

# Historical Society

(LFB Budget Summary Document: Page 336)

## LFB Summary Items for Which Issue Papers Have Been Prepared

| <u>Item #</u> | <u>Title</u>                                                                  |
|---------------|-------------------------------------------------------------------------------|
| 1             | Transfers of Staff and Funding Under Standard Budget Adjustments (Paper #490) |
| 2             | Northern Great Lakes Center (Paper #491)                                      |
| 7,8           | Unspecified Funding Reduction and Staff and Funding Reduction (Paper #492)    |
| 9             | Program and Segregated Revenue Reestimates (Paper #493)                       |
| 1,6&11        | Minor Policy and Technical Changes (Paper #494)                               |

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Transfers of Staff and Funding Under Standard Budget Adjustments (Historical Society)**

[LFB Summary: Page 336, #1]

## CURRENT LAW

**Historic Sites.** Annual GPR base funding and positions for Pendarvis and First Capitol, and Old Wade House are: (a) \$166,300 and 3.0 positions for Pendarvis (Iowa County) and First Capitol (Lafayette County); and (b) \$198,600 and 3.5 positions for Old Wade House (Sheboygan County). In addition, the Historical Society is appropriated program revenue, collected from admission fees and other sales at six state historic sites, for the operations of the historic sites. The six historic sites that fees are collected at include Madeline Island, Old World Wisconsin, Pendarvis, Stonefield Village, Villa Louis and Old Wade House. The Society also has separate GPR appropriations for the general program operations of the Division of Historic Sites, fuel and utilities, and debt service.

**Administrative Services.** Annual base funding for activities related to local history, school services and graphics is comprised of the following: (a) \$291,800 GPR and 5.0 GPR positions; and (b) \$47,300 PR and 1.0 PR position.

## GOVERNOR

**Historic Sites.** Transfer \$13,200 GPR and 0.25 GPR position annually from Pendarvis and First Capitol to the Old Wade House historic site as part of the Governor's recommendations related to standard budget adjustments.

**Administrative Services.** Transfer the following amounts from the executive and administrative services program to the archives, research and library services program: (a) \$291,800 GPR and 5.0 GPR positions annually; and (b) \$47,300 PR and 1.0 PR position annually. Provide \$12,600 PR annually for the archives, research and library services program. These modifications have been included as part of the Governor's recommendations related to standard budget adjustments.

## DISCUSSION POINTS

1. Under current law, two separate appropriations exist for the GPR base funding and positions provided for the operations of Pendarvis and First Capitol, and the Old Wade House historic sites. Four separate appropriations exist for the GPR and PR funding and positions that would be affected by the Governor's recommendations related to the transfer of administrative services functions. Similar to all state agencies, the Historical Society does not have the statutory authority to transfer GPR resources between these separate appropriations for historic sites or to transfer GPR and PR funding and positions between separate programs without first receiving legislative approval.
2. The Associate Director of the Historical Society has indicated that the reallocation of GPR resources between the historic sites would complete a transfer of Society personnel that has already occurred. The second reallocation involving GPR and PR resources occurred on March 17, 1996, on a temporary basis. It would have been more appropriate for the Society to have submitted a request to JFC under s. 13.10 for approval of these reallocations, even though they are characterized as temporary at this time. This would have provided a measure of legislative oversight for the use of these positions and funding for other than the specific purpose for which they were provided by the Legislature.
3. The Society expects to submit a request for a permanent transfer of these functions and the creation of a new division to the Governor and DOA in May, 1997. The new division would include the following current functions; state historian, editorial, school services, local history and graphics. One of the reasons for this transfer of activities is to allow the Society's current administrator of the Division of Development and State Relations to spend more time on fund-raising activities. The proposed transfers of GPR and PR resources and the increase in PR expenditure authority would make permanent this temporary decision to transfer responsibilities among programs.
4. The standard budget adjustment for minor program transfers within the same appropriation should not have been used to transfer GPR resources between the historic sites or to transfer GPR and PR resources between two separate programs. This approach generally precludes review of these transfers, since standard budget adjustments are intended as a set of funding changes that are routine in nature and without policy implications. The budget bill should treat the transfer of resources as separate decision items.

5. The substance of these funding and position changes appear reasonable, but the procedures used in the current biennium and in the budget bill limit the level of legislative oversight and review that would ordinarily apply.

**MODIFICATION TO BILL**

Modify the Governor's recommendations so that they would be properly shown separately from standard budget adjustments.

Prepared by: Bob Soldner

| MO# | <i>Modification</i> |     |     |
|-----|---------------------|-----|-----|
| 2   | JENSEN              | X   | N A |
|     | OURADA              | X   | N A |
|     | HARSDORF            | X   | N A |
|     | ALBERS              | X   | N A |
|     | GARD                | X   | N A |
|     | KAUFERT             | X   | N A |
|     | LINTON              | X   | N A |
|     | COGGS               | X   | N A |
|     |                     |     |     |
| /   | BURKE               | X   | N A |
|     | DECKER              | X   | N A |
|     | GEORGE              | Y   | N A |
|     | JAUCH               | X   | N A |
|     | WINEKE              | X   | N A |
|     | SHIBILSKI           | X   | N A |
|     | COWLES              | X   | N A |
|     | PANZER              | Y   | N A |
|     |                     |     |     |
| AYE | 15                  | NO  | 0   |
|     |                     | ABS | 1   |

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Northern Great Lakes Center (Historical Society)

[LFB Summary: Page 336, #2]

## CURRENT LAW

The Historical Society does not have base funding allocated for the Northern Great Lakes Center, located in Bayfield County. In 1991 Act 39 (1991-93 biennial budget) \$325,000 SEG, from the water resources account of the conservation fund, was provided for state planning funds for the Center. The Governor's veto message of Act 39 instructed the DOA Secretary to ensure that no state funds would be used for the operation of the Center.

The Northern Great Lakes Regional Visitor Center was enumerated in 1995 Act 60 at \$7.0 million (\$3.5 million in general fund supported bonding and \$3.5 million in federal funds). Act 60 also required the Building Commission to include specific recommendations and priorities for an additional \$1.2 million (\$600,000 in general fund supported bonding and \$600,000 in federal funds) for the Center in its report for the 1997-99 building program. The Department of Administration has indicated that the intent is to cost-share the construction of the project on a 50%-50% basis with the U.S. Forest Service. The facility is scheduled to be opened in December, 1997.

## GOVERNOR

Provide \$34,100 GPR and 0.5 GPR position in 1997-98 and \$59,800 GPR and 1.0 GPR position in 1998-99 as staff for Historical Society related functions at the Center. DOA staff indicate that the Historical Society would be responsible for determining how to utilize these funds.

## DISCUSSION POINTS

1. On January 18, 1996, the Building Commission voted 6-2 to approve the release of the \$3.5 million in general fund supported bonding for the design and bid of the Center. DOA, as part of their request to have the funds released, indicated that the Center would be shared by federal agencies, such as the U.S. Forest Service and National Park Service, and state agencies, such as the State Historical Society and the Department of Natural Resources (DNR). DOA indicated that space would also be provided for private sector tourism interests, represented by the Apostle Islands Country Visitors Bureau.

2. In January, 1996, DNR indicated that as part of DNR's reorganization plan about six staff and related base funding, with a potential for as many as 15 staff, could be relocated to the Center. At this time, DNR will not be relocating staff at the Center because the facility was not designed and constructed to accommodate DNR staff. Currently, the Historical Society is the only state agency that has plans to locate staff at the Center. As indicated, the Society does not have base funding allocated for the Center.

3. Currently, the following organizations are expected to have a presence at the Center: (a) U.S. Forest Service; (b) National Park Service; (c) the State Historical Society; and (d) the Apostle Islands Country Visitors Bureau.

4. At the Committee's agency briefing on March 19, 1997, the Director of the Historical Society stated that the Governor's recommendations are not adequate to accomplish the purposes intended. In addition, the Director indicated that the Society's share of joint operating costs would increase, because DNR would not have a presence at the Center.

5. As part of the agency's 1997-99 budget request to the Governor, the Historical Society requested \$68,100 GPR and 1.0 GPR position in 1997-98 and \$165,500 GPR and 3.0 GPR positions in 1998-99 for the Society's operating costs of the Center. Based on the Director's comments to the Committee related to increased operating costs and an opening date of December, 1997, the revised agency request would be \$68,100 GPR and 1.0 GPR position in 1997-98 and \$176,400 GPR and 3.0 GPR positions in 1998-99 for the Society's portion of the building to be opened for 60 hours a week. The Society has indicated that it would establish a regional history center in the new facility which would become part of the Society's area research network. The classified positions would be a director, archivist and program assistant.

6. On March 18, 1997, the Society submitted a letter to the Committee which included two alternatives to the Society's original budget request and stated that either of these alternatives would result in a lower level of service at the Center. The first alternative would provide \$78,500 GPR in 1997-98 and \$149,200 GPR in 1998-99 and 2.0 GPR positions annually for 40 hours of service instead of 60 hours, a 33% reduction. In addition, this alternative would provide less history related programming and reduced outreach and technical assistance. The second alternative would provide \$65,500 GPR and 0.5 GPR position in 1997-98 and \$123,100

GPR and 1.0 GPR position in 1998-99 for 20 hours of service instead of 60 hours, a 67% reduction. This second alternative would result in minimal public programming at the Center and few services outside of the Center.

7. The U.S. Forest Service has been the lead agency for the development and operation of the Center. The federal government, through the U.S. Forest Service, will hold title to the Center. Since, the federal government was the primary agent responsible for the final design and construction of the Center, it could be argued that any increased operating costs that have resulted from fewer participating agencies should be paid for with federal funds. It could also be argued that, if the Society is provided additional GPR funding, no funds should be provided for building operating costs not directly attributable to the Historical Society.

8. Although no statutory language exists that requires the Legislature to provide operational funding to the Historical Society, the Governor and the Legislature have supported the development and construction of the Northern Great Lakes Center. A portion of the Center has been specifically designed and constructed for archival use and storage.

#### **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to provide \$34,100 GPR and 0.5 GPR position in 1997-98 and \$59,800 GPR and 1.0 GPR position in 1998-99 as staff for Historical Society related functions at the Center.

2. Modify the Governor's recommendation by providing \$34,000 GPR and 0.5 GPR position in 1997-98 and \$116,600 GPR and 2.0 GPR positions in 1998-99. These amounts reflect the Society's initial request for staff, but have been modified to reflect increased operating costs and an opening date of December, 1997.

| <u>Alternative 2</u>               | <u>GPR</u> |
|------------------------------------|------------|
| 1997-99 FUNDING (Change to Bill)   | \$150,600  |
| 1998-99 POSITIONS (Change to Bill) | 2.00       |

3. Modify the Governor's recommendation by providing \$10,200 GPR and 0.5 GPR position in 1997-98 and \$76,000 GPR and 2.0 GPR positions in 1998-99. These amounts reflect the Society's initial request for staff, but have been modified to reflect an opening date of December, 1997, and funding for the operating costs directly attributable to the Historical Society.

| <u>Alternative 3</u>               | <u>GPR</u> |
|------------------------------------|------------|
| 1997-99 FUNDING (Change to Bill)   | \$86,200   |
| 1998-99 POSITIONS (Change to Bill) | 2.00       |

4. Maintain current law.

| <u>Alternative 4</u>               | <u>GPR</u> |
|------------------------------------|------------|
| 1997-99 FUNDING (Change to Bill)   | - \$93,900 |
| 1998-99 POSITIONS (Change to Bill) | - 1.00     |

Prepared by: Bob Soldner

MO# \_\_\_\_\_

|          |   |   |   |
|----------|---|---|---|
| JENSEN   | Y | N | A |
| OURADA   | Y | N | A |
| HARSDORF | Y | N | A |
| ALBERS   | Y | N | A |
| GARD     | Y | N | A |
| KAUFERT  | Y | N | A |
| LINTON   | Y | N | A |
| COGGS    | Y | N | A |

|           |   |   |   |
|-----------|---|---|---|
| BURKE     | Y | N | A |
| DECKER    | Y | N | A |
| GEORGE    | Y | N | A |
| JAUCH     | Y | N | A |
| WINEKE    | Y | N | A |
| SHIBILSKI | Y | N | A |
| COWLES    | Y | N | A |
| PANZER    | Y | N | A |

AYE    NO    ABS

*Notes  
w/ Sunken Corp*

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Unspecified Funding Reduction and Staff and Funding Reduction (Historical Society)**

[LFB Summary: Page 337, #7 and #8]

## CURRENT LAW

The Historical Society has an annual adjusted base of \$15,851,100 and 177.0 positions, which is comprised of the following: (a) \$10,449,500 GPR and 145.35 GPR positions, which is 65.9% of base funding; (b) \$4,002,700 PR and 22.55 PR positions, which is 25.2% of base funding; (c) \$943,400 FED and 5.85 FED positions, which is 6.0% of base funding; and (d) \$455,500 SEG and 3.25 SEG positions, which is 2.9% of base funding.

## GOVERNOR

Reduce funding for general program operations relating to executive and administrative services by \$101,200 GPR annually. The bill would require the Historical Society to submit a report to the Governor and the Joint Committee on Finance by October 1, 1997, concerning its preference for allocating these reductions among its sum certain GPR appropriations.

Delete \$87,200 GPR and 1.5 GPR positions annually, including 0.5 position for a half-time bibliographic instructor and 1.0 position in the conservation lab. The executive budget documents show this funding being deleted entirely from supplies and services, rather than from salaries and fringe benefits as well. In addition, the funding would be deleted from executive and administrative services, instead of archives, research and library services.

When combined, the Society's base GPR appropriations (less debt service) would be reduced by \$188,400 annually, which reflects a 2% annual reduction.

## DISCUSSION POINTS

1. On March 11, 1997, the DOA Secretary submitted a letter to the Joint Committee on Finance (JFC) requesting that the unspecified funding reduction be increased by \$34,000 GPR annually. This modification would result in a total unspecified cut of \$135,200 GPR annually. In addition, DOA requested that the staff and funding reduction included in the bill be decreased by the same amount, so that the Society's budget would continue to be reduced by \$188,400 GPR annually. DOA also requested the restoration of a 0.65 GPR classified position in each year to reflect the intent to delete a 0.85 position, rather than the 1.5 positions included in the Bill.

2. As part of the 1997-99 biennial budget process, DOA required agencies to submit a 3.5% annual GPR reduction plan. On October 25, 1996, the Board of Curators approved several specific program eliminations or reductions which totaled \$329,600 GPR and 5.85 GPR positions annually. Some of the programs that were recommended for elimination included the Black Historical Society grant, the Burial Sites program and the Underwater Archeology program. The Board of Curators did not include any general program administration reductions as part of the GPR reduction plan. Under the bill, the Committee would be able to consider recommendations from the Society before deciding on the allocation of these funding reductions.

3. As part of a separate, but related funding reduction, the Governor intended to recommend the reduction of \$53,200 GPR and 0.85 GPR position annually, including \$39,000 and 0.5 position for a library bibliographic instruction position and \$14,200 and 0.35 position for an archives paper conservation lab position.

4. On April 24, on a similar provision relating to the Arts Board, the Committee voted to require that the Board's report on the proposed allocation of its funding reduction be subject to the approval of JFC under a 14-day passive review process. To be consistent, the bill could be modified to include a 14-day passive review by the Committee of the unspecified funding reduction report that the bill would require the Society to submit on October 1, 1997. The modification would permit the recommended GPR reductions to be implemented if JFC approves the report, or does not schedule a meeting to review the report within 14 working days after receipt of the report.

## ALTERNATIVES TO BILL

1. Approve the Governor's recommendations.
2. Modify the Governor's recommendations as requested by DOA by restoring \$34,000 GPR and 0.65 GPR position annually and deleting an offsetting amount of GPR funding by increasing the unspecified funding reductions listed in the bill by \$34,000 GPR. Specify that the Historical Society could identify a proposed allocation of the unspecified funding reductions subject to JFC approval under a 14-day passive review process. Adjust the specified reductions

to accurately reflect the Governor's recommendations, which would involve deleting salary and fringe benefit funding and restoring supplies and services funding to properly reflect the deletion of these positions.

| <u>Alternative 2</u>               | <u>GPR</u> |
|------------------------------------|------------|
| 1997-99 FUNDING (Change to Bill)   | \$0        |
| 1998-99 POSITIONS (Change to Bill) | 0.65       |

Prepared by: Bob Soldner

MO# AH#2

|          |   |   |   |
|----------|---|---|---|
| JENSEN   | X | N | A |
| OURADA   | X | N | A |
| HARSDORF | X | N | A |
| ALBERS   | X | N | A |
| GARD     | X | N | A |
| KAUFERT  | X | N | A |
| LINTON   | X | N | A |
| ZCOGGS   | X | N | A |

|           |   |   |   |
|-----------|---|---|---|
| / BURKE   | X | N | A |
| DECKER    | X | N | A |
| GEORGE    | Y | N | X |
| JAUCH     | X | N | A |
| WINEKE    | X | N | A |
| SHIBILSKI | X | N | A |
| COWLES    | X | N | A |
| PANZER    | X | N | A |

AYE 15 NO 0 ABS 1

HISTORICAL SOCIETY

Restore Staff and Funding Reduction

Motion:

Move to provide \$87,200 GPR and 1.5 GPR positions annually to restore the Governor's recommendation to delete these resources.

Note:

SB 77 would delete \$87,200 GPR and 1.5 GPR positions annually as part of the 2% reduction of the Society's base GPR budget.

[Change to Bill: \$174,400 GPR and 1.5 GPR positions]

MO# 1508

|          |              |              |   |
|----------|--------------|--------------|---|
| JENSEN   | Y            | <del>N</del> | A |
| OURADA   | Y            | <del>N</del> | A |
| HARSDORF | Y            | <del>N</del> | A |
| ALBERS   | Y            | <del>N</del> | A |
| GARD     | Y            | <del>N</del> | A |
| KAUFERT  | Y            | <del>N</del> | A |
| LINTON   | <del>X</del> | N            | A |
| COGGS    | <del>X</del> | N            | A |

|           |              |              |              |
|-----------|--------------|--------------|--------------|
| BURKE     | <del>X</del> | N            | A            |
| DECKER    | <del>X</del> | N            | A            |
| GEORGE    | Y            | N            | <del>A</del> |
| JAUCH     | <del>X</del> | N            | A            |
| WINEKE    | <del>X</del> | N            | A            |
| SHIBILSKI | <del>X</del> | N            | A            |
| COWLES    | Y            | <del>N</del> | A            |
| PANZER    | Y            | <del>N</del> | A            |

AYE 9 NO 4 ABS 1

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Program and Segregated Revenue Reestimates (Historical Society)

[LFB Summary: Page 338, #9]

## CURRENT LAW

The Historical Society is appropriated program revenue, collected from admission fees and other sales at six state historic sites, for the operations of the historic sites. The six historic sites for which fees are collected include Madeline Island, Pendarvis, Stonefield Village, Villa Louis, Old Wade House and Old World Wisconsin. The Society also has site-specific GPR appropriations, a separate GPR appropriation for fuel and utilities at the historic sites and a separate GPR appropriation for the general program operations of the Division of Historic Sites. In addition, a separate GPR appropriation exists for principal repayment and interest costs related to the historic sites.

## GOVERNOR

Provide \$338,000 PR and \$49,400 SEG annually to reflect increased revenue from admissions and sales at historic sites (\$215,000 PR) and the Museum (\$123,000 PR), and revenue from the historical society trust fund (\$49,400 SEG). In addition, reestimate funding from gifts and grants to the Museum by \$7,600 PR annually.

The Society has \$1,493,900 PR annually in adjusted base expenditure authority for the operation and maintenance of the historic sites. SB 77 would provide a total of \$1,629,100 PR annually, which is an increase of \$135,200 in each year, or 9.1%, over the adjusted PR base.

## DISCUSSION POINTS

1. The following table lists the historic sites GPR, PR and SEG expenditures during 1995-96. These funding sources represent the major sources of funding related to the operations of the historic sites. Madeline Island is supported by SEG revenues through a restricted endowment fund. The First Capitol site opened to the public in June, 1996.

### 1995-96 Operations Expenditures by Fund Source Historic Sites Program

| <u>Expenditure Item</u>     | <u>GPR</u>         | <u>PR</u>          | <u>SEG</u>       | <u>Total</u>       |
|-----------------------------|--------------------|--------------------|------------------|--------------------|
| Historic Sites:             |                    |                    |                  |                    |
| Madeline Island             | \$6,400            | \$80,600           | \$113,600        | \$200,600          |
| Pendarvis and First Capitol | 141,300            | 88,400             | 0                | 229,700            |
| Stonefield Village          | 161,000            | 74,000             | 0                | 235,000            |
| Villa Louis                 | 127,300            | 147,700            | 0                | 275,000            |
| Old Wade House              | 187,300            | 190,000            | 0                | 377,300            |
| Old World Wisconsin         | 587,300            | 993,500            | 0                | 1,580,800          |
| Fuel and Utilities          | 68,000             | 0                  | 0                | 68,000             |
| General Program Operations  | <u>321,800</u>     | <u>0</u>           | <u>0</u>         | <u>321,800</u>     |
| <b>Total</b>                | <b>\$1,600,400</b> | <b>\$1,574,200</b> | <b>\$113,600</b> | <b>\$3,288,200</b> |
| <b>Percent of Total</b>     | <b>48.7%</b>       | <b>47.9%</b>       | <b>3.4%</b>      | <b>100.0%</b>      |

2. In addition to the amounts in the table, the Society expended \$676,200 GPR in 1995-96 for principal repayment and interest costs related to the historic sites. Therefore, a total of \$3,964,400 in 1995-96 was expended for the operation, maintenance and debt service related to the historic sites, comprised of the following: (a) \$2,276,600 GPR, 57.4% of total; (b) \$1,574,200 PR, 39.7% of total; and (c) \$113,600 SEG, 2.9% of total.

3. On October 25, 1996, the Board of Curators approved increases to the historic sites admission fees. This fee package is intended to support several programmatic increases related to the operations of the sites, which include: (a) LTE wages due to increased competition for employees and increases in the minimum wage; (b) training costs for retention of lead workers; and (c) materials and services.

4. Based on several discussions with program staff, the Society currently requests an increase in PR expenditure authority of \$412,200 in 1997-98 and \$434,300 in 1998-99 for the operation and maintenance of the historic sites. This would result in a total of \$2,041,300 PR in 1997-98 and \$2,063,400 PR in 1998-99 being provided for the historic sites, or an increase of approximately 26% over the SB 77 recommended PR levels.

5. It is estimated that the Society will expend approximately \$1,730,000 PR in 1996-97 related to the historic sites. This amount is \$236,100, or 15.8%, above the 1996-97 adjusted base of \$1,493,900 PR for the historic sites. The Historical Society will need to receive approval for these additional expenditures under s. 16.515 of the statutes.

6. If the Committee wanted to provide an increase to the historic sites program operating budget and reduce the program's reliance on GPR funding, the Committee could provide additional PR expenditure authority with a modest, partially offsetting reduction in the GPR funding. Under this alternative, the Committee could provide \$227,900 in 1997-98 and \$410,900 in 1998-99, comprised of the following: (a) \$377,900 PR in 1997-98 and \$560,900 PR in 1998-99 for the operation and maintenance of the historic sites; and (b) -\$150,000 GPR annually to be reduced evenly from supplies and services to the general program operations and Old World Wisconsin. Based on projected revenues from admission fees, there should be sufficient monies available to support this level of expenditure. This alternative would provide 5% annual increases in the amount of funding for the historic sites program. The following table shows this alternative level of programmatic support, by fund source, and the total percentage increase over the prior year.

**Estimated 1997-99 Operating Budget  
Historic Sites Program**

| <u>Fund Source</u>                   | <u>Estimated</u>   |                   | <u>Alternative 1997-99 Budget</u> |                    |                    |                   |
|--------------------------------------|--------------------|-------------------|-----------------------------------|--------------------|--------------------|-------------------|
|                                      | <u>1996-97</u>     | <u>% of Total</u> | <u>1997-98</u>                    | <u>1998-99</u>     | <u>Biennium</u>    | <u>% of Total</u> |
| <b>GPR</b>                           |                    |                   |                                   |                    |                    |                   |
| Historic Sites                       | \$1,247,700        |                   | \$1,207,500                       | \$1,207,500        | \$2,415,000        |                   |
| Fuel & Utilities                     | 69,100             |                   | 93,500                            | 93,500             | 187,000            |                   |
| General Operations                   | <u>328,200</u>     |                   | <u>242,400</u>                    | <u>242,400</u>     | <u>484,800</u>     |                   |
| Subtotal -- GPR                      | \$1,645,000        | 47.2%             | \$1,543,400                       | \$1,543,400        | \$3,086,800        | 41.1%             |
| PR                                   | \$1,730,000        | 49.6%             | \$2,007,000                       | \$2,190,000        | \$4,197,000        | 55.9%             |
| SEG                                  | <u>112,000</u>     | <u>3.2%</u>       | <u>112,000</u>                    | <u>112,000</u>     | <u>224,000</u>     | <u>3.0%</u>       |
| <b>Total</b>                         | <b>\$3,487,000</b> | <b>100.0%</b>     | <b>\$3,662,400</b>                | <b>\$3,845,400</b> | <b>\$7,507,800</b> | <b>100.0%</b>     |
| <b>Increase Over<br/>Prior Year:</b> |                    |                   |                                   |                    |                    |                   |
| Amount                               | \$198,800          |                   | \$175,400                         | \$183,000          | \$358,400          |                   |
| Percent                              | 6.0%               |                   | 5.0%                              | 5.0%               |                    |                   |

7. Under the alternative to increase PR funding, the partially offsetting reduction in GPR would result in a shift in the overall sources of funding to the Society. As noted in the table, GPR would represent 47.2% of the estimated operating budget in 1996-97, which would decline to 41.1% in the 1997-99 biennium under the alternative. One could argue that the

additional PR funding should be provided to the Society to allow them to expend projected fee revenues, without reducing the level of GPR support.

**ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendations by providing \$412,200 in 1997-98 and \$434,300 in 1998-99 for the operation and maintenance of the historic sites. This alternative would provide \$2,041,300 in 1997-98 and \$2,063,400 in 1998-99 for the historic sites, or an increase of approximately 26% over the SB 77 recommended program revenue levels.

| <u>Alternative 2</u>             | <u>PR</u> |
|----------------------------------|-----------|
| 1997-99 FUNDING (Change to Bill) | \$846,500 |

3. Modify the Governor's recommendations, by providing \$227,900 in 1997-98 and \$410,900 in 1998-99, comprised of the following: (a) \$377,900 PR in 1997-98 and \$560,900 PR in 1998-99 for the operation and maintenance of the historic sites; and (b) -\$150,000 GPR annually to be reduced evenly from supplies and services to the general program operations and Old World Wisconsin. This alternative would provide \$2,007,000 PR in 1997-98 and \$2,190,000 PR in 1998-99 for the historic sites.

| <u>Alternative 3</u>             | <u>GPR</u>  | <u>PR</u> | <u>TOTAL</u> |
|----------------------------------|-------------|-----------|--------------|
| 1997-99 FUNDING (Change to Bill) | - \$300,000 | \$938,800 | \$638,800    |

MO# ALX3 # 493

Prepared by: Bob Soldner

|          |   |   |   |
|----------|---|---|---|
| WJENSEN  | X | N | A |
| OURADA   | X | N | A |
| HARSDORF | X | N | A |
| ALBERS   | X | N | A |
| GARD     | X | N | A |
| KAUFERT  | X | N | A |
| LINTON   | Y | X | A |
| COGGS    | Y | X | A |

|           |   |   |   |
|-----------|---|---|---|
| BURKE     | Y | X | A |
| DECKER    | Y | X | A |
| GEORGE    | Y | N | X |
| JAUCH     | Y | X | A |
| WINEKE    | Y | X | A |
| SHIBILSKI | Y | X | A |
| COWLES    | X | N | A |
| PANZER    | X | N | A |

AYE 8 NO 7 ABS 1

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

**ISSUE**

**Minor Policy and Technical Changes (Historical Society)**

**A. STANDARD BUDGET ADJUSTMENTS**

[LFB Summary: Page 336, #1]

**Governor**

Delete \$75,600 GPR and 2.0 GPR positions in 1998-99 for the removal of noncontinuing items associated with the pilot electronic records program.

**Modification**

Delete an additional \$5,700 GPR in 1998-99 to remove the remaining funds available for the pilot electronic records program.

**Explanation:** The pilot electronic records program was created in 1993 Act 257 with a sunset date of June 30, 1998. Under current law, the appropriation will be repealed on July 1, 1998, which is the beginning of the 1998-99 state fiscal year.

| <u>Modification</u>              | <u>GPR</u> |
|----------------------------------|------------|
| 1997-99 FUNDING (Change to Bill) | - \$5,700  |

**B. STANDARD BUDGET ADJUSTMENTS**

[LFB Summary: Page 336, #1]

**Governor**

Delete \$73,500 GPR in 1998-99 for the removal of noncontinuing items associated with a four-year archives appraisal project.

**Modification**

Provide \$73,500 GPR in 1998-99 to restore the funds for the appraisal project.

**Explanation:** The 1995-97 budget created the archives appraisal project. As part of this initiative, 4.0 GPR four-year project positions were created from January 1, 1996, through December 31, 1999. Historical Society staff did not properly account for these project positions and listed the termination date as December 31, 1998. Based on this error, the Society requested the removal of \$73,500 GPR in 1998-99 as a standard budget adjustment and DOA included this request as part of the bill. This modification would restore the funds as provided by the Legislature in 1995 Act 27.

| <u>Modification</u>              | <u>GPR</u> |
|----------------------------------|------------|
| 1997-99 FUNDING (Change to Bill) | \$73,500   |

**C. STANDARD BUDGET ADJUSTMENTS**

[LFB Summary: Page 336, #1]

**Governor**

Adjust the executive and administrative services program's base budget as follows: (a) -\$200 GPR and -1.0 GPR position annually for removal of noncontinuing items; and (b) -\$7,200 GPR and 1.25 GPR positions annually for full funding of continuing salaries and fringe benefits.

**Modification**

Adjust the Governor's recommendation related to the executive and administrative services program, in each year, as follows: (a) -\$18,900 GPR and -0.25 GPR position; (b) \$18,900 PR and 0.25 PR position; and (c) convert 1.0 GPR classified position to unclassified.

**Explanation:** Historical Society staff indicate that the modifications under (a) and (b) were inadvertently omitted from the agency budget submission. When combined with the

Governor's recommendations, these changes would adjust base funding and positions within the executive and administrative services program as recommended by the agency. The position conversion would align the budget documents position totals with the statutes and with current practice at the Society.

| <u>Modification</u>                | <u>GPR</u> | <u>PR</u> | <u>TOTAL</u> |
|------------------------------------|------------|-----------|--------------|
| 1997-99 FUNDING (Change to Bill)   | - \$37,800 | \$37,800  | \$0          |
| 1998-99 POSITIONS (Change to Bill) | - 0.25     | 0.25      | 0.00         |

**D. UTILITIES REESTIMATE**

[LFB Summary: Page 337, #6]

**Governor**

Reestimate the cost of fuel and utilities by -\$17,600 GPR in 1997-98 and -\$12,600 GPR in 1998-99

**Modification**

Adjust the Governor's recommendation by \$33,300 GPR in 1997-98 and \$28,300 GPR in 1998-99. As a result, the Society's utilities budget would be reestimated by \$15,700 GPR annually.

**Explanation:** The amounts in the bill do not properly take into account new storage space and other improvements that are being completed in the 1995-97 biennium at several historic sites that will increase fuel and utilities costs. The reestimates are based on projections of actual 1996-97 fuel and utilities costs.

| <u>Modification</u>              | <u>GPR</u> |
|----------------------------------|------------|
| 1997-99 FUNDING (Change to Bill) | \$61,600   |

**E. INTERNAL SERVICES CHARGES**

LFB Summary: Page 338, #11]

**Governor**

Provide \$27,500 PR annually to properly account for revenues and expenditures between programs. Currently, the Society reflects these intra-agency charges as refunds of expenditures.

**Modification**

Provide \$161,100 PR-S annually to reestimate the level of other agency and intra-agency charges. Include intra-agency charges as an allowable expenditure under the administrative PR-S continuing appropriation. In addition, adjust the Governor's recommended expenditure line authority to reflect the Society's reestimates.

**Explanation:** Under current law, only expenditures related to other state agencies are allowed under the Historical Society's PR-S appropriation. This modification would allow both intra-agency and other agency related expenditures. The expenditure line authority adjustments would align base amounts with current and estimated expenditures during the 1997-99 biennium.

| <u>Modification</u>              | <u>PR</u> |
|----------------------------------|-----------|
| 1997-99 FUNDING (Change to Bill) | \$322,200 |

Prepared by: Bob Soldner

MO# A-E  
Modifications

|           |   |   |   |
|-----------|---|---|---|
| JENSEN    | X | N | A |
| OURADA    | X | N | A |
| HARSDORF  | X | N | A |
| ALBERS    | X | N | A |
| GARD      | X | N | A |
| KAUFERT   | X | N | A |
| LINTON    | X | N | A |
| COGGS     | X | N | A |
|           |   |   |   |
| BURKE     | X | N | A |
| DECKER    | X | N | A |
| GEORGE    | Y | N | A |
| JAUCH     | X | N | A |
| WINEKE    | X | N | A |
| SHIBILSKI | X | N | A |
| COWLES    | X | N | A |
| PANZER    | Y | N | A |

AYE 15 NO 0 ABS 1

HISTORICAL SOCIETY

Black Historical Society Grant

Motion:

Move to provide \$28,900 GPR annually as a grant to the Black Historical Society.

Note:

Under current law, the State Historical Society provides \$31,100 GPR annually to the Black Historical Society. This motion would provide a total of \$60,000 GPR annually as a grant.

[Change to Bill: \$57,800 GPR]

MO# 535

|           |                                     |                                     |                                     |
|-----------|-------------------------------------|-------------------------------------|-------------------------------------|
| JENSEN    | <input checked="" type="checkbox"/> | N                                   | A                                   |
| OURADA    | Y                                   | <input checked="" type="checkbox"/> | A                                   |
| HARSDORF  | Y                                   | <input checked="" type="checkbox"/> | A                                   |
| ALBERS    | Y                                   | <input checked="" type="checkbox"/> | A                                   |
| GARD      | Y                                   | <input checked="" type="checkbox"/> | A                                   |
| KAUFERT   | Y                                   | <input checked="" type="checkbox"/> | A                                   |
| LINTON    | <input checked="" type="checkbox"/> | N                                   | A                                   |
| COGGS     | <input checked="" type="checkbox"/> | N                                   | A                                   |
|           |                                     |                                     |                                     |
| BURKE     | <input checked="" type="checkbox"/> | N                                   | A                                   |
| DECKER    | <input checked="" type="checkbox"/> | N                                   | A                                   |
| GEORGE    | Y                                   | N                                   | <input checked="" type="checkbox"/> |
| JAUCH     | <input checked="" type="checkbox"/> | N                                   | A                                   |
| WINEKE    | <input checked="" type="checkbox"/> | N                                   | A                                   |
| SHIBILSKI | <input checked="" type="checkbox"/> | N                                   | A                                   |
| COWLES    | Y                                   | <input checked="" type="checkbox"/> | A                                   |
| PANZER    | Y                                   | <input checked="" type="checkbox"/> | A                                   |
|           |                                     |                                     |                                     |
| AYE       | <u>8</u>                            | NO                                  | <u>7</u>                            |
|           |                                     |                                     | ABS <u>1</u>                        |

HISTORICAL SOCIETY

Restore Staff Reduction

Motion:

Move to provide 1.5 GPR positions annually, including 0.5 position for a half-time bibliographic instructor and 1.0 position in the conservation lab.

Note:

SB 77 would delete \$87,200 GPR and 1.5 GPR positions annually. This motion would restore the position authority, but not the funding amount. The Society could request a line transfer through DOA to fund the salary and fringe benefits associated with these positions during the 1997-99 biennium. As part of standard budget adjustments for the 1999-2001 biennium, the Society would have the full salary and fringe benefits of these positions restored.

[Change to Bill: 1.5 GPR positions]

MO# 1015

|           |     |    |     |
|-----------|-----|----|-----|
| JENSEN    | Y   | X  | A   |
| OURADA    | Y   | X  | A   |
| HARSDORF  | Y   | X  | A   |
| ALBERS    | Y   | X  | A   |
| GARD      | Y   | X  | A   |
| KAUFERT   | Y   | X  | A   |
| / LINTON  | X   | N  | A   |
| ZCOGGS    | X   | N  | A   |
|           |     |    |     |
| BURKE     | X   | N  | A   |
| DECKER    | X   | N  | A   |
| GEORGE    | Y   | N  | X   |
| JAUCH     | X   | N  | A   |
| WINEKE    | X   | N  | A   |
| SHIBILSKI | X   | N  | A   |
| COWLES    | Y   | X  | A   |
| PANZER    | Y   | X  | A   |
|           |     |    |     |
|           | 7   | 8  | 1   |
|           | AYE | NO | ABS |

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Contracts for Youth Apprenticeship Instruction (WTCS)

[LFB Summary: Page 659, #8]

## CURRENT LAW

As part of the state's educational standards, school districts are required to provide access to an education for employment program approved by the State Superintendent. Beginning in the 1997-98 school year, the program must incorporate youth apprenticeship programs or other job training and work experience, and instruction in skills relating to employment.

Technical College district boards are permitted to enter into contracts to provide educational services to public and private educational institutions, federal and state agencies, local governmental bodies, industries and businesses.

## GOVERNOR

Provide that if a WTCS district board contracts with a school board to provide youth apprenticeship instruction to pupils enrolled in the school district, the district board may not charge the school district an amount greater than the school district's average instructional cost per pupil, as determined by the State Superintendent, for each pupil receiving the instruction. This provision would first apply to contracts entered into, modified or renewed on the effective date of the bill.

## DISCUSSION POINTS

1. The youth apprenticeship program provides high school juniors and seniors with the option of enrolling in a two-year program combining academic coursework with on-the-job training in specific occupational areas. Pupils who complete the program receive an occupational proficiency or skills certificate in addition to their high school diploma. As of the fall of 1996, 1,050 pupils were enrolled in youth apprenticeship programs in a total of 14 occupational areas.

2. In 1996-97, 12 WTCS districts provide instruction to 315 of the youth apprentices in the state. Other youth apprentices receive the classroom component of their apprenticeship at their high schools, at other high schools in the district or at the business where they receive on-the-job training. The WTCS districts providing instruction for youth apprentices do so under contract, generally between the WTCS district and the school board of the district of enrollment. However, one WTCS district contracts with the local Chamber of Commerce and another contracts with the cooperative educational service agency, which in turn, charge the school district. The bill provision would not apply to these WTCS contracts with other entities.

3. Pupils participating in youth apprenticeship programs are counted in the school district's membership for state aid purposes. WTCS districts which provide classroom instruction to youth apprentices do not receive any state funds for this purpose and the youth apprentice FTEs are not considered under the formula used to distribute state general aids to WTCS districts.

4. In most cases, separate WTCS courses are developed specifically for youth apprenticeship programs and enrollment in these courses generally consists only of youth apprentices. Because these courses enroll a small number of students, the per pupil cost of providing such instruction can be quite high, since fixed costs, such as the salary and fringe benefits for the instructor, equipment and classroom space, must be distributed over a small number of students. At least two WTCS districts have been able to enroll some youth apprentices in existing courses which has lowered the cost of the instruction.

5. The portion of a WTCS district's costs recovered under the contracts varies. Some districts, such as those which charge an amount based on tuition and fees, subsidize the costs of the instruction with local and/or federal funds. Districts which charge an amount equal to direct instructional costs plus a portion of indirect expenses usually recover the largest percentage of costs. However, the portion of indirect costs charged to school districts varies from 7.5% to 26% of the total contract amount, while indirect costs represent an average of 67% of direct instruction costs.

6. Staff from the Department of Administration indicate that this provision is intended to provide greater uniformity in the costs of the contracts across school districts. In addition, staff from the Department of Workforce Development indicate that some school districts have found the cost of the contracts prohibitively high and are reluctant to spend more on pupils in youth apprenticeship programs than on pupils in regular academic programs. For this reason, it is

argued, enrollments in WTCS courses is low. However, WTCS Board staff indicate that one of the factors contributing to the relatively high per pupil cost is the small number of pupils enrolled in the courses.

7. The following concerns have been raised regarding the use of a school district's average instructional costs as the basis for determining contract amounts for youth apprenticeship instruction:

- A school district's instructional costs have no relationship to the costs incurred by a WTCS district to provide the instruction. For example, many of the youth apprenticeship programs consist of technical training which involves the use of expensive equipment; expenditures associated with providing and maintaining such equipment would not be included in a school district's costs.

- The proposed language does not take into consideration variances in the cost of instruction for different youth apprenticeship occupational areas.

- School district instructional costs are based on an academic year, whereas WTCS courses, including those taken by youth apprentices, are offered on a semester basis.

- While youth apprentices must be in grades 11 or 12, instructional cost data encompasses all grade levels. Since it is generally assumed that the cost of educating an elementary school student is lower than the cost of educating a high school student, the average instructional cost for K-12 grades would be lower than for high school grades alone.

8. The term "average instructional cost" is not defined in the bill. One option would be to use the definition relating to interdistrict payments approved by the Joint Legislative Council Special Committee on Public School Open Enrollment for its draft legislation. Under this alternative, average cost would be defined as the statewide average per pupil school district cost as determined annually by the Department of Public Instruction, for regular instruction, co-curricular activities, instructional support services and pupil support services for the prior school year. In 1995-96, it is estimated that for all of these cost categories together, the statewide average was \$4,203.

9. The proposal would need to be clarified as to whether "pupil" means a headcount or a full-time equivalent count of students. The number of youth apprentices currently enrolled in an individual WTCS course varies from two to 42 and the estimated number of FTE youth apprentices enrolled in an individual course varies from 0.24 to 8.0. WTCS defines 1.0 FTE as a student enrolled for at least 15 credits per semester, or 30 credits per year. Since most youth apprentices attend WTCS courses for only a few hours per week, they do not represent large numbers of FTEs. For example, while 10 youth apprentices are enrolled in courses at Blackhawk Technical College, these students equal only 1.2 FTE student.

10. The effect of the proposal would vary depending on whether a headcount or FTE approach would be taken. While current contract amounts range from \$178 to \$6,150 based on headcounts, these amounts range from \$913 to \$22,969 when calculated on a FTE basis. As an example, 14 youth apprentices are enrolled in an auto technician course at Fox Valley Technical College. The total amount charged to the school district, which is based on direct cost of instruction plus 7.5% for indirect costs, is \$49,452, or \$3,532 per pupil. However, because the 14 pupils equal only 5.97 FTEs, the cost per FTE is \$8,283. Under the bill, assuming that the school district's average instructional cost is approximately \$4,200 per pupil, the amount the WTCS district would be allowed to charge, on a per pupil basis, would be slightly greater than the current charge. However, if the charge to the school district is based on FTEs, the WTCS district would not be permitted to charge more than \$25,074, which is approximately half of the current contract amount.

11. The potential impact of the proposal on the youth apprentice program is unclear. If WTCS districts continue to provide these contractual services, it is possible that school districts would incur lower costs. However, since WTCS districts are not required to provide instruction for youth apprentices, a WTCS district may choose not to enter into a contract if the proposed maximum payment is not sufficient to cover a certain percentage of the WTCS district's costs. In this case, the school district would have to provide the instruction itself or discontinue its youth apprenticeship program, which could result in fewer pupils being able to participate in youth apprenticeships.

12. It is likely that WTCS districts which are prevented from recovering their costs by the proposed provision would have to fund the remaining costs through the property tax or general aids in order to continue to provide youth apprenticeship instruction. One could argue that since youth apprentices are not the primary customers of the technical college system, WTCS districts should not be required to subsidize the cost of instruction for these pupils at the expense of other students and programs.

13. A less restrictive alternative would be to limit the contract amount to the WTCS district's direct instructional costs associated with providing the instruction; WTCS districts would be prohibited from recovering indirect costs.

#### **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation by adopting one or more of the following:
  - a. Specify that the limit on the amount charged to the school district would be calculated on a per semester, rather than an annual basis.

b. Specify that the limit on the amount charged to a school district would be calculated using the headcount of the youth apprentices receiving instruction.

c. Specify that the limit on the amount charged to a school district would be calculated using the full-time equivalent (FTE) number of the youth apprentices receiving instruction.

d. Specify that the limit on contract costs would be based on the statewide average per pupil school district cost as determined annually by the Department of Public Instruction, for regular instruction, co-curricular activities, instructional support services and pupil support services for the prior school year.

③ Modify the Governor's recommendation by specifying that a WTCS district board may not charge the school district an amount greater than the WTCS district's direct instructional costs associated with providing the youth apprenticeship instruction.

4. Delete the Governor's recommendation.

Prepared by: Merry Larsen

MO# At #3 p 947

|           |           |    |              |
|-----------|-----------|----|--------------|
| JENSEN    | X         | N  | A            |
| OURADA    | X         | N  | A            |
| HARSDORF  | X         | N  | A            |
| ALBERS    | X         | N  | A            |
| GARD      | X         | N  | A            |
| KAUFERT   | X         | N  | A            |
| LINTON    | X         | N  | A            |
| COGGS     | Y         | X  | A            |
|           |           |    |              |
| BURKE     | Y         | X  | A            |
| DECKER    | Y         | X  | A            |
| GEORGE    | Y         | N  | X            |
| JAUCH     | Y         | X  | A            |
| WINEKE    | X         | N  | A            |
| SHIBILSKI | X         | N  | A            |
| COWLES    | X         | N  | A            |
| PANZER    | X         | N  | A            |
| AYE       | <u>11</u> | NO | <u>4</u>     |
|           |           |    | ABS <u>1</u> |

|       |                                                 |
|-------|-------------------------------------------------|
| To:   | Joint Committee on Finance                      |
| From: | Bob Lang, Director<br>Legislative Fiscal Bureau |

**ISSUE****Minor Policy and Technical Changes -- Position Authority (WTCS)****GOVERNOR**

No Provision.

**MODIFICATION TO BILL**

Adjust the WTCS Board's position authorization by -3.0 GPR positions and 1.0 FED position annually.

**Explanation:** The 1995-97 state budget act reduced the Board's budget by \$230,700 GPR in 1995-96 and \$302,300 GPR in 1996-97 and provided that the allocation of these reductions be determined by the agency. In making the required reductions, the Board eliminated 2.0 GPR positions and transferred funding for 2.0 additional positions from 50% GPR/50% FED to 100% FED. While these adjustments were made in the state's position management information system (PMIS), they are not reflected in the budget forms. This modification would align the agency's position authorization with the PMIS.

| <u>Modification</u>                | <u>GPR</u> | <u>FED</u> | <u>TOTAL</u> |
|------------------------------------|------------|------------|--------------|
| 1998-99 POSITIONS (Change to Bill) | -3.00      | 1.00       | - 2.00       |

Prepared by: Merry Larsen

MO# Modification

|          |   |   |   |
|----------|---|---|---|
| JENSEN   | X | N | A |
| OURADA   | X | N | A |
| HARSDORF | X | N | A |
| ALBERS   | X | N | A |
| GARD     | X | N | A |
| KAUFERT  | X | N | A |
| LINTON   | X | N | A |
| COGGS    | X | N | A |

|           |   |   |   |
|-----------|---|---|---|
| BURKE     | X | N | A |
| ZDECKER   | X | N | A |
| GEORGE    | X | N | X |
| JAUCH     | X | N | A |
| WINEKE    | X | N | A |
| SHIBILSKI | X | N | A |
| COWLES    | X | N | A |
| PANZER    | X | N | A |

AYE 15 NO 0 ABS \_\_\_\_\_

to p#948

PAPER #948

WISCONSIN TECHNICAL COLLEGE SYSTEM

Transitional Services for Handicapped Students

Motion:

Move to increase funding for grants to technical college districts for transitional services for handicapped students by \$200,000 GPR annually and direct the WTCS Board to distribute the additional funds to those districts which do not currently receive transitional services grants.

---

Note:

In 1996-97, \$200,000 GPR is appropriated for grants to WTCS districts to provide handicapped students with a coordinated set of services intended to ease the transition from high school, or the community, to postsecondary programs or other vocational training. Such services include: recruitment; individualized program planning; interpersonal and study skills; enrollment assistance; coordination of services between the secondary school, WTCS district and other service providers; and job placement and post-employment skills. Currently, grants of \$25,000 each are awarded to eight of the 16 WTCS districts. Districts are required to provide a 25% local match.

Under the bill, funding for this program would remain at the 1996-97 base level. This motion would increase the amount appropriated for transitional services grants from \$200,000 GPR to \$400,000 GPR annually and direct that the additional funds be awarded to the districts which do not currently receive these grants (Blackhawk, Lakeshore, Nicolet, Northcentral, Northeast, Southwest, Western and Indianhead).

[Change to Bill: \$400,000 GPR]

VOTE OVER →

MO#

485

JENSEN  
 OURADA  
 HARSDORF  
 ALBERS  
 GARD  
 KAUFERT  
 LINTON  
 COGGS

|   |   |   |
|---|---|---|
| Y | X | A |
| Y | X | A |
| Y | X | A |
| Y | X | A |
| Y | X | A |
| X | N | A |
| X | N | A |

BURKE  
 / DECKER  
 GEORGE  
 JAUCH  
 WINEKE  
 SHIBILSKI  
 COWLES  
 PANZER

|   |   |   |
|---|---|---|
| X | N | A |
| X | N | A |
| Y | N | A |
| X | N | A |
| X | N | A |
| X | N | A |
| Y | X | A |
| Y | X | A |

AYE 9 NO 8 ABS 1

WISCONSIN TECHNICAL COLLEGE SYSTEM

Incentive Grants Program

Motion:

Move to modify the incentive grants program by creating a new category for grants to technical college districts, or consortia of districts, to create or expand vocational and technical programming at secured juvenile correctional facilities. Beginning in 1997-98, allow the WTCS Board to award up to \$150,000 annually under this category.

---

Note:

In 1996-97, a total of \$7,888,100 GPR is appropriated for the incentive grants program which provides grants to WTCS districts, or consortia of districts, under four categories: (a) basic skills--creation or expansion of adult high school, adult basic education and English as a second language courses; (b) emerging occupations--new and expanding occupational training programs, courses or services, and related staff and instructional material development; (c) educational programs, courses or services that would not otherwise be established or maintained because of limitations in district fiscal capacity; and (d) technology transfer--programs that assist business and industry in adopting and implementing new technology. SB 77 would continue funding at the base level of \$7,888,100 GPR annually in the 1997-99 biennium.

This motion would establish a fifth category under the incentive grants program for grants to technical college districts, or consortia of districts, for the creation or expansion of vocational and technical programs in secured juvenile correctional facilities. In addition, this motion would allow the WTCS Board to award grants totalling up to \$150,000 annually under this category beginning in 1997-98. There are four juvenile correctional facilities currently operating in Wisconsin: (1) Lincoln Hills School, Lincoln County; (2) Ethan Allen School, Waukesha County; (3) Southern Oaks Girls School, Racine County; and (4) Mendota Juvenile Treatment Center, Dane County. Under SB 77, an additional facility in Prairie du Chien (Crawford County) would begin operations in 1998-99 as a secured juvenile correctional facility.

MO# 1510

|            |   |   |   |
|------------|---|---|---|
| JENSEN     | X | N | A |
| 1 OURADA   | X | N | A |
| 2 HARSDORF | X | N | A |
| ALBERS     | X | N | A |
| GARD       | X | N | A |
| KAUFERT    | X | N | A |
| LINTON     | X | N | A |
| COGGS      | X | N | A |

|           |   |   |   |
|-----------|---|---|---|
| BURKE     | X | N | A |
| DECKER    | X | N | A |
| GEORGE    | Y | N | A |
| JAUCH     | X | N | A |
| WINEKE    | X | N | A |
| SHIBILSKI | X | N | A |
| COWLES    | Y | N | A |
| PANZER    | X | N | A |

AYE 14 NO 1 ABS 1

# WISCONSIN TECHNICAL COLLEGE SYSTEM

## LFB Summary Items for Which No Issue Papers Have Been Prepared

| <u>Item #</u> | <u>Title</u>                                                          |
|---------------|-----------------------------------------------------------------------|
| 1             | Standard Budget Adjustments                                           |
| 4             | Basic Skills Grants                                                   |
| 5             | Budget Reductions                                                     |
| 6             | Telecommunications Retraining Reestimate                              |
| 7             | Reestimate Federal Indirect Cost Reimbursements                       |
| 9             | Tuition Charges                                                       |
| 10            | Carl D. Perkins Vocational and Applied Technology Education Act Funds |
| 13            | Educational Approval Board Positions                                  |
| 14            | Transfer Educational Approval Board to Higher Educational Aids Board  |

*Paper - wants to be able to use Fealt to do #4.  
Burke & Jensen-DK*

## LFB Summary Item to be Addressed in a Subsequent Paper

| <u>Item #</u> | <u>Title</u>            |
|---------------|-------------------------|
| 12            | School-to-Work Programs |

## LFB Summary Item for Introduction as Separate Legislation

| <b>Item #</b> | <b>Title</b>                   |
|---------------|--------------------------------|
| 11            | Technical Preparation Programs |

# Revenue

## Tax Administration

(LFB Budget Summary Document: Page 512)

### LFB Summary Items for Which Issue Papers Have Been Prepared

| <u>Item #</u> | <u>Title</u>                                                     |
|---------------|------------------------------------------------------------------|
| 23            | County Sales Tax Administration Appropriation Lapse (Paper #710) |
| 18            | Telephone Tax Administration (Paper #711)                        |
| 19            | Wisconsin Property Assessment Manual Update (Paper #712)         |
| 9             | Electronic Funds Transfer (Paper #713)                           |
| 5,8&17        | Information Technology Funding (Paper #714)                      |

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### County Sales Tax Administration Appropriation Lapse (Revenue -- Tax Administration)

[LFB Summary: Page 522, #23]

## CURRENT LAW

Wisconsin counties may impose a 0.5% sales tax on the goods and services that are subject to the state sales tax. The county tax is "piggybacked" onto the state sales tax in that the county tax is administered, enforced and collected by the Department of Revenue (DOR). DOR retains 1.5% of the sales taxes it collects to cover administrative costs. Currently, 49 counties impose the county sales tax.

## GOVERNOR

Require that the fiscal year-end unencumbered balance in the appropriation for administration of the county sales tax be annually lapsed to the general fund, beginning on June 30, 1998. This provision would result in an estimated lapse of \$491,600 in 1997-98 and \$461,700 in 1998-99.

## DISCUSSION POINTS

1. Prior to 1992, DOR retained 3% of county sales taxes to fund the costs of administering the tax. Because the revenue retained by the state exceeded the state's administrative costs, the amount of collections retained was reduced from 3% to 1.5% in 1991 Wisconsin Act 37. The 1991-93 budget adjustment bill (1991 Wisconsin Act 269) transferred

\$1,400,000 that had accumulated in the administrative appropriation to the general fund. Under provisions included in 1995 Wisconsin Act 27 (the 1995-97 budget), an additional \$1,221,600 will be transferred from the administrative appropriation to the general fund on June 30, 1997. The Act also would have decreased the amount of sales taxes retained by DOR from 1.5% to 1.3% beginning on July 1, 1997. However, the Governor vetoed this provision.

2. Since 1992, the 1.5% share of collections has generated revenues in excess of the amounts needed to cover administrative expenditures. The amount of revenues over authorized expenditures remains in the balance of the county sales tax administrative appropriation.

3. Some would argue that the excess funds should be rebated to the counties which impose the sales tax. This would return local sales tax revenues that are not necessary to cover state administrative costs to counties. These monies initially derived from the local sales tax, and a rebate would return them to their source.

However, others believe that the state should retain the balance in the appropriation as reimbursement for the general administrative services, such as taxpayer registration, data processing and compliance, that are provided because the county tax is attached to the state's general sales tax processing system. Because such activities are funded by GPR, the excess balance should be transferred to the general fund.

4. The estimated 1997-98 and 1998-99 year-end balances in the county sales tax administrative appropriation are shown in the following table:

|                 | <u>1997-98</u>     | <u>1998-99</u>     |
|-----------------|--------------------|--------------------|
| Opening Balance | \$189,500          | \$597,200          |
| Revenue         | 2,519,500          | 2,645,200          |
| Expenditures    | <u>- 2,111,800</u> | <u>- 2,111,800</u> |
| Closing Balance | \$597,200          | \$1,130,600        |

The table shows that under the lapse provision in the bill an estimated \$597,200 would be transferred to the general fund in 1997-98 rather than \$491,600; an additional \$533,400 (\$1,130,600 minus \$597,200) would be lapsed in 1998-99 rather than \$461,700.

5. The table also shows that ongoing revenues exceed ongoing expenditures by over \$400,000 each year. One option that could be considered would be to reduce the current 1.5% amount retained by DOR to 1.2%. This would reduce the amount of revenues retained by the state to better match state spending, as was done in 1991. This modification could occur on July 1, 1997, in which case no funding would lapse to the general fund in the 1997-99 biennium.

Alternatively, the percentage could be decreased beginning July 1, 1999, to allow for the lapses of the appropriation balance in the 1997-99 biennium, as proposed by the Governor.

**ALTERNATIVES TO BILL**

1. Adopt the Governor's recommendation to require that the fiscal year-end unencumbered balance in the appropriation for administration of the county sales tax be annually lapsed to the general fund. Reestimate the lapses to be \$597,200 in 1997-98 and \$533,400 in 1998-99.

| <u>Alternative 1</u>             | <u>GPR</u> |
|----------------------------------|------------|
| 1997-99 REVENUE (Change to Bill) | \$177,300  |

2. Delete the Governor's recommendation and instead reduce, from 1.5% to 1.2%, the amount of county sales taxes retained by DOR to administer the tax effective July 1, 1997.

| <u>Alternative 2</u>             | <u>GPR</u>  |
|----------------------------------|-------------|
| 1997-99 REVENUE (Change to Bill) | - \$953,300 |

3. Adopt the Governor's recommendation as reestimated with a modification to reduce, from 1.5% to 1.3%, the amount of county sales taxes retained by DOR to administer the tax. The modification to reduce DOR's administrative percentage would be effective July 1, 1999.

| <u>Alternative 3</u>             | <u>GPR</u> |
|----------------------------------|------------|
| 1997-99 REVENUE (Change to Bill) | \$177,300  |

4. Delete the Governor's recommendation.

| <u>Alternative 4</u>             | <u>GPR</u>  |
|----------------------------------|-------------|
| 1997-99 REVENUE (Change to Bill) | - \$953,300 |

Prepared by: Ron Shanovich

MO# Alt #3 change  
1.2% to 1.3%  
 JENSEN  N A  
 OURADA  N A  
 HARSDORF  N A  
 ALBERS  N A  
 GARD  N A  
 KAUFERT  N A  
 LINTON  N A  
 COGGS  N A

BURKE  ~~N~~ A  
 DECKER  N A  
 GEORGE  N A  
 JAUCH  N A  
 WINEKE  N A  
 SHIBILSKI  N A  
 COWLES  N A  
 PANZER  N A

Revenue (Paper #710)

AYE 8 NO 7 ABS 1 ge 3

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Telephone Tax Administration (Revenue -- Tax Administration)

[LFB Summary: Page 520, #18]

## CURRENT LAW

The Manufacturing Assessment Bureau 1997-98 base funding level is \$2,621,900 GPR with 45.8 GPR positions.

## GOVERNOR

Provide expenditure authority of \$305,700 PR in 1997-98 and \$281,700 PR in 1998-99 and 6.0 PR positions annually to administer the ad valorem tax on telephone companies. A statutory provision which specifies the amounts that should be provided for administering the tax would be deleted.

## DISCUSSION POINTS

1. Under the provisions of 1995 Wisconsin Act 351, the state utility tax on telephone companies will be converted from a gross revenues tax to an ad valorem tax, beginning with taxes due for 1998. The Act also created a separate program revenue appropriation to provide funds to the Department to administer the tax; the source of revenue for the program revenue appropriation is the ad valorem tax on utility companies. No expenditure authority was provided for 1995-96 and 1996-97. However, the Act specified that DOR should be provided \$307,300 in 1997-98 and \$283,300 in 1998-99 and 6.0 positions, beginning on July 1, 1997. Under the

budget bill, the amounts specified in the Act would be deleted and, instead, the recommended expenditure authority would be provided for the administrative appropriation.

2. The 6.0 positions were provided because the bill would require DOR to assess the property of local exchange telephone companies such as Wisconsin Bell. This would represent a substantially increased workload for Department assessment staff.

3. The funding and positions would be placed in DOR's Manufacturing Assessment Bureau which would reflect conversion of the tax to an ad valorem tax, based on the state assessed value of telephone company property. The Bureau and its positions are funded entirely from general purpose revenues.

4. As noted, the source of funding for the new telephone tax administration program revenue would be ad valorem utility taxes. Because telephone utility taxes are general fund taxes, general fund revenues would be reduced by \$305,700 in 1997-98 and \$281,700 in 1998-99.

5. The Department of Administration's 1997-99 budget instruction manual defines general purpose revenue as general taxes and other moneys which are collected by state agencies and deposited into the general fund, and are available for appropriation by the Legislature. Program revenue is defined as moneys which are collected from the general public by state agencies for specific purposes, deposited in the general fund and credited directly to an appropriation to finance those purposes.

Since the source of revenue for the telephone tax administration appropriation is a general fund tax and not revenue collected for a specific purpose, some would argue that designating a portion of utility taxes as program revenue would be inappropriate. Also, administration of most general fund taxes, such as the individual and corporate income and franchise taxes, sales and use taxes, estate taxes and other utility taxes is funded by general purpose revenues. Moreover, administration of state assessment of all manufacturing property is entirely funded with GPR. From this view, administration of the ad valorem utility tax on telephone companies should be funded with GPR.

Consequently, the Committee may wish to modify the bill to provide \$305,700 GPR in 1997-98 and \$281,700 GPR in 1998-99 and 6.0 GPR positions and delete the program revenue funding, positions and appropriations. Since these telephone company utility taxes would be placed in the general fund rather than designated for a specific purpose, the net effect on the general fund would be revenue neutral. General fund revenues would be increased by \$587,400 in the biennium while GPR expenditures would be increased by the same amount.

6. However, others argue that designating a portion of ad valorem telephone utility tax revenues to fund administration of the tax would ensure that the companies that benefitted from the conversion of the tax from a gross revenues tax would fund the additional costs of

administering the ad valorem tax. Moreover, by enacting this provision in Act 351 the Legislature approved this use of utility tax revenues.

**ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to provide expenditure authority of \$305,700 PR in 1997-98 and \$281,700 PR in 1998-99 and 6.0 PR positions annually to administer the ad valorem utility tax on telephone companies. In addition, delete the current statutory provisions that specify the amounts that should be provided for administering the tax.

2. Modify the Governor's recommendation to delete \$305,700 PR in 1997-98 and \$281,700 PR in 1998-99 and 6.0 PR positions and the program revenue telephone tax administration appropriation and, instead, provide \$305,700 GPR in 1997-98 and \$281,700 GPR in 1998-99 and 6.0 GPR positions annually to administer the ad valorem utility tax on telephone companies.

| <u>Alternative 2</u>               | <u>GPR</u> | <u>PR</u>   | <u>TOTAL</u> |
|------------------------------------|------------|-------------|--------------|
| 1997-99 REVENUE (Change to Bill)   | \$587,400  | - \$587,400 | \$0          |
| 1997-99 FUNDING (Change to Bill)   | \$587,400  | - \$587,400 | \$0          |
| 1998-99 POSITIONS (Change to Bill) | 6.00       | - 6.00      | 0.00         |

Prepared by: Ron Shanovich

MO# Alt #2

|          |   |   |   |
|----------|---|---|---|
| JENSEN   | X | N | A |
| OURADA   | X | N | A |
| HARSDORF | X | N | A |
| ALBERS   | X | N | A |
| GARD     | X | N | A |
| KAUFERT  | X | N | A |
| LINTON   | X | N | A |
| COGGS    | X | N | A |

|           |   |   |   |
|-----------|---|---|---|
| 1 BURKE   | X | N | A |
| 2 DECKER  | X | N | A |
| GEORGE    | Y | N | X |
| JAUCH     | X | N | A |
| WINEKE    | X | N | A |
| SHIBILSKI | X | N | A |
| COWLES    | Y | X | A |
| PANZER    | Y | X | A |

AYE 13 NO 2 ABS 1

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Wisconsin Property Assessment Manual Update (Revenue -- Tax Administration)

[LFB Summary: Page 521, #19]

## CURRENT LAW

The Department of Revenue is authorized to prepare, publish, update and distribute the four volume Wisconsin property assessment manual to local governments and the private sector. The manuals are sold on a subscription basis and revenues are placed in the Wisconsin property assessment manual program revenue appropriation. The 1997-98 base funding level is \$64,500 PR with 1.0 PR position.

## GOVERNOR

Provide \$130,000 PR in 1998-99 to contract with a private vendor to update Volume II of the Wisconsin Property Assessment Manual. The program revenue would come from fees charged by the Department for the manuals.

## DISCUSSION POINTS

1. Volume II of the Wisconsin Property Assessment Manual contains instructions, cost tables, depreciation schedules and local area modifiers that are used to value residential, apartment and agricultural buildings. The information included in Volume II helps assessors estimate the depreciated cost of reproducing or replacing buildings and site improvements in their taxation districts.

2. Volume II has not been updated since 1983. DOR officials argue that, because construction and materials costs have changed substantially in the interim, the volume should be updated to reflect current residential and agricultural construction methods. If the volume is not updated, assessors would be required to use outdated cost models or purchase cost manuals from private vendors.

3. Private companies such as Marshall & Swift and Boeckh publish cost manuals which local assessors could use to determine the cost of residential, apartment and agricultural buildings. Marshall & Swift publishes a manual that costs \$310 with updates priced at \$254. The American Appraisal Association (Boeckh) publishes a manual which costs \$354 with updates costing \$170. It could be argued that it is not necessary to produce a separate volume that would provide similar information to the information contained in the privately produced cost manuals.

4. However, the cost data included in the Marshall & Swift and Boeckh cost volumes is based on national and regional construction and materials cost data, whereas Volume II would be based on information from Wisconsin suppliers and contractors. Since most assessors would convert the national cost data into Wisconsin cost data using their own methods, some argue that use of national cost manuals would lead to nonuniform assessments between different municipalities. From this view, use of an updated Volume II would help assessors develop more accurate and uniform assessments than privately produced manuals.

5. As noted, the bill would provide \$130,000 to fund the cost of producing Volume II. Since it is estimated that approximately 1,000 local assessors, DOR staff and other individuals would purchase the manual. The estimated cost of each manual would be \$130. The price of updates would be nominal. Consequently, Volume II would be cheaper than privately published manuals.

6. Under current law, the Department is required to distribute one cost component volume to each assessor and to bill each municipality for an equal share of the cost of their assessor's manual. Approximately 550 assessors serve the 1,849 municipalities in the state, with some assessors serving a single municipality and at least one serving 50 municipalities. This method of billing would require DOR to bill some municipalities the entire \$130 cost of Volume II while other municipalities would be billed \$2.60 for their share of the volume's cost. There is a concern that this type of billing process is unnecessarily complicated and leads to a disparity in the cost imposed on different municipalities.

As an alternative, the Committee may wish to modify current law to require DOR to bill each individual assessor for the cost of the cost component volume and delete the requirement that municipalities pay an equal share of the assessor's volume. The Department could bill each assessor and would not be involved in billing the individual municipalities. The assessors could seek reimbursement from the municipalities.

However, this alternative would impose an additional cost on the local assessors for performing their required duties and there would be no guarantee that the additional cost could be recovered by billing the municipalities. Moreover, many contract assessors might not be able to bill the municipality for the cost of Volume II under the terms of their contracts.

A second alternative would be to require each municipality to purchase Volume II as well as Volume I of the assessment manual. However, many municipalities would object to this state mandated additional cost.

**ALTERNATIVES TO BILL**

①. *OK* Approve the Governor's request to provide \$130,000 PR in 1998-99 to contract with a private vendor to update Volume II of the Wisconsin Property Assessment Manual.

②. *OK* Approve the Governor's request and also modify current law to require DOR to bill each assessor for the cost component of the Wisconsin Assessment Manual and delete the requirement that each municipality be billed for an equal share of its assessor's cost component.

3. Approve the Governor's recommendation and modify current law to require each municipality to purchase Volume II of the Wisconsin Property Assessment Manual.

4. Delete provision.

|                                  |             |
|----------------------------------|-------------|
| <u>Alternative 4</u>             | <u>PR</u>   |
| 1997-99 FUNDING (Change to Bill) | - \$130,000 |

Prepared by: Ron Shanovich

MO# *Alt #2*

|          |                                     |   |   |
|----------|-------------------------------------|---|---|
| JENSEN   | <input checked="" type="checkbox"/> | N | A |
| OURADA   | <input checked="" type="checkbox"/> | N | A |
| HARSDORF | <input checked="" type="checkbox"/> | N | A |
| ALBERS   | <input checked="" type="checkbox"/> | N | A |
| GARD     | <input checked="" type="checkbox"/> | N | A |
| KAUFERT  | <input checked="" type="checkbox"/> | N | A |
| LINTON   | <input checked="" type="checkbox"/> | N | A |
| COGGS    | <input checked="" type="checkbox"/> | N | A |

|                 |                                     |   |   |
|-----------------|-------------------------------------|---|---|
| <i>2</i> BURKE  | <input checked="" type="checkbox"/> | N | A |
| DECKER          | <input checked="" type="checkbox"/> | N | A |
| GEORGE          | <input checked="" type="checkbox"/> | N | A |
| JAUCH           | <input checked="" type="checkbox"/> | N | A |
| <i>1</i> WINEKE | <input checked="" type="checkbox"/> | N | A |
| SHIBILSKI       | <input checked="" type="checkbox"/> | N | A |
| COWLES          | <input checked="" type="checkbox"/> | N | A |
| PANZER          | <input checked="" type="checkbox"/> | N | A |

AYE 15 NO 0 ABS 1

REVENUE

Property Assessment Manual

Motion:

Move to eliminate the requirement that Volume I of the Wisconsin property assessment manual must be distributed to each town, village and city in the state. Eliminate the requirement that each municipality be charged for a proportionate share of the cost of the cost component (Volume II) of the Wisconsin property assessment manual. Instead, require that the Wisconsin property assessment manual be distributed to each assessor and the assessor be billed for the cost.

Note:

Under current law, DOR is required to publish and distribute Volume I of the Wisconsin property assessment manual to each town, village and city in the state. The manuals are sold to each municipality on a subscription basis. The Department is also authorized to publish and distribute the cost component (Volume II) of the manual to local assessors. In cases where an assessor works for more than one municipality, each municipality is charged an equal share of the cost.

This motion would repeal both of the current billing provisions. In addition, the Department would be required to distribute the Wisconsin property assessment manual to each assessor and bill the assessor for the cost. This motion would not have a state fiscal effect. However, since the cost of producing the manual is recovered through the sales price and the number of volumes sold would decrease, the price of the manual would increase.

MO# 460

[Change to Base: None]  
[Change to Bill: None]

|          |   |   |   |           |       |
|----------|---|---|---|-----------|-------|
| JENSEN   | X | N | A |           |       |
| OURADA   | X | N | A |           |       |
| HARSDORF | X | N | A |           |       |
| ALBERS   | X | N | A |           |       |
| GARD     | X | N | A |           |       |
| KAUFERT  | X | N | A |           |       |
| LINTON   | X | N | A |           |       |
| COGGS    | X | N | A |           |       |
|          |   |   |   | 2 BURKE   | X N A |
|          |   |   |   | 1 DECKER  | X N A |
|          |   |   |   | GEORGE    | Y N A |
|          |   |   |   | JAUCH     | X N A |
|          |   |   |   | WINEKE    | X N A |
|          |   |   |   | SHIBILSKI | X N A |
|          |   |   |   | COWLES    | X N A |
|          |   |   |   | PANZER    | X N A |

AYE 15 NO 0 ABS 1

REVENUE

Wisconsin Property Assessment Manual

Motion:

Move to require the Department of Revenue to produce the Wisconsin property assessment manual on CD-ROM, in addition to the current methods used to produce the manual, if the Department determines that demand for the CD-ROM format is sufficient.

Note:

Under current law, DOR publishes and distributes Volume I of the Wisconsin property assessment manual on a subscription basis to each municipality. In SB 77, the Governor has recommended providing \$130,000 PR in 1998-99 to contract with a private vendor to update Volume II of the manual. This motion would require DOR to produce the manual on CD-ROM, in addition to the current methods of production. The motion would provide no additional funding to cover the costs associated with producing the manual on CD-ROM. However, if DOR could not cover the costs with existing resources, the Department could request additional funding under s. 16.515 of the statutes.

MO# 1050

|          |   |   |   |
|----------|---|---|---|
| JENSEN   | X | N | A |
| ZOURADA  | X | N | A |
| HARSDORF | X | N | A |
| ALBERS   | X | N | A |
| GARD     | Y | X | A |
| KAUFERT  | X | N | A |
| LINTON   | X | N | A |
| COGGS    | X | N | A |

|           |   |   |   |
|-----------|---|---|---|
| BURKE     | X | N | A |
| DECKER    | X | N | A |
| GEORGE    | Y | N | A |
| JAUCH     | X | N | A |
| WINEKE    | X | N | A |
| SHIBILSKI | X | N | A |
| COWLES    | X | N | A |
| PANZER    | X | N | A |

Motion #1050

AYE 14 NO 1 ABS 1

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Electronic Funds Transfer (Revenue -- Tax Administration)

[LFB Summary: Page 515, #9]

## CURRENT LAW

Most tax returns, related forms and information, and tax payments are generally required to be signed and mailed to the Department of Revenue (DOR). The forms, information and payments usually must be sent in an envelope, with postage prepaid, and be postmarked before midnight on the due date. The documents and payment must be received within five days of the due date. In addition, the forms and returns are usually prescribed and, frequently, provided by DOR.

## GOVERNOR

Authorize the Department of Revenue to prescribe alternative methods for filing or furnishing and authenticating tax returns, reports and other related documents and for paying, depositing or remitting taxes. The Department would have authority to designate alternative tax or document processors. Under these provisions, prescribed documents could be filed or furnished by delivering or mailing them to the Department, or DOR could authorize another method of submitting or another destination. Similarly, amounts could be paid, remitted or deposited by mailing or delivering funds to the Department, or the funds could be submitted by a different method. Documents could be authenticated by writing one's signature or DOR could prescribe another method of authenticating information or tax payments. As is currently the case, returns, other forms and payments would be considered furnished, reported, filed or made on time, if mailed in a properly addressed envelope with postage prepaid and postmarked before midnight on the date such payments or documents were due. These payments and documents

would continue to be due within five days of the due date. Documents and payments that were not mailed would be considered timely if they were received on or before the due date by the Department or at a destination prescribed by DOR. These provisions would apply to the individual income tax, corporate income and franchise tax (including insurance companies), sales and use tax, recycling surcharge, estate tax, motor vehicle tax, general aviation tax, beverage taxes, cigarette tax and tobacco products tax.

The bill would also authorize DOR to require electronic funds transfer for tax payments in the following cases:

- a. *Corporate Income and Franchise Tax.* When any quarterly estimated tax payment was \$20,000 or more.
- b. *Income Tax Withholding.* For any employer who was required to deposit withheld income taxes on a monthly or more frequent basis.
- c. *Sales and Use Tax.* When the amount of sales taxes collected exceeded \$3,600 in any calendar quarter.
- d. *Cigarette Tax.* When the amount of taxes paid was \$20,000 or more.

These provisions would be effective on January 1, 1998.

Electronic funds transfer would result in earlier tax collections in the cases where it was required. Consequently, interest earnings for the general fund would increase by an estimated \$550,000 in 1997-98 and \$1,100,000 in 1998-99. Electronic funds transfer would also reduce printing, postage and microfilming costs. As a result, the Department's budget would be decreased by \$61,000 GPR annually to reflect these reduced costs.

## DISCUSSION POINTS

### Alternative Methods for Filing Returns and Payments

1. Individual income taxpayers can file tax returns by paper or electronically. Approximately 194,000 electronic returns and 2,692,000 paper returns were filed for tax year 1995. These returns are mailed or transmitted to the Department of Revenue. Currently, individuals who wish to file electronic returns must use private tax practitioners who have the software to transmit the returns.

2. Sales and use taxes are paid by filing a paper return. The taxpayer sends the return and remittance to the state depository bank. The bank then deposits the remittance, validates the returns and delivers the validated returns to the Department of Revenue. The

Department processes over one million sales and use tax returns and related documents on an annual basis.

3. Corporations are required to file a paper income and franchise tax return with DOR following the close of the tax year. In fiscal year 1995-96, approximately 107,700 corporate income and franchise tax returns (including tax-option corporation returns) were filed. In addition, if the sum of a corporation's franchise or income tax due and temporary recycling surcharge is \$500 or more, it generally must make quarterly estimated payments. Estimated payments can be made by filing a paper estimated payment return and remittance with the state depository bank or through electronic funds transfer (EFT). For fiscal year 1995-96, approximately 26,000 corporations filed paper estimated payment returns while 389 were registered to use electronic funds transfer. (The number of corporations that are registered to use electronic funds transfer has increased to 925.)

4. Employers that deduct and withhold income taxes are generally required to file and deposit withheld amounts with the state depository bank on a semi-monthly, monthly, quarterly or annual basis. The amounts are sent to the bank along with a paper withholding tax deposit form. However, DOR allows electronic funds transfer of withholding amounts on a voluntary basis. A total of 1,490 employers participate in the voluntary EFT program. Most employers continue to use the paper deposits; a total of 1.4 million withholding deposit forms are processed on an annual basis.

5. Cigarette taxes are paid by purchasing tax stamps from DOR. There are currently 78 distributors who purchase cigarette tax stamps. The stamps are usually purchased by filing a monthly return and remittance for the stamps with the Department. Impressions applied by meter machines may be used in lieu of stamps. Certain manufacturers and distributors may purchase stamps on credit.

6. In addition to returns and payments, state taxpayers are frequently required to file other related forms and documents with DOR. These additional documents or forms include but are not limited to: estimated tax forms for individuals, estates and trusts; claims for homestead and farmland preservation credits; income tax amended returns; alternative minimum tax forms; partnership returns; tax-option (S) corporation shareholder returns; tax-option (S) corporation returns; credit union net income forms; development zone, research and farmland tax relief tax credit forms; capital gain and loss forms; sales tax exemption forms; annual withholding reconciliation forms; liquor floor tax returns; and cigarette inventory tax returns.

7. There are few statutory provisions which specifically authorize various methods of electronic data interchange such as electronic filing and electronic funds transfer under the state individual income, corporate income and franchise, sales and use, beverage and cigarette taxes. The bill would give DOR the authority to prescribe alternative methods for processing state taxes that would be more consistent with current technology. It is believed that providing the Department with such authority would improve the efficiency of DOR's tax administration

activities. The current processing systems primarily rely on DOR staff, including both LTEs and permanent positions, to open, sort and route paper forms, screen returns for accuracy and key information from the returns into various data processing systems. These systems are time consuming and costly. Use of electronic data interchange and filing would reduce the amount of manual processing, improve the accuracy of information provided and shorten processing times. Also, because the number of paper returns would decrease, the amount of space needed to store tax records would be reduced. However, the Department has not identified specific savings that would result from receiving the authority to implement alternative tax processing methods. (The bill deletes \$61,000 GPR annually to reflect savings from implementing electronic funds transfer.)

8. The bill provides funding for scanning and imaging of individual income and sales and use tax returns and real estate transfer returns. Implementation of the scanning and imaging system would reduce or eliminate certain processing activities including validating, keying, sorting and microfilming functions. Consequently, the bill deletes \$63,800 GPR, 6.0 GPR positions and 6.0 PR positions in the biennium, to reflect savings from the reduction in processing activities.

9. DOR requires the use of electronic data interchange and electronic funds transfer for payment of the motor fuel tax. Use of electronic data interchange significantly reduced the amount of paper returns and allowed DOR to eliminate 4.5 positions that were used to code and key data from the returns into data processing systems. The net savings was about \$80,000 a year.

10. Since DOR has indicated that the authority to prescribe alternative methods for processing taxes would improve the efficiency of its tax collection activities and the Department has reduced positions to reflect other similar processing improvements (scanning and motor fuel tax processing) the Committee may wish to make approval of the authority contingent on DOR identifying savings from implementing data interchange processes. DOR could be required to identify savings from implementing electronic tax processing methods and submit a report listing these savings to the Committee for its review at its March meeting under s. 13.10 in 1997-98. This would allow the Committee to adjust the Department's funding level for fiscal year 1998-99.

11. Under the bill, DOR would receive authority to prescribe alternative methods for filing returns and related documents. A concern could be raised that the Department could require certain methods of electronic tax processing that would impose significant additional costs on taxpayers. For example, many small employers might find it difficult to purchase the software and the data processing equipment that would be necessary to implement electronic filing of income taxes for their employees. Consequently, the Committee could direct the Department to prescribe alternative tax processing methods that would be voluntary. This would be similar to the current withholding EFT program which allows for voluntary use of electronic funds transfer by employers.

## Electronic Funds Transfer

1. Under current law, corporations are required to make estimated income and franchise tax payments in four installments on or before the 15th day of the 3rd, 6th, 9th and 12th month of the tax year.

2. In general, employers who deduct and withhold amounts make quarterly withholding deposits. However, if the amount deducted and withheld in any quarter exceeds \$300, DOR may require monthly withholding deposits. If the amount deducted and withheld in any quarter exceeds \$5,000, DOR may require semi-monthly withholding deposits. Finally, the Department may permit other than quarterly withholding deposits for an employer whose withheld taxes do not exceed \$50 a month.

3. Sales and use taxes are generally due and payable on a quarterly basis. However, if the amount of sales and use taxes for any calendar quarter exceeds \$600, DOR may require that the taxes be paid on a monthly basis, due and payable on the last day of the next succeeding month. In addition, if the amount withheld for any calendar quarter exceeds \$3,600, DOR may require that the taxes be due and payable on the 20th day of the next succeeding month.

4. The state cigarette tax is imposed and paid by the purchase of cigarette tax stamps from DOR. To evidence the payment, stamps are affixed to each package of cigarettes prior to the first sale within the state. In lieu of stamps, the Secretary of Revenue may authorize impressions applied by the use of meter machines.

5. The bill would require that electronic funds transfer be used to pay taxes in the following cases: (a) when any quarterly corporate income and franchise tax estimated payment is \$20,000 or more; (b) for any employer who is required to deposit withheld income taxes on a monthly or more frequent basis; (c) when the amount of sales taxes collected exceeds \$3,600 in any calendar quarter; and (d) when the amount of cigarette taxes paid is \$20,000 or more.

Under current law, DOR offers and accepts electronic funds transfer as a payment method for estimated income and franchise taxes, withholding taxes, fuel taxes and excise taxes. EFT is required for motor fuel taxes; use of EFT is voluntary for other tax payments. The Department offers electronic funds transfer through the Automated Clearinghouse (ACH) system, a nationwide network used by the Federal Reserve for the exchange and settlement of financial transactions. Two EFT options are offered by DOR: (a) ACH Debit; and (b) ACH Credit.

Under the ACH Debit method of EFT, the taxpayer authorizes DOR to electronically transfer tax payments from the taxpayer's bank to the Department's bank (Firststar). To initiate a transfer, the taxpayer calls DOR's data collection service and provides information to the service based on instructions sent by the service to the taxpayer. After DOR's data collection service receives the information, it provides the information to the Department's bank. The bank can then create a debit to the taxpayer's bank account. An EFT transaction must be initiated at

least one business day before the tax payment is due. Transactions are initiated by making a toll-free telephone call to DOR's data collection service using one of three data input options: (a) touchtone phone; (b) voice phone; or (c) PC modem. When the transaction is completed and the information is verified, the amount the taxpayer is paying is debited from the taxpayer's bank account on the following business day and transferred electronically to DOR's account in its bank. Since DOR is the originator of the ACH Debit transaction, the cost is charged to the state.

Under the ACH Credit option, the taxpayer authorizes its bank to transfer tax payments to the Department's bank. The taxpayer and bank determine the logistics of the method by which the taxpayer will contact the bank (usually by phone or computer), the hours during which business may be conducted and the method by which authorization of transfers may be verified. The taxpayer's account is debited at the time which the taxpayer has arranged with the bank and the payment is electronically transferred to DOR's account in its bank. In addition to the payment amount, supplemental information is sent with the funds transfer. All costs of ACH Credit services are payable by the taxpayer.

6. The thresholds for required EFT were chosen to apply the requirement to most large and mid-sized businesses. In 1995-96, an estimated 31,000 corporations made quarterly estimated payments of \$20,000 or more; a total of 52 distributors had monthly cigarette tax stamp payments of \$20,000 or more; there were 71,856 monthly withholding tax depositors and 20,900 semi-monthly depositors; and finally, there were 34,727 early monthly sales tax filers and 47,146 monthly filers. Thus, the EFT requirements would apply to about 30% of corporate filers, 67% of cigarette distributors; 65% of withholding tax filers and 23% of sales tax permit holders. DOR staff note that moving the threshold lower would begin to impose the EFT requirements on many small businesses.

7. Most states offer or require EFT for at least some state taxes. The Appendix provides a listing of the states and the specific taxes for which EFT was offered or required as of August, 1996.

8. It is argued that the benefits of implementing electronic funds transfer include providing more accurate and efficient cash management for taxpayers. For example, the taxpayer knows, in advance, the day on which each tax payment will be charged to the taxpayer's bank account. In addition, delays and possible lost payments due to mail delivery would be eliminated. DOR processing costs would be reduced or eliminated because there would be fewer paper checks to be manually processed. The bill deletes \$61,000 GPR annually to reflect reduced microfilming, printing and postage costs related to processing withholding tax deposit reports. EFT would reduce many errors that are related to manual processing of returns. For example, there would be fewer chances for posting payments to wrong accounts or in wrong amounts.

9. Requiring EFT would mandate a specific method of making tax payments for certain businesses. If these businesses chose to continue to use their own banks to make the transfer of funds, they would incur additional costs. In these cases, the business would be

charged for each transfer. However, if the business chose to use the ACH Debit method, through the Department's collection service, there would be no charge for funds transfers. In either case, the taxpayer would continue to file required paper forms.

10. As noted, \$61,000 GPR is deleted annually to reflect savings from reduced printing, postage and microfilming costs as a result of requiring EFT for withholding. However, no additional savings are identified from requiring EFT for corporate estimated payments, cigarette tax stamp purchases and sales taxes.

## **ALTERNATIVES TO BILL**

### **Alternative Methods for Filing Returns and Payments**

1. Approve the Governor's recommendation to authorize DOR to prescribe alternative methods for filing or furnishing and authenticating tax returns, reports and related documents and for paying, depositing or remitting taxes. Also, approve the Governor's recommendation to authorize DOR to prescribe alternative destinations for tax documents and payments.

2. Modify the Governor's recommendation to require DOR to identify potential savings from using alternative methods of filing and paying taxes and to submit a report listing these savings at the Committee's March meeting under s. 13.10 in 1997-98.

3. Modify the Governor's recommendation to require that any alternative method for filing tax documents and payments must provide for voluntary participation.

4. Maintain current law.

### **Electronic Funds Transfer**

1. Approve the Governor's request to require electronic funds transfer in the following cases: (a) when quarterly corporate income and franchise tax estimated payments are \$20,000 or more; (b) for employers that are required to make withholding tax deposits on a monthly or more frequent basis; (c) when the amount of sales taxes collected exceeds \$3,600 in any calendar quarter; and (d) when the amount of cigarette taxes paid is \$20,000 or more.

2. Maintain current law.

| <u>Alternative 2</u>             | <u>GPR</u>    |
|----------------------------------|---------------|
| 1997-99 REVENUE (Change to Bill) | - \$1,650,000 |
| 1997-99 FUNDING (Change to Bill) | \$122,000     |

Prepared by: Prepared by Ron Shanovich

MO# 1142431  
713  
 BIENSEN      Y   N   A  
 OURADA       Y   N   A  
 HARSDORF    Y   N   A  
 ALBERS       Y   N   A  
 GARD          Y   N   A  
 KAUFERT      Y   N   A  
 LINTON        Y   N   A  
 COGGS         Y   N   A

BURKE         Y   N   A  
 DECKER        Y   N   A  
 GEORGE        Y   N   A  
 JAUCH          Y   N   A  
 WINEKE        Y   N   A  
 SHIBILSKI     Y   N   A  
 COWLES        Y   N   A  
 PANZER        Y   N   A

AYE 15 NO 0 ABS 1

APPENDIX

State Electronic Funds Transfer (EFT) Programs  
(August 1996)

| STATE                               | EFT TAXES                                                                                                                            | TAXPAYERS AFFECTED                                                                                                                           | PAYMENT OPTIONS                                  | FILING SCHEDULE                                                                | EFFECTIVE DATE        |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------------|-----------------------|
| Alabama                             | All corporate taxes                                                                                                                  | Tax liability of \$25,000 or more per tax return, fee, report, or other document                                                             | ACH Credit & Debit, Fedwire with approval        | Depends on tax                                                                 | Jan. '92              |
| Alaska<br>Division of Insurance     | Insurance premium, ocean marine tax, hosp. & med. corp., retaliatory, title, surplus line<br>All other taxes                         | All taxpayers<br>All tax payments of \$100,000 or more due with a return required to be filed                                                | ACH Credit (ACH Debit available 1/97)<br>Fedwire | Annual/Quarterly<br>Depends on tax                                             | Jan. '96<br>1982      |
| Arizona                             | Withholding, corporate income                                                                                                        | Taxpayers with liability of \$50,000 per quarter (withholding), or \$50,000 per year (corporate income) based upon average of previous year. | ACH Credit & Debit; Fedwire with approval        | Depends on tax                                                                 | Jan. '93              |
| Arkansas                            | Withholding, sales/use, privilege, alcoholic beverage excise<br>Tobacco, severance, spirits<br>Corporate estimated<br>Soft drink tax | Jan. '95: \$20,000 plus per mo.<br>Jan. '95: \$20,000 plus per mo.<br>Jan. '95: \$20,000 plus per quarter<br>Jan. '96: \$20,000 plus per mo. | ACH Credit & Debit                               | Quarterly for corporate estimated, monthly for others                          | Jan. '94 implem. date |
| California<br>Board of Equalization | Sales & Use                                                                                                                          | Sales & Use - avg. liability of \$20,000 per month                                                                                           | ACH Credit & Debit; Fedwire with approval        | Depends on tax (for sales & use tax EFT eliminate need to file "prepaid form") | Jan. '93 implem. date |

| STATE                                | EFT TAXES                                                                                                                                                                                                                                                                                                        | TAXPAYERS AFFECTED                                                                                                                                                                                                                                              | PAYMENT OPTIONS                                                                                | FILING SCHEDULE | EFFECTIVE DATE        |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------|-----------------------|
| California<br>Franchise<br>Tax Board | Bank & corporate tax; tax withheld at source, nonadmitted insurance tax                                                                                                                                                                                                                                          | Bank & Corporations-Making any estimated tax or extension payment greater than \$50,000 or whose total tax liability is greater than \$200,000 are required to remit all payments by EFT. (1/1/95 - thresholds decreased to \$20,000 and \$80,000 respectively) | ACH Credit & Debit; Fedwire with approval                                                      | Depends on tax  | Jan. '93 implem. date |
| Florida                              | Sales & use, corporate income, corporate est., motor fuel, gross receipts, insurance prem., severance, gas & sulphur prod., oil & gas prod., corporate intangible, documentary stamp, alcohol, tobacco, parimutuel, motor vehicle license & title, saltwater license & stamp, unempl. comp., child support coll. | Taxpayers with prior state fiscal year liability of \$50,000 or more; Unemployment tax for employers with prior year liability of \$20,000 or more.                                                                                                             | ACH Debit; ACH Credit with written justification; Fedwire for emergencies with prior approval. | Depends on tax  | Feb. '90              |
| Georgia                              | Sales and use, withholding, motor fuel, corporate est., individual est.                                                                                                                                                                                                                                          | Sales & Use, Withholding: Payments of \$20,000 or more per payment; Motor Fuel, Corporate Est: Payments of \$100,000 or more per payment; Individual Est. has not yet been implemented. Ultimate threshold of \$10,000 or more per payment.                     | ACH Debit; ACH Credit with justification                                                       | Depends on tax  | Jan. '93              |
| Hawaii                               | General excise and/or use, withholding, transient accommodations, rental motor vehicle and tour vehicle surcharge                                                                                                                                                                                                | \$100,000 prior year liability; allow voluntary participation with prior approval.                                                                                                                                                                              | ACH Credit & Debit                                                                             | Depends on tax  | Mar. '96              |
| Idaho                                | Any tax where the taxpayer makes a payment of \$100,000 or more in one payment                                                                                                                                                                                                                                   | Payments of \$100,000 or more                                                                                                                                                                                                                                   | ACH Credit & Debit                                                                             | Depends on tax  | July '88              |

| STATE                | EFT TAXES                                                                                                                                                                                           | TAXPAYERS AFFECTED                                                                                                                                                                                                                                           | PAYMENT OPTIONS                                                                                                      | FILING SCHEDULE                                                            | EFFECTIVE DATE |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------|
| Louisiana            | 9/1/93 - gas, severance<br>12/31/93 - corp/franchise<br>3/1/94 - sales/withhold<br>1/1/95 - all other bus taxes                                                                                     | Monthly or Quarterly - liability averaging \$100,000 or more - 7/1/95 \$50,000 or more                                                                                                                                                                       | ACH Credit & Debit; Fedwire with approval; immed. invest. funds                                                      | Depends on tax                                                             | Sept. '93      |
| Maine<br>(Voluntary) | Sales & use, withholding, corporate income, gasoline, special fuel supplier                                                                                                                         | Voluntary for all taxpayers                                                                                                                                                                                                                                  | ACH Credit; Fedwire with approval                                                                                    | Depends on tax. Withholding, sales & use vary based on annual payment amt. | Dec. '94       |
| Maryland             | Withholding, sales, corp. excise                                                                                                                                                                    | Voluntary - Quarterly filers with \$25,000+ annual liability; 1/1/95 - Mandatory for W/H pmts. of \$500,000+ Voluntary - Monthly filers with \$25,000+ annual liability. Note: All voluntary filers must be approved before sending EFT pmts.                | ACH Credit; Paper coupon & check                                                                                     | Weekly                                                                     | July '93       |
| Michigan             | Accelerated withholding, accelerated sales & use and voluntary monthly sales, use, withholding and single business taxes. Real estate transfer tax and school education taxes paid by the counties. | \$480,000 prior year liability for accelerated withholding, \$720,000 prior year liability for accelerated sales & use taxes. Voluntary monthly only for sales, use and withholding. Taxpayer may pay their single business taxes on their current schedule. | ACH Credit & Debit                                                                                                   | Depends on tax                                                             | July '91       |
| Minnesota            | Sales, withholding, corporate estimate, petroleum, special taxes, Minnesota care taxes; voluntary for fiduciary and individual estimates                                                            | Mandatory for taxpayers making \$10,000 payments based on twelve month period starting July 1 or previous year; voluntary for others. Eff. 1/2/96. Withholding threshold for a business drops to \$50,000 per year.                                          | ACH Credit & Debit, Fedwire                                                                                          | Depends on tax                                                             | Jan. '92       |
| New Mexico           | CRS-1 (sales, use and withholding) and oil & gas taxes                                                                                                                                              | Average monthly combined liability for CRS-1 or oil & gas taxes of \$25,000 based on previous year or any individual payment of \$25,000 or more                                                                                                             | ACH Credit, Fedwire; check if received at least two days prior to the due date. Generating ACH Debits from EDI (813) | Monthly                                                                    | Jan. '89       |

| STATE                                               | EFT TAXES                                                                                                                                                                                        | TAXPAYERS AFFECTED                                                                                                                                                                                                                                                                                                                                                                                      | PAYMENT OPTIONS                                                      | FILING SCHEDULE                                | EFFECTIVE DATE                           |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------|------------------------------------------|
| New York<br>(State, NY<br>City, City of<br>Yonkers) | Income tax withholding<br><br>Sales and compensating use tax<br><br>Prepaid sales tax on motor fuel and diesel motor fuel and combined motor fuel and petroleum business tax                     | Taxpayers withholding \$400,000 or more annually.<br><br>Taxpayers with annual liability exceeding \$1 million<br><br>Taxpayers with annual liability exceeding \$5 million                                                                                                                                                                                                                             | ACH Credit & Debit, Fedwire, certified check<br><br>Same<br><br>Same | For each payroll<br><br>Monthly<br><br>Monthly | Jan. '90<br><br>Dec. '92<br><br>Dec. '92 |
| North Carolina                                      | Withholding, corporate, declarations, utility sales, utility franchise, alcoholic beverage, sales and use, soft drink, motor fuels, tobacco products, insurance                                  | Taxpayers remitting \$1.2 million during a twelve consecutive month selection period, except motor fuels \$240,000/yr. and corp. declarations \$400,000/yr. EFT requirements are determined on a tax by tax basis. 10/1/95 sales and use tax reduced to \$240,000/yr. 1/1/96 remaining listed taxes reduced to \$240,000/yr. Voluntary partic. allowed with some taxes subject to certain requirements. | ACH Credit & Debit; Fedwire with approval                            | Depends on tax                                 | Jan. '94                                 |
| Rhode Island                                        | Withholding, sales & use, consumer use, motor fuel & gasoline, insurance premiums, bank deposit, bank excise, tangible personal prop., public svc., gross earnings, cigarette stamp, corporation | Tax liability of \$25,000 or more per tax return, report, or other document. May apply to participate on a voluntary basis.                                                                                                                                                                                                                                                                             | ACH Credit & Debit                                                   | Depends on return                              | Feb. '94                                 |
| South Carolina                                      | All Taxes -- being phased-in as conditions permit<br><br>Sales tax - EFT/EDI (voluntary)<br><br>IFTA-EFT/EDI                                                                                     | Tax liability of \$20,000 or more per tax filing period, volunteers are welcome<br><br>Using CCD with specific information in 6 records<br><br>Same as Sales                                                                                                                                                                                                                                            | ACH Credit & Debit; Fedwire with approval<br><br>Same<br><br>Same    | Depends on tax<br><br>Monthly<br><br>Quarterly | Jan. '91<br><br>June '95<br><br>Apr. '96 |

| STATE                       | EFT TAXES                                                                                           | TAXPAYERS AFFECTED                                                                           | PAYMENT OPTIONS                                                  | FILING SCHEDULE                                                                                 | EFFECTIVE DATE |
|-----------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------|
| South Dakota<br>(Voluntary) | Sales, use & excise; IFTA                                                                           | Any taxpayer with tax liability                                                              | ACH Credit & Debit;<br>Fedwire with approval                     | Depends on tax.<br>Sales/use due date is 20th; if taxpayer uses EFT, payment due at month's end | July '90       |
| Tennessee                   | Sales & use, excise, tire, franchise, motor fuel, base, gross receipts alcoholic bev., beer, liquor | Taxpayers with average liability of \$10,000 or more per month base on previous year history | ACH Credit & Debit,<br>Fedwire as backup (no prior approval)     | Depends on tax and/or return                                                                    | Jan. '90       |
| Texas                       | All taxes and fees                                                                                  | Mandatory for taxpayers which paid \$500,000 or more during the previous year                | ACH Credit & Debit;<br>Fedwire if over \$1 million and as backup | Depends on tax                                                                                  | Jan. '90       |
| Wisconsin                   | Withholding, estimated income and franchise taxes                                                   | Voluntary                                                                                    | ACH Credit & Debit                                               | Depends on tax                                                                                  | Oct. '93       |

Source: Federation of Tax Administrators