

March 2, 2000

Senate Bill 60 (Grobschmidt/Olsen)

Educational technology assistance to libraries.

Summary of Bill -

Under the bill, the TEACH Board could provide financial assistance to public libraries for the purchase of hardware that enables a computer network in a library to be connected to the Internet.

Staff Comments -

You have expressed your support many times for this bill, and it is well supported by the library community. It will help a lot of libraries gain access to resources available only on the Internet.

Standing Committee Action -

SB 60, as amended by SA 1, was approved 11-0 by the Sen. Committee on Education on May 5, 1999. Subsequently, SSA 1 was introduced at the request of the TEACH Board and DPI. SSA 1 has the support of Senator Grobschmidt and the library community. It makes some changes in the funding sources for the program, which are fine.

Recommended JFC Action -

Since the passage of the budget, Act 9, the Assembly introduced a bill which incorporates SB 60, plus some necessary changes to make it conform with provisions in the budget. Therefore, DPI and TEACH have asked you to introduce a new substitute amendment (LRB 0337) which incorporates all the conformity changes, the provisions of SSA 1, and two additional minor changes approved by Senator Grobschmidt:

- 1.) Loans for wiring will be limited to 4 years instead of 10.
- 2.) Schools which participate will be prohibited from selling access bandwidths that they share with a community

Today's action -

Introduction and approval LRB 0337.
Passage of SB 60 as amended by LRB 0337.

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Substitute Amendment 1 to Senate Bill 60: Expansion of the TEACH Telecommunications Access and Financial Assistance Programs Related to Libraries

Senate Bill 60 was introduced and referred to the Senate Committee on Education on February 24, 1999. On May 5, 1999, that Committee recommended passage of Senate Bill 60, as amended by Senate Amendment 1, on a vote of 11 to 0. On May 18, 1999, the bill, as amended, was referred to the Joint Committee on Finance. On October 13, 1999, Senate Substitute Amendment 1 to SB 60 was offered. Senate Substitute Amendment 1 reflects changes identified by the Department of Public Instruction (DPI) and the Technology for Educational Achievement in Wisconsin (TEACH) Board and is the subject of this memorandum.

BACKGROUND

Under current law, the TEACH Board may provide financial assistance to school districts and public library boards to fund the upgrading of electrical wiring in buildings in existence on October 14, 1997, and the installation and upgrading of computer network wiring. (October 14, 1997, was the date of enactment of the 1997-99 biennial budget which created TEACH.) Financial assistance under the program consists of a loan in an amount equal to 50 percent of the total amount of the financial assistance the TEACH Board determines the applicant is eligible for and a grant for the remainder of the total.

Funding for the financial assistance is generated through state general obligation bonds, which are issued by the Building Commission, at the request of the TEACH Board and with the approval of the Governor. The term of the loans made under the program cannot exceed ten years. Under 1997 Act 27, \$10 million of general obligation bonding was authorized for use by public library boards for this program. As of February 1, 2000, nine public libraries have applied for funding under this program for total loan amounts of \$447,600.

The TEACH Board also administers the telecommunications access program, which provides educational agencies with subsidized access to new data lines and video links or grants for data lines and video links in existence prior to October 14, 1997. Under the program, eligible educational agencies include school districts, private schools, cooperative educational service agencies (CESAs), technical college districts, private colleges, public library systems, public library boards, the Wisconsin Center for the Blind and Visually Impaired and the Wisconsin School for the Deaf. Under current law, an educational agency is generally only allowed one data line or one video link, except that an agency may request access to additional data lines if the Board is satisfied that the additional lines are more cost-effective than a single data line, and school districts with more than one high school may apply for access to both a data line and a video link or more than one data line and video link.

Funding for the program is provided through the segregated universal service fund (USF), which receives its funding through assessments on annual gross operating revenues from intrastate telecommunications providers. In addition, participants are required to pay the Department of Administration a monthly fee of either \$100 or \$250 for the service, depending on the operating speed of the line or link. A total of \$1,850,700 SEG in 1999-00 and \$2,014,600 SEG in 2000-01 is appropriated, excluding moneys held in reserve by the Joint Committee on Finance, to provide access to new data lines and video links to private and tribal colleges and public library boards. In 1998-99, 170 public libraries participated in the program at an annualized net cost of approximately \$1.1 million SEG. In 1999-00, 90 additional libraries have applied for or have received a TEACH subsidized data line at an estimated annualized state cost of \$583,200 SEG, excluding one-time installation charges.

SUMMARY OF SENATE SUBSTITUTE AMENDMENT 1

Because Senate Substitute Amendment 1 to SB 60 was drafted prior to the passage of 1999 Act 9, technical changes to the amendment are needed so that it conforms to Act 9. The following summary of the amendment is written as if the technical changes have been made.

SSA 1 would allow the TEACH Board to provide financial assistance to public library boards for the purpose of purchasing communications servers, routers, hubs or switches that enable a computer network in a library building to be directly connected to the Internet. SSA 1 specifies that the financial assistance could not be provided to purchase personal computers. The TEACH Board would be required to establish the maximum amount of financial assistance, on a per building basis. The current law limit on the amount of public debt that may be contracted for by TEACH for libraries would remain at \$10 million; however, SSA 1 would allocate \$4 million of that amount to be used for funding the communications hardware described above with the remaining \$6 million set aside for current law wiring purposes. SSA 1 would specify that a public library board could apply for financial assistance for either the wiring or communications hardware, or both. The term of the subsidized loan could not exceed ten years. Under SSA 1, public library

boards would be required to apply for a federal E-rate discount for any communications hardware purchased with the financial assistance.

SSA 1 would modify the TEACH telecommunication access program to allow a public library board that operates more than one library facility to request access to both a data line and a video link or more than one data line or video link.

SSA 1 to SB 60 would also allow a school district, private school, CESA, technical college district, private college or public library board that is provided access to a data line through the educational telecommunications access program to enter into a shared service agreement with a political subdivision (city, village, town or county) to provide the political subdivision with access to any excess bandwidth on the data line that is not used by the educational entity. The shared service agreement would not be valid unless the educational entity could cancel the agreement at any time after providing notice to the political subdivision. A political subdivision that obtains access to bandwidth under a shared service agreement would be prohibited from receiving compensation for providing any other person with access to the bandwidth. An educational entity that enters into or modifies a shared service agreement would be required to provide TEACH with written notice within 30 days after entering into or modifying an agreement. SSA 1 specifies that no funding from the universal service fund may be used to pay installation costs that are necessary for a political subdivision to obtain access to bandwidth under a shared service agreement. Further, an educational entity would be prohibited from: (a) providing access to the data line to any business entity; or (b) requesting access to an additional data line for the purpose of providing access to bandwidth to a political subdivision under a share service agreement.

Act 9 created a general definition of educational agencies that would be eligible for the TEACH telecommunications access program, which included both public library boards and public library systems. However, under SSA 1, only public library boards could enter into a shared service agreement, even though public library systems are eligible for state supported access to data lines.

FISCAL EFFECT

Under SSA 1 to SB 60, the TEACH financial assistance program would be expanded to allow a portion of the funding designated for libraries to be used for communications hardware. Because the state funds one half of the debt service costs of the financial assistance there could be a change in the timing of debt service costs attributable to this program modification. In addition, SSA 1 would expand the number of data lines or video links that could be provided to public library boards under the telecommunications access program. While there would be a cost associated with offering additional access services, no additional funding would be appropriated for this purpose under SSA 1 to SB 60.

Financial Assistance Programs. Based on an estimated maximum number of 237 public libraries, public library branches and public library systems and an estimated average cost of

\$12,000 for the communications hardware described under SSA 1, the TEACH Board estimates that debt issuance for the communications hardware could total approximately \$2,844,000, although this cost could be lower if libraries receive funding discounts under the federal E-rate program. Staff from the TEACH Board indicate that the term of a loan for communications hardware would not exceed four years, due to the estimated life span of the equipment. Therefore, annual debt service payments, assuming the total cost is \$2,844,000 and using an interest rate of 5.75%, would be \$816,000, once this \$2,844,000 of bonding is issued. The state's portion of these debt service payments would be 50% or \$408,000 GPR annually. The TEACH Board indicates that the bonding amount could be absorbed within the \$4,000,000 of existing bonding authority allocated for this purpose under the bill.

The GPR sum sufficient debt service appropriation for public libraries under current law was recently reestimated to be \$206,800 GPR in 2000-01. Under SSA 1, debt service payments in 2000-01 could increase. Assuming that debt issuance occurs early in 2000-01 equal to one quarter of the projected demand for communications hardware, state GPR costs would increase by an estimated \$18,000 GPR in 2000-01. The actual amount of any increase would vary depending on the number of public libraries that apply for the financial aid, the amount of state financial assistance provided and the timing of payments under the program.

Telecommunications Access Program. SSA 1 would also modify the TEACH telecommunications access program to allow public library boards to apply for more than one data line or video link if there is more than one library facility attached to the board. It is estimated that an additional 75 libraries would be eligible for either a data line or video link under this proposal. If all 75 libraries applied for a data line the annualized net estimated cost to the TEACH program would be \$486,000 SEG. One-time installation costs for the data lines would be \$26,300 SEG. These estimates assume that all the libraries would receive access to a data line which is consistent with past experience under the program. However, it is possible that a library would request access to a video link. Costs for video links are site specific with an average cost of \$37,000 SEG annually. Under SSA 1, no additional expenditure authority is provided for these additional costs. TEACH staff indicate that these new costs could be absorbed within the current funding appropriated for the program. If costs are higher than projected, less institutions would be able to receive access services during the biennium.

The current biennial appropriation which funds TEACH telecommunication access services for public libraries, private colleges and technical colleges is budgeted at \$1,850,700 SEG in 1999-00 and \$2,014,600 SEG in 2000-01. In addition, under 1999 Act 9, \$1,997,300 SEG in 1999-00 and \$3,267,100 SEG in 2000-01 for several TEACH appropriations funded from the universal service fund was placed in reserve in the Committee's appropriation for release to the TEACH Board for the telecommunications access program after the receipt of information relating to estimated annual program demand and finalized annual costs. These amounts represent one-half of the proposed Act 9 annual funding increases for the entire program. Of these amounts, \$759,400 SEG in 1999-00 and \$923,200 SEG in 2000-01 are attributable to private and technical colleges and public libraries.

Shared Service Agreements. Under the shared service agreement provisions of the SSA 1, there would be no fiscal effect to the state. Rather, eligible entities entering into the agreement with the political subdivision could receive compensation for providing the service. However, entities participating in the federal E-rate program would not be allowed to receive compensation for providing these services to political subdivisions. Federal certification requirements under the E-rate program require applicants to agree that services purchased with federal discounts will be used only for educational purposes and not be sold, resold or transferred in consideration for money or any other thing of value. Because current TEACH Board policy related to the telecommunications access program requires that participating entities apply for an E-rate discount, public libraries and school districts could not charge political subdivisions for access to the excess bandwidth, unless this policy is changed. Further, under the bill, public library boards that receive financial assistance for communications hardware would be required to apply for the federal e-rate program. Therefore, library boards could not charge a political subdivision for access to the excess bandwidth.

In total, the estimated fiscal effect of SSA 1 would be \$18,000 GPR in 2000-01 for debt service costs associated with the changes to the TEACH financial assistance program. While there are additional costs associated with the proposed changes to the telecommunications access program, SSA 1 to SB 60 does not appropriate funds for these costs, and the TEACH Board indicates such costs could be absorbed within current appropriated amounts.

Prepared by: Tricia Collins