To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Governance of TEACH Functions (TEACH Board)

[LFB Summary: Page 568, #1 and #2; Page 576, #10; and Page 208, #2]

CURRENT LAW

The Educational Technology Board (ETB) is responsible for administering the pioneering partners program which provides competitive grants and/or state trust fund loans to school districts, municipal or county library boards or a combination thereof, to implement, expand or participate in an educational technology or distance education project. Additionally, ETB is required to provide consultative services to school and library boards, in cooperation with cooperative educational service agency (CESA) boards, to assist them in developing and implementing distance education and educational technology projects and in preparing applications for ETB grants and loans.

The Educational Communications Board (ECB) is responsible for administering a small grant program for distance education grants to school districts and educational institutions for the development of distance education projects in cooperation with other educational institutions using fiber optics or other appropriate technologies. Additionally, ECB is required to: (a) provide leadership in securing appropriate funding for regional educational telecommunications networks maintained by schools and other educational institutions; (b) coordinate the development of the networks; and (c) establish technical standards for the networks and their interconnections.

The Department of Public Instruction (DPI) is the state's designated K-12 education agency and is responsible for administering all state school aids programs except pioneering partners. The State Superintendent of Public Instruction is constitutionally and statutorily vested with the supervision of primary and secondary public education in Wisconsin.

GOVERNOR

Create the Technology for Educational Achievement in Wisconsin Board (TEACH Board) which would be attached to the Department of Administration (DOA) for limited purposes of budgeting, program coordination and related management functions. The proposed membership of the Board is shown in an attachment to this paper. Under current law governing the operation of state boards, the chair of the board would be elected by board members. The TEACH Board would administer three grant programs to school districts and CESAs, coordinate with DOA and the Public Service Commission to operate the telecommunications access program, coordinate with DOA to provide infrastructure loans, technology purchasing services and technical assistance to school districts, and coordinate with school districts, CESAs, DPI, WTCS, the UW System and DOA in the statewide provision of educational technology services, equipment and training.

Provide $596,500 GPR in 1997-98 and $710,900 GPR in 1998-99 and 6.0 GPR positions beginning in 1997-98, one of which would be unclassified. Specify that the Governor would appoint an Executive Director, to be assigned to executive salary group 5, and the Director would appoint all staff.

Eliminate ETB and $73,300 GPR for ETB administration annually from the DOA base level budget.

Delete $184,600 GPR and 4.0 GPR positions in 1997-98 and $246,100 GPR in 1998-99 from ECB to reflect the transfer of certain distance education functions to the proposed TEACH Board. Eliminate ECB's distance education grant program, all duties related to the program and $107,200 GPR annually for distance education grants to school districts and educational institutions for the development of distance education projects in cooperation with other educational institutions using fiber optics or other appropriate technologies.

Eliminate ECB's responsibilities to: (a) provide leadership in securing appropriate funding for regional educational telecommunications networks maintained by schools and other educational institutions; (b) coordinate the development of the networks; and (c) establish technical standards for the networks and their interconnections.

Decrease the number of unclassified professional staff employed by ECB from 12 to 11. Under current law, ECB has 18 unclassified positions, including the executive director, deputy director, four division administrators and 12 professional staff.

Delete 2.0 GPR positions in 1997-98 from UW-Extension.

DISCUSSION POINTS

1. The following items in this paper discuss three options for governance of the proposed TEACH functions. The first section deals with the proposed TEACH Board and the second section discusses two existing state agencies that have responsibilities in this area. The attachment lists the memberships of the existing ETB and ECB boards and the proposed TEACH Board.

TEACH Board

2. Technological advancement within school districts varies significantly across the state. A prominent, state-level board could foster an atmosphere for technological advancement within the state's K-12 schools, provide a single state contact point for school districts seeking assistance with technology issues, coordinate educational technology issues among all of the state's educational institutions and assist these institutions in accessing technology equipment, services and training.

3. The current ETB Board has been successful in evaluating educational technology grant proposals from school districts, but has not been able to provide significant technical assistance to school districts or coordinate state initiatives in this area. The proposed TEACH Board would be better equipped to complete such tasks due to its greater staffing and funding levels, and the prominence of the Board members, including the highest executives of two major state agencies and members of the boards of the state's two public higher education systems.

4. The Governor's proposal attaches the TEACH Board to DOA for the purposes of administrative assistance and provides five positions within DOA for certain technology purchasing and related building construction services associated with the TEACH proposal. This close relationship with DOA, the agency that provides telecommunications, building and consulting services to state agencies, could strengthen the TEACH Board's ability to serve educational institutions in these areas.

5. The proposed membership of the TEACH Board would include eight members that have been directly (the five public members) or indirectly (the UW Regent, WTCS Board member and Secretary of DOA) appointed by the Governor. Arguably, the Board membership would provide for extensive gubernatorial oversight, which may be desirable in an executive branch agency. However, some would argue that the appointments to the Board be expanded to other entities.

The Board membership provides for no representation from ECB which currently has both distance education and public broadcasting duties. If the Committee would approve the Governor's proposal to create a separate TEACH Board, it may wish to consider altering the membership of the Board. For example, the Committee could replace one of the public members

with a member of the ECB Board appointed by the Chair of the Board. In addition, rather than having the Governor appoint all five public members, consideration could be given to having the Speaker of the Assembly and Majority Leader of the Senate each appoint a public member.

6. SB 77 would require that the Governor appoint the Executive Director of the TEACH Board, which is consistent with the Governor's role as the head of the executive branch of government. On the other hand, if the TEACH Board is responsible for the TEACH programs, it may be desirable for the Board to appoint its Executive Director.

Existing State Agencies

7. In his Wisconsin Evaluation Survey Report required by 1995 Act 27, the Lieutenant Governor recommended reducing the number of state boards, councils and commissions from 144 to 63. He reported, "It is much easier and cost-effective to prevent an unnecessary entity from being formed than it is to terminate one." Arguably, an existing agency, with already formed connections to the K-12 community, experienced staff members and a functioning administrative infrastructure would be prepared to commence and sustain the duties of the TEACH program. The following points address the potential for either of two existing state agencies to perform these functions.

Educational Communications Board

8. As shown in the attachment, the membership of the ECB Board is similar to the proposed TEACH Board, with the overlap including the Secretary of Administration and the State Superintendent of Public Instruction or their designees, a member of the UW Board of Regents and one member appointed by the WTCS Board. Given the similar membership, arguably the ECB Board membership could accomplish the educational technology coordination and leadership duties proposed for the TEACH Board.

9. ECB indicates that its current duties include coordinating distance education networks in the state, and providing professional development, informational and instructional programs to pupils and teachers via the Internet, full- and compressed-motion video and public radio and television. Because of these current activities, ECB views its staff as experienced in the provision and coordination of educational technology services and programs. Additionally, through these distance education and instructional technology programs, ECB believes that it has fostered relationships with school districts, CESAs, distance education network consortia and institutions of higher education and would be able to carry forward these relationships if it had responsibility for the TEACH program.

10. If ECB would assume responsibility for the TEACH program, the agency indicates that it would utilize $184,600 GPR in 1997-98 and $246,100 GPR in 1998-99 and 4.0 GPR positions that would be deleted under the Governor's proposal and would require $51,400 GPR

in 1997-98 and $64,600 GPR in 1998-99 with 1.0 GPR position beginning in 1997-98. Further, ECB indicates that it would need additional funding of $223,600 GPR in 1997-98 and $305,200 GPR in 1998-99 for website development, video conferencing, teacher training program development, ECB staff development, contractual engineering services and software development. This would represent a net reduction of $231,900 GPR and 1.0 GPR position compared to the Governor's recommendation. Alternatively, if certain lower priority items in the additional funding requested by ECB would be eliminated, the Committee could provide ECB with the positions and related funding described above as well as a lesser amount of $145,000 GPR annually for professional development and technical assistance duties associated with the TEACH program, including teacher training program development and delivery and contractual engineering services for school districts.

Department of Public Instruction

11. As the state agency vested with the authority to supervise public instruction, DPI is primarily charged with providing funds for K-12 schools and assisting schools in their instructional, curricular, professional development and management programs. Under current law, DPI administers all of the state school aid programs that are counted towards two-thirds funding of public K-12 schools in Wisconsin, except the pioneering partners grant program. The creation of a TEACH Board would place four appropriations within the TEACH Board and one appropriation within DOA that would be counted in the state's calculation of funding two-thirds of K-12 school district costs. It could be argued that state school aids should remain within one agency that is specifically charged with supporting public K-12 schools in the state.

12. DPI has working relationships with both school districts and CESAs. Arguably, educational technology should be integrated into curriculum, instructional techniques, pupil assessment, professional development and school business management; as the state education agency, DPI may be better able to accomplish this goal. Additionally, DPI is experienced with school aid distribution and data collection and arguably would be well situated to administer the TEACH funding.

13. DPI is required by federal law to receive and administer most of the federal K-12 education funding received by the state. The Department administers several federal programs that distribute funds to local school districts for the purposes of educational technology. If the Committee wishes to ensure that all local aid programs to school districts are located in a single agency, thus fostering consolidation and one-stop shopping for state government services, it could place the duties of the TEACH Board within DPI. DPI indicates that the agency would require $165,800 GPR in 1997-98 and $201,000 GPR in 1998-99 and 3.5 GPR positions beginning in 1997-98 to administer the TEACH program.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to establish a TEACH Board.

Alternative 1	GPR
1997-99 FUNDING (Change to Base)	$515,700
[Change to Bill	*$0]*

2. Modify the Governor's recommendation to establish a TEACH Board by one or more of the following alternatives:

a. Provide that the Executive Director of the staff would be appointed by the Board;

b. Replace a public member with a member of the ECB Board, appointed by the Chair of the ECB Board;

c. Provide that the Speaker of the Assembly and Majority Leader of the Senate each appoint one public member to the Board.

3. Delete the proposed TEACH Board and, instead, provide that the proposed TEACH Board duties and programs be established under the Educational Communications Board. Provide ECB with $51,400 GPR in 1997-98 and $64,600 GPR in 1998-99 and 1.0 GPR position beginning in 1997-98 as well as $145,000 GPR annually for contractual engineering services for school districts and multi-media professional development courses for teachers. Delete $107,200 GPR annually for ECB distance education grants to school districts and other educational institutions. Delete $73,300 GPR annually for ETB administration from DOA. Delete 2.0 GPR classified positions in 1997-98 from UW-Extension.

Alternative 3	GPR
1997-99 FUNDING (Change to Base)	$45,000
[Change to Bill	*- $470,700]*
1998-99 POSITIONS (Change to Base)	- 1.00
[Change to Bill	*- 1.00]*

4. Delete the proposed TEACH Board and, instead, provide that the proposed TEACH Board duties and programs be established within the Department of Public Instruction. Provide $165,800 GPR in 1997-98 and $201,000 GPR in 1998-99 and 3.5 GPR positions beginning in 1997-98 in order to operate the TEACH program. Delete $184,600 GPR and 4.0 GPR positions in 1997-98 and $246,100 GPR in 1998-99 from ECB to reflect the transfer of certain distance education functions to DPI. Delete $107,200 GPR annually for distance education grants to school districts and other educational institutions and eliminate the agency's

distance education functions related to distance education networks. Delete $73,300 GPR annually for ETB administration from DOA. Delete 2.0 GPR classified positions in 1997-98 from UW-Extension.

Alternative 4	GPR
1997-99 FUNDING (Change to Base)	- $424,900
[Change to Bill	*- $940,600]*
1998-99 POSITIONS (Change to Base)	- 2.50
[Change to Bill	*- 2.50]*

Recommendations of the Joint Committee on Information Policy

1. *Alternatives 1 and 2b.*

Prepared by: Ruth Hardy

MO# Alt #1 & 2B

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

AYE 10 NO 6 ABS ____

MO# Alt #3

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

AYE 6 NO 10 ABS ____

ATTACHMENT

Memberships of Existing and Proposed State Level Educational Technology Boards

Educational Communications Board	TEACH Board	Educational Technology Board
1. Secretary of Administration* 2. State Superintendent of Public Instruction* 3. President of the UW System* 4. Director of WTCS* 5. Public Member 6. Public Member 7. Representative of Public Schools 8. Representative of Private Schools 9. Majority Member of State Senate 10. Minority Member of State Senate 11. Majority Member of State Assembly 12. Minority Member of State Assembly 13. Member of UW Board of Regents 14. Chair of Council on Public Radio 15. Chair of Council on Public Television 16. Member Appointed by WTCS Board *or their designees	1. Secretary of Administration 2. State Superintendent of Public Instruction 3. Member of UW Board of Regents 4. Member of WTCS Board 5. Public Member 6. Public Member 7. Public Member 8. Public Member 9. Public Member	1. Employe of Division of Libraries & Community Learning in DPI 2. Employe of Department of Administration 3. Representative of Public Libraries 4. Member of Wisconsin Advanced Telecommunications Foundation Board 5. School Board Member or Employe 6. Technical College District Board Member or Employe 7. Employe of UW System Institution or Center 8. Employe of Public Service Commission 9. Representative of Local or Regional Distance Education Network

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

GPR Block Grants to School Districts (TEACH Board)

[LFB Summary: Page 570, #3; Page 576, #9; Page 576, #11]

CURRENT LAW

The Educational Technology Board (ETB) provides pioneering partners competitive grants to school districts, municipal or county library boards or a combination thereof, to implement, expand or participate in an educational technology or distance education project. In 1996-97, ETB was appropriated $15,000,000 GPR for this purpose, with a base level budget of $10,000,000.

GOVERNOR

Provide $10,000,000 GPR in 1997-98 and $35,000,000 GPR in 1998-99 in an annual appropriation for block grants to school districts. Distribute block grants based on a formula that uses equalized value per member, with an adjustment for K-8 and union high school (UHS) districts. Grant distribution for K-12 districts would be based, in part, on equalized value per member, using the current statutory definition of equalized valuation, which is the full value of the taxable property in the district as certified for the prior year, excluding value adjustments resulting from appeals. For UHS districts, equalized valuation would be divided by three times membership. For K-8 districts, equalized valuation would be divided by 1.5 times membership. Funding would be distributed as follows:

a. Provide $5,000 annually to each eligible school district. If all 426 school districts request the grant, a total of $2,130,000 would be distributed annually under this provision.

b. Provide the balance of the funds to eligible school districts in proportion to the weighted membership of each school district. If a district's equalized valuation per member is more than 150% of the state average, each member is weighted as 1.0; if a district's equalized valuation per member is at least 100% but not more than 150% of the state average, each member is weighted as 2.0; if a district's equalized valuation per member is less than 100% of the state average, each member is weighted as 3.0.

Require school districts to adopt a resolution requesting the grant through an annual meeting for common school districts, or a school board action for unified school districts or the Milwaukee Public Schools (MPS). If the annual meeting in a common school district, required to be held between May 15, 1997 and September 30, 1997, has been held before the effective date of the 1997-99 budget act, require the school board of the common school district to adopt a resolution requesting the grant for the 1997-98 school year.

Require school districts to deposit funds received through block grants in a separate fund. Provide that school districts may use the funds for any purpose related to educational technology, except for funding the salaries and benefits of any school district employe. Specify that a grant could not be used to replace funding available from other sources.

Eliminate the pioneering partners competitive grant program with $10 million GPR of base funding.

DISCUSSION POINTS

Membership Weighting Formula

1. The weighted membership formula proposed under the bill partially equalizes the distribution of the grants among school districts with differing valuations per member. However, the proposed weighting mechanism creates a notch effect, where two districts with an equalized value per member differing by a dollar could receive per member aid amounts that differ by as much as 100%.

2. Arguably, this notch effect could hamper a school district that has a value per member that is near the threshold in the formula. A school district in this situation could find it difficult to budget for technology projects from the first year of the biennium to the second year, since the loss of a few pupils or above average growth in value could cause a district's block grant to decrease by a large percentage.

3. If the Committee would like to consider a distribution formula that would smooth out the notch effect present under the proposed formula, it could weight members based on mechanism that would determine the statewide equalized valuation per member as a proportion

of a school district's equalized valuation per member. This weighting mechanism is similar to the one utilized in the Wisconsin Technical College System state general aid formula.

Under this alternative, the weighting factor for members in each district would be calculated by dividing the statewide average equalized value per member by the value per member in the district. If a district's per member valuation would exceed the statewide average, the weighting factor would be less than 1.0; if a district's per member valuation would be lower than the statewide average, the weighting factor would be greater than 1.0. For purposes of this calculation, if a district would have an equalized value of less than $75,000, it would be treated as having a value per member of $75,000, which would address the very low value per member shown for the Norris School District.

Two examples of the calculation of the weighting factor under this option follow:

a. Statewide equalized valuation per member (1995-96) equals $232,954;

b. District A's equalized valuation per member equals $120,000 and the weighting factor for membership would be $232,954/$120,000 = 1.941283. Therefore each member would be weighted as 1.941283.

c. District B's equalized valuation per member equals $550,000 and the weighting factor for membership would be $232,954/$550,000 = 0.423553. Therefore each member would be weighted as 0.423553.

In this example for each $1.00 that District B would receive, District A would receive $4.58 due to its higher weighting factor.

4. Table 1 shows a comparison of the amount per member that school districts would receive depending on their equalized valuation per member under SB 77 and under the alternative, based on the allocation proposed in the bill of $7,870,000 in 1997-98 and $32,870,000 in 1998-99 to fund the weighted membership portion of the GPR block grants. This table is calculated using the statewide average equalized value per member in 1995-96.

TABLE 1

Estimated Grant per Member from the Weighted Membership Formula Using Data from 1995-96

Equalized Value Per Member	Grant Per Member Using Funding Amount Amount of $7,870,000		Grant Per Member Using Funding Amount Amount of $32,870,000	
	Governor	Alternative	Governor	Alternative
$100,000	$11.14	$18.50	$46.52	$77.26
150,000	11.14	12.33	46.52	51.50
200,000	11.14	9.25	46.52	38.63
250,000	7.43	7.40	31.02	30.90
300,000	7.43	6.17	31.02	25.75
350,000	3.71	5.29	15.51	22.07
400,000	3.71	4.62	15.51	19.31
500,000	3.71	3.70	15.51	15.45
750,000	3.71	2.47	15.51	10.30
1,000,000	3.71	1.85	15.51	7.73
1,250,000	3.71	1.48	15.51	6.18
1,500,000	3.71	1.23	15.51	5.15
1,750,000	3.71	1.06	15.51	4.41

5. As shown in Table 1, the membership weighting part of the formula under SB 77 would establish three levels of per member support, depending on the school district's value per member. In 1997-98, school districts would receive support of $11.14 per member, $7.43 per member or $3.71 per member. Under the alternative, per member funding amounts would depend on the specific equalized value per member of a district, and would range from $18.50 per member for a district with $100,000 of value per member to $1.06 per member for a district with $1,750,000 of value per member.

$5,000 Base Grant Amount

6. Staff at DOA indicate that the $5,000 per school district base grant was included in the block grant distribution in order to ensure that small school districts receive enough funding to be able to fund at least a modest educational technology project. Without the $5,000 base grant, very small districts could only receive a few hundred dollars.

7. Arguably, the $5,000 base grant hampers the equalizing effect of a distribution formula and benefits small districts at the expense of larger districts. The bill would allocate

$2,130,000 of annual funding to districts regardless of their value per member. Small districts, regardless of equalized value per member, would receive significantly more funding per pupil than would large districts under this component of the proposal. As an example, for a district with 100 members, $5,000 would provide $50 per member in block grants; for a district with 10,000 members, $5,000 would provide 50 cents per member. If the Committee wishes to provide a base grant to all school districts, but reduce the disequalizing effect of the $5,000 grant, it could reduce the base grant to $2,500 per district.

8. A second alternative to SB 77 would be to establish a $5,000 (or $2,500) floor to the block grant amounts under the weighted membership formula. Under this alternative, districts would receive the block grant amount calculated under the weighted membership formula or $5,000, whichever is greater. Although this alternative would still provide a higher per member payment to small school districts, it would significantly reduce the amount of funding allocated as flat grants. It is estimated that less than $200,000 would be needed in 1997-98 to establish a $5,000 floor on the grant amounts, which would increase the amount distributed under the weighted membership part of the formula.

Pioneering Partners Transition Funding

9. During its February, 1997, funding cycle, ETB received requests for approximately $20.6 million in funding for technology projects from school districts and libraries. However, due to previous funding decisions, ETB has sufficient monies for only $500,000 in requests. Arguably, the TEACH program should respond to these unmet technology needs identified by school districts and libraries that applied to ETB with the understanding that funding would be available.

10. Conversely, the pioneering partners program was intended to provide funding within its sum certain $15,000,000 GPR appropriation and ETB should have planned to divide such funding among its five funding cycles. Instead, ETB awarded approximately $7.5 million, or 50%, of its appropriation during its first funding cycle.

11. A statement of legislative intent is included in 1995 Act 351 that an additional $5,000,000 GPR be provided for the pioneering partners grant program in the 1997-99 biennium. Arguably, the TEACH program should include the provision of this funding for pioneering partners competitive grants as was intended by the 1995 Legislature. This additional funding could be utilized to support some of the unfunded projects identified by ETB. The TEACH Board could administer the continuation of the pioneering partners, as the bill provides that the all ETB contracts, rules and pending matters would be transferred to the TEACH Board.

12. Alternatively, it could be argued that a previous legislature cannot bind a future legislature to appropriate funding; therefore, the 1997 Legislature is under no obligation to respond to the intent statement. Additionally, the TEACH proposal would provide funding for

technology projects within all school districts, rather than just those districts that have applied for the funding.

Public Libraries

13. Library advocates argue that public libraries should be included in the TEACH block grant program in a manner similar to their inclusion in the current pioneering partners competitive grant program. In 1996-97, libraries received approximately 5.5% of the pioneering partners grant funds.

14. If the Committee wishes to fund public libraries at a level proportional to this percentage, it could reduce the school district funding by $550,000 GPR in 1997-98 and $1,925,000 GPR in 1998-99 and provide this funding to public library systems as library aids. Public libraries could be required to use this additional funding to increase access to technology for the libraries served by the systems. Funding for public libraries would not count towards two-thirds state funding of K-12 partial revenues.

Two-Thirds Funding of K-12 Partial Revenues

15. If the funding for school district block grants or other programs that count towards two-thirds state funding of K-12 partial revenues would be reduced, funding for equalization aids would need to be adjusted.

ALTERNATIVES TO BASE

A. Membership Weighting Formula

1. Approve the Governor's recommendation.

Alternative A1	GPR
1997-99 FUNDING (Change to Base)	$25,000,000
[Change to Bill	*$0]*

2. Delete the Governor's three-level weighting formula and, instead, specify that the weighting factor for members in each district would be calculated by dividing the statewide average equalized value per member by the value per member in the district. For purposes of this calculation, if a district would have an equalized value of less than $75,000, it would be treated as having a value per member of $75,000.

Alternative A2	GPR
1997-99 FUNDING (Change to Base)	$25,000,000
[Change to Bill	*$0]*

3. Maintain current law.

Alternative A3	GPR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $25,000,000]*

B. $5,000 Per District Base Grant Amount

1. Approve the Governor's recommendation.

2. Reduce the base grant for each school district to $2,500 annually.

3. Specify that each school district would receive the block grant amount under the membership weighting formula, or:

   a. $5,000, whichever is greater.
   b. $2,500, whichever is greater.

4. Eliminate the base grant for each school district.

C. Pioneering Partners Transition Funding

1. Approve the Governor's recommendation, which would eliminate the pioneering partners grant program and provide no funding for such purposes in 1997-99.

2. Provide $5,000,000 GPR in 1997-98 for one-time funding for the continuation of the pioneering partners program under the TEACH program. Specify that base funding for pioneering partners would be eliminated, and that funding for these purposes would not extend beyond 1997-98.

Alternative C2	GPR
1997-99 FUNDING (Change to Base)	$5,000,000
[Change to Bill	*$5,000,000]*

D. Public Library Funding

1. Approve the Governor's recommendation, under which public libraries would not be eligible for GPR block grants.

2. Reduce the amount of funding available for educational technology block grants to school districts by $550,000 GPR in 1997-98 and $1,925,000 GPR in 1998-99 and provide this funding as an increase to library aids to public library systems in the state. Require that library systems would have to utilize this funding to increase access to technology for the libraries served by the systems.

Recommendations of the Joint Committee on Information Policy

1. Alternatives A2, B1, D1.

2. Require the TEACH Board to distribute the general fund technology block grants to school districts on the first Monday in February of each year.

3. Provide $5,000,000 GPR in 1997-98 for transition funding for the pioneering partners competitive grant program. Require that the TEACH Board distribute these competitive grants among the applicants to the February, 1997 funding cycle of ETB, based on the scored applications reviewed by ETB. Reduce funding for the general fund educational technology block grants distributed by the TEACH Board by $5,000,000 GPR in 1998-99. Provide that the base level funding for these general fund block grants would be considered to be $35,000,000 GPR in 1998-99 for purposes of the 1999-01 budget process.

4. Provide $2,000,000 GPR in 1997-98 in a separate appropriation for a one-time supplemental GPR block grant program. Provide that school districts with an equalized value per member below the statewide average would be eligible for this funding, using prior year values. Provide that for each eligible school district, the TEACH Board would determine a potential grant amount, which would calculated by:

(a) dividing the school district's value per member by the statewide average value per member;

(b) subtracting this amount from 1.0; and

(c) taking the result and multiplying it times a dollar amount that would be determined by the TEACH Board, and could float to the level necessary to fully distribute $2,000,000 of funding among the eligible school districts based on the actual grant calculation for these districts.

Provide that the actual grant amount received by a school district would be the lesser of: (1) the potential grant amount; or (2) $25,000 less the grant amount received under the proposed $10 million GPR block grant program.

Recommendation 4	GPR
1997-99 FUNDING (Change to Base)	$2,000,000
[Change to Bill	*$2,000,000]*

[The attachment provides examples for the calculation of the proposed one-time grant, using 1995-96 information relating to membership and equalized value.]

Prepared by: Ruth Hardy and Dave Loppnow
Attachment

MO# A1# B3a
A2 & D1

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

AYE 7 NO 9 ABS ____

MO# JCIP recommendations
A2, D1, B1 #2, 3 & 4

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

AYE 14 NO 2 ABS ____

ATTACHMENT

Examples of the Calculation of the Proposed One-Time Grant (Joint Committee on Information Policy Recommendation #4)

DISTRICT A

District Characteristics	
Membership	600
Equalized Value	$49,167,254
Value per Member	$81,945
Statewide Average Equalized Value per Member	$232,954
Estimated GPR Block Grant under Alternative A2	$18,565
Maximum Potential Grant Amount Used Used in Calculation for All Districts (Set by TEACH Board at a level to fully allocate $2 million in actual grants)	$98,789

Example of Calculation of One-Time Grant

1. Potential Grant = $[1 - \frac{\$81,945}{\$232,954}] \times \$98,789$

   $[1 - 0.35177] \times \$98,789$

   $0.64823 \times \$98,789$

   Potential Grant = $64,038

2. Actual Grant = the lesser of:

   (a) the potential grant OR (b) $25,000 less the GPR block grant amount under A2

   $64,038 OR $25,000 - $18,565 = $6,435

Actual One-Time Grant = $6,435

DISTRICT B

District Characteristics	
Membership	281
Equalized Value	$59,413,048
Value per Member	$211,434
Statewide Average Equalized Value per Member	$232,954
Estimated GPR Block Grant under Alternative A2	$7,462
Maximum Potential Grant Amount Used Used in Calculation for All Districts (Set by TEACH Board at a level to fully allocate $2 million in actual grants)	$98,789

Example of Calculation of One-Time Grant

1. Potential Grant = $[1 - \frac{\$211,434}{\$232,954}] \times \$98,789$

   $[1 - 0.90762] \times \$98,789$

   $0.09238 \times \$98,789$

   Potential Grant = $9,126

2. Actual Grant = the lesser of:

   (a) the potential grant OR (b) $25,000 less the GPR block grant amount under A2

   $9,126 OR $25,000 - $7,462 = $17,538

Actual One-Time Grant = $9,126

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Block Grants to School Districts from the Common School Fund for Educational Technology (DPI and TEACH Board)

[LFB Summary: Page 466, #10 and Page 571, #4]

CURRENT LAW

The Wisconsin Constitution establishes the common school fund and designates the income from that fund for distribution among common school districts in proportion to the number of residents between the ages of four and 20 years old. In order to determine this number, the statutes require that each school district certify, to the Department of Public Instruction (DPI), the number of residents in the district between the ages of four and 20, by October 15 of each year. The count must be based on the number of residents as of the previous June 30 and may be estimated by using statistically significant sampling techniques that have been approved by DPI.

Under the state Constitution, revenues from certain fines and forfeitures and sales of public lands are deposited in the fund. The income from the fund is primarily derived from interest payments on loans from the fund to municipalities and school districts by the Board of Commissioners of Public Lands. The Constitution stipulates that the income must be distributed to school districts for the support and maintenance of schools in the district and the purchase of suitable library materials. Under current law, the income is distributed as school library aids; however, under the Constitution, it appears that the income could be used for more general K-12 purposes.

All 416 school districts serving grades kindergarten through eight receive a per capita payment based on their annual school census. The 10 union high school districts do not receive this aid; instead only their underlying K-8 districts receive the aid because the school census is

performed by the K-8 districts rather than the UHS districts in order to avoid double-counting residents. Payments to school districts are distributed in full each January.

Funding for school library aids varies from year to year depending on the amount of income generated from the common school fund. A total of $15.9 million was provided in 1993-94, $16.0 million in 1994-95, $13.8 million in 1995-96 and $17.9 million in 1996-97. The base level (1996-97) appropriation for school library aids is $14.3 million; however, $17.9 million was paid in 1996-97. This is because the aids are paid from a continuing appropriation that allows for the expenditure of all monies received from the common school fund. Under current law, it is estimated that school library aids would total $18.3 million in 1997-98 and $18.7 million in 1998-99.

GOVERNOR

Modify the current, continuing segregated appropriation for school library aids to be an annual, sum certain appropriation and establish annual funding for this purpose at the 1996-97 base level of $14,300,000 SEG. Specify that school districts would be paid their school library aids in two installments, with 50% paid on or before January 31 and the balance on or before June 30. In addition, provide $15,000,000 SEG in 1997-98 and $5,000,000 SEG in 1998-99 in an annual appropriation from income of the common school fund for block grants to school districts.

Distribute these funds only after $14,300,000 of annual income from the common school fund is apportioned by DPI to school districts for school libraries. If, after these library funds are distributed, the remaining income of the common school fund is less than the amount appropriated for these block grants, the remaining income of the fund would be distributed, rather than the amount appropriated.

DISCUSSION POINTS

1. In 1996-97, school library aids totalled $17.9 million, or $14.84 for each of the 1,209,347 residents age 4 to 20 certified to DPI through the annual school census. While the base funding amount that appears in the appropriation schedule for school library aids in 1996-97 is $14.3 million, the proposal to provide $14.3 million for school library aids on a sum certain basis would represent an approximate $3.6 million reduction in school library aids in 1997-98 compared to 1996-97. Under the bill, funding for school library aids would be reduced by an estimated $4.0 million in 1997-98 and $4.4 million in 1998-99 compared to current law.

2. School librarians argue that this reduction in state aid specifically designated for school libraries may hinder their ability to maintain adequate levels of print and reference materials.

3. On the other hand, funding for technology projects could significantly benefit school libraries, if it would be allocated for library technologies by the school district, particularly in the areas of system automation, on-line reference materials and educational software which focuses on research and reading skills. Libraries that have not had the funds to introduce technology could benefit through the TEACH funding, and libraries that are more technologically advanced could influence where resources are dedicated for technology initiatives within a school district. However, there would be no assurance under the bill that this funding would be spent for the school library.

4. The income from the common school fund is primarily derived from interest payments on loans made from the fund to municipalities and school districts by the Board of Commissioners of Public Lands. The Board approves loans on a September through September schedule and receives the majority of the debt service payments to the common school fund in the Spring of each year. Recipients of loans made prior to September of each year must pay debt service the following Spring; recipients of loans made after September are not required to pay debt service until the Spring after the following year.

5. The budget bill would appropriate $28.6 million for school library aids and $20 million for technology block grants, for a total of $48.6 million from income of the common school fund in the 1997-99 biennium. This funding amount would represent an increase of $11.6 million from current law estimates, which would be accomplished by having a second installment payment of school library aids made in June. This would allow income that would accrue in the Spring of 1998 to be recognized on a one-time basis in 1997-98.

6. Earnings from the common school fund are dependent on various economic factors such as interest rates, borrowing activity and default rates; therefore, income available for distribution cannot always be accurately predicted. If the fund would not generate sufficient income for school library aids, the technology block grants would not be funded. Current estimates indicate that annual income from the fund along with the one-time monies due to the distribution schedule change would provide sufficient funding for both purposes. However, utilizing income from the common school fund would not guarantee a stable funding source for technology block grants.

7. If the Committee wishes to utilize income from the common school fund to provide additional technology funding for school districts in the 1997-99 biennium on a one-time basis, it could sunset these block grants at the end of the 1997-99 biennium. This would allocate all of the income from the common school fund for school library aids after an initial two-year phase of the TEACH proposal.

8. If the funding for common school fund block grants or other programs that count towards two-thirds state funding of K-12 partial revenues would be reduced, funding for equalization aids would need to be adjusted.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation.

Alternative 1	SEG
1997-99 FUNDING (Change to Base)	$20,000,000
[Change to Bill	*$0]*

2. Modify the Governor's recommendation to specify that the technology block grants funded through the common school fund would sunset on June 30, 1999. Provide that the full amount of income from the common school fund would be appropriated to school library aids through a continuing appropriation after June 30, 1999, and would be distributed in one payment on or before June 30 of each year.

Alternative 2	SEG
1997-99 FUNDING (Change to Base)	$20,000,000
[Change to Bill	*$0]*

3. Modify the Governor's recommendation to, instead, appropriate all income from the common school fund to school library aids to be paid out to school districts in one payment on or before June 30 of each year.

Alternative 3	SEG
1997-99 FUNDING (Change to Base)	$20,000,000
[Change to Bill	*$0]*

4. Maintain current law to appropriate all income from the common school fund to school library aids to be paid out to school districts in January of each year.

Alternative 4	SEG
1997-99 FUNDING (Change to Base)	$8,400,000
[Change to Bill	*- $11,600,000]*

Recommendations of the Joint Committee on Information Policy

1. Alternative 2.

2. Require that in completing the annual school census, kindergarten through grade eight (K-8) districts would be required to count the number of four through 13-year olds in the school district and union high school (UHS) districts would be required to count the number of 14- to 20-year olds in the school district. Specify that the income of the common school fund, for both school library aids and technology block grants, would then be distributed to K-8 and UHS districts based on their respective counts for residents in the school districts.

Prepared by: Ruth Hardy

MO# JC/P recs

JENSEN	✓	N	A
OURADA	✓	N	A
HARSDORF	✓	N	A
ALBERS	✓	N	A
GARD	✓	N	A
KAUFERT	✓	N	A
LINTON	✓	N	A
COGGS	Y	✓	A
BURKE	Y	✓	A
DECKER	Y	✓	A
GEORGE	Y	✓	A
/JAUCH	✓	N	A
WINEKE	Y	✓	A
ZSHIBILSKI	✓	N	A
COWLES	Y	✓	A
PANZER	✓	N	A

AYE 10 NO 6 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Block Grants to CESAs for Educational Technology (TEACH Board)

[LFB Summary: Page 573, #6]

CURRENT LAW

The state's school districts are served by 12 cooperative educational service agencies (CESAs). School districts enter into contracts with the CESA for particular services; however, a district is not compelled to participate in CESA activities. With the exception of Kenosha and Racine, which have elected to withdraw from CESA 1 as permitted by law, all districts participate, to varying degrees, in CESA programs. School districts may contract for services from other CESAs and are allowed, through a petition to DPI, to transfer from one CESA to another. CESAs are not state agencies, but are instead governed by a local board of control which represents the school boards within the agency.

CESAs rely primarily on revenues generated from providing services to school districts and others. The only funding CESAs are guaranteed by statute is $25,000 GPR each, or a total of $300,000 GPR, for the administrative cost of the agencies. School districts must collectively match the state's contribution according to their percentage of average daily membership within the CESA. In 1992-93, the most recent year for which data is readily available, CESAs had revenues totalling $108.9 million, of which $70.9 million was from school districts, $16.7 million from the federal government, $14.0 million from the state and $6.2 million from other governmental units. The state funding was primarily special education categorical aids otherwise paid to local school districts.

GOVERNOR

Provide $4,000,000 GPR annually in an annual appropriation for two types of grants to CESAs for educational technology training and assistance programs.

a. Award grants to CESAs to coordinate and provide educational technology planning and training to school districts served by each agency, which could not exceed $120,000 annually per CESA. A CESA would be eligible for a grant if it agrees to do all of the following:

(1) Assist school districts served by the CESA in developing and implementing educational technology plans.

(2) Provide staff development programs that address educational technology needs identified in the plans.

(3) Coordinate its activities under (a) and (b) with institutions of higher education.

(4) Employ a full-time position that would be solely dedicated to providing technical assistance related to educational technology to school districts served by the CESA.

(5) Employ a full-time position that would be solely dedicated to coordinating and providing educational technology training for school districts served by the CESA.

b. Award grants to CESAs to train agency and school district staff in the use and integration of educational technology, rent space for training and for other costs associated with training. In order to qualify for these grants, a CESA would be required to develop a technology training plan to be approved by the TEACH Board. These grants would be awarded to CESAs with the funding remaining after all eligible CESAs were granted funds for the purposes of the first grant category.

DISCUSSION POINTS

1. Under the bill, the amount of state aid specifically provided to CESAs would increase from $300,000 annually to $4,300,000; an increase of 1,333%. However, the additional $4 million of annual funding would be provided for the specific purpose of technology training and assistance, rather than the general administrative costs of CESAs.

2. It could be argued that because of their role as regional service agencies, CESAs are uniquely positioned to provide training and technical assistance to school districts. The proposed funding would provide substantial resources to allow CESAs to take a leadership role in this area and coordinate regional resources for teacher technology training and technical

assistance, involving all of the school districts in the service area, institutions of higher education and other community entities.

3. On the other hand, it could be argued that CESAs should only receive funding for training and technical assistance if school districts choose to provide funding to CESAs through contracts for services. Substantial direct state funding for CESAs might provide CESAs too much leeway in how they would deliver services and what those services would be, thereby denying school districts the ability to shape CESA services based on school district needs. This funding could be retained by the general fund or be utilized for other K-12 purposes.

4. Staff at DPI indicate that not all school districts currently utilize CESA services. For example, because of sufficient staffing levels and program offerings, many larger districts do not have a need for CESA services, whereas smaller districts often pool resources to fund services through a CESA, such as special education courses and teacher training. Arguably, because not all school districts chose to utilize CESA services, not all districts would benefit from the additional educational technology funding.

5. In its proposed budget, DPI requested funds to provide CESAs with $100,000 each annually to hire one additional full-time employe who would provide technology training and technical assistance to school districts in the CESA service area. In its request, the Department indicated that this funding would address obstacles that many school districts face in budgeting the resources for teacher technology training and planning. The Committee could provide CESAs with this lesser funding level, which would still provide a 400% increase in the amount of state aid specifically provided to CESAs. The first year funding amount could be reduced to $75,000, to provide nine months of funding for the positions. The remaining funding could be utilized for block grants to school districts, which in turn could use those monies to contract with CESAs for training services at the discretion of the school districts.

6. Library advocates argue that public libraries should be included in the programs of the proposed TEACH Board. If the Committee wishes to provide funding for training library personnel in the uses of technology, it could provide $75,000 in 1997-98 and $100,000 in 1998-99 to each of the state's 17 public library systems. The Committee could place this funding in a separate appropriation within DPI, which is the agency responsible for the coordination of library services within the state. Library funding would not count toward the state's two-thirds funding of K-12 partial revenues.

7. If the funding for CESA grants or other programs that count towards two-thirds state funding of K-12 partial revenues is reduced, funding for equalization aids would need to be adjusted.

ALTERNATIVES TO BASE

A. CESA Grants

1. Approve the Governor's recommendation to provide $4 million GPR annually for grants to CESAs for educational technology training and assistance programs.

Alternative A1	GPR
1997-99 FUNDING (Change to Base)	$8,000,000
[Change to Bill	*$0]*

2. Provide $900,000 GPR in 1997-98 and $1,200,000 GPR in 1998-99 in order to distribute $100,000 on an annualized basis to each CESA to hire one additional full-time employe who would provide technology training and technical assistance to school districts in the CESA service area.

Alternative A2	GPR
1997-99 FUNDING (Change to Base)	$2,100,000
[Change to Bill	*- $5,900,000]*

3. Maintain current law.

Alternative A3	GPR
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $8,000,000]*

B. Public Library Grants

1. Approve the Governor's recommendation, which would not provide funding for public library grants.

2. Provide $1,275,000 GPR in 1997-98 and $1,700,000 GPR in 1998-99 in order to distribute $100,000 on an annualized basis to each of the state's 17 public library systems to hire one additional full-time employe who would provide technology training and technical assistance to public libraries in the library system service area. Create a separate appropriation for technology training for libraries within the Department of Public Instruction.

Alternative B2	GPR
1997-99 FUNDING (Change to Base)	$2,975,000
[Change to Bill	*$2,975,000]*

Recommendations of the Joint Committee on Information Policy

1. *Delete the Governor's recommendation and, instead, provide $2,000,000 GPR in 1997-98 and $4,000,000 GPR in 1998-99 in a biennial appropriation under the TEACH Board to provide grants to CESAs and school district consortia, which may include public libraries as members of the consortia, for the provision of educational technology training and technical assistance programs. Provide that the TEACH Board would have to give priority to consortia that include a library component. ~~Provide $50,000 GPR in 1997-98 to the TEACH Board for general program operations for start-up funding for the administration of this competitive grant program.~~* *

Require applicants to submit a plan to the TEACH Board which outlines the school districts and libraries that would participate in the training programs and the details of how the consortia would allocate the funding. Require the Board to administer the program as a competitive grant program with one funding cycle in each fiscal year, and to ensure that grants would be distributed to eligible applicants across all regions of the state.

Require that the TEACH Board promulgate emergency rules to specify the administrative procedures, eligibility and application requirements, and funding criteria for this grant program. Provide that the TEACH Board could promulgate the initial rule for this purpose as an emergency rule, without having to provide evidence of the necessity of preservation of the public peace, health, safety or welfare. Specify that the emergency rule would be subject to approval or disapproval by the Joint Committee on Information Policy under a 14-day passive review process.

Recommendation 1	GPR
1997-99 FUNDING (Change to Base)	$6,050,000
[Change to Bill	- $1,950,000]

2. *Require each school district to include in its current law annual report to DPI, a description of the technology used in the education or training of any person or in the administration of the school district and related telecommunications services. This description would have to include the uses made of the technology, and the costs and number of pupils or other persons using or served by the use of the technology, as determined by DPI in consultation with the TEACH Board.*

MO# JCIP recs w/ Deletion *

Prepared by: Ruth Hardy

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

AYE 13 NO 3 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Educational Technology Infrastructure Loans (TEACH Board)

[LFB Summary: Page 571, #5]

CURRENT LAW

School districts and public libraries may apply to the Educational Technology Board (ETB) pioneering partners program for loans to fund educational technology and distance education improvements including building infrastructure upgrades, staff and teacher professional development programs, telecommunications fee payments, curricular or administrative projects, and hardware and software purchases.

The Board of Commissioners of Public Lands is required to reserve $15,000,000 annually from 1996-97 through 1999-2000 for these low-interest state trust fund loans to school districts, counties, municipalities and consortia. The ETB may provide a cash grant to school or library loan recipients that will subsidize the first two percentage points of the annual interest applicable to the loan.

GOVERNOR

Provide $50,000,000 of general obligation bonding in 1997-98 and an additional $50,000,000 in 1998-99. This bonding would be issued by the Building Commission, at the request of the TEACH Board and with the approval of the Governor, for the purposes of educational technology infrastructure loans to school districts. The term of the bonds could not exceed ten years.

Authorize the TEACH Board to make subsidized loans to school districts from the proceeds of these bonds. Require school districts to use the loans only for upgrading the electrical wiring of school buildings in existence on the effective date of the 1997-99 budget and installing and upgrading computer network wiring in accordance with standards and procedures to be established by the Board and the Department of Administration (DOA). Require school districts to repay 50% of the total debt service on the loans, as determined by the Board, and specify that a school district would not be obligated to repay the remaining 50%.

Create a sum sufficient GPR appropriation for the payment of debt service costs incurred in financing subsidized educational technology infrastructure loans to school districts. The appropriation reflects estimated debt service of $250,000 GPR in 1997-98 and $5,000,000 GPR in 1998-99. Create a sum sufficient PR appropriation to pay out monies received from school districts for their share of the debt service incurred in financing subsidized educational technology infrastructure loans to school districts. Debt service is estimated to be $250,000 PR in 1997-98 and $5,000,000 PR in 1998-99.

Specify that the Board of Commissioners of Public Lands would continue to make available $15 million annually through 2002-03 for the purpose of making loans to school districts and other entities for education technology and distance education projects.

DISCUSSION POINTS

1. Staff at ETB and the Wisconsin Advanced Telecommunications Foundation (WATF) indicate that the total cost of the all of the projects funded by the two organizations in 1996, including both WATF and ETB funding and local matching funds, was approximately $31.0 million. Of this total, approximately $5.8 million, or 18.7%, of all the funds for these technology projects was dedicated to wiring. ETB and WATF have defined wiring to include the cost of electrical upgrades, wire, cable, mounts, data ports, patch boards and cords, routers, connectors, transceivers, hubs, terminators, slot chassis, power supplies and installation.

2. Of the 60 loan awards offered to school districts and public libraries by the ETB, only five applicants accepted the offer for the loan, including two school districts, one library, one library consortium and one distance education network. Staff at ETB indicate that these applicants accepted the loans primarily because ETB was able to offer a cash grant equivalent to the total interest payments on these loans.

3. It could be argued that, based on past experience, school districts are unwilling to borrow to fund technology projects, and would, therefore, be unlikely to borrow significant amounts under the proposed loan program. However, under the bill, the state would pay one-half of the debt service, so that the loan terms would be more advantageous to school districts and loan demand may be much higher than under current law. As an example of the potential debt service, if $1 million would be borrowed for a 10-year term at an interest rate of 5.5% structured

with level payments, annual debt service would be approximately $133,000, of which the school district would pay $66,500 annually over the ten-year life of the loan. Thus, the district would receive the benefit of $1.0 million in funding at a total cost to the district of $665,000, paid over a 10-year period.

4. Wiring Wisconsin, a non-profit organization that coordinates wiring school districts, reports that 11 school districts participated in the November, 1996, wiring day and approximately 125 school districts participated in April, 1997. Wiring days pair school districts with community volunteers who install the wiring and businesses that purchase low-cost wiring kits for school districts through the Wiring Wisconsin organization. The ability of school districts to use local and private sector resources to provide wiring upgrades for their schools may reduce the need for state bonding authority to provide funding for wiring upgrades in the state's public schools.

5. Staff at DOA estimate statewide local area network (LAN) installation wiring needs of approximately $66 million, based on several assumptions: (a) a cost of $250 for each node (computer hook-up), as budgeted for state agencies; (b) one computer per five pupils; (c) one computer for each professional staff member; (d) one printer for every 10 computers; (e) and one server for each building. DOA estimates general electrical wiring upgrade needs of $275.2 million, based on estimates of wiring upgrade needs provided to DOA by the Milwaukee Public Schools (MPS) and the Madison School District. On average, MPS and Madison estimate wiring needs of approximately $324 per pupil, although Madison has since somewhat increased its projected needs.

6. There is a good deal of uncertainty to these estimates, for several reasons: (a) the two components, LAN connections and general wiring, overlap and could double count wiring costs; (b) MPS and Madison, as the two largest districts in the state, may not be accurate reflections of the wiring needs of smaller school districts across the state; (c) older school buildings could have wiring needs well above the average, whereas new buildings may have no wiring needs; (d) school districts throughout the state could be working to achieve differing computer/pupil ratios; and (e) several districts have recently, at least partially, met their wiring needs through private efforts and local referenda.

7. One other area of uncertainty is that the estimate of $250 per node could be too high for school district LAN connections. Staff at ETB estimate that each computer connection would cost approximately $150. Wiring Wisconsin has been able to secure the following average prices for kits that wire six classrooms each with two computer ports, or the equivalent of 12 nodes: (a) $633 for category five, plenum (fire retardant) copper wiring kits; and (b) $2,500 for plenum fiber optic wiring kits. The corresponding amount using $250 per node would be $3,000. However, the Wiring Wisconsin prices have been subsidized by private businesses that have agreed to participate in the program.

8. Utilizing the ETB and Wiring Wisconsin prices and DOA assumptions for computer ratios, with the addition of four computers for every one support staff member, would result in the following statewide estimates for LAN connections: (a) ETB $150/node -- $40.3 million; (b) Wiring Wisconsin $633/copper wiring kit -- $14.2 million; and (c) Wiring Wisconsin $2,500/fiber optic wiring kit -- $55.9 million. Therefore, total wiring needs could range from $289.4 million to $341.8 million, including DOA assumptions on general electrical wiring costs.

9. Staff at DOA indicate that the Governor's recommendation for $100 million in general obligation bonding is based on: (a) DOA's ability to contract for and manage projects; (b) the capacity of contractors to do additional work; (c) the limited season for wiring upgrades due to weather factors; and (d) the overall magnitude of this initiative within the state budget.

10. While estimates of the need for school district wiring exceed $100 million, it could be argued that local building construction may not be a state priority considering the magnitude of state building construction needs. School districts can borrow, if voters approve, and the debt service costs are aidable under the equalization formula in the following year. In addition, $15 million annually would continue to be available from the Board of Commissioners of Public Lands, although on less favorable terms. As a result, it may be desirable to provide a lesser amount of bonding, such as $25 million annually. Under this alternative, the GPR supported portion of this bonding could be reallocated to fund state borrowing needs such as projects in the 1997-99 building program.

11. Under SB 77, public libraries would not be eligible for infrastructure loans. Arguably, public libraries should be included in the infrastructure loan program because they are included in the current pioneering partners loan program. Through the first three of four ETB funding cycles in 1996-97, libraries were offered approximately 4.5% of the $7.5 million in loan proceeds awarded. If the Committee wishes to include libraries in the infrastructure loan portion of TEACH, it could set aside 4.5% of the bonding revenue and GPR debt service funding for public libraries.

12. The bill would define wiring infrastructure that would be eligible for loan funding as, "electrical wiring of school buildings" and "installing and upgrading computer network wiring." Staff at DOA indicate that they would intend that loans be made available only for equipment and wiring that would have a lifetime equivalent to the life of the loan (up to 10 years).

13. Under SB 77, the TEACH Board would be required to establish application procedures for, and the terms and conditions of, the subsidized loans. Arguably, the TEACH program and DOA should also more specifically define the wiring and equipment that could be funded under the infrastructure loan component of TEACH. The Committee may wish to require that the TEACH program, in coordination with DOA, promulgate administrative rules that would specify the wiring and equipment that may be purchased and installed with funding provided through these loans.

ALTERNATIVES TO BASE

A. General Obligation Bonding

1. Approve the Governor's recommendation.

Alternative A1	GPR	PR	BR	TOTAL
1997-99 FUNDING (Change to Base)	$5,250,000	$5,250,000	$100,000,000	$110,500,000
[Change to Bill	*$0*	*$0*	*$0*	*$0]*

2. Modify the Governor's request to delete $25 million of general obligation bonding annually, which would provide a net amount of $25 million general obligation bonding in 1997-98 and an additional $25 million in 1998-99 for wiring infrastructure loans to school districts. Delete $125,000 GPR and $125,000 PR in 1997-98 and $2,500,000 GPR and $2,500,000 PR in 1998-99 attributable to the estimated debt service on the $25 million of bonding that would be deleted from the bill.

Alternative A2	GPR	PR	BR	TOTAL
1997-99 FUNDING (Change to Base)	$2,625,000	$2,625,000	$50,000,000	$55,250,000
[Change to Bill	*- $2,625,000*	*- $2,625,000*	*- $50,000,000*	*- $55,250,000]*

3. Maintain current law.

Alternative A3	GPR	PR	BR	TOTAL
1997-99 FUNDING (Change to Base)	$0	$0	$0	$0
[Change to Bill	*- $5,250,000*	*- $5,250,000*	*- $100,000,000*	*- $110,500,000]*

B. Public Libraries

1. Approve the Governor's recommendation, under which public libraries would not be eligible to receive funding.

2. Allocate 4.5% of the bonding revenue and GPR funding for infrastructure loans to public libraries. Create a separate sum sufficient GPR appropriation for the payment of debt service costs incurred in financing subsidized educational technology infrastructure loans to public libraries. Modify the PR debt service appropriation to receive debt service payments from public libraries.

C. Rules to Define Eligible Wiring and Equipment

1. Approve the Governor's recommendation, which allows the TEACH Board and DOA to establish standards and procedures for loans under the program.

2. Require that the TEACH Board promulgate administrative rules to specify the wiring and equipment that may be purchased by school districts with these loan proceeds.

Recommendations of the Joint Committee on Information Policy

1. Alternative A1.

2. Provide that public libraries would be included in the educational technology infrastructure loan program under the TEACH initiative. Provide $5,000,000 annually in additional general obligation bonding for public library infrastructure loans. Create a separate sum sufficient GPR appropriation and provide $25,000 GPR in 1997-98 and $500,000 GPR in 1998-99 for the payment of estimated debt service costs incurred in financing subsidized educational technology infrastructure loans to public libraries. Specify that this GPR funding would not count toward state's funding of 66.7% of K-12 partial revenues. Modify the PR debt service appropriation to receive debt service payments from public libraries and provide $25,000 PR in 1997-98 and $500,000 PR in 1998-99 for the public library payments of the estimated debt service costs.

Recommendation 2	GPR	PR	BR	TOTAL
1997-99 FUNDING (Change to Base)	$525,000	$525,000	$10,000,000	$11,050,000
[Change to Bill	*$525,000*	*$525,000*	*$10,000,000*	*$11,050,000]*

3. Require that the TEACH Board promulgate emergency rules to specify the wiring and equipment that may be purchased by school districts with educational technology infrastructure loan proceeds. Provide that the TEACH Board could promulgate the initial rule for this purpose as an emergency rule, without having to provide evidence of the necessity of preservation of the public peace, health, safety or welfare. Specify that the emergency rule would be subject to approval or disapproval by the Joint Committee on Information Policy under a 14-day passive review process. If the Co-Chairs of Information Policy would schedule a meeting to review the proposed emergency rules, the rules would not take effect until the Committee's meeting, and then only if the Committee approved the rules. If the Committee disapproved the rules, the TEACH Board would have to resubmit revised emergency rules under the same process.

Prepared by: Ruth Hardy

MO# JCIP recommendation

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

AYE 14 NO 2 ABS ____

Paper #794

Representative Coggs

TEACH BOARD

Adjustment to Revenue Limits for School District Debt Service

Motion:

Move to provide an adjustment to revenue limits for the school district share of debt service on educational infrastructure access loans.

Note:

SB 77 would provide $50,000,000 of general obligation bonding in 1997-98 and an additional $50,000,000 in 1998-99. This bonding would be issued by the Building Commission, at the request of the TEACH Board and with the approval of the Governor, for the purposes of educational technology infrastructure loans to school districts. The term of the bonds could not exceed ten years.

The bill would authorize the TEACH Board to make subsidized loans to school districts from the proceeds of these bonds. Require school districts to use the loans only for upgrading the electrical wiring of school buildings in existence on the effective date of the 1997-99 budget and installing and upgrading computer network wiring in accordance with standards and procedures to be established by the Board and the Department of Administration (DOA). Require school districts to repay 50% of the total debt service on the loans, as determined by the Board, and specify that a school district would not be obligated to repay the remaining 50%.

This motion would create an adjustment to school district revenue limits in the amount of each school district's share of the debt service, which would allow the school district to levy for these costs.

MO# 780

JENSEN	Y	✓N	A
OURADA	Y	✓N	A
HARSDORF	Y	✓N	A
ALBERS	Y	✓N	A
GARD	Y	✓N	A
KAUFERT	Y	✓N	A
2 LINTON	✓Y	N	A
1 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 8 NO 8 ABS ____

FAIL

Motion #780

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Modifications to the Current Status and Purposes of the Universal Service Fund (Administration and PSC)

[LFB Summary: Page 56, #8 and Page 497, #5]

CURRENT LAW

Provisions of 1993 Wisconsin Act 496 directed the Public Service Commission (PSC) to establish a Universal Service Fund (USF) by administrative rule, contract with an outside vendor for the actual administration of the USF and obtain an annual independent audit of the USF. Since January 1, 1996, the PSC has required telecommunications providers to contribute to the USF a proportionate share of their gross operating revenues derived from intrastate activities to support the purposes of the Fund. The PSC approves an annual budget for program activities to be financed by the USF. For calendar year 1997, the approved USF budget is $8,000,000.

The PSC also defines by rule those elements of telecommunications service which are necessary components of universal service and which must be made available to all customers in the state at affordable prices. These rules must be updated biennially. At a minimum, these essential services must include single-party service with touch-tone capability, line quality capable of carrying facsimile and data transmissions, equal access, emergency services number capability, a statewide telecommunications relay service and blocking of long distance toll service. The PSC must also ensure that contributions to the Fund be used only to support the following four statutorily enumerated purposes of the Fund:

• To assist customers located in areas of the state that have relatively high costs of telecommunications services, low-income customers and disabled customers in obtaining affordable access to a basic set of essential telecommunications services;

• To assist in the deployment of the advanced service capabilities of a modern telecommunications infrastructure throughout the state;

• To promote affordable access throughout Wisconsin to high-quality education, library and health care information services; and

• To administer the Fund.

GOVERNOR

Make the following changes to the current operation and purposes of the Universal Service Fund:

•*Create a Segregated Trust Fund.* Establish the USF as a separate, nonlapsible segregated trust fund and specify that the Investment Board would have exclusive control over the investment of assets in the USF. Repeal various existing statutory references relating to the initial establishment of a USF by the PSC under provisions of Act 496.

•*Establish an Educational Telecommunications Access Program as an Essential Element of Universal Service.* Direct the PSC, in consultation with DOA and the proposed new Technology for Educational Achievement in Wisconsin (TEACH) Board, to promulgate rules establishing and defining an educational telecommunications access program as an essential element of universal service. Such a program would have to provide school districts in the state with access to data lines and video links.

Provide that these rules governing the new program would be exempt from the current requirements, applicable to other USF rules, that the PSC review and revise them, as appropriate, on a biennial basis. In addition, exempt the new program and its associated rules from being subject to the current requirement that the existing USF Council periodically advise the PSC on both the administration of USF and on the content of all USF rules.

•*Allow the Use of the USF for Payments under the Educational Telecommunications Access Program.* Add to the four current statutory purposes for which USF monies may be used a new, fifth statutory purpose. Under the new statutory purpose, Fund monies could be used to support the costs of contracts entered into between DOA and those telecommunications providers that make data line and video link access available to school districts. Payments from the USF for this new purpose would be authorized only to the extent that total contract costs exceed the total amounts received by DOA from participating school districts (up to a maximum of $250 per month per data line or video link from each participating school district) under the educational telecommunications access program.

•*USF Appropriations.* Create two separate appropriations to make payments from the USF, as follows:

First, establish a new sum sufficient appropriation under the PSC for the promotion of universal telecommunications service, and specify that the expenditures from this new appropriation could only be used to support the four current law authorized funding purposes for the USF. This appropriation would not be available to fund any of the costs under the new educational telecommunications access program. Estimated expenditures of $0 SEG for this appropriation are included under the bill for 1997-98 and 1998-99.

Second, establish another new sum sufficient appropriation under DOA to fund the amounts payable to telecommunications providers under contracts entered into between DOA and the providers making data line and video link access available to school districts. The amounts payable from this sum sufficient appropriation would be limited to the total contract costs that are in excess of the required school district contributions for providing these access services. Estimated expenditures under DOA from this new appropriation are $2,500,000 SEG in 1997-98 and $3,000,000 SEG in 1998-99.

Require the PSC to ensure that telecommunications provider contributions to the USF are in amounts sufficient to support all of the Fund's authorized purposes, including all costs of the educational telecommunications access program not covered by school district user fees.

•*Allow the Initial Creation of the Educational Telecommunications Access Program by Emergency Rule.* Direct the PSC to promulgate the initial rule required to establish the educational telecommunications access program as an emergency rule. Stipulate that the PSC would not have to provide evidence of the necessity of preservation of the public peace, health, safety or welfare in order to promulgate this rule as an emergency rule.

•*Require Certain Reports.* Require that the PSC submit an annual report to the TEACH Board on the status of providing data lines and video links to school districts. Specify that the report also assess the impact on the USF of the required payments to telecommunications providers in excess of the required school district contributions for these access services.

Provide that if the Federal Communications Commission promulgates or modifies rules under those sections of the federal Telecommunications Act of 1996 relating to rate discounts for telecommunications services to school districts, the Governor would be required to submit a report to the Joint Committee on Finance containing recommended changes to existing statutes or rules with respect to funding the educational telecommunications access program.

DISCUSSION POINTS

1. The Governor's recommendations concerning modifications to the current Universal Service Fund present two distinct issues which the Committee may wish to address in the following order:

• First, should the existing USF be created as a segregated state trust fund?

• Second, should the existing statutory purposes of the USF be modified to include the proposed educational telecommunications access program?

2. Depending on how the Committee resolves the first issue, it may or may not wish to address the issue of expanding the purposes of the USF, as proposed by the Governor. If the Committee determines initially that it does not wish to establish the USF as a separate, new segregated fund and formally appropriate monies from that fund for the current purposes of the USF, then it would appear questionable whether the Committee would also want to establish a new program purpose for the USF involving potentially significant expenditure levels that would continue to be "off-budget" and, therefore, would not be subject to direct oversight and control by the Legislature. However, if the Committee acts to establish the USF as a new, segregated state fund, consideration of the Governor's recommendation to expand the purpose of the USF would then be necessary.

Establishment of the Existing USF as a Segregated Trust Fund

3. When the Legislature established the USF under 1993 Wisconsin Act 496, there were several indications at the time that the Fund was not considered to be a state fund and that revenues and expenditures from the USF were not intended to be considered subject to the state appropriation process. These factors included the following:

• The PSC was given clear direction that the USF be administered under contract by a party other than the agency;

• The USF was not enumerated as a separate state fund under Chapter 25 of the statutes;

• There had been an explicit decision not to provide an appropriation under the PSC into which USF revenues from telecommunications providers could be credited and from which expenditures could be made for enumerated Fund purposes;

• The Legislature directed the PSC to obtain annual independent audits of the USF (all state funds are currently subject to audit by the Legislative Audit Bureau under s. 13.94(1) of the statutes, rather than by an independent auditor); and

• The PSC apparently believed that contributions to the Fund were not to be treated as state monies which would require appropriation by the Legislature, and, consequently, did not seek an appropriation of USF monies as part of its 1995-97 biennial budget request. Further, the 1995-97 biennial budget act appropriated no funds for this purpose.

4. Notwithstanding the above considerations, the State Controller's Office in DOA reviewed the issue and concluded that in its view the USF was not, in fact, a legally separate nonstate entity. The Controller's analysis noted that most legally separate organizations were readily identifiable as such by virtue of having a separate corporate charter or by having powers qualifying them as a "special-purpose government" or authority. The Controller cited the Wisconsin Advanced Telecommunication Foundation, also created by Act 496, as such a legally separate entity and argued that, by contrast, the USF "is not granted [nor] does it possess any of these powers which would allow it to be considered a legally separate entity." Therefore, in the State Controller's view, the USF was required to be reported for accounting purposes in the same manner as other state agencies and departments for inclusion in the state's consolidated annual fiscal report. [The state's Comprehensive Annual Financial Report for the 1995-96 fiscal year does report $2.2 million of USF investments "which are reported in the general fund."]

5. The State Controller's Office further concluded that "all receipts and disbursements for the Universal Service Fund must be recorded to a state appropriation." This conclusion was based on several factors:

• The PSC's duties relative to the operation of the USF, as established by Act 496, were the type that are normally prescribed relating to activities of a state fund.

• An opinion by the Commissioner of Banking on depository issues indicated that the PSC was a "public depositor" on behalf of the USF. Consequently, USF accounts were those "of the state" or a "commission, committee, board or officer of any governmental subdivision of the state"; and

• An opinion of the Department of Justice concurring with the Commissioner of Banking and holding that "the funds in the Universal Service Fund ... are state funds, administered by an agency, the PSC."

6. Subsequently, the PSC sought to establish an appropriation for the USF by means of a s. 16.515 request to the Committee. In reviewing the agency's request, the Committee: (a) noted there was no suitable appropriation under the PSC through which USF monies could actually be expended; (b) questioned a proposal to use an appropriation under Miscellaneous Appropriations for the USF; and (c) found that the PSC and the State Controller had already acted to establish the USF as an "off-budget" account with a level of expenditure and reporting arrangements in place which could continue until such time as any remedial legislation clarifying the exact status of the Fund could be enacted. Therefore, the Committee directed the PSC to study the formal status of the USF and report to the Committee by December, 1996, detailing

the Commission's recommendations as to whether the Fund should be established as a state fund with the necessary appropriation structure or whether to provide for the formal creation of the USF as a separate, nonstate entity.

7. On November 11, 1996, the Chair of the PSC formally recommended to the Committee "[t]hat the Legislature ... create a separate and specific Chapter 20 segregated continuing appropriation expressly for the expenditure of Universal Service Fund revenues" first beginning with the 1997-98 fiscal year. The PSC Chair's recommendation went on to state that "the creation of a segregated fund as a State ... Fund brings with it no intention to use the Fund for purposes other than [those] for which the Fund was created." The PSC's proposal also indicated that the advisory USF Council voted on September 24, 1996, in support of establishing the USF as a segregated state fund. Finally, it may be noted that in keeping with its position that the USF be formalized as a state fund, the PSC requested the Legislative Audit Bureau to undertake the first required annual audit of the Fund.

8. In summary, based on: (a) concerns previously raised by the State Controller, the Commissioner of Banking and the Department of Justice that the USF is already a state fund, notwithstanding its operation as an "off-budget" account; (b) recommendations of the PSC to establish the USF as a segregated fund; (c) the formal support of the advisory USF Council to establish the Fund as a state account; and (d) the general desirability of maximizing the level of legislative oversight and control of state expenditures through the formal appropriation process, the Committee may wish to approve the Governor's recommendation to establish the existing USF as a separate, nonlapsible segregated trust fund with assets managed by the Investment Board. If the Committee adopts this approach, it should also include a technical provision to transfer any residual balances in the current USF that are reported in the general fund to the new segregated state fund on the general effective date of the budget act.

9. The primary alternative argument for maintaining the USF "off-budget," presumably as a nonstate account, is that the Fund might then have additional flexibility in making certain types of grants (particularly those providing assistance to private, sectarian entities under the Fund's institutional assistance program). This flexibility might not be possible, depending on the actual purpose and use of the grant funds, if USF monies were deemed state funds. However, as noted above, the State Controller and others already consider the USF as a state fund, so it is doubtful that maintaining the Fund "off-budget" would lead to any change in this treatment by the State Controller. Furthermore, continuing the Fund "off-budget" would likely not change its current presumed status as a state fund and would also serve to lessen legislative oversight and control through the appropriation process. Thus, the Committee may find that this argument is not a sufficient justification to continue the USF in its current status as an "off-budget" account.

10. If the Committee acts to establish the existing USF as a segregated trust fund, it must also determine whether the associated appropriation for making expenditures from the fund should be created as an annual, continuing or sum sufficient appropriation.

• Annual appropriations are expendable only up to the amount shown in the appropriation schedule and only for the fiscal year for which made. Unencumbered balances at year end lapse to the source fund. Under an annual appropriation, the PSC would presumably submit a proposed budget for the USF. The Legislature would typically set the appropriation level based on that budget proposal. Under an annual, sum certain appropriation, the PSC could not expend more funds than were originally appropriated unless the amounts were adjusted through a subsequent law change or pursuant to a s. 13.10 request to the Committee. Unexpended funds at year-end would lapse and could not be used until specifically appropriated by legislative action. This type of appropriation would provide the Legislature with the highest level of oversight and control of expenditures. It is also the preferred type of appropriation where funding levels can be reliably set based on a program budget developed by the agency, as would appear to be the case with the program purposes for the existing USF.

• Continuing appropriations are expendable until fully depleted or repealed by subsequent laws and do not lapse. Continuing appropriations established such that they may expend "all monies received" may continue to expend indefinitely to the extent of available revenues. Specific dollar amounts appearing in the appropriation schedule merely represent the most reliable estimates of the amounts to be expended during any given fiscal year but are not considered limiting. Continuing appropriations may be desirable where programs are cyclical or are unpredictable in terms of expenditure demands. However, where funds are budgeted for specific purposes and there are defined grant or allocation cycles (as with the current USF), a continuing appropriation would not appear to be warranted. Continuing appropriations also lessen the level of legislative oversight and reduce the impact of the appropriation process in setting expenditure levels for a program.

• Sum sufficient appropriations are expendable in an amount necessary or sufficient to accomplish the statutory purpose of the appropriation. The amounts appropriated represent the most reliable estimate of the amounts which will be needed for the purpose and are not considered as limiting. The Governor has recommended establishing both the appropriation under the PSC for the existing USF and the appropriation under DOA to support the educational telecommunications access program for an expanded USF as sum sufficient appropriations. Further, language has been included requiring the PSC to assess telecommunications providers amounts sufficient to accomplish all of the purposes of the USF. However, under circumstances where: (a) the PSC would normally establish a controlling, annual budget for the USF (as is the case with the current USF in order to support its existing funding purposes); and (b) there were no programs under the USF that were not subject to the overall funding limitations of that annual budget, additional assessments would not be required because there should be no additional unbudgeted expenses. Thus, the question may be raised why a sum sufficient should even be considered in the context of establishing the existing USF as a state fund. Accordingly, based on the foregoing discussion, the Committee could provide that the appropriation for the existing Universal Service Fund be established as a sum certain annual appropriation.

11. Finally, if the Committee acts to establish the existing USF as a segregated trust fund, some estimated expenditure appropriation level should be provided under the bill for the Fund (unless it is actually anticipated that no funds will be expended for the existing purposes of the Fund). For the 1997 calendar year, the PSC has approved a Fund budget of $8,000,000, as follows:

TABLE 1

PSC-Approved Universal Service Fund Budget
(1997 Calendar Year)

Program Purpose	1997
Special Needs Equipment Purchase	$1,200,000
Institutional Access and Assistance	2,000,000
Lifeline Assistance and Related	1,620,000
Voice Mail Services for the Homeless	20,000
Rate Shock Mitigation	1,094,500
High Rate Assistance Credit	1,855,000
Fund Administration	210,500
Total	$8,000,000

12. When the PSC sought to establish a USF appropriation in 1996 under a s. 16.515 request, it also proposed an annual funding level of $8,000,000. The PSC indicates that it does not expect this overall budgeted level for the current USF to be changed materially over the near term. Thus, based on this recent budget history for the existing USF, the Committee may choose to appropriate $8,000,000 SEG annually for the Fund.

Expanding the Statutory Purposes of the USF

13. Under the Governor's recommendation, the current statutory purposes of the USF would be expanded to authorize payments from the Fund for the new educational telecommunications access program. This program expansion would result in the following major modifications to the operation of the existing Fund:

• Payments from the USF would be newly authorized to fully fund all costs contracted by school districts that are in excess of the amounts received by DOA from each school district participating in the program. These amounts paid by school districts may not be more than $250 per month per data line or video link;

• Payments to fully fund all eligible educational telecommunications access program contracted costs would be made from a sum sufficient appropriation from fund provided under DOA and estimated expenditures from this new appropriation would be set at $2,500,000 SEG in 1997-98 and $3,000,000 SEG in 1998-99;

• The PSC would have to ensure that telecommunications providers contribute sufficient amounts to the USF to fund eligible contracted costs under the new educational telecommunications access program as well as to accomplish the other purposes of the existing USF; and

• The rules governing the new educational access program would be exempt from requirements that the PSC and the USF Council periodically review them and recommend appropriate modifications to reflect changes in the administration and purposes of the USF.

14. In reviewing these proposed changes to the existing purposes of the USF, a number of potential concerns may be identified.

15. First, under current procedures, the PSC approves an annual budget for the USF after receiving input from the USF Council, which is comprised of consumer and telecommunication provider representatives. Based on this approved budget, an assessment on telecommunications providers is then levied prospectively in monthly or quarterly installments (depending on the size of the telecommunications provider's assessment). All of these assessment costs are ultimately recovered through the rates telecommunications providers charge their customers. Under the proposed expansion to the USF to include the educational telecommunications access program, there is no requirement that either DOA or the PSC develop a budget for the projected annual costs of the new program component. Instead, a new sum sufficient is established under DOA which would draw automatically from the USF the amounts necessary to fund the new program. With PSC required to assess providers sufficient amounts to fund both the current and the expanded purposes of the USF, the following scenarios are possible:

• If the PSC determined that the total USF assessment should remain at $8 million annually and attempted to fund the new educational telecommunications access program from within that total $8 million annual assessment amount, then the current programs funded from the USF would necessarily have their funding allocations correspondingly reduced. If the new program subsequently required a significant infusion of funding from the USF (as has been suggested in some public testimony on the Governor's proposal), then the corresponding offset against the $8 million allocated to existing USF program purposes would be even greater. [It may be noted that the language of the bill would require the PSC only to ensure that assessments are allocated to all current purposes of the Fund. The allocations would have to be sufficient to accomplish each existing statutory program purpose of the Fund but such allocations might not be the amounts required to fully fund each activity as set by the PSC. Further, since the costs attributable to the educational telecommunications access program would be contractual, unlike

most of the program costs for the existing USF, funding of the contractual costs would presumably take precedence.]

• If the PSC determined that total USF assessments for the new program should be in excess of the current $8 million annual amounts assessed for existing programs, and if the new program subsequently grew rapidly, then periodic, supplemental assessments of telecommunications providers would be necessary. If program costs under the new program required significant increases in assessment levels, at some point heightened resistance to these assessments by telecommunications providers could reasonably be expected.

• If increasing assessment levels to fund the new program were required, these actions might also serve to heighten the demand by beneficiaries of the existing USF grants and allocations for program modifications and increased allocations to these current undertakings. It may be noted that under the new educational telecommunications access program, funds from the USF would be used to support contracted payments to the extent that the required $250 monthly payments per data/video line by school districts were insufficient to cover the costs of those contracted payments. By contrast, grants provided under a number of the current USF programs are: (a) made on a first-come, first-served basis; (b) capped at a maximum dollar amount; or (c) provided over several years on a declining subsidy basis. In the face of a likely expanding educational access program with assured, contracted payments from the USF (regardless of the number or size of such payments), pressures for expanded funding for those existing USF programs currently subject to funding limitations might reasonably be anticipated.

16. Based on the foregoing, if the Committee determines that it wishes to: (a) ensure greater budgetary control over the potential for rapid cost increases under the proposed educational telecommunications access program; and (b) minimize the potential impact of such increases on the existing programs offered through the USF, it could act to fund the new program purpose by means of a sum certain, rather than sum sufficient appropriation. However, one impact of this approach would be to limit the number of school districts that could participate under the program.

17. Second, the proposed new educational telecommunications access program would be similar in concept to the USF's existing assistance to institutions program. Both programs are intended to assist institutions with establishing high-speed data transfer capabilities and two-way interactive video links. However, these programs would differ significantly in a number of respects:

• The proposed educational telecommunications access program would fully fund the excess costs of these data and video services for school districts that are in excess of $250 per month per data line or video link payment amount for an indefinite period. In contrast, under the existing program, institutions (defined to include schools, libraries and health care facilities) may receive funding for three years only and are reimbursed 30% of their annual service costs

the first year, 20% of such costs in the second year and 10% of such costs in the third year, subject to an overall cumulative subsidy limit of $3,600 per line or video link.

• Funding for the existing institutional access program is currently budgeted at $2,000,000 annually while funding for the proposed new educational access program is estimated at $2,500,000 in 1997-98 and $3,000,000 in 1998-99. Given these programmatic and funding differences, school district beneficiaries under the existing institutional assistance program might reasonably be expected to seek funding under the more generous educational telecommunication access program. In contrast, however, other entities, such as libraries and health care facilities, would have no choice but to remain with the current USF program, since they would be ineligible for the proposed new educational access program.

• Since the PSC and the USF Council would have no authority to review and revise, as appropriate, the rules governing the operation and administration of the new educational telecommunications access program to coordinate it with the existing USF assistance to institutions program, these disparities would arguably continue unless the PSC modified the existing USF program to mirror the new educational access program.

• The existing institutional access program will likely be affected by USF administrative rules governing advanced telecommunications service capabilities. Under these rules, the following advanced telecommunications service capabilities are all required to be made generally available to any customer on request, in a timely manner, and at affordable prices by the dates indicated: digital access lines and channels (by January 1, 2000); high-speed data transfer connectivity (by January 1, 2002); and two-way interactive video conferencing and two-way interactive imaging capabilities (by January 1, 2003). Given these requirements that are currently in place, a question may be raised whether funding should continue to be provided under the new educational telecommunications access program beyond these dates by which the indicated services are supposed to be generally available at affordable prices.

18. Based on the differences between the existing institutional access program and the new educational telecommunications access program, if the Committee determines that a greater degree of uniformity between the programs would ultimately be desirable, it could grant the PSC the authority to review and revise, as appropriate, the rules governing the operation and administration of the new educational telecommunications access program to coordinate it with existing USF administrative rules.

19. The Committee could also require the PSC to submit to the Governor and the Legislature by January 1, 1998, recommendations on: (a) any modifications the Legislature should consider to reduce programmatic and funding differences between the assistance to institutions program and the educational telecommunications access program; and (b) whether time limitations should be imposed on how long school districts may receive grants under the educational telecommunications access program to recognize that data and video link access is

supposed to be available on request by any customer, in a timely manner and at affordable prices, under existing PSC rules no later than January 1, 2003.

20. Finally, it could be argued that no compelling arguments have been advanced for why a second, separate sum sufficient appropriation should be created under DOA which would draw on the USF without limitation solely for the purpose of funding the excess costs of providing data lines and video links to school districts. The PSC currently has in place procedures for funding activities under the USF. It could be argued that there does not appear to be any reason why DOA could not certify amounts to PSC which could then be paid to eligible school districts from the USF under existing administrative procedures already in place at PSC.

21. If the Committee believes that this approach has merit, it could delete the sum sufficient appropriation created under DOA to fund the new educational telecommunications access program from the USF and instead provide that the new program be funded from the USF appropriation created under the PSC. Under this approach the amounts which would have been appropriated under the DOA [$2,500,000 SEG in 1997-98 and $3,000,000 SEG in 1998-99] could also be transferred to the PSC appropriation. If the amount required from that appropriation for payments under the educational telecommunications access program exceeded the amounts budgeted, the PSC could request an increase under s. 13.10 procedures to provide for additional expenditure authority from the Fund.

22. Alternatively, if the Committee believes that the potential issues associated with the establishment of an educational telecommunications access program as part of the USF are such that the new program should not be included under the Fund, it could delete the proposed expansion of the existing purposes for the USF and seek an alternative funding source for the educational telecommunications access program.

ALTERNATIVES TO BASE

Establishment of the Existing USF as a Segregated Trust Fund

1. Approve the Governor's recommendation to establish the USF as a separate, nonlapsible segregated trust fund, with assets managed by the Investment Board and with expenditures funded through a sum sufficient appropriation created under the PSC.

2. Modify the Governor's recommendation by: (a) estimating expenditures from the Fund's sum sufficient appropriation under the PSC at $8,000,000 SEG annually; and (b) including a technical provision to transfer any residual balances in the current USF to the new segregated state fund on the general effective date of the budget act.

Alternative 2	SEG
1997-99 FUNDING (Change to Base)	$16,000,000
[Change to Bill	*$16,000,000]*

3. Modify the Governor's recommendation by: (a) creating an annual appropriation rather than a sum sufficient appropriation under the PSC to fund USF operations; (b) appropriating $8,000,000 SEG annually for Fund operations; and (c) including a technical provision to transfer any residual balances in the current USF to the new segregated state fund on the general effective date of the budget act.

Alternative 3	SEG
1997-99 FUNDING (Change to Base)	$16,000,000
[Change to Bill	*$16,000,000]*

4. Maintain current law.

Expanding the Statutory Purpose of the USF

5. Approve the Governor's recommendation to: (a) establish the educational telecommunications access program as an essential element of universal service; (b) allow the use of the USF for payments under the educational telecommunications access program; and (c) create a sum sufficient appropriation under DOA funded from the USF to support the new access program funded at $2,500,000 SEG in 1997-98 and $3,000,000 in 1998-99.

6. Modify the Governor's recommendation by creating the appropriation under DOA to fund the educational telecommunications access program as an annual, sum certain appropriation.

7. Modify the Governor's recommendation by: (a) deleting the sum sufficient appropriation created under DOA to fund the educational telecommunications access program from the USF and instead provide that the program would be funded from the USF appropriation created under the PSC; and (b) transferring the amounts which would have been appropriated under the DOA [$2,500,000 SEG in 1997-98 and $3,000,000 SEG in 1998-99] to the USF appropriation under the PSC.

Alternative 7	SEG
1997-99 FUNDING (Change to Base)	$5,500,000
[Change to Bill	*$0]*

8. Modify the Governor's recommendation by granting the PSC the authority to review and revise, as appropriate, the rules governing the operation and administration of the new educational telecommunications access program to coordinate it with existing USF administrative rules.

9. Modify the Governor's recommendation to require that the PSC submit to the Governor and the Legislature by January 1, 1998, recommendations on: (a) any modifications the Legislature should consider to reduce programmatic and funding differences between the assistance to institutions program and the educational telecommunications access program; and (b) whether time limitations should be imposed on how long school districts may receive grants under the educational telecommunications access program to recognize that data and video link access is supposed to be available on request by any customer, in a timely manner and at affordable prices, under existing PSC rules no later than January 1, 2003.

10. Maintain current law.

Alternative 10	SEG
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $5,500,000]*

Recommendations of the Joint Committee on Information Policy

1. Alternative 3, modified to create the appropriation as a biennial, sum certain appropriation.

2. Alternative 7, modified: (a) to establish the appropriation under the TEACH Board, rather than under the PSC; and (b) to create the appropriation as a biennial, sum certain appropriation.

3. Alternative 9, modified to require the report prepared by the PSC to be submitted on January 1, 1999, rather than January 1, 1998.

4. PSC Assessment Authority. Clarify that the PSC would be required to assess telecommunications providers the amounts necessary to fund the two appropriations created under Alternatives 3 and 7.

5. Administrative Rules. Specify that the rules governing both the operation of the USF and the educational telecommunications access program shall prohibit any recipient of USF monies from simultaneously receiving funding under both s. 196.218(5)(a)3. and under s.

196.218(5)(a)5. of the statutes, if the funding is for substantially similar activities designed to promote affordable access to high-quality education, library and health care information services. Specify further that the rules required for the educational telecommunications access shall address the personal privacy protection considerations specified under s. 196.209(4) of the statutes. Require the PSC to consult with the Telecommunications Privacy Council on the content of such rules.

6. Report to the Joint Committee on Finance. Require the PSC and the TEACH Board to submit a joint report to the Joint Committee on Finance no later than August 15, 1998, containing the following information: (a) the level of expenditures incurred under each of the above appropriations during the 1997-98 fiscal year; (b) a summary of the principal programs, activities and recipient classes funded under each appropriation during the 1997-98 fiscal year; (c) an assessment of the projected funding demand by principal program, activity and recipient classes from each appropriation for the 1998-99 fiscal year; and (d) based on these projections, whether additional appropriation authority is required in either appropriation for the 1998-99 fiscal year.

Prepared by: Tony Mason

MO# JCP recommendations 1-6

JENSEN	✓	N	A
OURADA	✓	N	A
HARSDORF	✓	N	A
ALBERS	✓	N	A
GARD	✓	N	A
KAUFERT	✓	N	A
LINTON	✓	N	A
COGGS	Y	✓	A
BURKE	Y	✓	A
DECKER	✓	N	A
GEORGE	Y	✓	A
2 JAUCH	✓	N	A
WINEKE	Y	✓	A
\ SHIBILSKI	✓	N	A
COWLES	✓	N	A
PANZER	✓	N	A

AYE 12 NO 4 ABS ____

Representative Jensen

TEACH BOARD, PUBLIC SERVICE COMMISSION AND PUBLIC INSTRUCTION

Funding from the Universal Service Fund for *Newsline* for the Blind in Wisconsin Pilot Program

Motion:

Move to include a session law provision directing the PSC to provide $111,000 SEG in 1997-98 and $35,000 SEG in 1998-99 from the Universal Service Fund under s. 196.218(5)(a)1. of the statutes to the Department of Public Instruction to support a pilot project to provide the electronic news service, *Newsline*, to the blind and disabled in Wisconsin.

Require DPI, in consultation with the Wisconsin Regional Library for the Blind and Physically Handicapped in Milwaukee, to contract with the National Federation of the Blind to provide the *Newsline* service from two local service centers: one located at the Wisconsin Regional library for the Blind and Physically Handicapped in Milwaukee and the other at a location in Madison selected by DPI in consultation with the Wisconsin Regional Library for the Blind and Physically Handicapped.

Note:

Newsline is a specialized information service through which three news organizations (*USA Today, the Chicago Tribune and The New York Times*) provide electronic versions of their daily news text for redistribution to the blind and others with disabilities who cannot use standard print. The user listens to the news or other information items on a standard touch-tone telephone. In addition, under the *Newsline* service, each local service center may distribute one or more papers of local interest for a one-time fee of $5,000 per paper.

This motion provides funds from the Universal Service Fund to establish a pilot project to install *Newsline* access boxes in Milwaukee and Madison each of which would be connected to 24 telephone lines, thus, allowing 24 simultaneous users of *Newsline* at each location. (No funds are provided for adding papers of local interest. It is anticipated that if there is a desire to add such papers, funds will be sought from interested organizations.)

This motion would reallocate funding already available in the Universal Service Fund to support this pilot project. Of a total of $8,000,000 SEG annually provided for the current statutory purposes of the Universal Service Fund, $1,200,000 SEG annually is currently budgeted for special needs equipment.

[Change to Base: $146,000 SEG]
[Change to Bill: $0]

MO# 1080

1	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
2	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 16 NO 0 ABS.

Representative Jensen

TEACH BOARD AND PUBLIC SERVICE COMMISSION

Recovery of Universal Service Fund Assessments to Support the Educational Telecommunications Access Program from Certain Rates

Motion:

Move to include statutory language stipulating that a telecommunications utility may fully recover its share of assessment costs for Universal Service Fund expenditures that support the educational telecommunications access program under s. 196.218(5)(a)5. of the statutes through adjustments applied only to basic local exchange service rates. Provide that the recovery of such costs may be effected by the telecommunications utility notwithstanding any other rate adjustment provisions under Chapter 196 of the statutes affecting telecommunications utilities. Further, direct that the PSC report to the Joint Committee on Finance in each fiscal year of the 1997-99 biennium the amounts required to be assessed against each telecommunications utility subject to these cost recovery provisions for the purpose of funding the educational telecommunications access program. Finally, specify that these reports would have to be submitted no later than 90 days after establishing the Universal Service Fund assessments in each fiscal year for the purpose of funding the educational telecommunications access program.

Note:

This motion would apply to telecommunications utilities (such as Ameritech and GTE North, which generally provide local exchange service) and would not apply to telecommunications carriers (such as AT&T Communications of Wisconsin, MCI and Sprint, which generally furnish telecommunications services within the state to the public but do not provide basic local exchange service).

Currently, certain large telecommunications utilities that have elected to become price-regulated telecommunications are subject to a rate freeze for three years and thereafter are subject to statutory caps on the amounts by which they may adjust their rates. Other telecommunications utilities that do not elect to become price-regulated may adjust their rates pursuant to a formal or expedited rate review by the PSC (depending on the size of the telecommunications utility and the magnitude of the proposed increase).

Under current law, any assessments to support the additional costs of the educational telecommunications access program would have to be accommodated within the frozen or capped rate structure for price-regulated utilities or would have to be recovered through a rate adjustment for utilities that are not subject to price regulation.

This motion would allow the automatic "pass-through" of the Universal Service Fund assessment costs for the educational telecommunications access program, notwithstanding the current law rate freeze or rate increase caps for price-regulated telecommunications utilities or the rate increase procedures required for telecommunications utilities that are not price-regulated.

Under the motion, the "pass-through" amounts would be applied solely to basic local exchange rates. These costs could not be passed on to intraLATA long-distance rates.

Current law prohibits telecommunications utilities from establishing a surcharge on customers' bills to collect from customers the assessments required for the Universal Service Fund. This provision would not be affected by the motion.

As recommended by the Governor, a total of $2,500,000 in 1997-98 and $3,000,000 in 1998-99 would be assessed from all telecommunications providers for the costs of the educational telecommunications access program. As recommended by the Joint Committee on Information Policy, a total of $4,825,000 in 1997-98 and $6,216,400 in 1998-99 would be assessed from all telecommunications providers for the costs of an expanded educational telecommunications access program. Telecommunications utilities would be subject to assessment for an estimated 75% to 80% of these total costs, and it would be these amounts that would be subject to this "pass-through" provision.

MO# 785

1 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
2 SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 14 NO 2 ABS ___

Senator Panzer
Representative Albers

TEACH BOARD AND PUBLIC SERVICE COMMISSION

Information on School Districts with Special Circumstances
to Be Included in Report to the Joint Committee on Finance

Motion:

Move to modify the recommendations of the Joint Committee on Information Policy relating to the Universal Service Fund (Paper #795) by specifying that the information contained in the report to be submitted by the TEACH Board and the PSC to the Joint Committee on Finance by August 15, 1998, shall also include an analysis of whether there are school districts with special needs relating to their size or geography that should be provided with additional data lines and video links than would otherwise be authorized under the educational telecommunications access program.

Note:

The recommendations of the Joint Committee on Information Policy concerning modifications to the Universal Service Fund include a requirement that the PSC and the TEACH Board to submit a joint report to the Joint Committee on Finance no later than August 15, 1998, containing the following information: (a) the level of expenditures incurred under each of the above appropriations during the 1997-98 fiscal year; (b) a summary of the principal programs, activities and recipient classes funded under each appropriation during the 1997-98 fiscal year; (c) an assessment of the projected funding demand by principal program, activity and recipient classes from each appropriation for the 1998-99 fiscal year; and (d) based on these projections, whether additional appropriation authority is required in either appropriation for the 1998-99 fiscal year.

This motion requires the report also to include a review of whether there are school districts with special size or geographical needs that might require additional data lines and video links than authorized under the educational telecommunications access program. As currently proposed, the program would allow a school district access to either one data link or one video link. Districts with more than one high school could request both a data line and a video link as well as access to more than one data line and a video link.

Motion #1540

VOTE OVER →

MO# 1540

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	Y	✓	A
JAUCH	✓	N	A
WINEKE	✓	N	A
SHIBILSKI	✓	N	A
COWLES	✓	N	A
PANZER	✓	N	A

AYE 15 NO 1 ABS ___