e

Agency: Commerce

Paper #: 308

Issue: Transfer of Code Consultant Section

Recommendation: Alternatives 2 & 3

Summary:

Don't care. Seems mostly like internal housekeeping. Governor's proposal doesn't work quite right. Changes in alternatives 2 & 3 are recommended by DOA.

By:

Alts 2 + 3

Legislative Fiscal Bureau

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May 2, 2001 Joint Committee on Finance Paper #308

Transfer Code Consultant Section to Administrative Services Division (Commerce -- Building and Environmental Regulation)

[LFB 2001-03 Budget Summary: Page 196, #11]

CURRENT LAW

There are six positions in the Safety and Buildings Division that perform activities related to administrative rule development such as for building, electrical, elevator, plumbing, private sewage system, one- and two-family dwelling, manufactured building and multifamily dwelling codes. The Administrative Services Division (ASD) performs agencywide activities. Several ASD activities are provided from a program revenue (PR) appropriation that is funded from administrative overhead charges assessed to the other divisions in the Department to pay for the services provided by the ASD, assessed at a rate of approximately $9,000 per position. The ASD functions include activities such as finance and information technology. GPR appropriations do not pay the administrative overhead charges. However, GPR funds a portion of administrative staff and activities.

GOVERNOR

Transfer $547,500 PR and 6.0 PR code consultant positions annually from the Safety and Buildings Division to a PR appropriation in the Administrative Services Division.

DISCUSSION POINTS

1. The Governor's Executive Budget Book indicates that the proposed transfer of the positions from the Safety and Buildings Division to the Administrative Services Division would reflect the agencywide nature of administrative rule (code) development. Commerce officials indicate the intent of the bill is to provide code consultant services to the entire Department and to reallocate a portion of the time of code consultants from Safety and Buildings to other divisions. The code consultants have been reporting to the Bureau of Policy and Budget in the Administrative

Services Division since January 22, 2001.

2. The bill does not provide expenditure authority to the Safety and Buildings Division or other Divisions to pay for the charges that would be assessed by the ASD to pay for the services of the code consultants. Any Commerce programs that would be assessed for the ASD code consultant positions would have to absorb the costs within existing expenditure authority, reducing the amounts that could be spent on currently authorized programs. The DOA Budget Office indicates that this was not intended.

3. Commerce officials indicate that during 1999-00, almost 100% of the time of code consultants was allocated to Safety and Buildings Division code development activities. However, 0.5 of the 6.0 code consultant positions is funded from the petroleum inspection operations appropriation from the segregated petroleum inspection fund. The Department estimates that during 2001-02, Commerce would allocate 70% of the time of code consultants to the Safety and Buildings Division, 10% to petroleum inspection programs, 5% to PECFA, 7% to the Community Development Division and 8% to the Economic Development Division.

4. Commerce officials suggest transferring 5.5 instead of 6.0 PR Safety and Buildings positions, transferring 0.5 SEG position from petroleum inspection programs to the administrative services appropriation and providing office rent costs and a corrected fringe benefit amount in ASD instead of Safety and Buildings. This would provide $555,800 PR annually instead of $547,500 in the Administrative Services Division for the 6.0 positions. The annual expenditure authority reduction in the Safety and Buildings Division could be modified to $517,500 PR instead of $547,500 to reflect the transfer of 5.5 positions and deletion of office rent costs. Expenditure authority could be decreased by $38,300 SEG annually in the petroleum inspection operations appropriation to transfer 0.5 SEG position to the ASD.

5. Commerce officials have recently suggested a few different methods of providing expenditure authority to various agency programs to pay for the code consultant positions. One suggestion was to increase the ASD administrative overhead charge currently paid by all PR and SEG appropriations from $9,000 to approximately $10,700 annually, and provide expenditure authority to numerous appropriations to pay the increased charges. This would provide a consistent charge per position but would also charge some appropriations for code consultant services that they will not use. Another Commerce suggestion was to allocate code consultant costs on an hourly basis to the PR and SEG appropriations that would be expected to use code consultant services. However, the level of service required by various programs is not certain.

6. A method of allocating code consultant costs to the programs that are primarily expected to use the code consultant services would be to provide expenditure authority to the Safety and Buildings Division and petroleum inspection appropriations that currently pay for the services. Under this option, $389,100 PR annually could be provided to the Safety and Buildings Division appropriation (70% of the total costs of code consultant services) and $55,600 SEG annually to the petroleum inspection appropriation (10% of the total). If expenditure authority is not provided to the two programs, they would have to reallocate funds from other current activities to pay for code consultant activities they currently fund within the appropriation. Since the Department plans to

reallocate the remaining 20% of the time of the code consultants to programs that are not currently paying for the services, the other programs could reallocate existing expenditure authority, as needed, to pay for the new services.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to transfer \$547,500 PR and 6.0 PR code consultant positions annually from the Safety and Buildings Division to the Administrative Services Division. (The Safety and Buildings Division and any other programs in Commerce would have reallocate funds from existing activities to pay for the ASD charges for the code consultant positions.)

2. Modify the Governor's recommendation to delete \$517,500 PR annually and 5.5 PR positions from the Safety and Buildings Division and \$38,300 SEG annually and 0.5 SEG position from the petroleum inspection operations appropriation and provide \$555,800 PR annually and 6.0 PR positions to the Administrative Services Division.

Alternative 2	PR	SEG	TOTAL
2001-03 FUNDING (Change to Base)	\$76,600	- \$76,600	\$0
[Change to Bill	*\$76,600*	*- \$76,600*	*\$0]*
2002-03 POSITIONS (Change to Base)	0.00	- 0.50	- 0.50
[Change to Bill	*0.00*	*- 0.50*	*- 0.50]*

3. In addition to Alternative 1 or 2, provide \$389,100 PR annually in the Safety and Buildings general program operations appropriation and \$55,600 SEG annually in the petroleum inspection general program operations appropriation to pay ASD charges for the positions.

Alternative 3	PR	SEG	TOTAL
2001-03 FUNDING (Change to Alt.1 or 2)	\$778,200	\$111,200	\$889,400

4. Maintain current law.

MO# Alt 2+3

2 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 16 NO 0 ABS 0

Prepared by: Kendra Bonderud

No analysis prepared.
Just a modification.

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May 2, 2001 | Joint Committee on Finance | Paper #309

Fire Dues Distribution (Commerce -- Building and Environmental Regulation)

CURRENT LAW

Any insurer doing fire insurance business in the state must pay, subject to retaliatory and reciprocal insurance tax law provisions, fire department dues equal to 2% of the amount of all Wisconsin based premiums paid to the company during the preceding calendar year for insurance against loss by fire, including insurance on property exempt from taxation. In addition, fire department dues also include 2% of the premiums paid to the state fire fund for the insurance of any public property, other than state property. Fire dues revenues are collected by the Office of the Commissioner of Insurance.

Revenues received under the fire dues program are currently used for: (a) support of fire-fighter training programs in the Wisconsin Technical College System (WTCS); (b) Department of Commerce administration of local fire prevention programs and fire dues payments; and (c) distribution of a proportionate share of the remaining revenue to each city, village or town maintaining a fire department that complies with state law. The fire dues distribution appropriation is estimated at $7,000,000 PR annually in a continuing appropriation.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The statutes direct Commerce to transfer the appropriated amounts to WTCS and the Commerce administrative appropriation, withhold 0.5% of the remaining fire dues revenues and distribute the remaining revenues (including unexpended funds from the prior year) to municipal fire departments. The premiums paid for any calendar year are certified by Commerce for distribution in the following year. For example, fire dues for calendar year 1999 were certified in

May, 2000 and paid in June, 2000, from the 1999-00 appropriation. The distribution of calendar year 1999 fire dues to municipalities was $8.2 million. The table shows the total expenditures of fire dues revenues from 1994-95 through 1999-00.

Distribution of Fire Dues
1994-95 to 1999-00

Fiscal Year	Total Revenue Distributed	Revenue % Change	WTCS Programs	Commerce Administration	Local Fire Departments
1994-95	$8,016,743	8.05%	$667,911	$510,159	$6,838,673
1995-96	7,826,352	-2.37	523,104	529,367	6,773,881
1996-97	8,424,694	7.65	703,519	480,487	7,240,688
1997-98	8,347,984	-0.91	667,982	598,515	7,081,487
1998-99	9,592,913	14.91	777,988	593,520	8,221,405
1999-00	9,636,035	0.45	787,617	622,119	8,226,299

2. Although fire dues revenue levels vary from year to year, the total fire dues distribution to local fire departments has increased by more than $1.3 million over the past five years.

3. While the amounts available for distribution to local fire departments in 2000-01 will not be available until May, 2001, a 1.5% annual increase would result in a distribution to local fire departments of $8,350,000 in 2000-01, $8,475,000 in 2001-02 and $8,600,000 in 2002-03.

4. The appropriation for distribution to local fire departments could be increased from the $7,000,000 base funding level to more accurately reflect the actual and estimated amount available for fire dues distribution to local fire departments. If the appropriation is not reestimated, the distribution would still be made of all amounts not appropriated to WTCS programs and Commerce administration. However, because the intent of the statutory appropriation schedule is to reflect the best estimate of anticipated expenditures for the biennium, the appropriation level should be adjusted.

MO# modification

MODIFICATION TO BASE

Reestimate the appropriation for fire dues distribution to local $7,000,000 to $8,475,000 in 2001-02 (an increase of $1,475,000) and $8,(increase of $1,600,000).

Modification	PR
2001-03 FUNDING (Change to Base)	$3,075,000
[Change to Bill	*$3,075,000]*

Prepared by: Kendra Bonderud

2 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 16 NO 0 ABS 0

Representative Albers

COMMERCE -- BUILDING AND ENVIRONMENTAL REGULATION

Fire Safety Staff and Fire Dues

Motion:

Move to make the following changes related to Commerce fire safety staff and fire dues programs:

1. Prohibit Commerce from withholding fire dues distribution payments to ineligible fire departments until the earlier of July 1, 2002, or after the following three things happen: (a) the Joint Legislative Audit Committee requests the Legislative Audit Bureau to conduct an audit of current Commerce administrative rules related to determination of eligibility for fire dues payments; (b) that based on the results of the audit, the Joint Legislative Audit Committee proposes changes to the current rules related to the determination of when a fire department is ineligible for fire dues payments; and (c) rule changes based on Joint Legislative Audit Committee recommendations go into effect.

2. Delete $463,600 PR annually for 5.0 PR fire safety consultant positions, limited-term employees and fire safety supplies and training funded from the 2% fire dues revenues that are appropriated for Commerce administration of local fire prevention programs and fire dues payments.

Note:

Any insurer doing a fire insurance business in the state must pay, subject to retaliatory and reciprocal insurance tax law provisions, fire department dues equal to 2% of the amount of all Wisconsin based premiums paid to the company during the preceding calendar year for insurance against loss by fire, including insurance on property exempt from taxation. In addition, fire department dues also include 2% of the premiums paid to the state fire fund for the insurance of any public property, other than state property.

Revenues received under the fire dues program are currently used for: (a) support of fire-fighter training programs in the Wisconsin Technical College System (WTCS); (b) Department of Commerce administration of local fire prevention programs and fire dues payments; and (c) distribution of a proportionate share of the remaining revenue to each city, village or town maintaining a fire department that complies with state law.

The Department of Commerce (Commerce) is responsible for administering a statewide fire prevention program. In 2000-01, $623,600 of fire dues revenues is appropriated for 7.6 positions and program costs. The bill provides adjusted base funding of $648,800 PR annually for the 7.6 positions and administrative program costs. Commerce conducts annual training sessions for local fire fighters, provides technical assistance to fire department officials and inspectors related to fire prevention and fire safety elements of the state building code and administers code provisions related to fire safety. Commerce also determines eligibility of local fire departments to receive fire dues distribution, calculates payments of fire dues and verifies compliance of fire departments with the fire dues program criteria. The 7.6 Commerce positions include: (a) the 5.0 fire safety consultants that would be deleted under the motion who audit fire departments for fire dues grant eligibility, assist local fire departments to meet state requirements and provide technical support and training regarding fire safety; (b) 0.6 program manager who is responsible for fire safety, inspection and audit; (c) 1.8 program assistants who enter fire safety data into databases and provide information related to fire safety programs; and (d) 0.2 program support supervisor who manages the fire incident and self-certification activities of the fire safety program.

Commerce is responsible for the distribution of fire dues under s. 101.573 and s. 101.575 to cities, villages and towns that maintain fire departments or contract for fire protection if the municipalities meet specific criteria. Distribution of the funds is based on the equalized valuation of real property improvements on land within the qualifying cities, towns and villages.

Any city, village or town may receive fire dues if it has a fire department which: (a) is organized to provide continuous fire protection and has a designated chief; (b) singly, or in combination with another fire department under a mutual aid agreement, can ensure the response of at least four fire fighters, none of whom is the chief, to a first alarm for a building; (c) provides a training program in accordance with Commerce rules; (d) provides facilities capable, without delay, of receiving an alarm and dispatching fire fighters and apparatus; (e) maintains either a voluntary fire department that holds a meeting at least once each month or a paid or partly paid fire department with sufficient personnel ready for service at all times; and (f) complies with fire inspection requirements that require the chief of every fire department to provide a fire inspection for every public building and place of employment in the fire department's territory, generally at least once every six months, except in the City of Milwaukee, which establishes its own inspection schedule. Fire dues may only be used for the direct provision of: (a) the purchase of fire protection equipment; (b) fire inspection and public education; (c) training of fire fighters and fire inspectors; and (d) whole or partial funding of fire fighters' pension funds or other special funds for the benefit of disabled or retired fire fighters.

Section 101.575 specifies that if Commerce determines that a fire department has failed to satisfy the eligibility requirements, the Department shall pay fire dues for that calendar year and shall issue a notice of noncompliance. If the fire department cannot demonstrate to the Department that the fire department has met all requirements within one year after receipt of the notice or prior to the next audit by the Department, whichever is later, the city, village or town shall not be entitled to fire dues for that year in which the city, village or town becomes not entitled to dues and for all subsequent calendar years until the requirements are met. Administrative rule COMM 14, effective November 1, 1999, includes requirements for annual self-certification by fire departments of compliance or noncompliance with statutory requirements and procedures for onsite audits by Commerce Safety and Buildings fire safety staff.

Fire dues for calendar year 1999 were certified in May, 2000 and paid in June, 2000 from the 1999-00 appropriation. A total of 1,811 municipalities received a total of $8,226,300 in fire dues payments. An additional 42 municipalities (2.3%) were not eligible and did not receive fire dues payments totaling $53,777. Since then, four of the 42 municipalities regained compliance and received $3,768 in payments. Another 12 municipalities self-certified their programs as eligible but subsequently failed a Commerce onsite audit and thus, became ineligible for 1999-00 fire dues payments totaling $16,744.

[Change to Base: - $927,200 PR and - 5.0 PR positions
Change to Bill: - $927,200 PR and - 5.0 PR positions]

MO#__________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
2 SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
1 ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 16 NO 0 ABS 0

Base agency - a vote is required to include these items.

COMMERCE

Building and Environmental Regulation

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
7	Petroleum Tank Plan Review Fees

LFB Summary Items for Introduction as Separate Legislation

Item #	Title
6	Eliminate PECFA Council
8	Green Tier and Environmental Management System Grants
9	Fire Safety and Fire Dues Grant Programs
13	Inspection of Manufactured Dwellings
14	Inspection of One- and Two-Family Dwellings
15	Uniform Dwelling Code Council

MO# include item 7

2 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 16 NO 0 ABS 0

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May 2, 2001 Joint Committee on Finance Paper #1005

Wisconsin Development Reserve Fund (WHEDA)

[LFB 2001-03 Budget Summary: Pages 710-711, #1, 2 & 3]

CURRENT LAW

WHEDA administers several loan guarantee programs related to business development. The loan guarantee programs are backed by the Wisconsin Development Reserve Fund (WDRF), which generally must contain at least one dollar in its cash balance for every $4.50 in total outstanding guarantees. The WDRF is used to guarantee loans for various programs, including the credit relief outreach (CROP), farm asset reinvestment (FARM), small business (SBG) and agribusiness programs and a loan to the Taliesin Preservation Commission. Under the CROP program, WHEDA generally guarantees one-year agricultural production loans to Wisconsin farmers for such purchases as seed, fertilizer, fuel, pesticides and feed. The FARM program provides loan guarantees for farmers to finance the acquisition of agricultural assets such as machinery, livestock, facilities and land. The agribusiness program provides loan guarantees for projects that result in the development of new or more viable methods for processing or marketing raw agricultural commodities.

Under the small business loan guarantee program, loan proceeds may be used for direct or related expenses associated with the expansion or acquisition of a business, including the purchase or improvement of land, buildings, machinery, equipment or inventory. Loans can also be used for the start-up of a daycare. Individual loans may be guaranteed for up to 80% of the principal or $200,000, whichever is less, and the total principal amount of guaranteed loans to any one borrower can not exceed $750,000.

The WDRF backs guaranteed loans made by private lenders under these separate programs, reserving funds to repay lenders for any losses from defaulted loans. Each of the individual loan guarantee programs backed by the WDRF has a statutory maximum guarantee authority. WHEDA may request the Joint Committee on Finance to authorize an increase or decrease in the guarantee authority for any of the individual programs. The Authority must then receive Finance Committee approval under s. 13.10 of the statutes before any change in guarantee authority becomes effective.

WHEDA is required to regularly monitor the cash balance in the WDRF to ensure that the cash balance in the fund is sufficient to pay all outstanding claims under WDRF guarantee programs and to fund all WDRF loan guarantees, except for the loan to the Taliesin Preservation Commission, at a ratio of $1 of reserve funding to $4.50 of total outstanding principal and outstanding guaranteed principal that the Authority may guarantee under the programs. In December, 1999, $5,845,215 was transferred to the WDRF and used to pay off the guarantee on a defaulted portion of the Taliesin loan. The interest on the remaining $930,000 in the Taliesin loan has been forgiven and the Commission has been making escalating principal payments that are scheduled to continue through 2016.

GOVERNOR

Reduce the amount required to be maintained in the WDRF by increasing the reserve ratio to require one dollar in the cash balance for every $5.50 in total outstanding guarantees for all guarantee programs backed by the fund, except the remaining loan to the Taliesin Preservation Commission, which would remain at its current $1 to $4 ratio.

Delete the individual maximum guarantee authority for the agribusiness, CROP, FARM, recycling and SBG loan guarantee programs that are backed by the WDRF. Replace the individual guarantee authority with an aggregate maximum guarantee authority of the total principal amount or total outstanding guaranteed principal amount of $62 million, excluding the outstanding amount of a remaining loan to Taliesin. Further, allow WHEDA to request the Joint Committee on Finance to authorize an increase or decrease in the $62 million aggregate guarantee authority. Require Finance Committee approval under s. 13.10 of the statutes before any change in aggregate guarantee authority becomes effective.

Allow WHEDA to guarantee loans under the small business loan guarantee program for direct or related expenses, including the purchase or improvement of land, buildings, machinery, equipment or inventory, associated with the start-up of a small business in a vacant storefront in the downtown area of a "rural community" (a city, town or village with a population of less than 50,000).

Require WHEDA to regularly monitor the WDRF to ensure that the cash balance in the fund is sufficient to fund the remaining guarantee to Taliesin, in addition to other outstanding claims and loan guarantees.

DISCUSSION POINTS

Background

1. The WDRF was created by 1991 Wisconsin Act 39 through the consolidation into a single fund of several existing guarantee funds: the CROP fund, the recycling loan fund and the

drought assistance and development loan fund. Each of these separate funds had been created to back guarantees made under one or more legislatively authorized loan guarantee programs. This consolidated WDRF now backs guaranteed loans made by private lenders under separate programs, reserving funds to repay lenders for any losses from defaulted loans made under any of these guaranteed programs. The WDRF also funds the administrative costs of the loan guarantee programs.

2. The consolidated reserves available in the WDRF totaled $12.6 million on March 1, 2001. The ratio of authorized guarantee amount to reserves amount is referred to as WDRF's leverage factor. The 1997-99 biennial budget act increased the leverage factor from 4:1 to 4.5:1 for all guarantee programs backed by the fund, except a loan to the Taliesin Preservation Commission, which remains at a leverage factor of 4:1. This means the WDRF needs to have at least one dollar in reserve for every $4.50 in available guarantee authority. On March 1, 2001, the leverage factor was 3.7:1 for available guarantee authority. Further, based on actual loan guarantee activity through March, 2001, WHEDA has a 3:1 ratio. That is, for every $3.00 in actual outstanding loan guarantees, the WDRF had one dollar in reserve.

3. While the Legislature from time to time appropriates money to the WDRF, the WDRF itself is a separate fund internal to WHEDA that is not considered a part of the state's budget. However, the statutes pledge the state's moral obligation to appropriate any funds necessary to meet obligations of the WDRF. Further, WHEDA is required to transfer annually (on June 30) to the state's general fund, any balance in the WDRF which remains after deducting amounts sufficient to pay outstanding claims and to fund authorized guarantees under each of the loan guarantee programs backed by the fund. No funding has been transferred to the general fund since this statutory requirement was enacted, because the balance in the WDRF has been less than the amounts needed to meet these objectives.

WDRF Reserve Ratio

4. The balance of the WDRF generally has declined since 1991, as shown in Table 1. The $3.6 million increase in the fund in 1997-98 is primarily due to the deposit of $4 million from the recycling fund for brownfields loan guarantees under 1997 Act 27. The $3.9 million reduction in 1999-00 is primarily related to a transfer of $4 million to the environmental fund reflecting the end of the brownfields loan guarantee program. WHEDA officials anticipate the balance of the WDRF in the coming biennium to further decline due to a projected slowdown of the economy.

TABLE 1

WDRF Year End Balances (in millions)

Year	Balance
1991-92	$19.0
1992-93	17.4
1993-94	15.5
1994-95	15.2
1995-96	14.2
1996-97	12.9
1997-98	16.5
1998-99	16.2
1999-00	12.1
2000-01*	12.5
2001-02*	11.9
2002-03*	11.2

* Estimated.

5. If the fund balance continues to decline, the statutorily required reserve ratio would cause a progressive lowering of the actual amount of loans that could be guaranteed by the fund. Adjusting the reserve ratio would extend the useful life of the WDRF based on existing revenues. That is, the WDRF balance would allow for a greater amount of outstanding guarantees at a 5.5 to 1 ratio than would be allowed by a 4.5 to 1 ratio.

6. By increasing the reserve ratio to 5.5 to 1, or $5.50 in loan guarantees for every one dollar in the balance of the WDRF, the bill would increase the amount of loans that WHEDA could guarantee. For example, the projected June 30, 2001, balance of $12.5 million could back $56.25 million in loan guarantees at a 4.5 to 1 ratio versus $68.75 million (22% greater) at a 5.5 to 1 ratio. Another alternative would be to increase the reserve ratio to 5 to 1, which would enable the WDRF to back $62.5 million in loan guarantees with a $12.5 million account balance.

7. Conversely, while increasing the reserve ratio would raise the amount of loans WHEDA could guarantee, a smaller amount of funds would be available to the WDRF to cover loan defaults. Consequently, the likelihood that the Legislature would be asked to appropriate additional funds to the WDRF in the event of a major economic downturn or other condition that results in extraordinary default rates would rise as the reserve ratio is increased. WHEDA did not request an increase in the reserve ratio. Further, WHEDA officials indicate the current 4.5 to 1 leverage ratio is prudent. As shown in Table 3, if the reserve ratio remains at 4.5 to 1, it is projected the WDRF balance would be sufficient to back estimated total outstanding guarantees through June 30, 2003.

Loan Guarantee Program Consolidation

8. The total outstanding guaranteed principal amount of loans that WHEDA can guarantee under the FARM program is limited to the lesser of $10 million or the difference between $30 million and the total CROP outstanding principal amount. Thus, under current law, the total outstanding principal amount of loans that may be guaranteed under both the CROP and FARM programs cannot exceed $30 million. The recycling loan fund program (which had a total principal guarantee amount of $10 million) was terminated in 1993, and has no outstanding guarantees. The total principal amount of loans that can be guaranteed by WHEDA under its existing loan guarantee programs is $53.4 million, while the allowable guarantee authority on those loans equals $46.3 million, as shown in Table 2.

TABLE 2

Current Law Guarantee and Loan Authority

	Maximum Guaranteed Amount of Loans	Maximum Principal Amount of Loans
CROP/FARM	$27,000,000	$30,000,000
Small Business	14,270,000	17,837,500
Agribusiness	5,000,000	5,555,556
Total	$46,270,000	$53,393,056

9. Under the Governor's proposal, the aggregate maximum guarantee authority of the total principal amount or total outstanding guaranteed amount, excluding the outstanding amount ($930,000) of a remaining loan to Taliesin would be $62 million. However, the projected 2002-2003 balance of the WDRF ($11.2 million) would support aggregate guarantees of $49.5 million under the current leverage factor of 4.5 to 1 ($200,000 of the $11.2 million balance will be needed to support the remaining loan to the Taliesin Preservation Commission), $55 million under a leverage factor of 5 to 1 and $60.5 million under the bill's leverage factor of 5.5 to 1. If the Committee chooses to maintain a 4.5 to 1 leverage factor, it would be advisable to set the aggregate maximum guarantee authority at $49.5 million rather than $62 million to maintain commitments within amounts that could be supported by the fund.

10. While consolidating individual loan guarantee program caps into an aggregate cap amount allows WHEDA greater flexibility to guarantee additional loans in more popular programs, it also could lower the amount of funding available for other loan guarantee programs. For example, if demand for small business loan guarantees continues to grow as projected, under the Governor's recommendation, it would be possible for the WDRF to eventually have most of its funds committed to guaranteeing small business loans, with little funding available to guarantee loans under CROP or other programs. One option to address this issue would be to require WHEDA, in

its annual WDRF balance transfer report to the Joint Committee on Finance, to recommend under the Finance Committee's 14-day passive review process annual caps for each guarantee program that could not be exceeded unless the Committee approved a modification through a subsequent 14-day passive review process under s. 16.505/515. This option would allow the Legislature to monitor loan guarantee program activity to prevent any single program from using an excessive level of guarantee authority.

Small Business Loan Guarantee Program

11. The statutes provide that WHEDA may request the Joint Committee on Finance to authorize an increase or decrease in the guarantee authority for any of the programs. WHEDA used this provision in June, 2000, to request additional loan guarantee authority of $4,370,000 to increase the total amount that it may guarantee from the WDRF for the small business development loan guarantee program from $9.9 million to $14.27 million. The Joint Committee on Finance approved the request under s. 13.10 of the statutes, allowing the change in total guarantee authority to become effective.

12. As of March 1, 2001, the WDRF is liable for $10.6 million in outstanding SBGs. It is estimated that demand under the SBG program will exceed the current law $14.27 million guarantee maximum by 2002. If the individual loan guarantee program caps were not consolidated into an aggregate maximum cap (thereby allowing SBG to use guaranteed amounts that, though authorized, are not being used by other guarantee programs) the SBG program would be curtailed. The other option to extend the program would be to increase the total outstanding guaranteed principal amount from $14.27 million. However, the WDRF would not have an adequate balance to support such an increase unless the reserve ratio is increased or the maximum guarantee amount of other loan programs is lowered. WHEDA officials believe lenders may not use the SBG program once it reaches a statutory limit, even if funds later became available. Table 3 compares June 30, 2000 outstanding guarantees with projected outstanding guarantee amounts for June 30, 2003 under the Governor's recommendation.

TABLE 3

Outstanding Loan Guarantees

	Actual June 30, 2000			Estimated June 30, 2003		
Program	Leverage Ratio	Statutory Maximum Guarantee	Actual Total Outstanding Guarantees	Leverage Ratio	Statutory Maximum Guarantee	Projected Total Outstanding Guarantees
CROP/FARM	4.5	$27,000,000	$15,389,400	5.5		$20,979,800
Small Business	4.5	14,270,000	8,689,700	5.5		20,646,700
Agribusiness	4.5	5,000,000	1,468,900	5.5		3,327,000
Active Totals		$46,270,000	$25,548,000		$62,000,000	$44,953,500
Repealed Program Totals		0	7,904,800		0	2,800,000
TOTAL		$46,270,000	$33,452,800		$62,000,000	$47,753,500
WDRF Maximum Authority at 4.5:1		$53,230,000		at 4.5:1	$49,500,000	
				at 5:1	$55,000,000	
				at 5.5:1	$60,500,000	

13. As shown in Table 3, WHEDA anticipates that outstanding SBG volume would increase to $20.7 million by June 30, 2003. Table 4 reports quarterly approved and closed small business loan guarantees to date. WHEDA has guaranteed $12.3 million of $18.9 million in loans since the program's inception. Due to payoffs and paydowns by businesses, $10.6 million remains outstanding.

TABLE 4

Small Business Loan Guarantees by Quarter

Year	Quarter	Quarterly Total	Annual Total	Average/ Quarter
1997	Fourth Quarter	$361,300	$361,300	$361,300
1998	First Quarter	960,200		
	Second Quarter	546,500		
	Third Quarter	845,200		
	Fourth Quarter	400,200	2,752,100	688,000
1999	First Quarter	815,200		
	Second Quarter	850,900		
	Third Quarter	216,600		
	Fourth Quarter	1,212,900	3,095,600	773,900
2000	First Quarter	1,488,100		
	Second Quarter	1,960,000		
	Third Quarter	1,301,000		
	Fourth Quarter	811,200	5,560,300	1,390,100
2001	First Quarter	533,000	533,000	533,000
	Total All Quarters		$12,302,300	$878,700

14. Guaranteeing loans for direct or related expenses associated with the start-up of a small business in a vacant storefront is inherently riskier than guaranteeing loans for small business expansion. However, since WHEDA currently guarantees loans for daycare business start-ups, the Authority has experience in guaranteeing start-up loans. Further, while the SBG program is only 3½ years old, no participating business has defaulted on a loan.

15. According to WHEDA, some entrepreneurs have requested loan guarantees for vacant storefront start-ups. However, WHEDA expects demand to be low. Still, because growth in the current SBG program already requires guarantees from a large portion of the WDRF balance, it could be argued that the program should not be further extended. Others see a need for such a program to keep storefronts in downtown areas from remaining vacant. WHEDA plans to focus advertising of the vacant storefront program in designated Main Street Communities.

16. Some would argue that if the intent of the bill is to reduce the number of vacant storefronts in rural communities, the municipal population eligibility limit of 50,000 may be overly broad. To ensure that such loan guarantees go to more rural communities, the Committee could

Gowen - A-3 B-1 C-3(Wirch) D-1

replace this eligibility criteria with that used for the Department of Commerce Rural Economic Development Program (a city, village or town with a population of 6,000 or less or a municipality located in a county with a population density of less than 150 persons per square mile).

17. On the other hand, municipalities of all sizes prefer to keep storefronts from remaining vacant. Since cities with populations over 50,000 may have vacant storefronts in downtown areas, the Committee could choose to allow the program to be used statewide. However, this option may further increase the demand for small business loan guarantees, which already use a large portion of the available WDRF balance.

Cash Balance Monitoring

18. WHEDA is required to regularly monitor the WDRF to ensure that the cash balance in the fund is sufficient to fund guarantees to all programs except for a loan to the Taliesin Preservation Commission. Prior to the 1997-99 biennial budget act (when the leverage factor for all loan guarantee programs except the loan to the Commission was increased from 4:1 to 4.5:1), WHEDA was required to regularly monitor the cash balance in the WDRF to ensure that the cash balance in the fund was sufficient to fund guarantees for all programs (including Taliesin). This provision was inadvertently left out in the drafting of the 1997-99 biennial budget act.

ALTERNATIVES

A. WDRF Reserve Ratio

1. Approve the Governor's recommendation to increase the reserve ratio to require one dollar in the cash balance for every $5.50 in total outstanding guarantees for all guarantee programs backed by the fund, except the remaining loan to the Taliesin Preservation Commission, which would remain at a $1 to $4 ratio.

2. Modify the Governor's recommendation to increase the reserve ratio to require one dollar in the cash balance for every $5.00 in total outstanding guarantees for all guarantee programs backed by the fund, except the remaining loan to the Taliesin Preservation Commission, which would remain at a $1 to $4 ratio.

3. Maintain current law (a 1 to 4.5 reserve ratio).

B. Loan Guarantee Program Consolidation

1. Approve the Governor's recommendation to delete the individual maximum guarantee authority for loan guarantee programs backed by the WDRF and replace the individual guarantee authority with an aggregate maximum guarantee authority of $62 million, excluding the outstanding amount of a remaining loan to Taliesin. Further, allow WHEDA to request the Joint Committee on Finance to authorize an increase or decrease in the $62 million aggregate guarantee authority.

2. Modify the Governor's recommendation to delete the individual maximum guarantee authority for loan guarantee programs backed by the WDRF and replace the individual guarantee authority with one of the following aggregate maximum guarantee authorities, excluding the outstanding amount of a remaining loan to Taliesin. Further, allow WHEDA to request the Joint Committee on Finance to authorize an increase or decrease in the aggregate guarantee authority.

a. $49.5 million (based on a 1 to 4.5 reserve ratio).
b. $55.0 million (based on a 1 to 5.0 reserve ratio).
c. $60.5 million (based on a 1 to 5.5 reserve ratio).

3. In addition to alternative B1 or B2, require WHEDA, in its annual WDRF balance transfer report to the Joint Committee on Finance, to recommend for approval annual target caps for each guarantee program, and allow WHEDA to modify the target caps, subject to Joint Finance 14-day passive review authority under s. 16.505/515.

4. Maintain current law, but increase the maximum guaranteed amount of the small business loan guarantee program to $21 million (this assumes a reserve ratio of 1:5 or 1:5.5).

5. Maintain current law.

C. Expand Small Business Loan Guarantee Program

1. Approve the Governor's recommendation to allow WHEDA to guarantee loans for the start-up of a small business in a vacant storefront in the downtown area of any city, town or village with a population of less than 50,000.

2. Modify the Governor's recommendation to allow WHEDA to guarantee loans for the start-up of a small business in a vacant storefront in the downtown area of any city, town or village with a population of 12,000 ~~6,000~~ or less or a municipality located in a county with a population density of less than 150 persons per square mile. (Same definition of municipal as in the Commerce rural economic development program.)

3. Modify the Governor's recommendation to allow WHEDA to guarantee loans for the start-up of a small business in a vacant storefront in the downtown area of any city, town or village. (Eliminate the population eligibility criteria.)

4. Maintain current law.

D. Taliesin Balance Monitoring

1. Approve the Governor's recommendation to require WHEDA to regularly monitor the WDRF to ensure that the cash balance in the fund is sufficient to fund the remaining guarantee to Taliesin, in addition to other outstanding claims and loan guarantee programs.

2. Maintain current law.

Prepared by: David Schug

A-3, B2(a), B-3

MO#

2 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 16 NO 0 ABS ____

MO# C-2 with change to 12,000

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 16 NO 0 ABS ____

MO# D- no action

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE ____ NO ____ ABS ____

Bill agency - no action is
required to include these items.

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

LFB Summary Item for Introduction as Separate Legislation

Item #	Title
4	Delete Obsolete Drought Assistance Loan Guarantee Program

MO#________________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE _____ NO _____ ABS _____

Agency: Tourism

Paper #: 890

Issue : Kickapoo Valley Law Enforcement Funding

Recommendation: Alternative 1

Summary :

Go with the governor here and provide sufficient funding for law enforcement work at the Reserve. And the Forestry Account is an appropriate source of funding for these efforts.

By: Barry

Alt 1

Gard wants Alt. 3

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May 2, 2001 Joint Committee on Finance Paper #890

Kickapoo Valley Reserve Law Enforcement Funding (Tourism)

[LFB 2001-03 Budget Summary: Page 645, #4]

CURRENT LAW

The Kickapoo Valley Reserve refers to approximately 8,600 acres of land north of La Farge in Vernon County. The property was the site of a U.S. Army Corps of Engineers dam and reservoir project on the Kickapoo River that was abandoned in approximately 1975. The Corps transferred ownership of approximately 7,400 acres to the State of Wisconsin in December, 2000. Additionally, 1,200 acres were transferred to the Bureau of Indian Affairs in trust for sites sacred to the Ho-Chunk tribe. However, in a 1997 memorandum of understanding (MOU), the state and the Ho-Chunk nation agree the entire acreage will be managed as one property.

Appropriations from the forestry account of the conservation fund support administrative functions for the Kickapoo Reserve Management Board. The Board is responsible for: (a) managing the land in the Kickapoo River valley to preserve and enhance its unique environmental, cultural and scenic features; (b) providing facilities for the use and enjoyment of visitors to the Reserve; and (c) promoting the Reserve as a destination for vacationing and recreation.

GOVERNOR

Provide $31,300 in 2001-02 and $41,800 SEG in 2002-03 from the forestry account of the conservation fund for limited-term employee staff to provide law enforcement at the Kickapoo Valley Reserve.

DISCUSSION POINTS

1. Prior to the transfer of property from the Army Corps of Engineers, the Corps was responsible for providing law enforcement at the Reserve, with Vernon County providing support

when requested and Wisconsin Department of Natural Resources conservation wardens covering state hunting and fishing laws. However, since the transfer, it has become the state's (along with the Ho-Chunk tribe's) responsibility to enforce state laws and rules at the Reserve. For the upcoming visitor season, the Board is contracting with Vernon County to provide law enforcement at the Reserve at a cost of $35 per hour. At this rate, the bill would allow the Reserve to contract for approximately 900 to 1,200 hours of law enforcement services. Reserve officials anticipate contracting for approximately 28 hours per week from May through October, with an additional 32 hours during the deer hunting season and 40 hours total for the rest of the year. Since the Kickapoo Valley Reserve has not provided enforcement in the past, Reserve officials anticipate modifying future enforcement levels based on 2001-02 experiences. The Ho-Chunk tribe is negotiating an agreement with the County to cover such things as law enforcement and fire protection and has paid for enforcement and special events activities in the past. In addition, DNR wardens will continue to enforce hunting and fishing regulations on the Reserve.

2. According to Kickapoo Valley Reserve officials, the Corps was rather inactive in enforcement at the Reserve, and the area has seen problems such as littering and property destruction from unauthorized off-road vehicle usage. The Board has promulgated administrative rules prohibiting disorderly conduct, the removal of natural items from the Reserve and the launching of watercraft from unauthorized locations, among other things. Further, it is anticipated that the number of visitors to the Reserve will increase, especially if a visitor center included in the Governor's capital budget is completed. The Reserve estimates that approximately 10,000 people will visit the area annually. In addition, it has been estimated that over 1,000 hunters typically use the Reserve during the opening weekend of the gun deer hunting season.

3. The Reserve obtains revenues from customers for certain trail use, camping and special events. In the past, funds were collected from self-registration with no enforcement measures. Approximately $3,300 has been collected since July, 2000 from visitors, and the Reserve anticipates collections may reach $10,000 in 2001-02 and $15,000 in 2002-03 with better registration and enforcement measures.

4. Approximately 1,000 acres of the Kickapoo Valley Reserve are leased for agricultural purposes. In the past, agricultural lease revenues went to the Corps, but it is estimated that the Reserve will earn $25,000 from these leases in 2001. Further, the Reserve estimates receiving $16,000 from its first timber harvest in 2001. In addition, federal funding has been granted for portions of trail and bridge construction projects.

5. Much of the revenue collected by the Reserve has been used to purchase grounds equipment and for the upkeep of trails. As visitor numbers increase, while additional maintenance may also be required, more funds will be available to maintain the area. In addition, since it is estimated the Kickapoo Valley Reserve will earn $41,000 in 2000-01 in new revenues from agricultural lease payments and a timber harvest, these revenues could be considered for additional staff resources. The Committee could choose to fund a portion of the law enforcement costs from these program revenues instead of using forestry account dollars. However, Reserve officials anticipate that agricultural lease revenues will diminish in future years. Further, revenue from timber harvesting will fluctuate annually, with the potential that in some years, no funds may be

received. Finally, use of Reserve revenues for enforcement staff would limit maintenance and trail development activity.

6. The primary source of revenue deposited in the forestry account of the conservation fund is the forestry mill tax, a state tax on property of 0.2 mill (20¢ per $1,000 of property value). Other sources of revenue to the forestry account include: (a) revenue from the sale of timber on state forest lands; (b) revenue from the sale of stock from the state's tree nurseries; (c) camping and entrance fees at state forests; and (d) severance and withdrawal payments from timber harvests on cooperatively-managed county forests and on privately-owned land entered under the forest crop land and managed forest land programs.

7. Forestry account revenues are used to fund several forestry programs and related administrative activities in DNR. The main expenditure from the forestry account relates to the operations of state forest and nursery properties. Other DNR activities funded from the forestry account include: (a) forest management assistance for private landowners and county foresters; (b) aid payments under forest tax law programs; (c) county forest acreage payments and loans; and (d) forest fire control activities. The forestry account also funds programs in seven other agencies, the largest expenditures being for administrative and worker salary costs of the Wisconsin Conservation Corps and the gypsy moth program in DATCP.

8. Some would argue that funding law enforcement activities at the Kickapoo Valley Reserve is not an appropriate use of forestry account revenues and that the public should support the Reserve through user fees. On the other hand, the majority of the Reserve is forestland and the Reserve has a forestry management plan that includes timber harvesting. Thus, funding the operational costs at the Reserve from the forestry account may be viewed as appropriate.

ALTERNATIVES

1. Approve the Governor's recommendation to provide $31,300 in 2001-02 and $41,800 in 2002-03 from the forestry account of the conservation fund for limited-term employee staff to provide law enforcement at the Kickapoo Valley Reserve.

2. Modify the Governor's recommendation to provide $15,700 in 2001-02 and $20,900 in 2002-03 from the forestry account of the conservation fund and $15,600 in 2001-02 and $20,900 in 2002-03 from Reserve program revenues for limited-term employee staff to provide law enforcement at the Kickapoo Valley Reserve.

Alternative 2	PR	SEG	TOTAL
2001-03 FUNDING (Change to Bill)	$36,500	- $36,500	$0

3. Maintain current law.

Alternative 3	SEG
2001-03 FUNDING (Change to Bill)	- $73,100

Prepared by: David Schug

MO# Alt 3

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 9 NO 7 ABS 0

AGENCY: Tourism

Paper #: 891

ISSUE: Expand Heritage Tourism Grant Program

ALTERNATIVE: 1 and 2

SUMMARY:

Alternative 1 would expand Tourism's popular Heritage Tourism Program to nonprofit organizations located within a designated heritage tourism area. Sounds fine and since you used to serve on the Board, you should probably support it. Alternative 2 prohibits the Department from providing more than one grant per fiscal year to any one heritage tourism area. Sounds reasonable.

JFC staff were divided on this issue. Rep. Huber may be interested in deleting the whole program. Probably not a good idea for you to support that.

BY: Julie

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May 2, 2001 | Joint Committee on Finance | Paper #891

Expand Heritage Tourism Grant Program (Tourism)

[LFB 2001-03 Budget Summary: Page 646, #7]

CURRENT LAW

The goal of the heritage tourism program is to increase visits to attractions, sites and areas that are perceived to have historic or cultural value and interest, and to preserve these historically and culturally valuable sites. Tourism has designated twelve heritage tourism regions around the state. Each biennium, the Department is authorized to select, upon application, two additional areas of the state to participate in heritage tourism. Tourism may make a grant to each of the two areas selected if: (a) the applicant contributes a cash match equal to the grant amount; and (b) the applicant uses the grant proceeds and matching funds only to promote heritage tourism within the selected area. Heritage tourism areas are only eligible for state funding under the program in their first two years of participation (up to $25,000 in the first year and $15,000 in the second).

GOVERNOR

Require Tourism to provide an original heritage tourism grant to an applicant in the biennium in which the applicant is selected. Further, allow the Department to award annual grants of up to $5,000 each in any fiscal year following the fiscal biennium in which the area was selected to participate in the heritage tourism program. Grants may be awarded to any nonprofit organization (as defined under 501 (c) (3) of the internal revenue code) located within a heritage tourism area for the promotion of historic or prehistoric attractions in that area. The grants could be used for interpretive or directional signs, website development, advertising or public relations.

DISCUSSION POINTS

Background

1. The heritage tourism program was initially authorized in 1989 to permit Tourism to participate in a three-year pilot program offered by the National Trust for Historic Preservation. It is now an entirely state program funded at $143,400 GPR annually. Funds annually are used for 1.0 coordinator position ($53,100), publications ($38,700), other program promotion activities ($11,600) and grants ($40,000). The Department of Tourism and the National Trust initially chose four historic sites to be developed and promoted under the pilot program. These sites are: (1) the area along I-43/I-94 from Green Bay to Kenosha, which is considered to have an abundance of 19th century ethnic settlements; (2) the area from Green Bay to Prairie du Chien along the Fox and Wisconsin Rivers where Marquette and Joliet took their historic canoe trip across Wisconsin in 1673; (3) the Spring Green area and in particular, Taliesin—the Frank Lloyd Wright property; and (4) the Lac du Flambeau reservation, a 250-year-old Native American community.

2. Since 1994, eight additional heritage tourism sites have been named in the following areas: (1) Iron County; (2) Grant, Lafayette and Iowa counties; (3) Eau Claire, Chippewa Falls and Menomonie; (4) Shawano and Menominee counties; (5) the Coulee region (La Crosse, Monroe, Juneau, Vernon and Trempealeau counties); (6) the Lake Superior shoreline in Ashland and Bayfield counties; (7) Green County and portions of Lafayette and Dane counties; and (8) the St. Croix River Valley in Polk and St. Croix counties. A map outlining current heritage tourism areas is attached. Each site was eligible for a one-time grant of $25,000 in the first year and $15,000 in the second year after they were chosen to participate in the program. Additional grant funding has not been provided to these sites through the heritage tourism program.

3. The state heritage tourism program coordinator assists local committees in identifying natural and historic resources available to be promoted, developed and preserved. Each local committee then creates a five-year marketing plan that identifies a product to be developed as part of the heritage tourism effort. For example, the Frank Lloyd Wright heritage tour produced a printed guide to Frank Lloyd Wright-designed buildings in southern Wisconsin that are open to the public. The guide provides photos, biographical information about the architect, brief histories of the buildings, visitor information and maps.

4. In addition, the state coordinator provides information and technical assistance to areas not selected for participation in the program, assists political subdivisions in assessing resources available for heritage tourism, analyzes current interest in heritage tourism and develops and implements plans to increase heritage tourism. Additionally, the Department has organized and sponsored annual statewide conferences to stimulate interest in heritage tourism development.

Program Expansion

5. Under the Governor's recommendation, any nonprofit organization located within a heritage tourism area would be eligible to receive funding after the initial two years of being designated a heritage tourism site. Thus, grants could be awarded to multiple organizations

(including the organization that originally received funding for the project) in the same heritage tourism area. Since one heritage tourism area may be more active than others, it may be appropriate to offer multiple grants to one area. Conversely, it could be argued that if grants are awarded, they should be distributed to multiple heritage tourism areas in the state.

6. Further, the Department currently offers grants to assist nonprofit tourism promotion organizations in publicizing innovative events and attractions in the state through a joint effort marketing (JEM) grant program. Funds are available for up to 50% of the cost of a project related to the development of publicity and the production and placement of advertising. Further, "Destination Marketing" is another grant offered through JEM that provides up to $40,000 in matching funds for image-based marketing campaigns that serve a regional interest to promote traditionally slower seasons of tourism. In 1999-00, the Department made a total of $1,141,000 in JEM awards. Nonprofits in heritage tourism areas have applied for, and received funding, through the JEM program for heritage tourism promotion. Therefore, it could be argued that providing additional grants through an expanded heritage tourism program is unnecessary. On the other hand, providing grants through a separate program ensures that heritage tourism areas would receive grant funding, without competing for funds with non-heritage tourism promotions.

7. A significant portion of the state has already been designated a heritage tourism area. It could be argued that selecting additional heritage tourism areas would dilute the quality of the program. Further, those areas that have previously received funding have continued to market the heritage tourism areas without grant support from the program. In addition, the Department assists local projects in pursuing grant opportunities and financial support from organizations that are directly benefiting from visitors brought to the areas from the heritage tourism program. Moreover, when projects are originally chosen for participation in the program, one of the selection criteria is the desire of the local community to succeed and continue the heritage tourism concept beyond the two-year grant.

8. Thus, it could be argued that the state heritage tourism program has accomplished its original objective. The Committee could choose to prohibit the Department from selecting additional heritage tourism sites. Further, a decision could be made to end the state program altogether. However, others would maintain that the state has already made an initial investment in the program and that the heritage tourism program provides an important tourism niche for the state. Further, some believe completely ending state support and promotion of the program may lead local communities to end their heritage tourism efforts to the detriment of the state's tourism industry.

ALTERNATIVES

1. Approve the Governor's recommendation to allow Tourism to award annual grants of up to $5,000 each in any fiscal year following the fiscal biennium in which a heritage tourism area is selected. Allow grants to be awarded for interpretive or directional signs, website development, advertising or public relations to any nonprofit organization located within a heritage tourism area for the promotion of historic or prehistoric attractions in that area.

2. In addition to Alternative 1, prohibit the Department from providing more than one heritage tourism grant per fiscal year to any one heritage tourism area.

3. Prohibit the Department from selecting additional heritage tourism sites.

4. Delete $40,000 GPR annually to eliminate grant funding under the heritage tourism program. (Heritage tourism areas could continue to seek funding through Tourism's JEM grants.)

Alternative 4	GPR
2001-03 FUNDING (Change to Bill)	- $80,000

5. Delete $143,400 GPR annually with 1.0 heritage tourism program coordinator position and eliminate the state heritage tourism program. (Heritage tourism areas could continue to seek funding through Tourism's JEM grants.)

Alternative 5	GPR
2001-03 FUNDING (Change to Bill)	- $286,800

6. Maintain current law.

MO# Alt 5

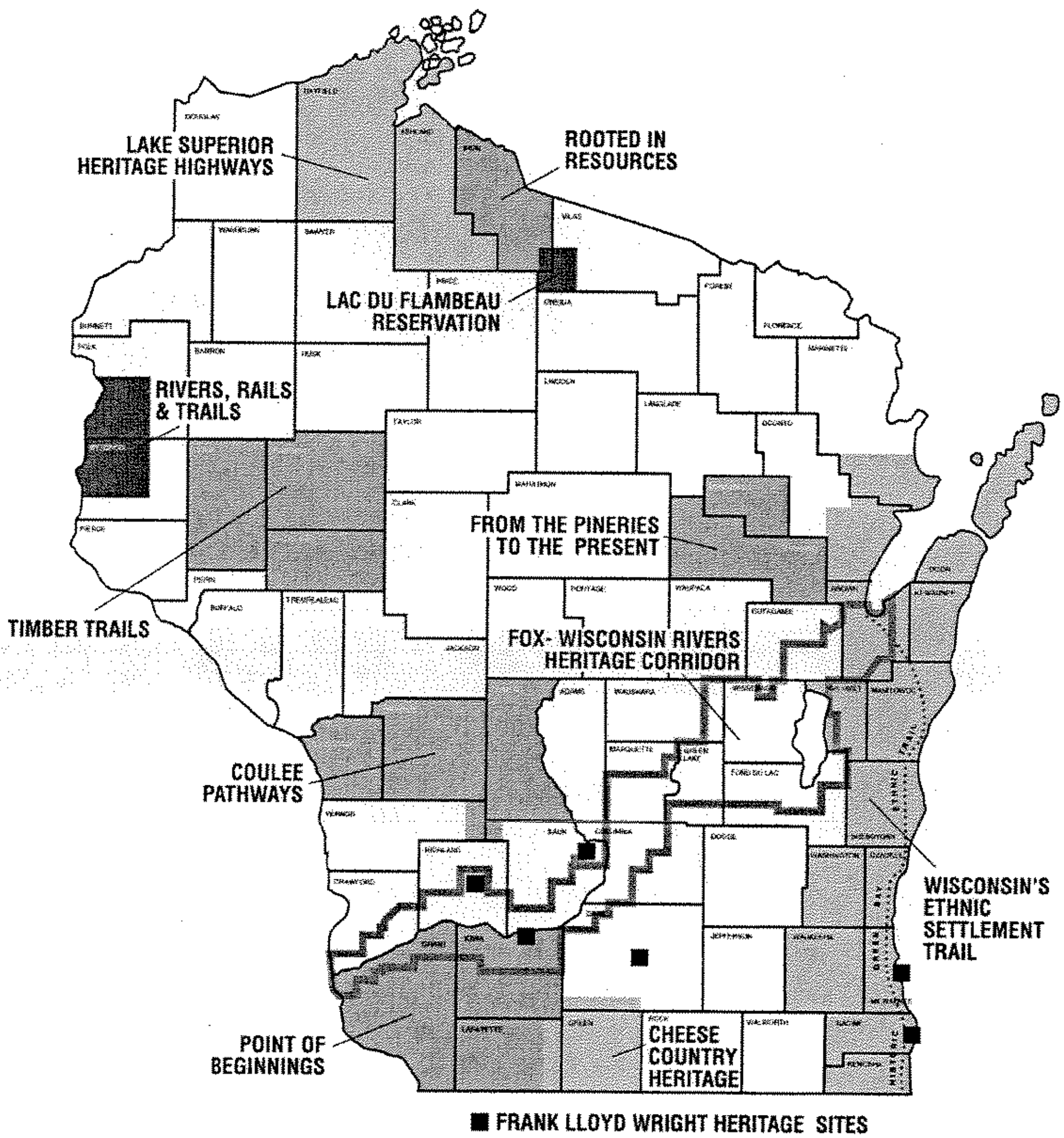
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 10 NO 6 ABS ____

Prepared by: David Schug
Attachment

ATTACHMENT

Wisconsin State Designated Heritage Tourism Areas



Agency: DNR

Paper #: 892

Issue : Departmentwide & Tourism

Recommendation: Alternative 4 (no action needed)

Summary:

Any alternative is fine, but this is a pretty small sum of money to be piddling around about. Plus, the governor will likely veto any JFC action here.

By: Barry

Shibilski 1a
2

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May 2, 2001 | Joint Committee on Finance | Paper #892

DNR Tourism Support (DNR -- Departmentwide and Tourism)

CURRENT LAW

The Secretaries of the Departments of Natural Resources and Tourism entered into a memorandum of understanding (MOU) in June, 1998, under which DNR agreed to pay Tourism $4,200 in 1997-98 and $25,000 annually every fiscal year thereafter for funding for staff, equipment, advertising, promotion, public relations and related support costs at the Chicago travel information center

GOVERNOR

No provision.

DISCUSSION POINTS

1. Tourism requested that DNR provide funding as recognition of the workload of travel information center staff in responding to questions about hunting, fishing and recreational vehicles and for credit card processing costs for licenses sold at the center. Given the nature of many of the inquiries received by Tourism about outdoor-related recreation in Wisconsin, it could be judged appropriate to provide some level of conservation fund SEG for such purposes.

2. Tourism staff indicate that no other state agency makes payments to Tourism for operations of the Department's travel information centers. Further, the 1995-97 budget transferred 19.5 positions (18.5 GPR and 1.0 SEG) and associated funding of over $1 million to the newly-created Department of Tourism in 1996. Of the 19.5 positions, 3.0 (15%) were identified for parks-related promotion and activities. The overall staff transferred from DNR represents 31% of Tourism's current 62.25 base positions. It could be argued that base level resources in Tourism adequately recognize the agency's effort to support natural resource-based recreation and tourism.

3. Tourism collects the same issuing fee as all other vendors that issue licenses under

the state's automated licensing issuance system (ALIS). Tourism estimates these commissions (generally, 50¢ per license issued) at $2,500 annually. Further, Tourism and all other ALIS vendors may charge and retain a $3 fee for each person purchasing licenses by credit card. While Tourism has not yet begun charging this fee, they project revenue of $2,300 annually from the credit card fee.

4. DNR makes the $25,000 annual payment to Tourism from a conservation fund appropriation for customer service and licensing. The appropriation is split funded from eight accounts in the conservation fund. In the 1999-01 biennial budget the Governor recommended providing $25,000 SEG annually to make the Tourism payments. Instead, the Joint Committee on Finance proposed, and the Legislature adopted, a provision that would have deleted the additional funding and prohibited DNR from expending any funding from its appropriations to pay for a program operated, or an activity conducted, by the Department of Tourism. This would have had the effect of voiding the MOU, but maintaining direct appropriations from the conservation fund to Tourism for administrative services and operation of the Kickapoo Reserve Management Board. The Governor item-vetoed the DNR expenditure prohibition in 1999 Act 9 and DNR continues to make the payments to Tourism.

5. If the Committee does not support the continued funding of the Chicago tourism center by DNR, several alternatives could be considered. Base-level funding to support the MOU could be deleted from DNR. The $25,000 annual reduction could be taken from the SEG appropriation used to make the current payment or from DNR's $2.5 million GPR general operations appropriation for customer assistance (the conservation SEG associated with the MOU could then be reallocated to cover the GPR expenditures). In lieu of, or in addition to, a funding reduction, DNR could be prohibited from making payments to Tourism. If no action is taken, DNR would continue to make annual payments to support the Chicago travel information center.

6. Tourism currently operates 13 travel information centers at a cost of over $1.5 million annually. Twelve of the centers (including Chicago) are funded from Tourism's $4.1 million annual general operations GPR appropriation. The center in Minnesota's Mall of America was opened in June, 2000 and is funded primarily from the Department's marketing appropriations (approximately $7.1 million GPR and $4.0 million in tribal gaming PR annually). Another alternative would be for DNR to continue its $25,000 annual payments, but to delete a corresponding amount either from Tourism's general operations or marketing appropriation to reflect the DNR subsidy of the Chicago center.

ALTERNATIVES

1. Delete $25,000 annually from DNR related to the Tourism MOU from one of the following sources:

a. Conservation Fund SEG

Alternative 1a	SEG
2001-03 FUNDING (Change to Bill)	- $50,000

b. GPR

Alternative 1b	GPR
2001-03 FUNDING (Change to Bill)	- $50,000

2. In addition to or in lieu of, Alternative 1, prohibit DNR from making any payments from its appropriations under s. 20.370 for Tourism operations or activities.

3. Delete $25,000 GPR annually from one of the following Tourism appropriations.

a. General operations.

b. Marketing.

Alternative 3	GPR
2001-03 FUNDING (Change to Bill)	- $50,000

4. Maintain current law. (DNR could continue to allocate base funding to make payments to Tourism under the MOU.)

Prepared by: Daryl Hinz

MO# Alt. 1(a)

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE _____ NO _____ ABS _____

Representative Gard
Senator Shibilski

TOURISM

[LFB Paper 892]

Motion:

Move to prohibit DNR from making any conservation fund payments from its appropriations under s. 20.370 for Tourism operations or activities.

MO#____________________

	BURKE	Y	N	A
	DECKER	Y	N	A
	MOORE	Y	N	A
2	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	WELCH	Y	N	A
1	GARD	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUEBSCH	Y	N	A
	COGGS	Y	N	A
	HUBER	Y	N	A

AYE 16 NO 0 ABS 0

Motion #119

Representative Gard

TOURISM

Tourism Funding for the Milwaukee Public Museum

Motion:

Move to delete the provision that Tourism allocate $200,000 in each biennium from the Department's PR tribal gaming marketing appropriation for grants to the Milwaukee Public Museum for Native American exhibits and activities.

Note:

1999 Act 9 (the biennial budget) earmarked $200,000 biennially for grants to the Milwaukee Public Museum. The funding was used for general marketing and targeted marketing to school groups to promote the Native American exhibit halls at the museum and to create an interpretive guide on the Native American exhibits.

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
KAUFERT	Y	N	A
2 ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

Motion #404

AYE 6 NO 10 ABS ____

Representative Huber
Representative Duff

TOURISM

State Historical Society JEM eligibility

Motion:

Move to allow the State Historical Society to fund any portion of a project from program revenues (other than Tourism funds) and maintain eligibility under the Department of Tourism's Joint Effort Marketing (JEM) grant program to receive Tourism funding for up to 50% of the cost of the project.

Note:

Under current law, public agencies and private non-profit organizations may submit applications to Tourism for grants to fund up to 50% of the cost of a project related to the development of publicity and the production and placement of advertising. Funds released for any given project generally may not exceed 50% of the total project costs. Under Tourism's administrative rule, in order to be eligible for a JEM grant, state funds (outside of the JEM program) may not be used to fund any portion of a project.

MO#______________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
2 DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
1 HUBER	Y	N	A

AYE 11 NO 5 ABS ____

Representative Gard

TOURISM

Kickapoo Valley Reserve Information Technology Support

Motion:

Move to delete the Governor's recommendation to provide $18,700 SEG annually from the forestry account of the conservation fund. Rather, delete $18,700 GPR annually from the Department of Natural Resources administration and technology general operations appropriation and provide $18,700 GPR annually in a new, annual appropriation in Tourism to the Kickapoo Valley Reserve for basic desktop information technology support as part of a small agency support infrastructure (SASI) program.

Note:

[Change to Bill: -$37,400 SEG]

MO#________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE 16 NO 0 ABS 0

Motion #106

Bill agency - no action is required to include these items.

TOURISM

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
1	Standard Budget Adjustments
3	Kickapoo Valley Reserve Aids in Lieu of Taxes
5	Kickapoo Valley Reserve Information Technology Support

LFB Summary Items to be Addressed in a Subsequent Paper

Item #	Title
2	Base Budget Reduction
6	Travel Information Center LTE Funding

MO#________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
COGGS	Y	N	A
HUBER	Y	N	A

AYE _____ NO _____ ABS _____

Montgomery for
Albers all day