



**JIM DOYLE**  
GOVERNOR

**MARC J. MAROTTA**  
SECRETARY

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

---

March 17, 2003

The Honorable Alberta Darling, Co-chair  
Joint Committee on Finance  
317 East, State Capitol  
Madison, WI 53702

The Honorable Dean Kaufert Co-chair  
Joint Committee on Finance  
308 East, State Capitol  
Madison, WI 53702

Dear Senator Darling and Representative Kaufert:

There are several items the Governor would like to have added to or modified in Senate Bill 44, the 2003-05 biennial budget bill. The conceptual changes are outlined below. In appreciation of your work load, we have notified the Legislative Reference Bureau of the changes and they are drafting the items as amendments to the bill. The amendments will be forwarded to you and to the Legislative Fiscal Bureau as soon as they are ready. We look forward to working with you as the Joint Committee on Finance reviews the Governor's budget bill.

These changes will increase the general fund ending balance by over \$5 million in the 2003-05 biennium and maintain a structural balance in the general fund as required under sec. 20.003 (4m), Wisconsin Statutes.

Additional items of a more technical nature have been sent under separate cover directly to the Legislative Fiscal Bureau.

### **MAJOR CHANGES**

1. Shared Revenue and Tax Relief: In order to maximize federal Medicaid revenue to the state, the Governor's budget includes a provision to claim additional local costs related to emergency medical services. The budget bill allocates \$10 million GPR in each fiscal year to the Medical Assistance appropriation, rather than the shared revenue appropriations, to reflect this Medicaid maximization strategy.

However, the current approach does not link reductions in shared revenue to communities that will receive reimbursements for emergency medical services under the Medical Assistance program. An amendment is proposed that would better reflect

the Governor's intent by estimating payments to specific communities and reducing shared revenue payments to those communities by an equal amount. This approach will ensure that communities which do not receive these Medical Assistance reimbursements are not negatively affected by the shift of funding from shared revenue to Medical Assistance.

2. Temporary Assistance for Needy Families (TANF) – Payment of Child Support: Based on a joint review by the Department of Administration, Department of Workforce Development and the Legislative Fiscal Bureau, \$11.6 million in additional TANF revenues have been identified. These revenues represent the accumulation of several years worth of unneeded TANF funding for child support payments. The following changes are necessary to account for these additional revenues:

- Increase the TANF carryover amount in FY04 by \$7,210,000 to reflect additional net child support revenue for the TANF budget (for FY1998 through FY2002)
- Decrease the expenditure line for "Child Support Payments to W-2 Participants" in the TANF budget by \$2,090,000 (to \$0) in FY04
- Decrease the expenditure line for "Child Support Payments to W-2 Participants" in the TANF budget by \$2,300,000 (to \$0) in FY05

The Governor recommends the following changes associated with allocating this additional TANF revenue:

- Replace \$3.1 million TANF for the earned income tax credit in FY04 with \$3.1 million GPR.
  - Replace \$7.1 million SEG from the public benefits fund for the earned income tax credit in FY05 with \$7.1 million in TANF revenues.
  - Replace \$7.1 million GPR for shared revenue in FY05 with \$7.1 million SEG from the public benefits fund (for a total of \$27.1 million SEG from the public benefits fund for shared revenue in FY05).
  - Decrease GPR funding for the TANF budget by \$2,000,000 in FY05.
  - Increase the TANF allocation for indirect child care by \$2,800,000 in each year [s.49.175(1)(q), s.49.155(1g)(b)]. This will provide funding for the TEACH and REWARDS programs and additional support for child care resource and referral agencies. To reflect this change, allocations under SB 44 for the programs under s. 49.155(1g)(b) should be changed to \$5,218,800 in each fiscal year.
3. Employment Relations: Senate Bill 44 includes a number of state agency reorganizations and reductions in state employment. Many affected employees would have no restoration rights due to the elimination of their employing agency or

program. The Governor proposes that these employees retain restoration and reinstatement rights to the agency that receives their employing unit or function after reorganization.

4. Patients Compensation Fund: Senate Bill 44 includes a provision that will transfer \$200 million on a one-time basis in FY04 to support provider payments under the Medical Assistance program. To better reflect the Governor's intent that this be a one-time transfer, an amendment is proposed that would sunset the transfer provision on July 1, 2005. The amendment would also sunset the Health Care Provider Access and Cost Control Fund, which will receive the transfer from the Patients Compensation Fund, on July 1, 2005.
5. Graduate Medical Education: Senate Bill 44 eliminates Medical Assistance reimbursement for direct and indirect graduate medical education expenses. To better reflect the Governor's intent to restore this benefit in the future, a non statutory provision should be added to direct the Department of Health and Family Services to amend the Medical Assistance state plan to reestablish reimbursement for graduate medical education starting with the third quarter of calendar year 2005. The state plan amendment would be submitted to the federal Centers of Medicare and Medicaid Services in the second calendar quarter of 2005.
6. Pharmacy Purchasing Pool: Senate Bill 44 includes a provision creating a pharmacy purchasing pool for governmental units. After the pool is established, additional employers that offer health insurance to their employees may join the pool at the request of the Governor. To better reflect the Governor's intent to improve access to pharmacy benefits, the provision should be broadened to allow that after the pool is established the Governor may authorize the inclusion of individuals in the pharmacy purchasing pool. Membership in the pool would be limited to individuals who do not have health insurance that includes a pharmacy benefit, either through employer sponsored or privately acquired insurance.
7. Northern Wisconsin Center: Based on further analysis by the Department of Health and Family Services, GPR savings associated with downsizing this facility should be revised downward from \$4.6 million to \$2.2 million.

This reestimate includes the following specific changes. Funding under s. 20.435(4)(b) should be increased by \$1,643,400 GPR in FY04 and \$1,382,600 GPR in FY05. GPR-Earned estimates should be increased by \$952,000 in FY04 and decreased by \$423,700 in FY05. Funding under s. 20.435(4)(o) should be increased by \$2,307,700 FED in FY04 and \$308,900 FED in FY05. Based on this reestimate, the net GPR savings of this proposal over the biennium is \$2,163,900.

8. Brownfields Grant Program: Senate Bill 44 creates a new consolidated Brownfields Grant program in the Department of Natural Resources and requires the department oversee existing grant awards made by the Department of Commerce. However, 2003 Wisconsin Act 1 did not leave a sufficient level of funding in the Department of

Commerce's brownfields and greenspace grant appropriations to allow the Department of Commerce to award any grants in FY03 to recent applicants. Senate Bill 44 does not contain a provision for the Department of Natural Resources to honor those applications.

To assist the local units of government and others that invested resources in applying to the Department of Commerce and to improve the transition to the new program, an amendment is proposed to allow the Department of Natural Resources to review the applications received by the Department of Commerce in October 2002 (brownfields grants) and January 2003 (greenspace grants), rank them under the current Department of Commerce ranking structure, and make awards to eligible applicants from the funding provided for the 2003-05 biennium. Funding for the applicants would be limited to what would have been available in FY03 prior to 2003 Act 1. Future applications would be made and reviewed under the new program.

## **OTHER CHANGES**

### CORRECTIONS

Health Services Unit Positions: Senate Bill 44 authorizes the conversion of health services project positions at the Redgranite, Wisconsin Secure Program and Prairie du Chien facilities to permanent status. While funding was provided in the bill for these positions, an additional \$448,500 GPR in FY05 is necessary to fully fund fringe benefit costs associated with these positions.

Position Reductions: Senate Bill 44 eliminates 196.98 FTE GPR positions in the Department of Corrections. Further review of the specific positions being eliminated has identified a lower level of savings than initially estimated. Operations funding needs to be increased by \$257,000 GPR in FY04 and FY05 to more accurately reflect savings from these reductions.

Serious Juvenile Offenders: Senate Bill 44 recalculates rates associated with housing juvenile offenders. State funding provided in the bill to support the cost of serious juvenile offenders did not reflect these new rates. Additional funding of \$185,400 GPR in FY04 and \$125,900 GPR in FY05 is necessary to reflect this change.

Contract Beds: Senate Bill 44 includes a number of changes that impact the amount of funding necessary to fully fund contracts for out-of state prison beds. Further review of those changes has identified savings of \$42,300 GPR in FY04 and \$120,500 GPR in FY05 compared to SB 44

### EMPLOYEE TRUST FUNDS

Sick Leave Conversion Changes: Senate Bill 44 includes provisions that would allow employees with 20 or more years of service to retain accumulated sick leave upon

separation from state service. The bill needs to be amended to include the supplemental sick leave conversion component and various changes to allow the purchase of health insurance by eligible terminated nonannuitant employees.

#### EMPLOYMENT RELATIONS

Selection of Administrator of Division of Merit Recruitment and Selection: Senate Bill 44 includes a provision for selecting the administrator of the Division of Merit Recruitment and Selection after the functions of the Department of Employment Relations are consolidated into the Department of Administration. In order to more fully reflect the Governor's intent, the selection process should be amended to authorize the Secretary of Administration to conduct an examination and create a register of qualified applicants. The selection committee shall then choose three individuals from that register for consideration by the Governor. In addition, the provision should also allow the Governor to nominate the incumbent administrator for reappointment with the advice and consent of the Senate.

#### FINANCIAL INSTITUTIONS

Position Reductions: In order to more accurately reflect the programs affected by position reductions, 2.0 PR FTE positions should be cut from the department's general operations appropriation under s. 20.144(1)(g) and 2.0 PR FTE positions should be restored to the Office of Credit Unions appropriation under s. 20.144(2)(g).

#### HEALTH AND FAMILY SERVICES

HIRSP Benefits and Administrative Costs: In order to accurately reflect the proposed elimination of the GPR subsidy for this program, the segregated revenue appropriation under s. 20.435(4)(v), needs to be reduced by \$3,890,800 SEG in FY04 and \$4,677,100 in FY05.

#### BadgerCare

- *Funding Reestimate:* In order to be fully consistent with other elements of Senate Bill 44 related to BadgerCare capitation rates, funding needs to be increased under s. 20.435(4)(bc) by \$884,600 GPR in FY04 and \$1,517,400 GPR in FY05. Funding under s. 20.435(4)(p) needs to be increased by \$1,748,900 FED in FY04 and \$3,000,500 FED in FY05.
- *Health Insurance Premium Program Expansion:* Senate Bill 44 requires increased verification of the availability of employer-provided insurance for individuals applying for BadgerCare. To better reflect the Governor's intent, additional funding needs to be provided to county income maintenance agencies to meet the administrative work load associated with this new requirement. The appropriation under s. 20.435(4)(bn) needs to be increased by \$263,400 GPR in FY04 and \$570,600 GPR in FY05. The

appropriation under s. 20.435(4)(nn) needs to be increased by \$263,400 FED in FY04 and \$570,600 FED in FY05.

#### Medical Assistance

- *HMO Assessment* Senate Bill 44 includes a one percent assessment on gross revenues of HMOs, and uses these revenues to make payments to HMOs serving Medical Assistance and BadgerCare recipients as well as to meet ongoing costs in these programs. Three changes are necessary to this proposal. First, the amount of the assessment budgeted for rate increases and other payments to HMOs understated the cost of these rate increases. Second, the amount budgeted for rate increases inadvertently used a cost for rate increases in BadgerCare which included intensity adjustments for fee-for-services costs. Finally, the budget bill specifies that the assessment for FY04 will be levied against revenues reported by HMOs for the 2002 calendar year. The estimate for revenues in the budget, however, used 2001 revenue data.

The net effect of these adjustments increases all funds expenditures in FY04 by \$8,051,600 (\$-\$6,737,000 GPR, +\$10,953,900 FED and +\$3,834,700 SEG) and increases all funds expenditures in FY05 by \$42,985,600 (\$3,551,200 GPR, \$35,369,600 FED and \$4,064,800 SEG).

- *Funding Reestimate:* Senate Bill 44 assumes a higher level of Medical Assistance funding for the Veterans Home at King than would be allowed under federal maximum upper limit regulations. Funding under s. 20.435(4)(b) should be reduced by \$3,288,100 GPR in FY04 and \$380,700 GPR in FY05. Funding under s. 20.435(4)(o) should be reduced by \$4,618,800 FED in FY04 and \$534,600 FED in FY05.
- *Medicare Crossover Claims:* Senate Bill 44 assumes savings of \$8.7 million in FY04 and \$17.5 million in FY05. Savings are now estimated to be \$10.1 million in FY04 and \$17.5 million in FY05.

Funding under s. 20.435(4)(b) should be reduced by \$580,000 GPR in FY04 and \$7,400 GPR in FY05. Funding under s. 20.435(4)(o) should be reduced by \$771,700 FED in FY04 and increased by \$5,300 FED in FY05.

Supplemental Security Income Managed Care Expansion: Senate Bill 44 assumes savings of \$2 million in FY04 and \$37.3 million in FY05. Savings are now estimated to be \$8 million in FY04 and \$27.4 million in FY05.

Funding under s. 20.435(4)(b) should be reduced by \$2,496,000 GPR in FY04 and increased by \$4,093,500 GPR in FY05. Funding under s. 20.435(4)(o) should be reduced by \$3,506,800 FED in FY04 and increased by \$5,749,000 FED in FY05.

Centralized Income Maintenance Administration: Senate Bill 44 assumes savings of \$6.8 million in FY04 and \$13.5 million in FY05. Actual savings are estimated to be \$6.6 million in FY04 and \$12.9 million in FY05 due to a reestimate of administrative costs associated with increasing rates to income maintenance agencies.

Funding under s. 20.435(4)(bn) should be increased by \$88,900 GPR in FY04 and \$268,300 GPR in FY05. Funding under s. 20.435(4)(nn) should be increased by \$88,900 FED in FY04 and \$268,300 FED in FY05.

## JUSTICE

GPR Reductions: The Governor's budget reduces 13.0 GPR FTE positions in the department to reflect use of fee revenues to pay for the cost of certain activities. To better reflect the Governor's intent, 13.0 PR FTE positions need to be created in the bill.

## TRANSPORTATION

License Plate Renewals: In order to meet budget reduction targets in the department, license plate reissuance cycles need to be set administratively.

## WORKFORCE DEVELOPMENT

Wisconsin Works (W-2) Education Assessment: Senate Bill 44 includes a provision that requires all W-2 agencies to conduct an educational needs assessment for each individual that applies for W-2 employment. In order to fully reflect the Governor's intent, the language should be clarified to specify that W-2 agencies may pay for education and training activities only for those individuals who have been determined eligible for W-2.

Use of Unspent Temporary Assistance for Needy Families (TANF) Funding: Senate Bill 44 provides flexibility to the department in the allocation of TANF funding between June 30 and September 30 of each year. The bill also includes language that would transfer any unspent balances to the general fund. That provision is in error and should be removed from the bill.

## TANF Allocations

- W-2 Contracts: Allocations under Senate Bill 44 for W-2 contracts are incorrect as they relate to s. 49.175(1)(a). The correct amounts are as follows:

FY04 (for 2002-03 contracts): \$33,219,700  
FY04 (for 2004-05 contracts): \$38,207,800

The Honorable Alberta Darling  
The Honorable Dean Kaufert  
Page 8  
March 17, 2003

UNIVERSITY OF WISCONSIN/HIGHER EDUCATIONAL AIDS BOARD

Wisconsin Higher Education Grant - University of Wisconsin and Lawton Minority Undergraduate Grants: Under current law, funding for this program is linked to increases in tuition at University of Wisconsin System campuses. Under Senate Bill 44, these appropriations remain sum sufficient and would increase by the percentage increase in University of Wisconsin tuition. This conflicts with the Governor's intent to fund 2003-05 increases to these programs through the creation of new appropriations funded with revenue from the University of Wisconsin auxiliary reserves. In order to fully reflect the Governor's intent, the amounts in the sum sufficient appropriations for FY04 and FY05 need to be specifically enumerated.

We appreciate the Joint Committee on Finance's consideration of these needed changes.

Sincerely,

Marc J. Marotta  
Secretary

cc: Members, Joint Committee on Finance  
Bob Lang, Legislative Fiscal Bureau