



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 27, 2015

Joint Committee on Finance

Paper #678

Delete Segregated Fund Appropriations (UW System)

[LFB 2015-17 Budget Summary: Page 463, #16,
464, #17 and 18, 465, #21 and 22, 466, #24]

CURRENT LAW

The UW System has 13 segregated fund (SEG) appropriations. The total annual adjusted base funding for these appropriations is \$34,512,300 with 129.05 positions.

GOVERNOR

Delete all of the UW System's SEG appropriations and the related funding on July 1, 2016.

DISCUSSION POINTS

1. This paper addresses the proposed deletion of six of the UW System's 13 SEG appropriations. Five of the UW System's SEG appropriations, including four from the environmental management account of the environmental fund and one from the forestry account of the conservation fund, are addressed in separate papers. The UW System has two additional SEG appropriations related to its trust funds: one for trust fund income and one for trust fund operations. Those appropriations will not be addressed in this paper because the UW System would retain control of its trust funds and the income generated by those funds under the bill.

Telecommunications Services

2. Under current law, the UW System receives \$1,054,800 annually from the universal service fund (USF) to pay the Department of Administration (DOA) for telecommunications services provided to UW System campuses. According the UW System budget staff, those funds

are currently used to pay DOA for BadgerNet services provided to UW Colleges campuses and for phone service. BadgerNet provides internet transport, video applications, and network services to state government, other governmental agencies, and educational entities.

3. USF funds are generated by an assessment charged by the Public Service Commission (PSC) on companies that provide retail intrastate voice telecommunications services. The assessment is adjusted annually by the PSC in order to generate the amount of money that is allocated to programs from the USF. Deleting the appropriation from the USF to the UW System as proposed by the Governor should result in a lower assessment on retail intrastate voice telecommunications services. Restoring the funding would not result in an increase in the assessment compared to current law. Total USF revenues were \$41.9 million in 2013-14.

4. In addition to deleting the appropriation from the USF to the UW System, the Governor's budget would modify the current law definition of "qualified postsecondary institution" such that DOA would not be permitted to provide computer and telecommunications services, including BadgerNet services, to UW institutions. This change was identified as an error in the errata letter sent by the DOA Secretary to the Committee Co-Chairs. The bill would also delete language permitting USF funds to be used to pay DOA for telecommunications services provided to UW System campuses. If the Committee opts to restore the USF funding to the UW System, this statutory language should also be restored. If the Committee does not restore the USF funding for the UW System, the Committee may still wish to restore the language permitting DOA to provide computer and telecommunications services to UW institutions as this was identified as an error in DOA Secretary's errata letter. This change would allow UW institutions to continue to purchase BadgerNet services from DOA.

Rural Physician Residency Assistance Program

5. The rural residency assistance program (also known as WRPRAP) was established by 2009 Act 190. The purpose of the program, which is funded with moneys from the critical access hospital (CAH) trust fund, is to establish and support physician residency positions that meet one of the following criteria: (1) is in a hospital that is located in a rural area or in a clinic staffed by physicians who admit patients to a hospital in a rural area; or (2) includes a rural rotation, begun after June 30, 2010, which consists of at least eight weeks of training experience in a hospital that is located in a rural area or in a clinic staffed by physicians who admit patients to a hospital located in a rural area. In 2013-14, WRPRAP provided support for 75 rural rotations in family medicine, pediatrics, and psychiatry and provided grants totaling \$680,200 for the development of rural residency and fellowship programs.

6. Funds from the CAH trust fund that are not appropriated for other purposes are transferred to the medical assistance (MA) trust fund. Any increase in the amount of funds transferred from the CAH trust fund to the MA trust fund would reduce the amount of GPR required to fund the MA program by the same amount. This means that deleting the appropriation from the CAH trust fund for WRPRAP should reduce the GPR required to fund the MA program by \$750,000 in 2016-17. However, the Governor's budget bill did not reestimate the amount of funding that would be transferred to the MA trust fund from the CAH trust fund or reduce the amount of GPR funding for the MA program to reflect an increase in the amount transferred from

the CAH trust fund. As a result, if the Committee were to modify the Governor's bill to continue to provide funds from the CAH trust fund to the UW System for the WRPRAP program, it would have no effect on the GPR fund condition in 2016-17 compared to the Governor's bill. If the Committee were to adopt the Governor's recommendation in this area, it would reduce the amount of GPR funding needed for the MA program by \$750,000 in 2016-17 and increase the balance of the general fund by the same amount.

7. The technical errata letter sent by the State Budget Director to the Legislative Fiscal Bureau indicated that funding for the WRPRAP program had been inadvertently deleted in the Governor's budget. To correct this error, the State Budget Director indicated that the Department of Health Services (DHS) should be authorized to transfer up to \$1,000,000 from the MA trust fund to the UW System Authority for the purpose of providing grants if the UW System Authority continues the WRPRAP program and requests funding to support it. Subsequently, State Budget Office staff indicated the Governor's intention had been to maintain funding for both the WRPRAP program and the physician and dentist and health care provider loan assistance programs (which are described below) with \$750,000 being provided for WRPRAP and \$250,000 being provided for the loan assistance programs.

8. The Committee Co-Chairs have indicated that their intention is to remove items related to the conversion of the UW System to a public authority from the budget bill. Given this, it may be more appropriate to provide funding from the CAH trust fund directly to the UW System by restoring the appropriation for the rural residency assistance program, rather than authorize DHS to transfer funds for that purpose to the UW System as proposed in the technical errata letter.

Physician and Dentist Loan Assistance Program

9. Through the physician and dentist and health care provider loan assistance programs, the Board of Regents may repay up to \$50,000 in education loans on behalf of physicians and dentists and up to \$25,000 in education loans on behalf of health care providers who agree to practice in one or more eligible practice areas or dental health shortage areas in this state. Under 2009 Act 9, \$250,000 annually was provided from the CAH trust fund to fund loan repayments on behalf of physicians, dentists, and health care providers who practice in rural areas and statutes were modified to permit the Board of Regents to repay up to \$100,000 in education loans on behalf of physicians practicing in rural areas. The Board is currently repaying education loans on behalf of 10 physicians using the funds provided from the CAH trust fund.

10. As discussed above, if the Committee was to modify the Governor's bill to continue to provide funds from the CAH trust fund to the UW System for the physician and dentist and health care provider loan assistance programs, it would have no effect on the GPR fund condition in 2016-17 compared to the Governor's bill. However, if the Committee were to adopt the Governor's recommendation in this area, it would reduce the amount of GPR funding needed for the MA program by \$250,000 in 2016-17 and increase the balance of the general fund by the same amount. As noted above, DOA budget staff have indicated that the Governor's intention had been to maintain funding from the CAH trust fund for the physician and dentist and health care provider loan assistance programs.

11. Loan repayments made on behalf of physicians, dentists, and health care providers who do not practice in rural areas but otherwise meet the criteria of the loan assistance programs are funded with \$488,700 PR-tribal gaming transferred from the DOA. (Some physicians receive loan repayments from both the CAH trust fund and the PR-tribal gaming funds.) In addition to deleting the funds from the CAH trust fund, the Governor's budget would also delete the PR-tribal gaming funds provided for this program. Additional information on the physician and dentist and health care provider loan assistance programs and the proposed deletion of the PR-tribal gaming funds provided for the program is provided in the LFB budget paper titled "Delete Tribal Gaming Funding."

Environmental Program Grants and Scholarships

12. 2009 Act 28 provided \$200,000 annually from the interest and income of the normal school fund to the UW System through a new appropriation. Of the amount provided, \$100,000 was to be used to provide need-based grants to students who are members of underrepresented groups and who are enrolled in a program leading to a certificate or a bachelor's degree from the Nelson Institute for Environmental Studies at UW-Madison. The remainder of the funding provided was to be used for scholarships for students enrolled in the UW-Extension's sustainable management degree program. Under 2011 Act 32, the appropriation was modified to provide that all income and interest from the normal school fund should be transferred to the UW System and the appropriation was reestimated at \$300,000 annually. Of that amount, \$200,000 is used to fund the grant and scholarship programs created by 2009 Act 28 and any additional funding is transferred to UW-Stevens Point to fund environmental programs. In 2013-14, UW-Stevens Point received \$100,757 in income and interest from the normal school fund. These funds were used to support an outreach program manager position. This position serves as the Department of Public Instruction environmental education consultant.

13. The normal school fund was created by the state Constitution to provide funds to support and maintain academies and normal schools and suitable libraries and apparatus for those institutions. The normal schools trained K-12 teachers and later became known as state teachers colleges and then the Wisconsin State Colleges. In 1971, the Legislature passed legislation to merge the University of Wisconsin and the Wisconsin State Colleges thereby creating the UW System. Because the former normal schools are now part of the UW System and UW institutions continue to train K-12 teachers and offer degrees in education, the UW System is the beneficiary of the earnings of the normal school fund. If the interest and income of the normal school fund is not appropriated to the UW System, those moneys would accumulate in the normal school fund.

14. The normal school fund was created to support teacher training programs. While the Department of Public Instruction environmental education consultant position at UW-Stevens Point may be related to teacher training, it is less clear how providing grants and scholarships for students in environmental studies and sustainable management programs is related to teacher training. If the Committee restores the appropriation from the normal school fund under the UW System, the Committee could delete the current language specifying how those funds should be used and instead specify that the funds should be used to support teacher preparation programs. This would conform with the purpose for which the normal school fund was created.

Discovery Farm Grants Program

15. The Discovery Farms program is administered by the University of Wisconsin–Extension and UW–Madison to study and publicize the environmental and economic effects of various agricultural practices on working farms. The program regularly receives funding from several state, federal and private sources. In 2014-15, state funding includes, among other sources, \$248,400 SEG from the agrichemical management (ACM) fund with 1.2 positions.

16. The Discovery Farms program has substantially completed 10 "core" farms projects throughout Wisconsin, with the studies intended to examine relationships between: (a) the multiple soil types occurring in the state; (b) various topographic and water features throughout the state; and (c) different agricultural products and production methods. For example, participating farms have included an organic dairy farm, a no-till crop producer, large confinement dairy operations, a beef producer, a swine farm, and a dairy using management-intensive grazing. Studies on core farms typically have lasted five to seven years. This timeframe is intended to capture data based on multiple years of activity, including different crop rotations, and also variability in weather and seasonal conditions. Discovery Farms staff reports upcoming core farm studies have begun or are expected to begin in the Janesville area and in Green Bay-area watersheds. In addition to core farms projects, the Discovery Farms program occasionally initiates studies on certain special topics. Special research projects may occur on individual farms, or in entire watersheds and covering multiple farm sites. Current watershed-scale projects are ongoing in the areas of Monroe, Vernon and St. Croix Counties.

17. The Discovery Farms program has been supported from multiple sources in recent years. The program was first appropriated funds from the segregated agricultural chemical cleanup program (ACCP) fund in 2007-08; this was converted to ACM SEG by 2013 Act 20, beginning in 2013-14. The program also has typically received GPR support from the University of Wisconsin System. Discovery Farms reports a 2014-15 budget of: (a) \$192,700 GPR; (b) \$248,400 ACM SEG; (c) \$240,000 from the Wisconsin Milk Marketing Board; (d) \$166,900 from the U.S. Department of Agriculture--Natural Resources Conservation Service; and (e) \$42,500 from the Minnesota Agricultural Water Resource Center, which also supports the Minnesota Discovery Farms. Discovery Farms staff indicates all program positions are currently filled.

18. The following table shows the total funding budgeted by Discovery Farms since SEG funding began from the agricultural chemical funds in 2007-08, as well as the portions of the total program budget attributable to SEG funding. Although Discovery Farms program annual funding may vary with grants the program receives, ACM SEG funding accounted for a relatively higher proportion of program funding in 2013-15 than in previous biennia.

Discovery Farms Annual Funding

<u>Year</u>	<u>Total Budget</u>	<u>SEG Amounts and Fund</u>	<u>SEG Percentage</u>
2007-08	\$1,083,100	\$250,000 (ACCP)	23.1%
2008-09	1,049,300	225,000 (ACCP)	21.4
2009-10	1,090,700	246,700 (ACCP)	22.6
2010-11	1,569,900	246,700 (ACCP)	15.7
2011-12	1,051,400	248,400 (ACCP)	23.6
2012-13	1,178,500	248,400 (ACCP)	21.1
2013-14	760,400	248,400 (ACM)	32.7
2014-15	890,500	248,400 (ACM)	27.9

19. Total Discovery Farms SEG expenditures from 2007-08 through 2013-14 were \$1,713,100. Over this time, ACCP/ACM SEG has been allocated as follows: (a) 38% for monitoring, collection, and analysis of samples from participant farms; (b) 32% for salary and fringe benefits costs for authorized positions; (c) 15% as grants to producers to compensate them for their participation in the projects; (d) 11% for equipment and miscellaneous costs; and (e) 4% for printing publications to disseminate research findings.

20. It is unclear to what extent any GPR reduction under the bill may impact the Discovery Farms program. Discovery Farms staff indicates it anticipates continued, and perhaps increased, federal and other private or charitable funding in the 2015-17 biennium. However, staff also indicates insufficient state funding (GPR, SEG or a combination of both) could impact the program's ability to pursue additional funding, as federal or private funding would be contingent on the program meeting minimum recipient match requirements.

21. The ACM fund currently has annual revenues estimated at \$7.9 million. Based on Joint Finance action to date, ACM SEG appropriations would be budgeted at \$7.58 million in 2015-16 and \$7.33 million in 2016-17.

Center for Cooperatives

22. In the 2013-15 biennium, the UW System received \$133,300 annually through an appropriation from the forestry account of the conservation fund for grants to forestry programs. Statutes specify that \$78,000 from this appropriation should be provided to UW-Stevens Point's paper science program and the remainder of the funds used for grants to forest cooperatives awarded by the Center for Cooperatives at UW-Madison. By statute, these grants are awarded to persons wishing to form forestry cooperatives that consist primarily of private, nonindustrial owners of woodland. To be eligible for a grant, a recipient must provide matching funds from non-state sources equal to 50% of the grant award. Statutes permit the Center for Cooperatives to use 5% of the appropriation for administrative expenses.

23. Based on expenditure data for 2013-14, UW-Stevens Point used \$80,500 from the appropriation to support a laboratory manager position in the paper sciences program and \$2,800 for other costs. In addition, the Center for Cooperatives awarded eight grants totaling \$36,350 and

spent \$13,650 on supplies and services. These expenditures do not conform to current law which specifies that \$78,000 should be transferred to UW-Stevens Point and limits the amount that can be expended on supplies and services by the Center for Cooperatives to 5% of the appropriation. To be consistent with current practice, the Committee could modify statutory language related to this appropriation to specify that \$50,000 should be provided to the Center for Cooperatives at UW-Madison and the remainder of the funds should be provided to UW-Stevens Point's paper science program and delete the language limiting administrative costs to 5% of the appropriation.

ALTERNATIVES

A. Telecommunications Services

1. Approve the Governor's recommendation.
2. Modify the Governor's budget to restore current law permitting DOA to provide computer and telecommunications services to UW institutions consistent with the DOA Secretary's errata letter.
3. Delete provision. This would restore the appropriation from the universal service fund for telecommunications services under the UW System and provide \$1,054,800 in 2016-17. In addition, restore current law permitting DOA to provide computer and telecommunications services to UW institutions and permitting USF funds to be used to pay DOA for telecommunications services provided to UW System campuses would be restored.

ALT A3	Change to Bill
SEG	\$1,054,800

B. Rural Physician Residency Assistance Program

1. Approve the Governor's recommendation. Adjust the MA appropriations to reflect the availability of these segregated moneys.

ALT B1	Change to Bill
SEG-- MA Trust Fund	\$750,000
GPR--MA Program	<u>- 750,000</u>
Total	\$0

2. Modify the Governor's budget to authorize the Department of Health Services to transfer up to \$750,000 from the medical assistance trust fund to the UW System for the rural physician residency assistance program consistent with the technical errata letter and information provided by State Budget Office staff.

ALT B2	Change to Bill
PR	\$750,000

3. Delete the provision. This would restore the appropriation from the critical access hospital trust fund for the rural physician residency assistance program under the UW System and provide \$755,300 in 2016-17.

ALT B3	Change to Bill
SEG	\$755,300

C. Physician and Dentist Loan Assistance Program

1. Approve the Governor's recommendation. Adjust the MA appropriations to reflect the availability of these segregated moneys.

ALT C1	Change to Bill
SEG-- MA Trust Fund	\$250,000
GPR--MA Program	<u>- 250,000</u>
Total	\$0

2. Modify the Governor's recommendation to authorize the Department of Health Services to transfer \$250,000 from the medical assistance trust fund to the UW System Authority to repay education loans on behalf of physicians, dentists, and health care providers practicing in rural areas. This would be consistent with the technical errata letter and information provided by State Budget Office staff. In addition, restore the language authorizing the Board of Regents to repay up to \$100,000 in education loans on behalf of physicians who agree to practice in rural areas and additional language related to those payments.

ALT C2	Change to Bill
PR	\$250,000

3. Delete the provision. This would restore the appropriation from the critical access hospital trust fund for the physician and dentist and health care provider loan assistance programs under the UW System and provide \$250,000 in 2016-17. This would also restore current law authorizing the Board of Regents to repay up to \$100,000 in education loans on behalf of physicians who agree to practice in rural areas and additional language related to those payments.

ALT C3	Change to Bill
SEG	\$250,000

D. Environmental Program Grants and Scholarships

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to restore the appropriation from the normal school fund under the UW System and estimate that appropriation at \$300,000 in 2016-17.

ALT D2	Change to Bill
SEG	\$300,000

- a. In addition, specify that the interest and income provided from the normal school fund be used to support grants, scholarships, and environmental programs at UW-Stevens Point as under current law.
 - b. In addition, specify that the interest and income provided from the normal school fund be used to support teacher preparation programs.
 - c. Do not specify the purpose for which funds from the normal school fund should be used.
3. Delete provision. (This would have the same effect as adopting alternative D2a.)

ALT D3	Change to Bill
SEG	\$300,000

E. Discovery Farm Grants Program

1. Approve the Governor's recommendation.
2. Delete provision. (Funding of \$249,800 ACM SEG and 1.2 positions would be restored in 2016-17.)

ALT E2	Change to Bill	
	Funding	Positions
SEG	\$249,800	1.20

F. Center for Cooperatives

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to restore the appropriation for grants to forestry programs from the forestry account of the conservation funds under the UW System and

provide \$133,300 in 2016-17.

ALT F2	Change to Bill
SEG	\$133,300

3. In addition to alternative F2, modify statutory language related to this appropriation to specify that \$50,000 be provided to the Center for Cooperatives at UW-Madison and the remainder of the funds be provided to UW-Stevens Point's paper science program and delete current law limiting administrative costs to 5% of the appropriation.

4. Delete provision. This would restore the appropriation for grants to forestry programs from the forestry account of the conservation funds under the UW System and the related statutory language and provide \$133,300 in 2016-17.

ALT F4	Change to Bill
SEG	\$133,300

Prepared by: Emily Pope and Paul Ferguson