the value of accrued accounts receivable.

TABLE 9
Enterprise Resource Planning System Program Position

	2019-20	2020-21	2021-22	2022-23
Beginning Balance	$ (67,819,998)	$ (68,046,106)	$ (70,014,888)	$ (66,981,334)
Plus: Collected Revenue	$ 24,275,918	$ 23,103,116	$ 27,564,184	$ 23,491,418
Less: Expenses:				
Personnel and Supplies[1]	$ 15,773,031	$ 16,866,892	$ 17,598,922	$ 19,105,928
Master Lease Principal	6,123,215	5,878,086	5,556,557	5,025,602
Master Lease Interest	2,605,780	2,326,920	1,375,150	1,356,899
Total Expenses	$ 24,502,026	$ 25,071,898	$ 24,530,629	$ 25,488,430
Ending Balance	$ (68,046,106)	$ (70,014,888)	$ (66,981,334)	$ (68,978,346)
Net Equip, Software, and Intangible Assets[2]	20,326,311	22,775,164	21,638,086	20,851,612
Accounts Receivable	474,487	199,313	0	0
Unsupported Overdraft	$ (47,245,308)	$ (47,040,412)	$ (45,343,248)	$ (48,126,734)

[1] Salaries, fringe and other supplies and services
[2] Equipment, software, and intangible assets net of master lease obligations

The Department will continue to annually assess State agencies in an amount necessary to operate and maintain its enterprise resource planning system and to fully collect project and financing costs incurred in its development over a period of 19 years. The Department will also continue to assess state agencies for the previously unrecovered costs associated with IBIS in alignment with the duration of STAR development cost recovery.

Appropriation 84500 and 84600 - General program operations; raffles and bingo

Wisconsin Constitutional amendments made charitable bingo games legal in 1973 and raffles in 1977. The Office of Charitable Gaming in the Department's Division of Gaming ("Gaming") is responsible for administration of bingo and raffle operations under Chapter 563, Wis. Stats. Section 20.505 (8) (jn), Wis. Stats., General program operations; raffles and bingo, Appropriations 84500 and 84600, respectively, provide for general program operations relating to raffles and bingo and all moneys received by the Department under ss. 563.055, 563.13 (4), 563.135, 563.16, 563.22 (2), 563.80, 563.92 (2), and 563.98 (1g) Wis. Stats., are credited to that appropriation. The unencumbered balance of Appropriation 84600 at FY-end is transferred to the lottery fund as required by a 1999 constitutional amendment.

As enacted in the 2021 Wisconsin Act 58 (2021-23 Biennial Budget), ss. 20.505 (8) (j) and 20.505 (8) (jm) were consolidated and renumbered as s. 20.505 (8) (jn), Wis. Stats., General program operations; raffles and bingo. This new appropriation structure supports both raffle and bingo operations and allows for the transfer of budgetary authority between the two programs and their unique appropriation numerics.

Religious, charitable, service, fraternal, and veterans' organizations, as well as any organizations for which contributions are deductible for State and federal income tax purposes, may be licensed to operate bingo-playing sessions in Wisconsin. Except for community-based residential facilities, community centers for senior citizens, and adult family homes, eligible organizations must have been in existence for at least three years, have established funding sources, and at least 15 members.

Bingo licenses are granted for one-year periods. A regular license allows an organization to hold an unlimited number of bingo occasions in the licensed year and requires that the price of any playing card does not exceed $1.00. A limited-period license allows bingo sessions to be conducted during no more than four of five consecutive days once per year. Organizations obtaining limited-period licenses may not charge admission but may charge up to $1.00 per bingo card. The maximum prize value allowable for a single bingo game is $500, and the total prize value for any playing occasion may not exceed $2,500. Prior to 2005, the maximum number of prizes that could be paid out per bingo occasion was $1,000. In addition, organizations may conduct progressive jackpot bingo, in which the prize is carried over to a succeeding game if no player wins. The starting prize must be either a specified amount that does not exceed $500 or 50.0% of the card sales for the first game.

Bingo license fees are $10 for each bingo occasion and $5 annually for the member responsible for handling gross bingo receipts, except for community-based residential facilities, senior citizen centers, and adult family homes, which pay a one-time $5 license fee. These fees have remained unchanged since 1973, when bingo laws were first written. Licensed organizations also pay a 1.0% tax on the first $30,000 in gross receipts, and 2.0% on all gross receipts that exceed $30,000 paid semi-annually based on the license year. Prior to 1999, the tax was a flat 2.0% on gross receipts. Suppliers of bingo equipment are also required to be licensed and pay an annual fee of $25 and a supplementary fee ranging from $10 to $1,000, based on gross annual bingo supply sales.

Raffle licenses may be obtained by the same types of organizations eligible to obtain bingo licenses, although the organizations are required to have been in operation for only one year and their activities must be limited to Wisconsin. A $25 annual license fee, which has remained unchanged since 1989, allows an organization to conduct up to 365 raffles and one calendar raffle, which is a raffle in which multiple drawings are made on specified dates. Raffle licenses may be either Class A, which allow tickets to be sold before the day of the drawing with winners not needing to attend the drawing, or Class B, in which the tickets must be sold or delivered on the same day as the drawing and winners are generally required to attend the drawing.
The number of bingo and raffle licenses and amount of license fees and tax from CY 2009 and CY 2019 through CY 2022 is shown in Table 10.

TABLE 10
Charitable Operations Statistics

	CY 2009	**CY 2019**	**CY 2020**	**CY 2021**	**CY 2022**
Bingo Licenses (#)	465	370	139	248	308
Bingo License Fees	$ 140,315	$ 100,883	$ 47,052	$ 55,643	$ 79,524
Bingo Tax	333,846	175,556	106,688	70,745	143,030
Total Bingo Revenue	$ 474,161	$ 276,439	$ 153,740	$ 126,388	$ 222,354
Raffle Licenses (#)	8,425	11,700	10,760	11,326	11,596
Raffle License Fees	$ 210,625	$ 292,500	$ 269,000	$ 283,150	$ 289,900

Source: Charitable Gaming System, Department of Administration, Division of Gaming

The data illustrates a trend of gradual post-pandemic recovery for bingo licenses, fee and tax revenues, and increasing raffle licenses and fee revenues, which is consistent with revenues as measured on the fiscal year basis. COVID-19 dramatically impacted charitable operations. Both raffle and bingo events center around the gathering of people, and due to the COVID-19 pandemic and public health orders and guidelines, many raffle events and bingo occasions were required to be cancelled. In addition, many licensees deferred their license renewals and many organizations waited until public health requirements and guidelines were lifted before obtaining licenses for raffle events.

As of CY 2022 and as shown in Table 10, the number of bingo licensees are gradually increasing to pre-pandemic levels. Although bingo operations are experiencing a gradual return to pre-pandemic participation, due to the typical timing difference between events and the reception of tax revenues (i.e., in CY 2022 tax revenues were generally received from bingo activities conducted in CY 2021), a return to pre-pandemic revenues is not anticipated to materialize until the close of CY 2023. Further, prior to the COVID-19 pandemic, bingo licenses, fees, and tax revenues were experiencing a historical decline as can be seen from the (20.4%) decline in license issuances from CY 2009 to CY 2019. As such, the Division of Gaming anticipates that once pre-pandemic levels are realized, a trend of continued growth in excess of pre-pandemic consumption is not currently anticipated.

As seen in Table 10, raffle licenses in CY 2022 have almost returned to pre-pandemic levels (i.e., 104 fewer licenses issued in CY 2022 from CY 2019). Despite the temporary reduction in license counts due to the pandemic, the historical trend of growth in raffle license issuances had continued, as can be seen from the 37.6% increase in licenses issued from CY 2009 to CY 2022.

Revenues, expenditures, and lottery fund transfers for the bingo appropriation (s. 20.505 (8) (jn)), which ended FY 2022-23 with a closing balance of $(286,642), are shown in Table 11. Revenues, expenditures, and lapses to the general fund for the raffle appropriation (s. 20.505 (8) (jn)), which ended FY 2022-23 with a closing balance of $(74,468), are shown in Table 12. Both tables provide unliquidated encumbrances and Chapter 20 expenditure authority for comparison purposes.

TABLE 11

Bingo Cash Balance, Expenditure Authority

	2019-20	**2020-21**	**2021-22**	**2022-23**
Beginning Balance[1]	$ (32,516)	$ (50,644)	$ (228,887)	$ (288,834)
Plus: Collected Revenue	268,577	89,881	179,842	256,206
Less: Expenses	274,120	268,124	239,788	254,014
Subtotal	$ (38,059)	$ (228,887)	$ (288,834)	$ (286,642)
Less: Transfer to Lottery Fund	0	0	0	0
Closed Balance Continuing	$ (38,059)	$ (228,887)	$ (288,834)	$ (286,642)
Unliquidated Encumbrances	$ 0	$ 0	$ 0	$ 0
Chapter 20 Expend. Authority[2]	$ 350,100	$ 350,900	$ 190,000	$ 190,100

[1] Beginning balance in FY 2020-21 includes a prior year adjustment for collected revenue of ($12,585) resulting in the change from closed balance continuing in FY 2019-20.

[2] Chapter 20 expenditure authority excludes pay plan supplement adjustments.

TABLE 12
Raffle Cash Balance, Expenditure Authority

	2019-20	2020-21	2021-22	2022-23
Beginning Balance[1]	$ 117,985	$ 119 413	$ 91,642	$ 10,528
Plus: Collected Revenue	291,828	275,579	294,228	310,073
Less: Expenses	274,120	303,300	375,341	395,069
Closed Balance Continuing	$ 119 413	$ 91,692	$ 10,528	$ (74,468)
Unliquidated Encumbrances	$ 0	$ 0	$ 0	$ 0
Chapter 20 Expend. Authority[2]	$ 290,400	$ 291,000	$ 381,000	$ 381,000

[1] Beginning Balance in FY 2021-22 includes a prior year adjustment for collected revenue of $(50) resulting in the change in from Closed Balance Continuing in FY 2020-21.
[2] Chapter 20 expenditure authority excludes pay plan supplement adjustments.

With the intention of ensuring appropriate funding authorization of Charitable position activities, Gaming initiated a time study in Spring FY 2019-20 to refine the estimated costs assignable to each gaming appropriation based on current licensing trends and technology resources. The results of the study informed the Department's plan to accurately distribute the authorization of positions by the operational responsibilities performed. This resulted in initiatives proposed under the Department's 2021-23 Agency Biennial Budget submission, which were successfully approved and enacted under 2021 Wisconsin Act 58.

The first initiative was to correct the funding mismatch (net 0.00 PR-S FTE change), which resulted in a reduction of 2.15 PR-S FTE under bingo, an increase of 1.35 PR-S FTE under raffle, and an increase of 0.80 PR-S FTE under Indian Gaming (s. 20.505 (8) (h), Wis. Stats., General program operations; Indian gaming). The second initiative was the consolidation of the bingo and raffle appropriations under s. 20.505 (8) (jn). This change allows the Department greater flexibility to utilize the fee and tax revenues associated with charitable gaming and allows for more effective financial management for the administration and regulation of these programs. In addition to these recently enacted solutions, the Department will continue to evaluate opportunities to address the current overdraft now under s. 20.505 (8) (jn).

Additionally, Gaming deployed cost savings initiatives in Fall FY 2022-23, such as through a scanning project to streamline, digitize, and electronically store Gaming documents. This project in part allowed the Division to downsize their footprint and move into and occupy a smaller rental space. The Division completed their move to a consolidated space in Spring FY 2022-23, which resulted in an approximate 50.0% reduction in the Division's space rental costs on an annualized and ongoing basis. Given the one-time costs of the scanning project and partial-year implementation of space rental reductions in FY 2022-23, cost savings will be realized in full beginning in FY 2023-24.

Gaming and the Department will continue to evaluate opportunities to further address the negative program positions of Appropriations 84500 and 84600 in the upcoming biennium.

Appropriation 16000 - Information Technology Investment Fund - Special Project

In FY 1996-97, general fund appropriation s. 20.505 (1) (ke), Wis. Stats., Telecommunications and data processing, in the former Division of Technology Management, loaned $3,957,000 to the 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 FY 1996-97, the Department has made annual payments of varying amounts to reduce the loan obligation. At the end of FY 2022-23, the appropriation reported an unsupported overdraft of $(2,463,948). The Department will continue to consider various sources of revenue to apply to the overdraft and 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 (608) 266-1359 or Robin Malicki, Budget Section Chief, at (608) 264-9576.

Cc: Jana Steinmetz, Administrator, Division of Enterprise Operations