6-

costs associated with the provided services had been charged to the main Safety and Buildings Operations PR appropriation instead of to the auxiliary services appropriation. The agency had planned to use some of the accumulated auxiliary service account balance to pay for items primarily related to plumbing training, including updating a training registration database and purchasing training equipment such as portable speaker systems and computer projectors. Under the proposed lapse, Commerce would defer these purchases. Commerce would continue a similar level of other training-related expenditures as in recent years, which averaged $70,000 annually in the last three years.

Petroleum Inspection Operations. Commerce requests that $665,000 be lapsed from the petroleum inspection operations SEG appropriation from the petroleum inspection fund. The fund receives revenues from the 3¢ per gallon fee assessed on all petroleum products brought into the state. The main uses of the petroleum inspection fund are PECFA claim payments and debt service on revenue obligations issued for purposes of PECFA claim payments. Of the proposed lapse, $90,000 would be a reduction in expenditures for information technology and the remaining $575,000 relates to unexpended funds for the local program operator (LPO) program. Under the LPO program, Commerce provides funds to local governments and private contractors that inspect underground and aboveground storage tank installations and removals. The agency estimates that payments under the LPO program will total $1,607,000 in 2001-02. There is $2,200,000 allotted for LPO payments, thus an estimated $593,000 would not be spent, and $575,000 of that amount would be lapsed to the general fund. LPO payments averaged $1.7 million in the previous five years. Under 2001 Act 16, it was estimated that approximately $200,000 in LPO funds would not be spent in 2001-02 and would lapse to the petroleum inspection fund. With the requested lapse to the general fund, it is anticipated that the petroleum inspection fund would continue to have a positive balance.

PECFA Operations. A lapse of $90,000 is proposed from the petroleum environmental cleanup fund award (PECFA) operations SEG appropriation from the petroleum inspection fund. The lapse would be taken as a reduction in information technology expenditures.

Sale of Materials and Services. Commerce requests that $100,000 of the lapse be allocated to the administrative services sale of materials or services appropriation. The appropriation receives payments from other state agencies or departmental programs for the cost of providing materials or services. The appropriation has been used for charge-backs to departmental units for general administrative services such as copying costs and for fees paid for information technology training of Department staff. In addition, revenue is received from other state agencies for the administrative costs associated with contracts with those agencies. The appropriation is authorized $42,200 PR in 2001-02. The appropriation has a balance of $309,000 and the Department has requested that $100,000 of that amount be lapsed.

Alternatives

1. Approve the request.

2. Modify the plan by deleting the requested SEG and PR lapses relating to any one or more of the following items and, instead, direct DOA to submit an alternate lapse plan.

   a. Safety and Buildings PR.
   b. Auxiliary Services PR.
   c. Petroleum Inspection SEG.
   d. PECFA SEG.
   e. Sale of materials and services PR.

ELECTRONIC GOVERNMENT

Appropriation		Source	2001-02
(1)(g)	[No Title*]	PR	$1,000,000
(1)(ke)	Telecommunications Services	PR	1,250,000
	Total		$2,250,000

*As a result of the Governor's partial veto, the appropriation does not have a title.

1. *No Title.* The untitled Department of Electronic Government (DEG) appropriation is a continuing appropriation for the provision of information technology (IT) and telecommunications services to nonstate entities, electronic communications services to state and nonstate entities, printing, mail processing and IT processing services to state agencies, and IT development and management services functions. As a result of the Governor's partial veto, the expenditures under the untitled appropriation are shown as $0 annually. However, because the specific dollar amounts shown in the schedule for a continuing appropriation represent only estimates of the amounts to be expended or encumbered during any given fiscal year and are not controlling, it is estimated that DEG will expend $85,269,400 PR in 2001-02 and $85,311,400 PR in 2002-03 from the appropriation. This amount represents total expenditure authority approved by the Legislature for the individual appropriations that were consolidated by the Governor's veto.

The Secretary of the Department of Administration has recommended that $1,000,000 PR in 2001-02 be lapsed from the appropriation to the general fund. According to DOA (the agency that developed the recommendation on behalf of DEG), the lapse would be generated from account balances associated with information technology services. Based on the closing balances for DOA's information technology processing appropriation prior to its transfer to DEG, the appropriation had a $2.6 million balance. DOA indicates that the lapse will not create a cash deficit in the appropriation. Further, as a result of the proposed lapse from this appropriation, there is the possibility of a federal audit exception, since a portion of the affected cash balances arguably were generated through payments from FED-funded accounts and would be lapsed to the state's general fund, rather than being rebated to the appropriate FED accounts. An audit exception could require the state to provide a future, proportional reimbursement to the federal government. The likelihood of an audit exception and the amount of reimbursement are unknown, however.

2. *Telecommunications Services.* The Secretary of DOA is also recommending that $1,250,000 PR in 2001-02 lapse to the general fund from DEG's telecommunications services appropriation. Revenue credited to this appropriation is generated from telecommunications charges to state and nonstate entities. Based on the closing balances for DOA's telecommunications and data processing appropriation prior to its transfer to DEG, the appropriation had a $5.4 million balance. As with the untitled DEG appropriation, there is the possibility of a similar federal audit exception regarding this telecommunications appropriation. DOA indicates that the lapse will not create a cash deficit in the appropriation.

Alternatives

1. Approve the request.

2. Modify the plan by deleting the requested lapse relating to one or both of the following and, instead, direct DOA to submit an alternative plan.

a. Untitled appropriation [s. 20.530 (1)(g)].
b. Telecommunications services.

FINANCIAL INSTITUTIONS

Appropriation	Source	2001-02
(1)(g) General Program Operations	PR	$759,100

Under the directives provided by DOA for the lapse requirement, the Department of Financial Institutions (DFI) is required to lapse $759,100 PR in 2001-02 to the general fund from the Department's general program operations appropriation. This amount is equal to approximately 5% of the agency's total budget for 2001-02.

Under current law, all balances remaining in this appropriation lapse to the general fund at the close of each fiscal year. Act 16 incorporates an estimated lapse of approximately $21.8 million in 2001-02. Because of higher than anticipated fee revenue from corporate registrations and other document filings, however, the year-end lapse is now expected to exceed this amount. DOA's directive would simply recognize $759,100 of the higher lapse amount now rather than at the close of the fiscal year. It would not actually change the agency's expenditure authority or increase the amount of revenue that will accrue to the general fund.

Because it is funded with program revenue, DFI was not subject to the 5% budget reductions most GPR-funded agencies absorbed under Act 16. Nor is the agency subject to the 3.5% reductions that were recently announced by the Governor. If the Committee wishes to implement a 5% cut analogous to that experienced by most general-fund agencies, it could reduce the Department's general program operations appropriation by placing the amount of the required lapse into unalloted reserve. This would ensure that the general fund would receive $759,100 in 2001-02 over and above the amount that will be transferred at the close of the year under current law. The agency indicates it has not determined what measures it would take to implement such a reduction.

Alternatives

1. Approve the request.

2. Reduce the Department's general program operations appropriation by $759,100 PR in 2001-02 by placing this amount of funding into unalloted reserve.

3. Deny the portion of the request related to DFI and direct DOA to submit an alternative plan.

HEALTH AND FAMILY SERVICES

Appropriation	Source	2001-02
(4)(gm) Health Services Regulation and Vital Statistics	PR	$195,000
(6)(jm) Licensing and Support Services	PR	152,976
(6)(jb) Fees for Administrative Services	PR	127,309
Total		$475,285

Under the plan, the Department of Health and Family Services (DHFS) would be required to lapse a total of $475,285 PR from three appropriations in 2001-02.

First, the plan would lapse $195,000 PR in 2001-02 from the cash balance in the appropriation that supports DHFS activities relating to the review and approval of health care facilities' capital projects [s. 20.435(4)(gm)]. Revenue that supports this activity is paid by project application fees, which are equal to 0.37% of the estimated project cost, but may not be less than $1,850, or more than $37,000. At the end of 2000-01, the cash balance of this appropriation was $212,900.

Second, the plan would lapse $152,976 in 2001-02 from the cash balance in the appropriation that supports DHFS activities relating to caregiver background checks [s. 20.435(6)(jm)]. Revenue that supports this function is derived from a $2.50 fee that is assessed for each background check (in addition to $5.00 that is retained by the Department of Justice). Based on Act 16 budgeted expenditures and current revenue projections, DHFS estimates that, at the end of the 2001-03 biennium, the appropriation will have a cash balance of approximately $662,600. The DOA plan would reduce this projected balance to approximately $509,600.

Third, the plan would lapse $127,309 in 2001-02 from the cash balance in the appropriation that supports the Division of Supportive Living's costs for state mailings, special computer services, training programs, printed materials and publications. DHFS assesses fees for these services. At the end of 2000-01, the cash balance of this appropriation was $230,600.

By proposing lapses from cash balances, the plan would not affect the amounts budgeted for these activities in the 2001-03 biennium. Further, the proposal would not require DHFS to increase current fees assessed for these activities.

Alternatives

1. Approve the request.

2. Modify the plan by deleting the requested lapse relating to one or more of the following and, instead, direct DOA to submit an alternative plan:

a. Health services regulation and vital statistics.
b. Licensing and support services.
c. Fees for administrative services.

HISTORICAL SOCIETY

Appropriation	Source	2001-02
(1)(g) Admissions, Sales and Other Receipts	PR	$174,200

Under the plan, the Historical Society is required to lapse a total of $174,200 in 2001-02 to the general fund. Under the DOA recommendation, this lapse would occur from the PR appropriation for admissions, sales and other receipts. The admissions, sales and other receipts appropriation receives revenues from a number of the Society's programs including: (1) historic sites fees; (2) library, archives and public history services; (3) the historic preservation program; (4) museum operations; and (5) administrative services which includes Society membership revenues. The revenues fund a portion of the general program operations for these programs.

Under Act 16, $3,524,000 is provided under this appropriation in 2001-02. The cash balance in this appropriation on June 30, 2001, was $391,100, which would be reduced by the amount of the lapse. This would reduce the reserve the Society has to maintain program expenditures if revenue projections are not met for 2001-03.

Alternatives

1. Approve the request.

2. Modify the DOA plan by deleting the requested lapse for the Historical Society and, instead, direct DOA to submit an alternative plan for this funding.

INSURANCE

Appropriation	Source	2001-02
(1)(g) General Program Operations	PR	$653,500

Under the plan, the Office of the Commissioner of Insurance (OCI) would be required to lapse $653,500 in 2001-02 from the cash balance of the agency's general program operations program revenue appropriation to the general fund.

The revenue deposited to this appropriation is derived from a variety of insurance fees and assessments to insurers that support the agency's operations. OCI estimates that revenues totaling

$15.9 million in 2001-02 and $13.9 million in 2002-03 will be credited to this appropriation. The 2002-03 closing cash balance of this appropriation is estimated to be approximately $10.9 million. Consequently, the proposal to lapse $653,500 from this appropriation to the general fund in the 2001-03 biennium will reduce this projected balance to approximately $10.2 million in 2002-03. Based on this projected surplus in the appropriation, the agency will not be required to increase fees or assessments to meet this lapse requirement.

Alternatives

1. Approve the request.

2. Deny the request and, instead, direct DOA to submit an alternate lapse plan.

JUSTICE

Appropriation	Source	2001-02
(2)(ja) Law Enforcement Training Fund, State Operations	PR	$132,300

The Department of Justice's (DOJ's) law enforcement training fund, state operations appropriation, which is appropriated $3,230,000 PR in 2001-02, utilizes penalty assessment revenues to finance state operations associated with the administration of the law enforcement training fund and to finance training for state law enforcement personnel. Whenever a court imposes a fine or forfeiture for a violation of state law or municipal or county ordinance (except for violations involving smoking in restricted areas, failing to properly designate smoking or nonsmoking areas, nonmoving traffic violations or violations of safety belt use), the court also imposes a penalty assessment of 24% of the total fine or forfeiture. Under current law, 11/24ths of penalty assessment revenues are credited to DOJ for the law enforcement training fund and crime laboratory equipment.

Under the DOA request, $132,300 PR would be lapsed from the law enforcement training fund, state operations appropriation [s. 20.455(2)(ja)] to the general fund in 2001-02. It is estimated that this appropriation will not have a sufficient PR cash balance to permit this proposed lapse to the general fund without decreasing law enforcement training state operations expenditures.

Both DOJ and DOA have subsequently indicated that the request to lapse funds from s. 20.455(2)(ja) was in error. They indicate the intention was to lapse $132,300 PR in 2001-02 from the cash balance of the penalty assessment surcharge, receipts appropriation [s. 20.455(2)(i)]. This appropriation receives penalty assessment revenues credited to DOJ, which are then transferred to other DOJ penalty assessment-supported PR appropriations. No direct appropriation is made from s. 20.455(2)(i). It is estimated that there will be a sufficient cash balance in this appropriation to enable a lapse of $132,300 PR in 2001-02 to the general fund.

Alternatives

1. Approve the request to lapse $132,300 PR in 2001-02 from the law enforcement training fund, state operations appropriation to the general fund.

2. Lapse $132,300 PR in 2001-02 from the penalty assessment surcharge, receipts appropriation to the general fund.

3. Deny the request and, instead, direct DOA to submit an alternative plan.

NATURAL RESOURCES

Approp.	Division	SEG Fund	2001-02	Revised 2001-02
(2)(dv)	Air and Waste	Environmental - environmental management account	$218,600	$218,600
(3)(mq)	Enforcement and Science	Environmental - environmental management account	56,900	56,900
(4)(mq)	Water	Environmental - environmental management account	122,200	110,400
(4)(mq)	Water	Environmental - nonpoint account	0	15,200
(4)(mr)	Water	Environmental - nonpoint account	0	22,300
(4)(mt)	Water	Environmental improvement	25,700	0
(8)(iw)	Administration and Technology	Recycling	4,200	4,200
(8)(mq)	Administration and Technology	Petroleum inspection	2,500	2,500
(8)(mr)	Administration and Technology	Environmental improvement	1,200	0
(8)(mv)	Administration and Technology	Environmental	190,700	191,900
(9)(mv)	Customer Service & External Relations	Environmental	30,300	30,300
(9)(mw)	Customer Service & External Relations	Conservation - snowmobile account	7,300	7,300
	Total		$659,600	$659,600

DOA allocated $659,600 in reductions to the Department of Natural Resources. DNR recently requested the revised lapse allocation listed in the table so that none of the proposed lapse to the general fund would be made from the environmental improvement fund. The environmental improvement fund provides low-interest loans to municipalities for wastewater and drinking water projects. Revenues to the environmental improvement fund come from federal clean water fund and safe drinking grants, state general obligation bond proceeds (with GPR debt service repayments) that provide the required state match to federal grants, and loan repayments from previously made loans. This revised DNR request, supported by DOA, is described here.

Air and Waste Division. State-funded response at contaminated sites would be reduced by $218,600 SEG from the environmental management account of the environmental fund. The appropriation is used for DNR-lead cleanups of contaminated sites where the responsible party is unknown or can not or will not clean up the site, the state match of certain federal site cleanup expenditures, emergency spill response and cleanup, response and cleanup of abandoned containers of hazardous substances. The appropriation is currently $3,321,300 annually, and the 2001-02 carry-in cash balance is $398,900. There would be a reduction in investigation and response at lower priority contaminated sites including brownfields sites.

Enforcement and Science Division. General operations would be reduced by $56,900 SEG from the environmental management account of the environmental fund. Of this amount, $50,500 would be taken from the Law Enforcement program by reducing the amount of funding available for warden mileage costs. The remaining $6,400 would be taken from the Bureau of Integrated Science Services by holding three positions vacant in 2001-02.

Water Division. The Department's revised proposal would lapse $147,900 SEG in Water Division general operations from the environmental fund, of which $110,400 would be from the environmental management account and $37,500 from the nonpoint account. Of the total reduction, $63,200 would be allocated from the watershed management program, where six positions would be held vacant during part of 2001-02. Second, $77,800 of the reduction would be from the drinking water and groundwater program, where $20,000 in salary funding will be lapsed due to position vacancies and $57,800 would be lapsed by reducing funds for staff supplies, travel and training by $500 per person, from $4,000 per person to $3,500. Finally, water integration team costs would be reduced by $6,900, and one position would be held vacant during 2001-02.

Administration and Technology Division. Under the revised proposal, general operations would be reduced by $198,600 SEG, including $4,200 SEG from the recycling fund, $2,500 from the petroleum inspection fund, and $191,900 from the environmental fund. The environmental fund SEG reduction would be allocated 86% to the environmental management account and 14% to the nonpoint account. The reduction would be allocated as $102,200 in reduced spending on supplies, training and travel in the Bureau of Finance, $49,900 in reduced support for DNR regional offices in the administrative and field services program, $36,700 in reduced spending on supplies, training and travel in the Bureau of Enterprise Information Technology and Applications and $9,800 in delayed computer purchases in the Bureau of Legal Services.

Customer Assistance and External Relations Division. General operations would be reduced by $37,600, including $30,300 SEG from the environmental fund and $7,300 SEG from the snowmobile account of the conservation fund. The environmental fund SEG reduction would be allocated 86% to the environmental management account and 14% to the nonpoint account. The reduction would be allocated as $5,600 in reduced travel and supplies in the customer service and licensing program, $16,400 in salary savings from a position vacancy and reduced travel in the communication and education program, $11,000 in reduced expenditures for travel, training and supplies in the Bureau of Community Financial Assistance and $4,600 in reduced provision of land use services to regional planning commissions.

Alternatives

1. Approve the revised request.

2. Modify the plan by deleting the requested SEG lapses relating to any one or more of the following items and, instead, direct DOA to submit an alternate lapse plan.

a. Air and Waste Division environmental management account SEG.
b. Enforcement and Science Division environmental management account SEG.
c. Water Division environmental management account SEG.
d. Water Division nonpoint account SEG.
e. Administration and Technology Division recycling SEG.
f. Administration and Technology Division petroleum inspection SEG.
g. Administration and Technology Division environmental management and nonpoint SEG.
h. Customer Service and External Relations Division environmental management and nonpoint SEG.
i. Customer Service and External Relations Division snowmobile SEG.

PUBLIC INSTRUCTION

Appropriation	Source	2001-02
(1)(hg) Personnel Certification	PR	$67,800
(1)(kd) Alcohol and Other Drug Abuse	PR	67,700
Total		$135,500

Under the DOA plan, the Department of Public Instruction (DPI) is required to lapse a total of $135,500 to the general fund. Under the DOA recommendation, this lapse would occur from two PR appropriations under DPI, with $67,800 lapsing from the personnel certification, teacher supply, information and analysis and teacher improvement appropriation and $67,700 lapsing from the alcohol and other drug abuse program administration appropriation.

Revenues for the teacher certification appropriation are derived from fees charged to individuals who apply for certification, while revenues for the AODA appropriation stem from court fines and forfeitures. Under Act 16, $3,000,000 is provided in 2001-02 under the (1)(hg) appropriation for personnel certification and $781,600 in 2001-02 under the (1)(kd) appropriation for the administration of the AODA program.

Alternatives

1. Approve the request.

2. Modify the plan by deleting the requested lapse relating to one or more of the following and, instead, direct DOA to submit an alternative plan.

   a. Personnel certification.
   b. Alcohol and other drug abuse.

PUBLIC SERVICE COMMISSION

Appropriation		Source	2001-02
(1)(g)	Utility Regulation	PR	$416,300
(2)(g)	Railroad Regulation and General Program Operations	PR	50,000
	PR Total		$466,300
(1)(q)	Universal Telecommunications Service	SEG	$200,000
	All Funds Total		$666,300

The Secretary of Administration has recommended that $466,300 PR in 2001-02 be lapsed to the general fund and $200,000 SEG in 2001-02 be transferred to the general fund from various Public Service Commission (PSC) appropriations.

The amounts that are recommended for lapse or transfer to the general fund are derived from assessments of utilities (or railroads) for the costs of regulation or from telecommunications utilities for the provision of universal telecommunications services. As part of Chapter 317, Laws of 1981, the PSC was also directed to lapse to the general fund 2% of the PR amounts appropriated in 1981-82 and 4% of the amounts appropriated in 1982-83 under its regulation of utilities appropriations account. During the spring of 1982, the Commission issued a remainder assessment for $100,900 PR for 1981-82 and required each assessed utility to remit its proportional share of the amount. Several utilities challenged this assessment, and the PSC agreed to review their complaint. The Commission concluded that it did not have the "jurisdiction or authority to impose this special assessment, since [the assessment] was not related to an actual expenditure by the Commission upon any public utility, power district, sewerage system or municipality." Further, the PSC held that it "lacks the authority to impose any assessment which is determined on a basis other than its actual cost of operation," and the Commission rescinded its earlier special assessment. The matter was not pursued beyond this Commission proceeding. Ultimately, the PSC lapsed the required funds from funding that had already been provided to the Commission for its previously-incurred expenses. The Commission will likely follow a similar course with respect to the Act 16 lapses and transfers.

1. *Utility Regulation.* DOA has recommended that the Commission lapse $416,300 PR in 2001-02 to the general fund from its utility regulation general program operations appropriation [s. 20.155(1)(g)]. The expenditure authority for this appropriation is $13,168,400 PR in 2001-02. The appropriation is funded from direct and remainder assessments of utilities, water districts and power districts for the costs of regulation. Direct assessments are assessments specific to a utility and must be paid whether the regulatory matter is requested by the regulated entity or by a complainant or is based upon the PSC's own motion. Remainder assessments are used to pay for the general operating services of the Commission that have not otherwise been funded through direct assessments.

The PSC would generate the necessary lapse amounts from this appropriation by: (a) eliminating funding provided for the electronic filing of Commission documents ($90,000 PR); (b) decreasing information technology support ($40,000 PR); (c) decreasing training activities ($48,000 PR); and (d) holding open positions that are currently vacant ($238,300 PR).

2. *Railroad Regulation and General Program Operations.* DOA has recommended that the Office of the Commissioner of Railroads (OCR) lapse $50,000 PR in 2001-02 to the general fund from its railroad regulation and general program operations appropriation [s. 20.155(2)(g)]. The expenditure authority for this appropriation is $547,200 PR in 2001-02. The appropriation is funded from railroads doing business in the state. OCR currently has two vacancies (out of a total of 7.0 authorized FTE). Consequently, the Office expects the $50,000 PR lapse to be made through salary savings, requiring no other expenditure reductions. It is anticipated that these amounts would be placed in unallotted reserve and then lapsed to the general fund.

3. *Universal Telecommunications Service.* DOA has recommended that the PSC transfer $200,000 SEG in 2001-02 to the general fund from the universal telecommunications service (USF) appropriation [s. 20.155(1)(q)]. The USF is appropriated $6,880,000 SEG in 2001-02 in an annual appropriation. USF assessments are provided by telecommunications utilities in proportion to their gross intrastate operating revenues. The Commission estimates that there will be unexpended funds of at least $200,000 SEG under this appropriation at the end of 2001-02. There was $2,182,600 SEG of unexpended assessments at the end of 2000-01. Unexpended funds from the prior fiscal year remain in the fund and are used to offset the amounts that must be collected in the following fiscal year. The Commission anticipates that the $200,000 SEG would be placed in unallotted reserve and then transferred to the general fund.

Alternatives

1. Approve the request.

2. Modify the plan by deleting the requested lapse or transfer relating to one or more of the following and, instead, direct DOA to submit an alternative plan.

a. Utility regulation PR.
b. Railroad regulation and general program operations PR.
c. Universal telecommunications service SEG.

REGULATION AND LICENSING

Appropriation	Source	2001-02
(1)(g) General Program Operations	PR	$497,800

General Program Operations. The Secretary of DOA has recommended that $497,800 PR in 2001-02 be lapsed to the general fund from the available cash balances in the Department of Regulation and Licensing (R&L) general program operations appropriation [s. 20.165(1)(g)]. The expenditure authority for this appropriation is $9,889,600 PR in 2001-02. The appropriation is funded primarily from initial and renewal fees paid by approximately 293,500 credential holders in any of the 110 professions, occupations or business establishments regulated by the Department. The fees are set by statute based on the costs of regulation and currently range from $53 to $343 biennially. The amounts recommended for lapse to the general fund would be taken from reserve cash balances, which R&L has estimated at $2,108,300 at the beginning of 2001-02.

Alternatives

1. Approve the request.

2. Delete the requested lapse and, instead, direct DOA to submit an alternative plan.

REVENUE

Appropriation	Source	2001-02
(8)(q) Lottery General Program Operations	SEG	$1,081,800

The request is to transfer $1,081,800 SEG in 2001-02 from the Department of Revenue's (DOR) general program operations appropriation for the state lottery to the general fund. According to DOA, the transfer: (a) meets the criteria specified under s. 9101(23r) of Act 16; (b) will not affect the amount of the lottery and gaming credit; (c) will not create an insufficiency of segregated lottery revenue to meet contemplated expenditures; and (d) will not prevent DOR from accomplishing program responsibilities or carrying out budget intent relating to the lottery.

The DOA assertion that the recommended transfer meets the criteria specified under s. 9101(23r) can be questioned. Section 9101(23r), relating to appropriation account lapses and fund transfers, places certain restrictions on the lapse and transfer recommendations made by the Secretary of DOA, including a requirement that the recommendations not include "An appropriation containing moneys whose lapse ... would violate the state constitution." [s. 9101(23r) (b) 2. i.]. It could be argued that lapsing funds from the lottery general program operations appropriation for transfer to the general fund would violate Article IV, Section 24 (6) (a), which states, in part, "The net proceeds of the state lottery shall be deposited in the treasury of the state, to be used for property tax relief for residents of this state as provided by law."

In a memorandum to the Secretary of DOR on October 9, 2001, DOR's Chief Counsel stated his opinion that the proposed transfer of funds from the lottery fund to the general fund would violate the state Constitution. In a memorandum to the Secretary of DOA dated November 29, 2001, a DOA legal counsel stated that, "In my opinion, such action will be legal and valid and will not violate the Constitution because the lapsed funds will not come from net proceeds. Instead the lapse will be taken from that part of the gross proceeds which has been appropriated for state operations."

In light of these conflicting opinions, this office requested that the Legislative Council Staff assess the recommended transfer relative to the constitutional requirement. In a memorandum to the Director of the Legislative Fiscal Bureau on December 7, 2001, a Council Senior Staff Attorney concluded that "... because the transfer of funds from the operations of the State Lottery to the general fund would neither pay the expenses of the State Lottery nor be used for property tax relief, the transfer, if accomplished, would be unconstitutional under Wis. Const. art. IV, s. 24 (6) and proscribed under 2001 Wisconsin Act 16, SECTION 9101 (23r) (b) 2. i."

DOA also argues that the recommended transfer would not affect the amount of the lottery and gaming credit provided to primary home owners. The Department argues that lapsing funds that would otherwise be expended for lottery operations would not affect the total amount available for the credit. However, if lottery spending is reduced by $1,081,800 (and assuming lottery sales are unaffected), transferring this amount to the general fund would be a loss to the credit because, if the transfer to the general fund is not made, this amount would become part of the proceeds available for the lottery and gaming credit.

It could also be argued that a reduction to the operating budget of the lottery could result in lower lottery sales, which would have a direct effect on decreasing the amount available for the credit. The proposed transfer of $1,081,800 from the lottery's operational budget represents a 5%

reduction in this appropriation. DOR officials indicate that the potential effect on sales is a concern, but do not have an estimate of what the effect might be at this time.

Alternatives

1. Approve the request.

2. Deny the request and, instead, direct DOA to submit an alternative plan.

STATE FAIR PARK BOARD

Appropriation	Source	Positions	2001-02
(1)(h) State Fair Operations	PR	1.0	$638,600

DOA directed the State Fair Park Board (SFPB) to lapse $638,600 PR to the general fund in 2001-02. To comply with the directive, SFPB requests the lapse from its general operations appropriation as delineated in the table. As the lapse would be taken from savings generated by reducing expenditures, SFPB should not need to raise fees to cover the costs of these lapses. The park gains revenue from the annual State Fair and other events staged at the grounds, including racing. The Board plans to reduce the amount of equipment rentals, repairs and maintenance supplies purchased for grounds operations for projected savings of $286,400. SFPB requests the lapse of $130,300 garnered from operational savings such as reducing telephone, equipment, rental and other supplies costs throughout the park. The request also includes a lapse of $68,500 from authorized entertainment expenditures for the 2001 State Fair that went unspent. SFPB requests that $65,600 be lapsed from savings generated by reducing LTE expenditures. Specifically, LTEs would be hired two weeks later this summer and year-round staffing for events would be reduced to essential service levels. Further, a lapse of $47,300 is requested from reductions in professional services such as exhibit curtain service, event talent and agricultural event judges, as SFPB has identified that existing staff may perform some of these tasks. By requiring the pre-authorization of overtime and encouraging that overtime be taken as compensatory time rather than paid out, SFPB anticipates saving $25,000. In addition, SFPB requests the lapse of $15,500 in salary and fringe benefits from eliminating a program assistant position that is primarily responsible for renting exhibit space. The incumbent is retiring in January, and according to SFPB, management of the new exposition hall will rent out space in that facility.

Alternatives

1. Approve the request and delete 1.0 PR position.

2. Deny the request and, instead, direct DOA to submit an alternative plan.

TRANSPORTATION

Appropriation		Source	2001-02
(3)(iq)	Administration and Planning	SEG	$519,500
(4)(aq)	Departmental Management and Operations	SEG	3,877,600
(5)(cq)	Division of Motor Vehicles	SEG	2,814,600
	Total		$7,211,700

Under the DOA plan, the Department of Transportation is required to transfer a total of $7,211,700 in 2001-02 to the general fund. This amount equals 5% of the 2000-01 adjusted base for the following three DOT appropriations: (a) administration and planning; (b) vehicle registration, inspection and maintenance, driver licensing and aircraft registration (the principal appropriation for the Division of Motor Vehicles); and (c) departmental management and operations. Of the $7.2 million, $5.2 million would be transferred from amounts currently appropriated in those three appropriations. Under the plan, the remaining $2,000,000 would be from a supplemental appropriation to the departmental management and operations appropriation from the transportation fund, which DOT has requested under s. 13.10 of the statutes. If the Committee does not approve the supplemental appropriation under s. 13.10, DOT would have to make additional expenditure reductions beyond those proposed in the DOA plan. This section includes a discussion of both the transfer plan and the supplemental appropriation request.

DOT's plan has several components, which are discussed separately in the next sections, by appropriation. The following table shows the proposed reductions by item and by appropriation:

Item	Administration and Planning	Division of Motor Vehicles	Departmental Management and Operations
Increased Vacancy Rate Through Attrition	$0	$221,000	$164,000
Close 48 DMV Service Centers*	0	143,400	0
Delay Printing State Highway Map	232,500	0	0
Lay off Limited-Term Employees	287,000	85,400	11,300
Delay Data Warehouse Project	0	0	600,000
Use Master Lease Financing for DMV Redesign	0	1,356,000	0
Suspend DMV Recruit Class	0	599,100	0
Slow Down Plate Replacement	0	300,000	0
Miscellaneous Department Technology Savings	0	0	315,900
General Supplies and Services Reductions	0	109,700	737,600
Reduce Studies, Projects and Plans	0	0	48,800
Supplemental Appropriation (13.10 Request)	0	0	2,000,000
Total	$519,500	$2,814,600	$3,877,600

*DOT has submitted a revised plan to close 24, rather than 48, of the service centers.

Administration and Planning

Delay printing additional copies of the state highway map. DOT has proposed to delay printing additional copies of the 2001/2002 edition of the state highway map. The Department indicates that copies of this edition of the map have been distributed to legislative offices, as required by statute, and that about 700,000 copies of the map remain in stock. The Department indicates that distribution of the remaining maps will be controlled by limiting the number of maps that can be requested to 100 per legislative request and 50 per other request. The supply of maps is expected to last through the end of the fiscal year.

Eliminate limited-term employees in the Division of Transportation Districts. DOT has proposed to eliminate many LTEs and interns in most divisions, including the Division of Transportation Districts. LTEs in district offices are typically employed to serve as project managers for certain highway construction projects. The elimination of these employees would reduce the amount of time that a Department project manager spends on the site of construction projects.

Division of Motor Vehicles

Vacancy savings and the elimination of limited-term employees in the Division of Motor Vehicles. DOT has proposed to increase the number of vacancies through attrition and to eliminate LTEs within the Division of Motor Vehicles. Both of these actions would reduce the number of personnel who are available to handle motor vehicle and driver's license transactions at DMV service centers and in the central office. In some cases, this may increase the amount of time people must wait to receive service by mail or at service centers.

Close certain DMV service centers. DOT has proposed to close 48 DMV service centers in small communities throughout the state, which is expected to generate savings in travel and telecommunications costs. (See the attachment for a list of the sites.) The sites that would be closed offer only driver's license services and, by appointment, driver's license skills tests. DOT indicates that 44 out of the 48 sites are within 30 miles of another DMV service center and the other four are within 35 miles of another center. Under current law, DOT is required to make provisions for giving eye examinations for driver's license applicants at examining stations in each county. Despite closing 48 centers, the Department's plan would maintain at least one service center in every county.

The sites proposed for closure currently are open anywhere between one day per week to one day per month and most processed fewer than 5,000 transactions in 2000. Because of the relatively low volume of transactions, the average cost per transaction (total cost of operating the center divided by the number of transactions) is high. While the statewide average transaction cost was $3 in 2000, the average transaction cost at all but two of the sites that would be closed was over $10, and 21 had an average transaction cost of over $20. The employees who work at these centers would be reallocated to busier centers, which DOT expects would help mitigate the effects of higher vacancy rates at those centers.

Since DOA's plan was submitted to the Committee, DOT has submitted an alternative plan that would close 24 sites instead of 48, with some modifications in hours and staffing at the other 24 sites. Under this alternative plan, all service centers that had more than 1,000 transactions in 2000 would remain open. In addition, three centers that had fewer than 1,000 transactions last year, Niagara, Sister Bay and Wittenberg, would remain open because of geographic considerations. The attachment marks those that would not be closed under the alternative plan with an asterisk.

Closing the 24 sites, effective February 1, would result in savings of $42,700, instead of $143,400. DOT indicates that to offset the reduction in savings from this part of the proposal, DMV would maintain additional vacancies in the Division. This may have the effect of further increasing the amount of time people must wait for motor vehicle and driver's license services.

If the Committee decides to eliminate the service center closing component of the plan entirely, the plan could be modified to accomplish this, but offsetting savings of $42,700 would have to be generated in other areas. One possible source of offsetting savings would be from fringe benefits for vacant positions in various divisions. Although the Department included salary savings associated with position vacancies in its transfer plan, no fringe benefit savings were included. Funding for paying fringe benefits is included in agencies' appropriations, but typically agencies receive a fringe benefit supplement from compensation reserves near the end of the fiscal year to cover actual fringe benefit costs. These supplements vary depending on such factors as benefit provisions in negotiated contracts and the number of retirements and vacancies. Assuming that DOT will require a fringe benefit supplement, increasing the number of vacancies will reduce the size of the supplement. Alternatively, transferring an additional amount from the appropriations to account for fringe benefit savings will, in effect, require the Department to seek the same supplement as would have been the case without the vacancies.

In issuing instructions to agencies to reallocate reductions for GPR agencies, DOA instructed these agencies to not include fringe benefit savings in their expenditure reduction plans, since they could later receive a supplement to replace any fringe benefit reallocations. In other words, fringe benefit savings would have resulted in a higher fringe benefit supplement later, and, therefore, lower net savings. Although DOT also complied with the directive to not include fringe benefit savings in their plan, a case could be made that the situation for the lapse requirement for SEG and PR agencies is different than the reallocation provisions applicable to GPR agencies. The operating budgets of GPR agencies were reduced in an effort to generate savings in light of general fund revenue shortages and ongoing structural deficits. SEG and PR agencies are required to transfer or lapse a specific amount to the general fund, which could be accomplished, in part, by including fringe benefit savings, since these savings would otherwise result in a lower fringe benefit supplement, thereby increasing the biennium-ending balances in SEG funds and PR accounts.

Using the fringe benefit rates used for the purposes of the 2001-03 budget, fringe benefit savings are estimated to exceed the amount needed to offset the savings that would have resulted from closing the service centers. The Committee could use $42,700 of this amount to offset the service center savings. Any additional savings from lower fringe benefit payments would accrue to the transportation fund.

Use master leasing instead of cash for DMV database redesign. DOT has proposed to use master lease financing in place of cash for the redesign of the Division of Motor Vehicles' computer databases, allowing most of the funds that would otherwise be spent on the redesign effort to be lapsed. Under this proposal, the Department would enter into a seven-year master lease agreement in the current fiscal year and then enter into two other master lease agreements in the following two fiscal years on other elements of the redesign project. A total of $3,000,000 was provided in the 2001-03 biennium for the redesign effort, a portion of which would be transferred.

Suspend the DMV recruit class. DOT has proposed to suspend the DMV recruit class that had been planned for 2001-02, allowing the amount provided for this purpose to be transferred. Since the Division plans to allow the vacancy rate to increase through attrition, it was determined that the recruit class would be unnecessary. Act 16 provided $599,100 in 2001-02 for the recruit training class.

Modify schedule of license plate reissuance. DOT has proposed to slow down the license plate reissuance cycle and lapse the savings that would result. The Division had been replacing license plates so that an equal number of plates would be replaced each year over a period of seven years. This proposal would decrease the number of plates replaced in 2001-02. However, the Department indicates that plate replacement would be accelerated in future years in order to stay on a seven-year schedule. If plates would continue to be replaced at the same rate as they would be replaced in 2001-02 under this proposal, the replacement cycle would be completed in nine years instead of seven years. The plate replacement cycle began in 2000.

DMV supplies and services reductions. DOT has proposed to reduce other supplies and services expenditures by the Division of Motor Vehicles, primarily by reducing in-state travel associated with the Division's activities.

Departmental Management and Operations

Vacancy savings and the elimination of limited-term employees in the Division of Transportation Investment Management. DOT has proposed to increase, through attrition, the number of position vacancies in the Division of Transportation Investment Management, to generate salary savings. This division is involved in the analysis and planning of transportation programs and the administration of local aid programs. DOT indicates that positions in the Bureaus of Planning, State Highway Programs and Transit and Local Roads are most likely to be affected by this proposal.

Delay the development of an improved data management information system and other computer systems. DOT has proposed to cut back on various department-wide information systems projects (other than the DMV database redesign). The 1999-01 budget provided $1,200,000 in annual base funding (beginning in 1999-00) for the development and ongoing maintenance of a department-wide data warehouse and management system. This project was initiated, in part, in response to a Legislative Audit Bureau recommendation in a 1997 audit that the Department improve its ability to manage the data that are used to make decisions on highway improvements and other Department activities. DOT's plan would reduce the amount devoted to this project in 2001-02 to $600,000. In addition, other cuts would be made to more routine computer systems development.

General reduction of supplies and services in the Divisions of Business Management and Transportation Investment Management. DOT has proposed to reduce department-wide expenditures on such items as space renovation, personal computer replacement and employee training and travel. Most of the savings from this item are the result of the deferment of space renovation projects.

Reduction in transportation studies and reports. DOT has proposed to reduce the number of studies and reports that are prepared. DOT normally budgets for a small number of short-term projects and reports.

$2,000,000 supplemental appropriation (13.10 request). DOT has made a request under s. 13.10 of the statutes for a supplemental appropriation of $2,000,000 in the Department's SEG appropriation for departmental management and operations, which would be transferred. In its request, DOT indicates that, without the supplemental appropriation, it may be necessary to lay off certain employees or make additional reductions in transportation district offices. According to the Department, layoffs would most likely affect DMV personnel, which may result in an increase in the amount of time that citizens must wait at DMV service centers. DOT indicates that the most likely effect of further reductions in the transportation district offices would be that the review of subdivision plats and the other division of lands abutting certain state highways, which require DOT approval, may take longer.

One possible argument for a supplemental appropriation would be that the Department, unlike other agencies, is required by Act 16 to lapse $800,000 annually from administrative appropriations to the transportation fund, in addition to the 5% cuts transferred to the general fund. However, the Governor has recently asked GPR-funded agencies to reduce administrative budgets by an additional 3.5% in 2001-02, a requirement that does not apply to the Department of Transportation. To fulfill the requirement to lapse $800,000 to the transportation fund, DOT submitted a plan to DOA outlining these cuts. (Because of a gubernatorial veto, this plan is not subject to review by the Joint Committee on Finance.) The following table shows the reductions identified by the Department.

Item	State Highway Rehabilitation	Division of Motor Vehicles	Departmental Management and Operations	Division of State Patrol
Delay Computer Purchases	$51,000	$0	$87,600	$0
Reduce Special Department Studies	0	0	20,600	0
Reduce Travel and Training	0	0	11,100	103,500
Vacancy Savings	0	50,100	0	0
Reduce LTEs	13,000	58,000	0	0
Reduce General Supplies and Services	0	67,900	0	0
Reduce Consultant and In-House Budget for Program Delivery in the Division of Transportation Districts	337,100	0	0	0
TOTAL	$401,100	$176,000	$119,300	$103,500

The supplemental appropriation would be made from the balance of the transportation fund. As of the signing of Act 16, the estimated, biennium-ending balance of the transportation fund was

$942,600. However, the fund's 2000-01 closing balance was higher than the estimates that were used at the time the Legislature considered the budget by $7,206,100. Therefore, if the assumptions on transportation fund revenues and expenditures that were used during the consideration of the budget are correct, the 2001-03 biennium-ending balance would be $8,148,700. In its 13.10 request, the Department cited the higher 2000-01 ending balance as a justification for the supplemental appropriation.

It should be noted, however, that the estimates of 2001-03 transportation fund revenues were made in the spring of 2001 and were based on the economic projections available at that time. In many respects, the economic outlook for the period is worse than it was at that time, which could have a negative impact on transportation fund revenues. To put the higher opening balance into perspective, a 0.5% reduction in the consumption of motor vehicle fuel over the biennium, relative to the budget projections, would reduce transportation fund revenues by more than $7.2 million, all other factors being equal.

If the Committee does not approve the Department's request for a supplemental appropriation, an additional $2,000,000 expenditure reduction would need to be made from the three DOT administrative appropriations in 2001-02. This alternative would require the full 5% reduction to be absorbed by DOT.

One alternative to either providing the $2,000,000 supplemental appropriation or requiring DOT to absorb an additional $2,000,000 in expenditure reductions in this fiscal year would be to transfer $2,000,000 from 2002-03 appropriations to 2001-02 and transfer this amount to the general fund. This approach would allow the total biennial expenditure reduction required by the Act 16 general fund requirement ($14.4 million) to be spread more evenly over the time remaining in the biennium. By the time the plan is approved, fiscal year 2001-02 will be nearly half completed, so requiring the Department to absorb the full $7.2 million in the time left in the fiscal year would require deeper expenditure reductions than would be the case if the reductions could be absorbed over a full year. If the $14.4 million reduction were spread evenly over the 19 months remaining in the biennium, DOT would be required to absorb about $5.3 million in the seven months remaining in 2001-02 and $9.1 million in 2002-03. This could be accomplished by adopting the Department's plan for transferring $5.2 million (with any other modifications that the Committee adopts) and transferring $2,000,000 from 2002-03 appropriations to 2001-02 appropriations and transferring this amount to the general fund.

Adopting this alternative would require the Department to absorb a larger expenditure reduction in 2002-03 than would otherwise be the case ($9.2 million instead of $7.2 million). However, the Department would have more time to plan for the additional expenditure reductions than was the case for 2001-02 reductions and could implement the cuts from the beginning of the 2002-03 fiscal year. If, when considering the Department's plan for the 2002-03 reductions, the Committee decides that the $9.2 million reductions are too severe, a new request for a $2,000,000 supplemental appropriation to replace the transferred funds could be considered. It is likely that the

Committee will have access to better information on the status of the transportation fund at that time than is currently available.

Alternatives

A. $2,000,000 Supplemental Appropriation (13.10 Request)

1. Approve the Department's request for a $2,000,000 supplemental appropriation from the transportation fund for DOT's departmental management and operations appropriation, to be placed in unallotted reserve in order to fulfill a portion of the Department of Transportation's requirement to transfer a total of $7,211,700.

2. Deny the Department's request for a $2,000,000 supplemental appropriation, which would require the Department to absorb an additional $2,000,000 in expenditure reductions in its administrative appropriations. Direct DOA to submit an alternative plan for those additional reductions.

3. Deny the Department's request for a $2,000,000 supplemental appropriation and, instead, transfer $2,000,000 from the DOT's 2002-03 appropriations to the 2001-02 appropriation for departmental management and operations, to be placed in unallotted reserve for transfer to the general fund. Make the transfer from 2002-03 appropriations proportionately, as follows: (a) $283,100 from administration and planning; (b) $985,600 from vehicle registration, inspection and maintenance, driver licensing and aircraft registration (DMV); and (c) $731,300 from departmental management and operations.

B. Expenditure Reductions to Fulfill Transfer Plan ($5,211,700 Portion)

1. Approve the request.

2. Modify the request by deleting the proposal to save $143,400 by closing 48 Division of Motor Vehicles service centers and, instead, adopt the Department's alternative proposal to save $42,700 by closing 24 service centers and $100,700 by increasing the number of position vacancies in the Division.

3. Modify the request by deleting the proposal to save $143,400 by closing 48 Division of Motor Vehicles service centers and, instead, doing the following: (a) increase the amount of savings attributable to position vacancies by $100,700; and (b) place $42,700 from amounts budgeted for fringe benefits in the appropriation for vehicle registration, inspection and maintenance, driver licensing and aircraft registration (DMV) in unallotted reserve, to account for fringe benefit savings as the result of increased vacancies.

4. Modify the request by deleting the transfers relating to one or more of the following and, instead, direct DOA to submit an alternative plan:

a. Administration and planning.
b. Departmental management and operations.
c. Division of Motor Vehicles.

VETERANS AFFAIRS

Appropriation	Source	2001-02
(3)(q) Foreclosure Loss Payments	SEG	$223,800

Foreclosure Loss Payments. The Secretary of DOA has recommended that $223,800 SEG in 2001-02 be transferred to the general fund from the available cash balances in the Department of Veterans Affairs (DVA) continuing, foreclosure loss payments appropriation [s. 20.485(3)(q)]. Expenditures under the appropriation are currently estimated at $801,000 SEG in 2001-02. Under current law, DVA is authorized to utilize this appropriation to buy houses subject to foreclosure due to deficient payments on housing loans previously approved by the Department. The properties are then resold with the proceeds credited to this appropriation. The appropriation currently has an unexpended cash balance of $1,186,900 SEG. The appropriation is funded from DVA's mortgage loan repayment fund, which on November 30, 2001, had a cash balance of $155,006,400 SEG.

Alternatives

1. Approve the request.

2. Delete the requested transfer and, instead, direct DOA to submit an alternative plan.

ATTACHMENT

Division of Motor Vehicles Service Centers to be Closed

County	Municipality	CY 2000 Transactions	County	Municipality	CY 2000 Transactions
Barron	Cumberland	101	Polk	Luck*	2,775
Brown	Pulaski	414	Price	Phillips*	1,006
Chippewa	Stanley*	1,035	Racine	Burlington*	2,269
Chippewa	Cornell	270	Ripon	Ripon*	1,921
Chippewa	Bloomer	364	Sauk	Reedsburg*	3,331
Clark	Abbotsford*	2,267	Sauk	Sauk City*	3,125
Columbia	Wisconsin Dells	653	Sauk	Spring Green	298
Door	Sister Bay*	446	Shawano	Tigerton	192
Forest	Wabeno	386	Shawano	Wittenberg*	924
Trempealeau	Galesville	512	St. Croix	Baldwin	695
Grant	Cuba City	578	St. Croix	New Richmond*	4,833
Grant	Lancaster*	3,043	Trempealeau	Arcadia	521
Grant	Boscobel*	1,974	Vernon	Hillsboro	858
Jefferson	Fort Atkinson*	4,783	Walworth	Whitewater	499
Kewaunee	Kewaunee	848	Washington	Hartford*	2,296
Langlade	Elcho	173	Waukesha	Oconomowoc*	5,185
Lincoln	Tomahawk	645	Waupaca	Manawa	91
Marinette	Goodman	226	Waupaca	Weyauwega	88
Marinette	Coleman*	1,140	Waupaca	Marion	172
Marinette	Niagara*	591	Waupaca	Clintonville*	1,779
Marinette	Wausaukee*	1,043	Waupaca	New London*	1,892
Monroe	Sparta*	1,902	Waushara	Plainfield	70
Oneida	Minocqua*	2,712			
Outagamie	Seymour	317			
Pierce	Ellsworth*	1,853			

*Stations that would remain open under DOT's revised station closing plan.