

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- Appointments ... Appt
-
- Clearinghouse Rules ... CRule
-
- Committee Hearings ... CH
-
- Committee Reports ... CR
-
- Executive Sessions ... ES
-
- Hearing Records ... HR
-
- Miscellaneous ... Misc
- 97hr_JC-Fi_Misc_pt01b_DPR
- Record of Comm. Proceedings ... RCP
-

Joint Finance

16.505/16.515

14 Day Passive
Reviews

6/24/96 to
9/23/96

9/19/96
OOA/DPI

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

Room 302H
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ASSEMBLY CHAIR
BEN BRANCEL

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JOINT COMMITTEE ON FINANCE

September 20, 1996

The Honorable James Klauser, Secretary
Department of Administration
101 East Wilson, 10th Floor
Madison, Wisconsin 53707-7864

Dear Secretary Klauser:

This is to inform you that the members of the Joint Committee on Finance have reviewed your August 30, 1996 request pursuant to s.16.515/16.505(2) regarding requests from the Department of Administration and the Department of Public Instruction.

No objections to these requests have been raised. Accordingly, the requests are approved.

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE
Senate Chair

Handwritten signature of Ben Brancel in black ink.

BEN BRANCEL
Assembly Chair

cc: Members, Joint Committee on Finance
State Superintendent of Public Instruction, John Benson
Legislative Fiscal Bureau

BB:BB:jc

STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

TO: Members
Joint Committee on Finance

FROM: Representative Ben Brancel
Senator Brian Burke
Co-Chairs, Joint Committee on Finance

DATE: September 3, 1996

RE: s.16.515/16.505 Request

Attached are copies of requests from the Department of Administration and the Department of Public Instruction regarding additional expenditure authority for program services and one-time and on-going program revenue expenditure authority for a telecommunications appropriation. Pursuant to s.16.515/s.16.505 (2), the Joint Committee on Finance has fourteen working days to consider these requests. Please contact **Representative Brancel's office** or **Senator Burke's office** no later than **Thursday, September 19, 1996** if you have any concerns about the requests or would like the Committee to meet formally to consider them.

Also, please contact us if you need further information.

BB:BB:al

CORRESPONDENCE MEMORANDUM

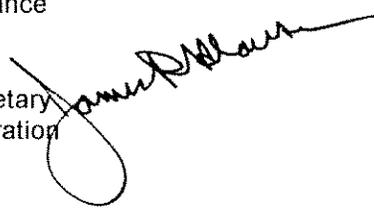
**STATE OF WISCONSIN
Department of Administration**

Date: August 30, 1996

To: The Honorable Brian Burke, Co-Chair
Joint Committee on Finance

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance

From: James R. Klauser, Secretary
Department of Administration



Subject: S. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1995-96</u> <u>AMOUNT</u>	<u>FTE</u>	<u>1996-97</u> <u>AMOUNT</u>	<u>FTE</u>
DOA/DPI 20.505(4)(h)	Program Services			\$ 68,200	1.0
DOA 20.505(1)(ke)	Telecommunications and Data Processing Services			\$ 5,990,000	

As provided in s. 16.515, this request will be approved on September 23, 1996, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Linda Nelson at 266-3330, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: August 28, 1996

To: James R. Klauser, Secretary

From: Brian Pahnke, Executive Budget and Policy Analyst

Subject: s. 16.505/16.515 Request for the Department of Administration (DOA) and the Department of Public Instruction (DPI)

REQUEST

The DOA requests approval of two 0.50 permanent FTE and \$68,200 PRS in 1996-97 and \$70,700 in 1997-98 in additional spending authority. DOA's 1996-97 increase would be to appropriation s. 20.505 (4)(h), Program Services and its 1997-98 increase to appropriation s. 20.505 (4)(kp), Hearings and Appeals Fees.

The proposed request would enable DOA's Division of Hearings and Appeals (DHA) to conduct special education hearings under contract with the DPI, which would initially incur hearings costs in DPI's federal continuing appropriation under s. 20.255 (1)(me), Federal Aids; Program Operations. The request indicates that as hearings are completed, DPI would charge school districts for hearing costs and apply the revenues generated to reimburse s. 20.255 (1)(me). Any residual costs would be covered by DPI from funds provided by the federal Department of Education under the Exceptional Children Education Program.

BACKGROUND

Under current law, DPI is the state agency responsible for ensuring that a due process system is available to parents and school districts with regard to special education issues. However, under both federal and state law, DPI is prohibited from using its own employees to conduct hearings on issues related to a school district's identification, evaluation, educational placement or provision of special education to a disabled child (federal and state special education laws provide parents with due process rights allowing them to challenge a school district's decision in these areas). This prohibition is intended to ensure impartiality in individual hearing proceedings since DPI has state oversight responsibility for special education in Wisconsin.

According to DOA and DPI, prior to the enactment of 1995 Wisconsin Act 431, Wisconsin administered a two-stage hearing process for parents and school districts when a dispute arose over an issue related to a child with exceptional education needs. Under the former system, each local school district was responsible for employing a hearing officer to conduct special education due process hearings (either a parent or a school board can initiate the appointment and hearing process). Following the hearing officer's decision, either the parent or school board could appeal the decision to the state superintendent of public instruction, who was required to appoint an impartial hearing officer to issue another decision (DPI assumed the hearing costs if the case reached this second stage of appeal). Either party could appeal DPI's decision to the appropriate circuit court.

Act 431, enacted on June 25, 1996, created a one-stage review system by eliminating the first stage in the hearing process (the appointment of a hearing officer by the school board). Under

the new law, the DPI (rather than the school district) is responsible for appointing a hearing officer to conduct the initial hearing, although the school district is still responsible for covering the costs of the hearing. Either party may still appeal the decision of this hearing officer to the appropriate circuit court.

DOA and DPI staff note that supporters of this new legislation urged the DPI to guarantee that state employees would act as hearing officers after its passage so that Wisconsin could ensure quality, timeliness, uniformity and predictability in its special education hearing decisions. Due to these concerns, DPI advised the legislature of its intent to contract with the DOA's Division of Hearings and Appeals (DHA) to implement this hearing function, which is the rationale for this request.

Presently, DPI is contracting with seven private hearing officers to discharge its statutory responsibilities (as noted earlier, DPI may not employ its own staff to perform this function) at a rate of nearly \$100 per hour. DPI and DOA staff note that this request for additional positions and expenditure authority is designed to implement legislative intent, as enacted under Act 431.

The proposed agreement between DPI and DHA requires DHA to schedule and conduct all hearings related to special education issues. Typically, hearings run from 1-3 days and are conducted at the school district where the parties and witnesses reside. In addition, state law requires that decisions must be rendered within 45 days after the special education hearing request, although current practice indicates that private hearing officers do not always render a decision within that time frame and seek extensions subject to the agreement of both parties.

ANALYSIS

The DHA indicates that due to an increasing special education hearing caseload over the past five years and a 9.5% to 11% annual increase in its overall caseload since 1991 (Table I), it would be unable to carry out the special education hearing responsibilities with its present staff. Furthermore, DHA indicates that, since July 1, 1996, it has assumed the caseload for the Wisconsin Works (W-2) Program from the Department of Health and Family Services (DHFS). While it received additional staff from DHFS to perform that function (estimated at 7,000 additional cases this year), DHA argues that it needs a 0.50 FTE attorney position and a 0.50 FTE program assistant position to address the additional caseload from DPI. The workload increase from DPI would include the following: performing and scheduling hearings; developing and maintaining a hearing record database; providing word processing support for the hearing examiner; responding to calls; coordinating transcript requests; maintaining files; and preparing hearing status reports and service invoices.

Table I

Calendar Year	Number of DPI Special Education Hearings	Number of DHA Hearings
1991	23	3,906
1992	22	4,164
1993	26	4,749
1994	44	5,188
1995	52	5,928

Although DPI's experience with special education hearings indicates that a majority of cases are settled prior to a hearing, an actual hearing requires significant travel and time

since hearings are conducted throughout the state. As proposed, DHA will also be responsible for noticing the proceedings and participating in prehearing conferences and motion hearings. According to DHA, a hearing officer will typically expend as much time issuing a written decision as it takes to conduct a hearing. In addition, DHA staff will likely seldom seek to extend the 45 day time period in which a decision should be rendered, compressing their workload in the short-term, but reducing the costs to school districts over using private attorneys.

The DHA staffing request is composed as follows:

Table II

Expenditure Item	1996-97 (10 Months)	1997-98 (Full Year)
Attorney 13	(.50 FTE @ \$34.00/hr)	(.50 FTE @ \$34.00/hr)
Salary	\$29,400	\$35,400
Fringe	\$10,400	\$12,600
Salary Sub-Total	\$39,800	\$48,000
Program Assistant 1	(.50 FTE @ \$9.39/hr)	(.50 FTE @ \$9.39/hr)
Salary	\$8,100	\$9,800
Fringe	\$2,900	\$3,500
Fringe Sub-Total	\$11,000	\$13,300
Salary/Fringe Sub-Total	\$50,800	\$61,300
Supplies/Services		
Space (200 sq.ft. @ \$18 sq.ft.)	\$3,000	\$3,600
Phone	\$500	\$500
Travel/Training	\$3,200	\$3,800
Supplies/Software/Upgrades	\$1,200	\$1,400
Supplies Sub-Total	\$7,900	\$9,400
One-Time Costs		
Furniture	\$2,000	N/A
Cabinets/Storage	\$500	N/A
Computers/Software	\$6,500	N/A
Phone/Installation	\$500	N/A
One-Time Costs Sub-Total	\$9,500	N/A
Total Costs	\$68,200	\$70,700

As proposed by DHA and DPI, the DPI will issue a payment to DHA for actual costs incurred. DPI would initially pay DHA from its federal continuing appropriation under s. 20.255 (1)(me), Federal Aids; Program Operations, with funds it receives from the federal Department of Education's Exceptional Children Education Program. DHA and DPI indicate that as hearings are completed and decisions are made, DPI would then invoice school districts for actual hearing costs at an initial estimated rate of \$100 per hour, with all revenues generated refunded to its federal appropriation [s. 20.255 (1)(me)]. School

districts will notice little fiscal impact, since schools currently pay a similar amount for hearings staffed by private attorneys approved by DPI.

Although the DOA/DPI request sought additional expenditure authority for ten months of salary and fringe benefits for the two 0.50 FTE positions, it is unlikely that either position could be filled until at least October. Therefore, increased expenditure authority sought in 1996-97 should be reduced by \$5,000 to reflect the new effective date.

RECOMMENDATION

Approve a modified request of \$63,200 PRS in 1996-97 under s. 20.505 (4)(h) and two 0.50 FTE PRS positions (attorney and program assistant) for the DHA. The ongoing annual cost for this activity is expected to be \$70,700 PRS.

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin



Mailing Address:
Post Office Box 7864
Madison, WI 53707-7864

TOMMY G. THOMPSON
GOVERNOR
JAMES R. KLAUSER
SECRETARY

Date: August 8, 1996

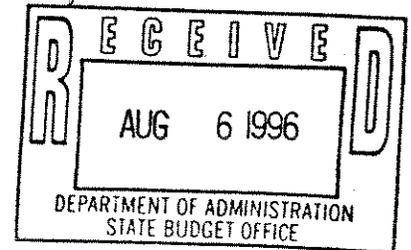
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To: Richard Chandler, Director
State Budget Office

From: James R. Klauser, Secretary
Department of Administration

John T. Benson, State Superintendent
Department of Public Instruction

A handwritten signature in black ink, appearing to read "James R. Klauser".



Subject: Request for Positions and Appropriation Authority Under s. 16.505
and s.16.515

REQUEST

Under the provisions of s.16.505 and s.16.515, the Department of Administration (DOA) requests creation of two .50 FTE and an annual base adjustment of \$68,200 PRS in FY97 and \$70,700 in FY98. The FY97 increase is to the appropriation under s.20.505(4)(h) - Program Services and the FY98 base increase under s.20.505(4)(kp) - Hearings and Appeals Fees. The positions will enable the Division of Hearings and Appeals (DHA) to conduct special education hearings under contract with the Department of Public Instruction. DPI would initially incur DHA hearings costs in their federal continuing appropriation under s.20.255(1)(me) - Federal Aids; Program Operations. As hearings are completed, DPI would invoice school districts for hearing costs with the revenues generated refunded to s.20.255(1)(me).

BACKGROUND

Federal and state special education law provide parents with due process rights allowing them to challenge a school district's decision relating to the identification, evaluation, educational placement or provision of special education to their disabled child. School districts also are permitted to request hearings on these issues if they are unable to obtain parental consent to carry out proposed actions, yet believe those proposed actions are necessary to ensure delivery of a free, appropriate, public education to the child.

The Department of Public Instruction is the state agency responsible for ensuring that a due process system is available to parents and districts. However, under both federal and state law, DPI is prohibited from using its employees to conduct the hearings. This prohibition is intended to ensure impartiality in individual hearing proceedings given the fact that the Department has broader oversight responsibility for the general provision of special education throughout the state.

Prior to June 25, 1996, Wisconsin provided due process hearings through a "two-tier" administrative hearing and appeal system. Under the former system, each local school district was responsible for employing a hearing officer to conduct special education due process hearings. Either party could appeal a hearing officer's decision to the Department of Public Instruction. The Department would then appoint a private attorney to review the decision. After that review, either party could appeal to the state circuit court or federal district court.

This "two-tier" system had several weaknesses. The most significant criticisms were that the system took too long, was duplicative, unduly expensive and led to non-uniform, unpredictable decisions. These criticisms were repeatedly voiced by school districts and parent advocates alike. In response, DPI supported significant statutory changes in the special education due process system. 1995 ACT 431¹, effective June 25, 1996, created a "one-tier" review system and made the DPI, rather than individual school districts, responsible for appointing hearing officers to conduct hearings. This statutory change received unanimous support in the Senate and Assembly Education Committees and passed both houses on voice votes.

It is noteworthy that in testimony before the Senate and Assembly Education Committees, supporters of this legislation urged the Department of Public Instruction to guarantee that state employees would act as hearing officers so that Wisconsin could ensure quality, timeliness, uniformity and predictability in its special education hearing decisions. In response, the DPI advised the legislature of its intent to seek an agreement with the Department of Administration's Division of Hearings and Appeals (DHA) to carry out this hearing function. DPI believes that the commitment to seek an agreement with the Division of Hearings and Appeals was integral to the statutory proposal and critical to its legislative success.

Since ACT 431 was signed into law in late FY96, this request could not have been anticipated under the 1995-97 biennial budget. It is being submitted now

¹ This act amended s.115.80(5) and s.115.81 related to the method of resolving disputes concerning children with exceptional educational needs between school boards and the parents of those children.

under s.16.505/515 to implement legislative intent and rectify weaknesses identified above. If this request is not approved at this time, DPI would continue to contract with private attorneys with resulting delays and lack of uniformity.

JUSTIFICATION

Under the proposed agreement with the Department of Public Instruction, the Division of Hearings and Appeals would schedule, conduct and decide all special education hearings generated by state school districts. There were 52 tier-one hearings requested in 1995 and this caseload is anticipated to remain at this level, though some fluctuation will occur.

While the Division of Hearings and Appeals realizes the critical need for the Department of Public Instruction to reach an agreement with the division to carry out the hearing functions, with current staffing the agreement is not feasible. The Division of Hearings and Appeals has experienced 9.5% to 11% annual caseload increases since 1991 and is already faced with a shortage of administrative law judges to conduct and decide cases while meeting statutory and court ordered time limits for rendering decisions. Furthermore, while the private attorneys who presently conduct the special education hearings often take months to issue their decisions due to requested continuances, the division typically requires decisions to be rendered within 30 days of the close of the record. This schedule should meet the statutorily mandated 45 day period between the special education hearing request and the written decision. Such attention to these cases should substantially reduce the existing backlog of pending decisions and reduce the dissatisfaction level of both school districts and parents.

Workload/Staffing

Since 1991 the number of hearing requests for special education hearings has increased from about 25 per year to 52 in 1995. DPI's experience with these cases shows many will settle after the intervention of a hearing examiner. For example, as of August 8, 1996, 35 of the 52 cases filed were settled prior to hearing. However, the remaining cases often run several days and are conducted in the location of the school district where the parties and witnesses reside. Since hearings are held throughout the state, there is significant travel to and from the hearing sites. In addition, DHA will formally notice the proceedings and participate in prehearing conferences and motion hearings. The hearing examiner will be required to issue a written decision in each case which typically takes about the same length of time as conducting the hearing. To summarize estimated workload, of the 52 hearings requested in 1995, 35

were settled prior to hearing, 9 decisions were rendered, and 8 cases are still pending.

To manage this caseload, a 50% FTE attorney is requested to resolve disputes either through settlements or contested hearings. Based on 70% availability (working hours after vacation, sickleave, etc.), a 50% FTE attorney would generate 728 chargeable hours or 14 hours per case based on 52 cases per year. Hearing support staff is needed to schedule hearings, develop and maintain a hearing record database, provide word processing support for the hearing examiner, respond to calls from Department of Public Instruction staff, school district staff and the general public, coordinate transcript requests, maintain files, prepare hearing status reports, and prepare service invoices. A 50% program assistant is requested for this function.

Current Appropriation Landscape

As shown in the following table, DHA currently operates from three appropriations and shares a fourth with other DOA attached boards and commissions.

HEARINGS AND APPEALS			
APPROPRIATION	FTE	BUDGET	PURPOSE
(4)(f) - Hearings and Appeals Operations	23.00	\$1,768,800	This GPR appropriation is used to provide services to the DNR, Corrections, Health and Family Services (nursing home), and Justice (crime compensation).
(4)(q) - DHA Ops - Transportation Fund	2.00	\$144,400	This SEG appropriation is used to provide services to the Department of Transportation.
(4)(kp) - DHA Fees	20.80	\$1,449,200	This recently created PR appropriation (ACT 370) is used to provide services to the Departments of Health and Family Services, and Workforce Development.
(4)(h) - Program Services	0.00	\$26,000	This general PR appropriation is used to provide transcripts and publications on a compensable basis for operations which are GPR funded.

Given that Department of Public Instruction will fund the services provided, the recently created s.20.505(4)(kp) PR appropriation -- Hearing and Appeals Fees -- would be the preferred appropriation for which to request both position and appropriation authority. However, despite the general title of "fees", the text restricts the appropriation use to the Department of Family Services and the

Department of Workforce Development. Consequently, the general PR appropriation under s.20.505(4)(h) appears to be the only current alternative for collecting Department of Public Instruction fees, as its description states it can be used for "all moneys received from fees which are authorized by law or administrative rule ... and used to carry out the purpose for which collected." Approval by JFC under s.16.505/515 would appear to meet the "authorized by law" requirement. However, under the 1997-99 biennial budget, DHA will request modification to the (4)(kp) language to allow fees to be collected for hearing services provided to state agencies other than those specifically identified under the GPR appropriation s.20.505(4)(f) and the SEG appropriation s.20.505(4)(q). Consequently, the FY98 positions and base increase have been requested under s.20.505(4)(kp) in anticipation of that change. Should this statutory change not be approved in the 1997-99 biennial budget, the positions and authority would continue in (4)(h) - Program Services.

Financial Consideration

Resources Required for DPI Hearings [s. 20.505(4)(h)] in FY97 and [s.20.505(4)(kp) in FY98.

	FY97 (10 months)	FY98 (Base)
Positions: Attorney 13	0.50	0.50
Program Assistant 1	0.50	0.50
Salary (Attorney 13 -@\$34.00)	29,400	35,400
(Program Assistant 1 @\$9.392)	8,100	9,800
Fringe (@ 35.52%)	<u>13,300</u>	<u>16,100</u>
	50,800	61,300
Space (200 sq. @ \$18 sq.ft.)	3,000	3,600
Phones/Communications	500	600
Travel/training	3,200	3,800
Misc. supplies/software/upgrades	<u>1,200</u>	<u>1,400</u>
	7,900	9,400
Start-up One-time:		
Chairs & Office furniture	2,000	
File cabinets/storage	500	
PC's and software	6,500	
Phones & Installation	<u>500</u>	
	9,500	
Total Costs	\$68,200	\$70,700

Revenue

No less than quarterly, DPI will issue a payment to DHA for actual costs incurred. DPI would initially pay DHA from their federal continuing appropriation under s.20.255(1)(me) - Federal Aids; Program Operations with funds received from the federal Department of Education's Exceptional Children Education Program². As hearings are completed and decisions rendered, DPI would invoice school districts for hearing costs at an initial estimated rate of \$100 per hour with the revenues generated refunded to s.20.255(1)(me). Because workload will vary from year to year, school districts will bear the majority of costs with DPI's federal funds covering any DHA costs not covered by hourly fees. There is no change in fiscal impact from the local school district perspective, as districts are currently paying for hearings staffed with private attorneys approved by DPI.

PROPOSAL SUMMARY

The Department of Public Instruction has requested DOA's Division of Hearings and Appeals to conduct special education due process hearings under the provisions of 1995 ACT 431. Because of increasing caseload in other programs, existing DHA staff are unable to absorb this responsibility. Consequently, the Department of Administration requests creation of one .50 FTE attorney, one .50 FTE program assistant, and associated appropriation authority in order to provide special education due process hearings on behalf of DPI. The majority of the cost will be funded from fees charged to local school districts with any residual costs paid by DPI from funds provided by the federal Department of Education under the Exceptional Children Education Program.

² CFDA 84.027 - IDEA VIB

CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: August 29, 1996

To: James R. Klauser, Secretary
Department of Administration

From: Dan Cauceutt
State Budget Office

Subject: Request under s.16.515 from the Department of Administration for Telecommunications Appropriation Expenditure Authority.

Request

The Department of Administration requests one-time and ongoing program revenue expenditure authority in its appropriation under s.20.505(1)(ke), *Telecommunications and data processing services*, for the following purposes: (1) Mobile data communications system infrastructure [\$540,000 ongoing]; (2) Router and frame relay data network technology [\$2,000,000 ongoing]; (3) Expansion of Centrex contract to UWS campuses of Eau Claire and Whitewater [\$1,600,000 one time]; (4) Unemployment compensation initial telephone claims traffic [\$1,000,000 ongoing]; and (5) Transition of State Lottery to a new digital network [\$850,000 one time].

Funding Sources: The revenues to support this request come from direct billings to benefiting agencies and from existing balances and reserves of the Telecommunications and Data Processing Services appropriation.

Background

The subject appropriation funds the following activities: Operation of the state's voice communications system for state agencies and local units of government; operation of a state consolidated data communications network through lease of high-speed data lines between cities that carry computer data; maintenance of state agency Internet connectivity; and long range telecommunications network policy and planning. The requested incremental spending authority would expand existing data and voice communications systems to extend services to more local governmental units, particularly in law enforcement, centralize acquisition and installation of certain data communications infrastructure elements among state agencies, assume contracts for telephone services in two campus locations and help address workload and system growth needs in two large agency systems.

The mobile data communications system item expands upon a \$2.25 million project initiated in the Department of Transportation (DOT) in the 1993-95 biennial budget, one which installed mobile data terminals in 60 state patrol vehicles. The terminals permit officers to directly access drivers license and vehicle registration records, as well as data bases maintained by state and federal law enforcement departments, thereby bypassing radio dispatchers and increasing safety through faster access to driver and criminal records. The original project funding intended that this access be provided to local public safety agencies located within the coverage areas of the DOT system. Over 60 local law enforcement agencies

have expressed interest in inclusion in the statewide system. Providing this additional coverage requires more radio towers and transmitter equipment to be installed.

As state agencies become more heavily invested in information technology solutions in program delivery, their needs for a type of equipment, called routers, to manage the data communication traffic have increased. To avoid multiple agencies acquiring and managing different router systems, the department is creating a common "frame relay" network to ensure compatibility in equipment and to deliver economies of scale in network management. Specifically, the Division of Technology Management (DITM) has assumed responsibility for buying and maintaining all network routers. Centralized procurement and resource management through the department's telecommunications appropriation allows DITM to ensure greater stability across agency systems and prevent one system from "bringing down" other agency systems, and to pass along the efficiencies through a "level" billing structure, one which reduces the financial burden on any single agency user.

Assumption of the UW Eau Claire and Whitewater campuses into the state Centrex system contract is intended to avoid more costly private contracts for service and, again, extend the advantages of scale already present in the state's network to these campuses.

Adding capacity to address initial unemployment compensation claims volume over the state's telephone system is an expected consequence of the programmatic changes in the UC program implemented in previous fiscal years.

The replacement of the State Lottery's analog network with a digital network has been planned for by DOA and Lottery officials. The Lottery has entered a new on-line gaming vendor contract in which digital network support and its significant advantages over the currently configured analog system will be offered. One-time costs need to be incurred by State Telecommunications to support the more efficient digital environment.

Analysis

The Department's request under s.16.515 comes as all agencies complete preparation of their biennial budget requests for 1997-99. Among the justifications for addressing these five elements outside of the normal budget process are the following:

- o The telecommunications environment is dynamic. DOA's mission to accomplish ongoing efficiencies and cost savings, and to pass these along to state and local government users of the data and voice communications systems, requires the ability to react to events as they develop and to use planning horizons and decision making abilities which do not completely coincide with the biennial budget cycle. For example, the UW campuses item relates to the state's assumption of contracts previously held by private sector companies which have now expired. If the benefits are to be captured within the state's overall system, commitments must be made now.
- o The infrastructure support impacts of programmatic changes, such as the DILHR UC example, are not known at the time such changes are approved or implemented. Rather, the modified programs go on line and corollary support requirements are evaluated then. Normal budget processes ordinarily do not provide funding for projected future needs until those needs can be demonstrated.

- o Some systems supported by the telecommunications program are considered critical to public safety. The mobile data communications system enhancements fall into this category. The original funding source for this program was the (1993-95) biennial budget. The hoped for benefits from the original investment in improving the abilities of state and local law enforcement officers have been demonstrated. While the funding for expanding the original system to cover broader, local law enforcement domains could be delayed until the budget, there are arguments that, other things equal, extending these capabilities in a more timely fashion has direct public benefits which justify extra-budget consideration.
- o The large, service center nature of telecommunications and similar programs in DOA reflects the fact that while many governmental services can and have been "outsourced" to achieve savings, some needs are better met through building in capabilities. The telecommunications program plays a significant brokerage role, identifying opportunities in state and local governments for efficiencies and savings, and negotiating large scale and individual contracts to meet those needs. The fixed cost nature of some contracts translates into reduced unit costs as the volume increases (so called economies of scale). There are strong incentives to add to volume since it ultimately should result in lower user billing rates. In order to operate effectively as a service "business," and to enter contractual agreements which guarantee continuity of service under more favorable cost arrangements, the Department of Administration articulates the need to be able to make business decisions in a timely way. Such decisions do not always fit into the normal biennial budget cycle.

The requested changes in expenditure authority are described by the agency as not increasing user billing rates. This is accomplished by some of the costs being funded by "pass through" agreements with users in which contract costs are billed completely to the benefiting agency; these have no impact on overhead costs which affect rates. Other projects, notably the Lottery analog system replacement, are financed from established reserves within the telecommunications appropriation balance. In a program revenue service environment in which the cost entity is arguably more properly identified as in the end user appropriation, neutral or positive effects on billing rates is an important policy focus. From that perspective, the request at hand appears justified: users will pay no more than they do now, and in some cases will pay less.

In summary, each of the five components of the request can be related to advantageous cost avoidance at the user levels. In four of the five, it is measurable in financial terms; in the fifth, law enforcement and public safety, the cost is measured otherwise. The projects are consistent with the general mission for the Department of Administration and do not conflict with expressed budgetary intent. The advantages of approving them at this time are demonstrated. The marginal benefits of delaying their consideration to the biennial budget context are not.

Recommendation

Approve the request.

Prepared by: Dan Caucutt, State Budget Office 266-0777

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
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TOMMY G. THOMPSON
GOVERNOR
JAMES R. KLAUSER
SECRETARY

Date: July 26, 1996

To: Richard Chandler, Director
State Budget Office
Department of Administration

From: James R. Klauser, Secretary
Department of Administration

Request

Last May I sent a letter to the Joint Committee on Finance indicating that the department would prepare and submit a 16.515 request in July to increase FY97 expenditure authority by DOA under its telecommunications appropriation. The request would include the acquisition and installation of an improved communication tower infrastructure to support a much needed mobile data terminal system that will improve access to criminal and license data by local law enforcement agencies. This request is the follow-up to that letter, a copy of which is attached.

Under the provisions of s.16.515, the department requests an increase of \$5,990,000 PRS FY97 expenditure authority in the appropriation under s.20505(1)(ke), *Telecommunications and data processing services*, to (1) implement a statewide Mobile Data Communications System Infrastructure (MDCSI) in a cooperative effort with the State Department of Transportation and local law enforcement authorities; and to (2) realize other telecommunications cost efficiencies by centralizing agency router management; providing centrex services to UW-Eau Claire and Whitewater; supporting higher system traffic due to unemployment compensation (phone) claims input; and assisting the State Lottery in converting to new digital technology. The department also requests that continuing FY97 costs of \$3,540,000 be included as an adjustment to the appropriation base in FY98 and FY99.

Background

This request pertains to department operations under the Division of Technology Management that are funded under s.20.505(1)(ke), *Telecommunications and data processing services*, within the State Bureau of Telecommunication Management. These activities include the following:

- operation of the state's voice communications system for state agencies and local units of government through the statewide telecommunications system (through separate contracts for long-distance services and local calls and voice-mail services)
- operation of the state consolidated data communications network (CDN) through the lease of high-speed data lines between cities that carry computer data (largest user is the State Lottery Program)
- maintaining Internet connectivity for all state agencies (access to the Internet/WWW)
- long-range telecommunications network policy and planning, including future design changes to the statewide voice and data networks

Rationale for Added Expenditure Authorization

Under s.16.99(2), DOA is charged with ensuring " maximum utility, cost-benefit and operational efficiency of all telecommunications systems and activities of this state, and those which interface with cities, counties, villages towns, other states and the federal government."

The state telecommunications environment--the voice and data systems managed by the department--is continually and dramatically changing. While industry technical trends are closely monitored by the DOA Telecommunications staff, ever-evolving changes and market forces precipitate opportunities that were not fully clear when the FY97 expenditure levels were proposed 18-24 months ago, at the onset of the 1995-97 biennial planning period. While the FY97 expenditure authority accommodates some added expenditures, rapid changes in telecommunications technology present opportunities that will require additional investments (and expenditure authority) in order to leverage savings for STS customers, namely all state agencies as well as local governmental units such as counties and school districts. DOA must do this under its statutory charge.

The department requests additional expenditure authority to the present FY97 level of \$32,066,200 to make the following investments:

1. Mobile data communications system infrastructure	\$ 540,000
2. Router and frame relay data network technology (CDN)	2,000,000
3. Inclusion of Eau Claire and Whitewater on Centrex contract	1,600,000
4. Unemployment compensation initial claims traffic	1,000,000
5. Transition of Lottery to new network	<u>850,000</u>

Total additional FY97 expenditure authority requested: \$5,990,000

(1) Mobile data communications system

In his State of the State address last January, the Governor made a clear commitment to local law enforcement agencies. At the request of the Wisconsin Chiefs of Police Association, the Governor pledged to make the Mobile Data Terminal System available to give local law enforcement instant access to criminal and license data.

The efficiency of law enforcement officers (local and state) assigned to traffic patrol is significantly improved if the amount of time spent on radio communications is reduced. Acting upon this premise, the governor and the legislature, in 1993-95 biennial budget, authorized expenditures by the Wisconsin DOT in the amount of \$2.25 million (SEG and FED funds) to install mobile data terminals in state patrol vehicles. The system became operational in May 1995, with 60 mobile (vehicle) units operating via 6 tower sites throughout the state. The system saves time because officers can have access without the assistance of a radio dispatcher. Records are accessed by the vehicle data terminal, giving direct access to drivers license and vehicle registration records, as well as Department of Justice data bases concerning outstanding warrants and national crime information.

The implementation of a statewide mobile data terminal/PC (MDT/MDC) network reduces the average amount of time devoted to each public contact by an officer on the highway. When the amount of time required for each public contact is reduced, the DOT estimates the number of motorist contacts increases proportionately (by perhaps as much as 25%). This is a striking example of improving human resource efficiency through applied technology. The data communication link also means a faster, safer system, since a single officer making contact through a data link no longer needs to tie up the time of a radio dispatcher. Under the dispatcher system, no other officer calls can be taken until the preceding call has been handled and terminated, thus causing a queuing effect. Comparatively speaking, the mobile terminal data link is instantaneous -- faster and therefore safer for the officer on the road.

A condition of the 1993-95 budget item was that access was to be provided to local public safety agencies, assuming they were located within the coverage area of the system. Local law enforcement agencies (e.g., county sheriffs)

Richard Chandler

July 26, 1996

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participate in the communications system, but this may be limited by tower coverage and local funds for equipment. If these agencies can expand usage, local law enforcement and taxpayers will benefit. Mobile data terminals improve officer productivity, leading to greater traffic safety, and reduce the need to add new officers, thereby deferring local tax-based costs.

According to the DOT, about 60 local agencies have expressed interest for inclusion in a statewide system. From an economic viewpoint, broader use of the system traffic can lead to lower system cost.

DOA, in agreement with DOT, proposes investments in the statewide telecommunications system to permit increased local law enforcement agency access to the mobile data communications system and its traffic and law enforcement records. The enhancements in the "statewide system architecture" will enable state and local law enforcement agencies with mobile data terminals to access the central traffic records system directly from their vehicles. Approximately \$3 million of infrastructure equipment will be purchased. This amount includes 40 transmitters at \$50,000 each to be installed on existing DOT radio towers, and 5 controllers at \$200,000 each. DOA proposes to finance this amount through the state master lease program over a seven year period, resulting in annual payments by DOA of \$540,000. On-going annual maintenance costs to towers and mobile units will be paid by the Department of Transportation. Total annual expenditure authority needed for this statewide architecture is therefor \$540,000.

Local law enforcement costs would include acquisition, installation and annual maintenance of data terminals. The statewide system architecture will permit the use of mobile data terminals, mobile data computers, notebook computers or laptop computers using DOS, WINDOWS or OS/2 as an operating system. Any public safety agency may install either terminals or computers in the vehicles, or a combination of computers and terminals. The Statewide System is designed to accommodate NCIC 2000 standards, including image transmission.

The Statewide Mobile Data Communications System can also be used by local fire departments, emergency medical systems and other agencies. The ElectroCom software and the available radio frequencies are compatible with the requirements of these service providers, and vacant ports are available. The System is designed so that local data bases will be accessed. If local agencies intend to access additional data bases, the DOT vendor will provide the appropriate format.

Local governments (e.g., counties, school districts, cities, villages, CESAs) participate extensively in the State Telecommunication System and have contributed to the economies of scale in its voice and data operations. Virtually all these local units of government are potential benefactors by this system-wide investment which will improve local law enforcement and improve highway safety, as well as increase law enforcement productivity at the local level. The department believes use of STS funds and reserves for this purpose, in a joint venture with local government, is highly suitable.

(2) Router and frame relay data network technology

The Consolidated Data Network (CDN) is moving from a reliance on dedicated circuits for each location to a more cost-effective use of existing public networks, particularly "frame relay." Frame relay is a public network service that allows users to share a network and reduce the expense of dedicated circuits. This results in a more efficient use of resources because transmission facilities are used only when necessary, instead of incurring idle time on dedicated circuits.

Because these are public, not dedicated circuits, "routers" are needed to manage the traffic. As state agencies have migrated to the frame relay environment in recent years, they have gradually purchased routers in order to handle their own traffic needs. This means multiple agencies are responsible for management and maintenance of the routers.

From a statewide network perspective, router management by individual agencies has been problematic. All routers on a common network must be compatible in order for each router to communicate the best route to a given location. However, routers are very complex pieces of technical equipment which are difficult to set up and manage. Actions taken by a user in one agency can have an adverse effect on users in other agencies. Communicating unnecessary routes places a utilization burden on all routers. Also, communicating an erroneous route can cause other agency routers to send their data traffic to incorrect locations, resulting in lost data.

The CICnet in Chicago (regional Internet access), which is the hub for the state's Internet traffic will shut the entire state down if erroneous routes for hardware problems are detected. This is a dramatic possibility of one router affecting the entire state of Wisconsin.

As a result of these and similar problems, state agencies have asked the Division of Technology Management (DTM) to assume the responsibility of buying and owning all network routers. From the perspective of efficiency and compatibility of operation, and because Telecommunications Management in DOA can "level" through its rate structure what might otherwise be significant financial outlays by agencies, the department believes this is an appropriate policy course. This consolidation of purchase, management and maintenance of routers is not dissimilar to the consolidation of multiple, small vehicle fleets or other service center operations which DOA has done over several years with legislative approval.

The total router investment cost to the State Telecommunications System in FY97 will be about \$4,100,000. About \$2,100,000 of that amount is for existing frame relay connections already in the State Telecommunications base budget. Hence, the additional impact on expenditure authority is approximately \$2,000,000. DTM will recover costs for FY97 through its normal rate structure that includes router ownership, router management, router maintenance, and frame relay connections, so there should be no adverse impact on the telecommunications financial (program) position. Agencies are prepared to cover the router services rate from existing base budgets. Therefor there is no adverse impact on telecommunications rates charged to agencies under STS.

(3) Inclusion of Eau Claire and Whitewater Under Statewide Centrex:

UW-Eau Claire and UW-Whitewater signed separate contracts with Ameritech for local phone service, prior to the current statewide contract that began September 1992 and ends August 1999. The Eau Claire and Whitewater contracts expired in July 1996. Eau Claire and Whitewater have been paying a rate of \$8.38 per month per line, and have a combined total of about 7,300 lines. Ameritech estimated that if Eau Claire and Whitewater again signed separate agreements, their monthly cost per line would have been \$12.50. DOA is adding these campuses to its statewide contract in order to avoid significantly higher costs if these campuses are not under the statewide contract.

DOA plans to effectively lower costs by exercising the Single Payment Option (SPO) under the Centrex agreement. Under this financing arrangement, DOA would pay for 37 months of service (August 1996 to August 1999) by making one payment at the beginning of the term. The single payment would require an expenditure in FY97 of \$1,600,000. Eau Claire and Whitewater will pay DOA on a normal monthly basis. There will be no negative impact on rates for other Centrex users.

By moving under the DOA Centrex umbrella, the resulting savings to UW-Eau Claire and UW-Whitewater would be approximately \$1,120,000 for the 37-month period compared to the \$12.50 monthly rate they would have paid under an independent agreement.

(4) Unemployment Compensation Claims Traffic Increase

Beginning in mid-FY96, initial claims for unemployment compensation have been filed over the State Telephone System. This has added a significant amount of traffic to the system. The department estimates that annual cost

Increases (greater traffic) of \$1,000,000 will result. Additional revenue also results from this traffic, so there should be no impact on STS rates to other customers.

(5) Transition of the State Lottery to a Digital Network

The State Lottery contract with its on-line gaming vendor was due to expire in June 1996. Under a new contract, long-term cost efficiencies as well as technology changes make it advisable for the Lottery system to move from an analog mode to a digital network. These changes will mean that the Lottery will have to go through a transitional phase and the State telecommunication system will incur some one-time costs due to this change. Lottery management has planned for this within the data rates it has paid to the STS operation over the last two years. This means there are program reserves amounting to \$850,000 under s.20.505(1)(ke) to cover these one-time Lottery system costs. Expenditure authority under the DOA telecommunications appropriation needs to be increased on a one-time basis to support these costs. There is no rate effect on other DOA data and voice customers.

Appropriation Financial Impact and Rate Effect

The following table summarizes the impact of the \$5.99 million increase in FY97 expenditure authority for s.20.505(1)(ke) and the impact on revenues and rates. On-going expenditure authority is shown as an annual figure for each of FY98 and FY99:

<u>Item</u>	<u>FY97 Increase</u>	<u>Revenue from</u>	<u>Rate impact?</u>	<u>FY98 & 99 costs</u>
MDT System - master lease	\$ 540,000	total customer base	none	same
-annual maintenance costs		(in DOT base)		same
2. Router & frame relay technology	2,000,000	agencies w/routers	in agencies' base	same
3. Eau Claire/Whitewater Centrex	1,600,000	those campuses	none	-0-
4. UC claims traffic	1,000,000	DILHR	none	same
5. Lottery transition	<u>850,000</u>	Lottery (pre-paid)	none	<u>-0-</u>
	\$5,990,000			\$3,540,000 annual

Summary

The department requests an increase in FY97 expenditure authority of \$5,990,000 to the appropriation under s.20.505(1)(ke). This will increase authorized expenditures from the current Act 27 level of \$32,066,200 to \$38,056,200. The department also requests that \$3,540,000 of this increase be treated as a continuing base adjustment since these costs will continue under the State Telecommunications voice and data system beyond FY97.

We look forward to your favorable treatment of this request.

attachment (May 1 letter)

cc: Mark Wahl
Linda Seemeyer
Paul McMahan

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
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TOMMY G. THOMPSON
GOVERNOR
JAMES R. KLAUSER
SECRETARY

May 1, 1996

Senator Tim Weeden, Co-Chair
Representative Ben Brancel, Co-Chair
Joint Committee on Finance, Suite LL2
119 Martin Luther King, Jr. Blvd.
Madison, WI 53707-8952

Dear Senator Weeden and Representative Brancel:

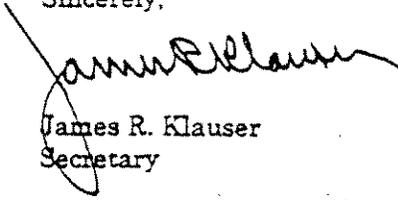
In his *State of the State* message last January, the Governor made a clear commitment to law enforcement agencies. At the request of the Wisconsin Chiefs of Police Association and Senator Gary Drzewiecki, the Governor pledged to make the Mobile Data Terminal System available to give local law enforcement instant access to criminal and license data.

The plan to expand the present system--to give broader, more effective coverage across the state--has strong support from over 60 local agencies. The State DOT and DOA have been working closely for several months to plan the technical expansion of tower equipment which is instrumental to support local data terminals placed in squad cars.

It is this department's intent to master lease approximately \$3,000,000 of equipment to complete this task. DOA will make semi-annual payments from the appropriation under s.20.505(1)(ke), *telecommunications and data processing services*, starting in August 1996. The \$32 million telecommunications appropriation has adequate cash flows and reserves to cover amortization of these capital costs. There will be no adverse rate impact from this investment on other state data and voice systems users. Repayment of the mobile data system infrastructure from the telecommunications appropriation is logical because local government (counties, cities, villages, towns and school districts) have been long-time users and customers of the state telecommunications system. They therefore contribute to cash flows and reserves.

In early July, when final expenditure authority can be estimated more accurately, I will submit a formal s.16.515 request to the Joint Committee to re-estimate FY97 expenditure authority in this appropriation. My request will include the impact of the Mobile Data Terminal System as well as other expenditures needed to operate the statewide voice and data communication networks with maximum utility, cost-benefit and efficiency.

Sincerely,


James R. Klauser
Secretary

cc: Charles Thompson, Secretary, DOT
Richard Chandler, State Budget Director
Robert Lang, Director, Legislative Fiscal Bureau