

STATE OF WISCONSIN

D

SENATE CHAIR
BRIAN BURKE

316 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

315 North, State Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-2343

JOINT COMMITTEE ON FINANCE

April 19, 2000

Secretary George Lightbourn
Department of Administration
101 East Wilson Street, 10th Floor
Madison, WI 53703

Dear Secretary Lightbourn:

We are writing to inform you that the Joint Committee on Finance has reviewed your request, dated April 4, 2000, pursuant to s. 16.515/16.505(2), Stats., pertaining to requests from the Department of Commerce.

A meeting will be scheduled to further discuss these requests. Therefore, these requests are not approved at this time.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE
Senate Chair

Handwritten signature of John Gard in black ink.

JOHN GARD
Assembly Chair

BB:JG:js

cc: Members, Joint Committee on Finance
Secretary Brenda Blanchard, Department of Commerce
Vicky LaBelle, Department of Administration



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608

OBJECT

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Background Information Related to the Department of Commerce Section 16.505/515
Request for PECFA Claim Review Project Positions

This memorandum provides additional information related to a Department of Commerce request under Section 16.505/515 related to the Petroleum Environmental Cleanup Fund Award (PECFA) program. On April 4, 2000, the Joint Committee on Finance received a request from the Department of Administration (DOA) for \$112,200 PR in 2000-01 with 2.0 PR one-year project positions in the Department of Commerce for claim review under the PECFA program. The positions and funding would be provided in the Safety and Buildings Division general program operations appropriation [s. 20.143 (3)(j)] and funded from petroleum tank review and installation inspection fees currently deposited in the appropriation. The request would also delete 2.0 PR project positions that expire in October, 2001, that were provided in 1999 Act 9 (the 1999-01 biennial budget act) under a new appropriation for petroleum storage remedial action fees [s. 20.143 (3)(Lm)]. The request will be approved on April 25, 2000, unless the Committee notifies DOA before that date that it will schedule a meeting to consider the request.

Act 9 provided Commerce with \$84,200 SEG in 1999-00 and 2.0 SEG two-year project claim review positions. The act converted the 2.0 SEG positions to PR and provided \$112,200 PR in 2000-01 in a new program revenue annual appropriation. Act 9 authorized Commerce to promulgate rules to assess and collect fees to recover its costs of approving requests by owners or operators for case closure and providing other assistance requested by claimants at petroleum sites. Commerce would use fees collected under the provision to fund the two claim review staff. In addition, the act directed that any fees charged by Commerce or the Department of Natural Resources (DNR) on or after the effective date of the act (October 29, 1999) for the approval of case closures and other requested assistance not be reimbursable expenses under the PECFA program.

The authorization for Commerce to promulgate fees is similar to authorization provided to DNR in 1997 Act 27 (the 1997-99 biennial budget act). DNR is authorized to assess and collect fees to offset the costs for DNR activities related to approving requests for certain exemptions from future liability for cleanup of contaminated property and to offset the costs for much of the technical and redevelopment assistance provided by DNR, including the brownfields initiatives enacted in the last two budgets and activities previously performed by the Department. DNR promulgated NR 749 as an emergency rule effective September 19, 1998, and as a permanent rule effective February 15, 1999. DNR is authorized 10.0 PR positions from remediated property fees.

While the DNR fees are assessed for a number of activities related to brownfields cleanup and requests for exemption from liability, fees are also assessed for certain activities at PECFA sites. Over 80% of remediated property fees are from case close-out letters. After a site investigation and cleanup has been completed, a person may request a close-out letter from DNR which states that the Department has determined that, based on information available at the time of the Department's review, no further action is required. Almost all of the remediated property fees paid by owners of PECFA sites are comprised of a \$750 fee paid to DNR to receive a case close-out letter at a DNR-administered site. PECFA sites administered by Commerce do not pay a similar fee. PECFA sites must receive approval from the appropriate agency that the cleanup activities have been completed before Commerce may pay a final PECFA award for the site.

Fees charged by DNR before October 29, 1999, are eligible for reimbursement under the PECFA program, and fees charged by DNR on or after October 29, 1999, are not eligible for reimbursement. Examples of other types of remediated property fees charged by DNR are \$500 for technical assistance, \$500 for an off-site letter that clarifies who is not responsible when contamination is migrating on to a property from an off-site source, \$250 for a no further action letter for a spill site where an immediate action was taken and \$750 for review of a remedial action options report or site investigation report.

Prior to implementation of the Act 9 redefinition of high-, medium- and low-risk petroleum-contaminated sites, DNR administered cleanup at approximately 77% of active sites and Commerce administered cleanup at the remaining 23% of sites. When DNR transferred medium- and low-risk sites to Commerce on December 1, 1999, under the new Act 9 definition, DNR retained authority for approximately 38% of ranked active petroleum-contaminated sites and sites with contamination from petroleum and another hazardous substance. Commerce administers cleanup at the other 62% of active sites.

The two claim review staff authorized in Act 9 have been hired. However, Commerce has not taken action to promulgate fees by rule under Act 9 to provide funding for the two claim review staff after July 1, 2000. The Commerce request indicates that if it charged fees, they could cover functions such as providing approval of remedial action strategies, providing technical assistance to site owners, tracking remediation progress and determining when sites may be closed. Commerce advocates using existing fees collected for petroleum tank review and installation inspection. The Department argues that it does not want to charge new fees because: (a) a fee related to site closure

could have the unintended consequence of delaying rather than expediting the closure of sites, which is counter to a program goal of closing sites; (b) new fees would create an additional workload to administer; and (c) Act 9 included other program changes that may increase costs to PECFA claimants such as larger deductibles and fees as a condition of submitting a bid for remediating a site. Under the request, the claim review positions would expire June 30, 2001, and the future need for the positions could be evaluated as part of the 2001-03 budget deliberations.

Under the Commerce request, the agency would not use the authority provided in Act 9 to collect fees from PECFA claimants to pay for the two claim review positions. While this would be less burdensome to the almost two-thirds of site owners currently under Commerce jurisdiction who would not pay a fee for case close-out, it would continue a disparity that existed prior to enactment of Act 9. Site owners under DNR jurisdiction would continue to pay a fee for case close-out or certain other requests for technical assistance while Commerce site owners would not. Under Act 9, fees charged by either agency for the approval of cleanup or provision of other technical assistance are not reimbursed by the program. Prior to Act 9, the DNR fees were reimbursable under the PECFA program.

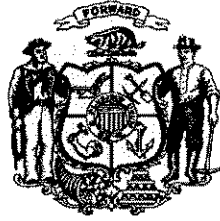
If Commerce were to establish fees under the Act 9 provision, it is not known whether they would differ from DNR fees in either the amount charged or the activity assessed.

Prepared by: Kendra Bonderud

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard
Co-Chairs, Joint Committee on Finance

Date: April 4, 2000

Re: s. 16.515/16.505(2), Stats. Request

Attached is a copy of a request from the Department of Administration, received on April 4, 2000, pursuant to s. 16.515/16.505(2), Stats., pertaining to requests from the Department of Commerce.

Please review the material and notify **Senator Burke** or **Representative Gard**, no later than **Friday, April 21, 2000**, if you have any concerns about the request or if you would like to meet formally to consider it.

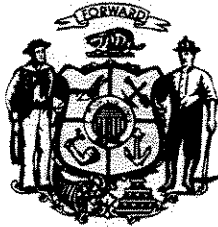
Also, please contact us if you need further information.

Attachment

BB/JG/js

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
GEORGE LIGHTBOURN
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: April 4, 2000

To: The Honorable Brian Burke, Co-Chair
Joint Committee on Finance

The Honorable John Gard, Co-Chair
Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration

Subject: S. 16.515/16.505(2) Request(s)

Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

AGENCY	DESCRIPTION	1999-2000		2000-01	
		AMOUNT	FTE	AMOUNT	FTE
COMM 20.143(3)(j)	Safety and buildings operations			\$ 112,200 *	2.00 **
COMM 20.143(3)(Lm)	Petroleum storage remedial action fees				-2.00***

* One-time expenditure authority.
** One-year project positions ending 6/30/01.
***Two-year project positions.

As provided in s. 16.515, the request(s) will be approved on April 25, 2000, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.


Please contact Vicky LaBelle at 266-1072, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

CORRESPONDENCE MEMORANDUMSTATE OF WISCONSIN
Department of Administration

Date: March 30, 2000

To: George Lightbourn
Secretary

From: Manyee Wong 
Policy and Budget Analyst

Subject: Request under s. 16.505/515 from the Department of Commerce for Positions and Expenditure Authority related to PECFA Site Claims Review

Request

The Department of Commerce (Commerce) is requesting 2.0 one-year PR FTE project positions in the Division of Environmental and Regulatory Services, Bureau of Petroleum Environmental Cleanup Fund Administration (PECFA) and an expenditure authority increase of \$115,005 in FY01 in the appropriation under s. 20.143 (3)(j) – *Safety and buildings operations*. These positions would be authorized from July 1, 2000 to June 30, 2001. In addition, Commerce requests the elimination of 2.0 PR FTE project positions in the appropriation under s. 20.143 (3)(Lm) – *Petroleum storage, remedial action fees* on July 1, 2000. The additional resources will allow Commerce to expedite the review of claims currently in backlog for petroleum contaminated sites.

Revenue Sources

This request will be funded from the program revenue annual appropriation under s. 20.143 (3)(j) – *Safety and buildings operations*. The appropriation had a FY00 opening balance of \$3,124,468 and is expected to receive an additional \$14,990,000 in revenue by the end of FY00. With Chapter 20 expenditure authority of \$16,043,800 in FY00, this appropriation is expected to have \$2,070,668 of unappropriated revenue remaining in FY00. Adequate resources are available to fund the request.

Background

1999 Wisconsin Act 9 made several changes to the Petroleum Environmental Cleanup Fund Administration (PECFA) program to reduce the claims backlog and to maintain program solvency. A rising claims backlog has not only significantly increased interest costs to the program but also tied up borrowing authority for site owners. To reduce this backlog, the Legislature authorized \$270 million of revenue bonds and 2.0 two-year project positions to expedite claim reviews.

The two claim review positions are to be funded by segregated revenue in FY00 and program revenue in FY01. The Legislature also provided Commerce with the authority to promulgate rules and assess site closure fees. The fees are to be deposited in a newly created program revenue appropriation under s. 20.143 (3)(Lm) and will be used to

support the 2.0 PR claim review positions in FY01. Commerce currently has expenditure authority of \$84,200 SEG in FY00 and \$112,200 PR in FY01 for these positions. The department requests that the two claim review positions be created in and funded out of appropriation s. 20.143 (3)(j) instead of appropriation s. 20.143 (3)(Lm) in FY01 to eliminate the need to charge fees.

Analysis

The source of revenue for appropriation s. 20.143 (3)(j) comes from fees charged for services provided by the Division of Safety and Buildings. Included in this appropriation are fees charged for petroleum tank inspections and the review of plans for petroleum system installations and upgrades. Prior to FY93, these fees were used to support positions in the Division of Safety and Buildings under the Department of Industry, Labor, and Human Relations (DILHR). 1997 Wisconsin Act 27 merged DILHR with the Department of Commerce and transferred these positions from the Division of Safety and Buildings to the Division of Environmental and Regulatory Services. Tank review and inspection fees collected from 1993 to 1995 were transferred to the petroleum inspection fund.

Due to an oversight, changes to the statutes were not made to deposit the tank review and inspection fees to the petroleum inspection fund after 1995. As such, tank review and inspection fees collected from 1996 to 1999 (roughly \$1.2 million) were deposited in the safety and buildings appropriation under s. 20.143(3)(j) and are currently held in reserve. Commerce requests the use of this fee revenue to support the two claim review positions in FY01. Correspondingly, Commerce will delete the 2.0 FTE PR claim review positions created by Act 9 on July 1, 2001. In the next budget, Commerce will request these fees be deposited in, and the two claim review positions be funded by, the petroleum inspection fund.

Although the majority of the customers paying tank review and inspection fees are the same customers conducting environmental remediation on petroleum contaminated sites, one could argue that the tank review and inspection fees should not be used for other purposes. These fees were established to support positions conducting tank reviews and inspections, rather than claim specialists conducting site closure reviews on petroleum contaminated sites. However, current positions conducting tank reviews and inspections are funded by the petroleum inspection fund and current fees collected for these services should have been deposited in the petroleum inspection fund and used to support general PECFA program activities.

Many of the 1999 Wisconsin Act 9 changes such as reduction in interest cost reimbursements, higher deductibles, and site bidding insurance, increase costs to PECFA customers. Since these PECFA customers are the same customers that pay the tank review and inspection fees, they are likely to support the use of existing revenue rather than the creation of a new fee. Furthermore, if current fees levels result in a significant fund reserve, customers may view the fees as being too high. Creating an additional fee may be viewed as an unreasonable burden on site owners participating in the PECFA program.

Creating a new fee not only increases costs to customers, it also increases costs to the agency. To establish a new fee, Commerce will need to create rules that require additional staff time and agency effort. Since tank review and inspection revenue is available and should have been deposited in the petroleum inspection fund to support general program activities, the use of these funds is appropriate.

Expenditure authority requested is \$115,000. This is \$2,800 more than the expenditure authority provided in Act 9. Commerce cites that the difference in expenditure authority between Act 9 and the amount under this request is due to the inclusion of a 2.5 percent reserve for pay plan. Current allotment procedures provide pay plan supplements during the end of the fiscal year. Expenditure authority for pay plan supplements is not needed at this time.

Recommendation

Modify the request to provide \$112,200 PR in FY01 to reflect the fact that pay plan supplements will fully fund higher salary costs of the positions. Approve the remainder of the request.

CORRESPONDENCE/MEMORANDUM

State of Wisconsin
Department of Commerce

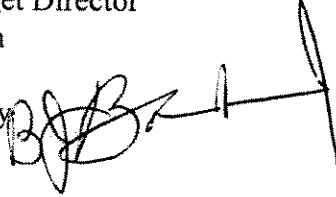
CC DS
X MW

DATE: March 9, 2000

TO: Richard Chandler, State Budget Director
Department of Administration

MAR 10 2000

FROM: Brenda J. Blanchard, Secretary
Department of Commerce



SUBJECT: Department of Commerce Request under 16.505/16.515 for Additional Position and Funding Authority

Request and Funding Source

The Department of Commerce requests increased authorization of 2.0 FTE project claim review positions in program revenue appropriation 321 (s. 20.143 (3) (j), Stats.), in FY 2001 for the purpose of providing assistance requested by claimants and performing other functions that will facilitate the closure of petroleum contaminated sites. The positions will extend from July 1, 2000 through June 30, 2001. The Department also requests increased funding authority in the amount of \$115,005 in program revenue appropriation 321 (s. 20.143 (3) (j), Stats.) in FY 2001 to support the positions. Finally, the Department requests the elimination of 2.0 FTE project claim review positions under s. 20.143 (3) (Lm), Stats., effective July 1, 2000.

Background

1999 Wisconsin Act 9 (the biennial budget bill) created a new appropriation for Petroleum Storage Remedial Action fees under s. 20.143 (3) (Lm), Stats. The bill also included the addition of 2.0 FTE project positions to conduct Petroleum Storage Remedial Action claim review activities. The positions, funding authority and \$84,200 in SEG funds were provided in the first year. In the second year, the budget converts the positions from SEG to PR, provides funding authority and directs Commerce to provide \$112,200 in PR funds for the positions.

The budget bill directed that Commerce could promulgate rules for the assessment and collection of fees to recover the costs associated with the project positions including charging fees for the administration of petroleum contaminated sites. These fees could cover functions such as the bidding of remediation services, providing approval of remedial action strategies, providing technical assistance to site owners, tracking remediation progress and determining when sites may be closed. Fees collected would be credited to the new PR appropriation.

The Department requests that the position and funding authority be granted for FY 2001 under an existing funding source identified by the PECFA program. The funding source consists of petroleum product tank plan review and inspection fee revenues collected under s. 20.143 (3) (j), Stats.

The source of revenue for this appropriation involves program revenue, and comes from fees that are charged for the review of plans for petroleum system installations and upgrades. These fees are directly related to the PECFA program and are consistent with the scope of activities of the project positions.

Plan reviews are conducted and fees charged for the installation of new underground and aboveground petroleum product storage tank systems. In addition, plans are reviewed and fees charged on engineering upgrades to existing systems and activities like the addition of leak detection to existing systems. Plans are reviewed and fees charged to the same customer base as those that are conducting the remediations being funded by the PECFA program. In most instances, plans being reviewed are for sites that are attempting to complete petroleum remedial efforts.

The number of plans being reviewed and the high level of activity in the PECFA program are directly related. As owners have upgraded their petroleum storage tank systems, contamination has been identified and environmental remediations have begun. In many cases, the construction and upgrade efforts on site are directly timed and matched to the start and progress of the environmental remediation. The volume of activity associated with this concentrated upgrade activity has been a factor in oversubscribing the PECFA program. It, however, has also resulted in a volume of fee collections that has created a reserve of funds that can be directed to the support of the project positions.

Using current revenue as a funding source would be preferable to promulgating rules to collect additional fees, which would increase costs to the program's customers. These costs will already increase with the 1999-2001 budget requirement relating to site bidding and insurance. The provision requires that a person pay a fee as a condition of submitting a bid to provide a service under the PECFA program. It is anticipated that this fee will be passed on to the claimant. The budget included other program changes, such as larger deductibles, which will also increase costs to the program's customers.

The use of an existing program revenue source, which is consistent with the scope of the activities, will enhance the goals of supporting the clean-up and site-closure activities through fees assessed on petroleum storage tank operators, while also facilitating the closure of sites. At the same time, it will soften the impact of the additional costs on the program's customers. A fee related to site closure, when added to the fee imposed on submitting a bid, could have the unintended consequence of delaying rather than expediting the closure of sites.

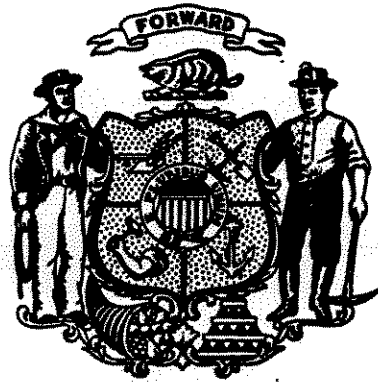
Summary

The Department of Commerce requests position authority for the 2.0 FTE project claim review positions and funding authority of \$115,005 under s. 20.143 (3) (j), Stats., for FY 2001 (The request for an additional \$2,805 in funding authority over 1999 Wisconsin Act 9 reflects an adjustment in pay plan). The Department also requests that the authority for the 2.0 FTE project claim review positions, which is currently provided under s. 20.143 (3) (Lm), Stats., be eliminated effective July 1, 2000.

Approval of this item would provide an appropriate, currently available revenue source that is directly related to the activities of the positions it would fund. It would also benefit the program's customers by softening the impact of the cost increases related to the clean up and closure of sites.

If there are any questions regarding this request or a desire for further information, please contact Louis Cornelius, Director of the Bureau of Policy and Budget, at 266-8629.

END



END

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

315 North, State Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-2343

JOINT COMMITTEE ON FINANCE

April 5, 2000

Mr. George Lightbourn, Secretary
Department of Administration
101 E. Wilson Street, 10th Floor
Madison, WI 53703

Dear Secretary Lightbourn:

On March 16, 2000, you submitted, under ss. 16.505/515 of the statutes, requests for funding and/or position increases for the following agencies: (1) Department of Natural Resources (three separate requests); (2) Public Service Commission (two requests); and (3) Department of Administration (one request). Objections have been raised with regard to all three of the requests for the Department of Natural Resources and therefore, those requests will be scheduled for consideration by the Committee at a meeting under s. 13.10.

With regard to the two requests for the Public Service Commission (PSC), those requests are approved by the Committee subject to the following: (1) the increased funding for both the Arrowhead Project and for the Market Power Study are approved with the understanding that these funds are to be earmarked for expenditure for the respective projects and not for other purposes; (2) of the increased funding for the Arrowhead Project: (a) \$100,000 PR of the total funding provided for printing and mailing costs in 1999-00 be placed in unallotted reserve and be available for release by DOA after the PSC has provided DOA with information on the specific number of documents to be printed; and (b) the \$25,000 PR of the funding in 2000-01 for the reserve administrative law judge be placed in unallotted reserve and be available for release by DOA after PSC has provided justification for the level of proposed hourly compensation to be paid to that individual; and (3) all of the increased funding of \$41,000 PR in 2000-01 for the Arrowhead Project be one-time funding.

With regard to the request for the Department of Administration, the funding of \$6,678,700 PR for 1999-00 is approved at this time. In this request, it was noted that with the requested increase, expenditures for the telecommunications appropriation in 1999-00 will exceed projected revenues, resulting in a projected ending cash deficit in this fiscal year. However, the request further indicated that "since costs will be recovered over multiple years the cash deficit will decline and the appropriation will [then] be positive." The Committee is concerned about the lack of detailed information regarding how DOA plans to manage the telecommunications appropriation as a whole, as well as the three major component programs funded from that appropriation, to ensure that the deficit will be eliminated. Therefore, Committee action on the requested funding for fiscal year 2000-01 is temporarily deferred pending receipt from the Department of a plan detailing, for both the overall appropriation and for the component programs funded from that appropriation, the following: (1) the projected fiscal year 2000-01 expenditure and revenue levels (including proposed rate increase amounts, if any); (2) the projected ending cash balance for fiscal year 2000-01; and (3) if that projected ending cash balance is negative, the specific additional steps that DOA plans to undertake in the next biennium to bring the appropriation to a positive balance. Upon Committee approval of that report, under a 14-day passive review process, the funding request for fiscal year 2000-01 will also be considered approved.

With regard to the funding requests for the Public Service Commission and the Department of Administration, the Committee's actions will be considered approved unless you notify us by April 12, 2000, that you wish us to schedule either the PSC or DOA requests in their entirety for consideration by the Committee under s. 13.10.

Sincerely,



BRIAN BURKE
Senate Chair



JOHN GARD
Assembly Chair

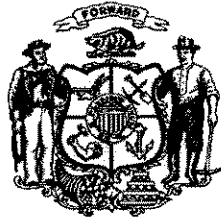
BB:JG:js

cc: Members, Joint Committee on Finance
Secretary George Meyer, Department of Natural Resources
Chairperson Ave Bie, Public Service Commission
Ms. Vicky LaBelle, Department of Administration

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard
Co-Chairs, Joint Committee on Finance

Date: March 16, 2000

Re: s. 16.515/16.505(2), Stats. Request

Attached is a copy of a request from the Department of Administration, received on March 16, 2000, pursuant to s. 16.515/16.505(2), Stats., pertaining to requests from the Department of Natural Resources, the Public Service Commission and the Department of Administration.

Please review the material and notify **Senator Burke** or **Representative Gard**, no later than **Monday, April 3, 2000**, if you have any concerns about the request or if you would like to meet formally to consider it.

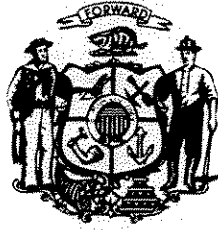
Also, please contact us if you need further information.

Attachment

BB/JG/js

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
GEORGE LIGHTBOURN
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: March 16, 2000

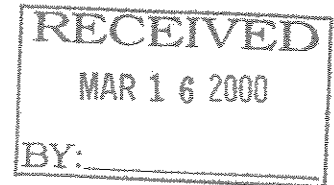
To: The Honorable Brian Burke, Co-Chair
Joint Committee on Finance

The Honorable John Gard, Co-Chair
Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration

George Lightbourn

Subject: S. 16.515/16.505(2) Request(s)



Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

AGENCY	DESCRIPTION	1999-2000		2000-01	
		AMOUNT	FTE	AMOUNT	FTE
DNR 20.370(2)(bi)	Air management - asbestos management			\$ 55,000	1.00
DNR 20.370(2)(ci)	Air management - permit review and enforcement	\$ 11,300		222,800	3.00
DNR 20.370(9)(mk)	General program operations - service funds		1.00 *		1.00 *
PSC 20.155(1)(g)	Arrowhead Project	365,800		41,000	
20.155(1)(g)	Market Power Study	150,000			
DOA 20.505(1)(ke)	Telecommunications and data processing services	6,678,700**		6,732,700	

* Three-year project position in the Bureau of Communication and Education.

** One-time expenditure for costs of start-up, change-over and service level adjustments.

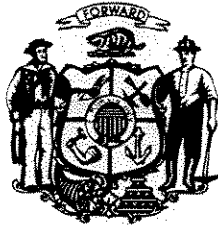
As provided in s. 16.515, the request(s) will be approved on April 6, 2000, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Vicky LaBelle at 266-1072, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: February 23, 2000

To: George Lightbourn, Secretary
Department of Administration

From: John M. Etzler *JME*
Policy and Budget Analyst

Subject: Request Under s.16.505/515 from the Department of Natural Resources for Asbestos Management.

REQUEST:

The Department of Natural Resources (DNR) requests an increase in expenditure authority of \$55,000 PR in fiscal year 2000-2001 in the appropriation under s. 20.370 (2) (bi) (air management - asbestos management) to fund 1.0 full-time equivalent (FTE) position.

REVENUE SOURCES FOR APPROPRIATION(S):

Section 20.370 (2) (bi) is funded from an asbestos inspection fee that ranges from \$50 to \$200 and also a permit exemption review fee of \$150 or \$325. The fees are levied on individuals, primarily building contractors, who are required to submit an asbestos abatement notification form.

BACKGROUND:

The Clean Air Act (CAA) of 1970 requires the Environmental Protection Agency (EPA) to develop and enforce regulations to protect the general public from exposure to airborne contaminants that are known to be hazardous to human health. In accordance with Section 112 of the CAA, EPA established National Emission Standards for Hazardous Air Pollutants (NESHAP). Asbestos is one of the first hazardous air pollutants regulated under Section 112.

EPA delegated to DNR the implementation and enforcement of the federal NESHAP asbestos notification program in Wisconsin. The program requires the submittal of notices on asbestos abatement and demolition projects to the department. DNR receives approximately 3,000 notices per year. These notices require review, fee processing and response letters to be generated and sent to the owner and/or operator of the project. These notices are entered into a national EPA mandated database (Asbestos Contractor Tracking System - ACTS). In addition, EPA requires all enforcement related information to

be entered into the National Asbestos Registry System (NARS) which is a national database system that tracks asbestos contractors and NESHAP violations.

In response to these requirements, 1993 Wisconsin Act 16 (the 1993-95 biennial budget bill) authorized DNR to promulgate rules to create a fee for the inspection of nonresidential asbestos demolition and renovation projects. 1999 Wisconsin Act 9 increased the statutory limit of the fee from \$200 to \$210 for the inspection of nonresidential asbestos demolition and renovation projects. DNR estimates the \$10 fee increase could generate approximately \$4,300 PR annually beginning in FY01. Act 9 also directed the department to submit a request under s. 16.505/515, after administrative rules were promulgated, to fund asbestos abatement and construction permit activities from available revenues.

Currently, DNR is authorized 2.0 FTE PR positions for the asbestos abatement program. However, the department devotes a total of approximately 3.8 FTE positions to the program, including the time of regional compliance inspectors and limited-term employee office support staff. The 1.8 FTE staff that are not funded from asbestos fees are primarily paid from air emission tonnage fees.

The two authorized positions in the asbestos abatement program consist of 1.0 FTE permanent position and 1.0 FTE two-year project position. The permanent position manages consistency and compliance efforts and responds to customer complaints. The project position, authorized from April 1998 to April 2000, serves as a liaison between DNR and DOA to assist DOA, and potentially other state agencies, in complying with federal and state regulations for asbestos abatement projects in state owned buildings.

DOA is the state agency that awards contracts for asbestos work in most state facilities. The department usually hires private contractors to conduct the abatement work at these facilities. During the 1999-2001 biennium, DOA has budgeted approximately \$3.8 million for asbestos related activities and has scheduled 106 projects at various state office buildings. The contractor hired by DOA is responsible for the cost of the fees assessed by DNR.

ANALYSIS:

The requested Air Management Specialist – Senior position will allow DNR to readily address compliance issues for the asbestos program by providing additional staff support to replace the project position. Previously, DNR had difficulty in finding a qualified applicant to fill the project position due to its short-term nature. Consequently, the review of permits and required changes and upgrades to the NARS and ACTS database systems were delayed. This resulted in criticism from EPA for not adequately meeting record-keeping requirements. Any future non-compliance with federal requirements by the asbestos section could result in the loss of federal grants to the air management program. The position will also coordinate the increasing workload associated with state owned facility abatement projects. This will result in a higher level of service to assist in

improving state agency compliance with asbestos abatement requirements by involving DNR officials throughout the life of an asbestos abatement project.

The permit exemption, review and inspection fees submitted with the asbestos notices are projected to generate \$200,000 PR in each fiscal year of the biennium. (In the past, the fees have generated revenues as high as \$252,000 PR.) With expenses projected at approximately \$329,000 PR in FY00 and \$349,600 PR in FY01, the ending balance for FY01 is \$137,900 PR. However, over the biennium, expenditures exceed projected revenues by approximately \$129,000 PR in FY00 and \$149,600 PR in FY01. Nevertheless, DNR staff indicate the new position may generate additional fees for the program through increased customer outreach and compliance efforts.

Air Management - Asbestos Management

	<u>FY00</u>	<u>FY01</u>
Opening Balance	\$416,400	\$287,400
Revenues	\$200,000	\$200,000
<i>Subtotal</i>	\$616,400	\$487,400
Expenditures		
Ch. 20 Expenditure Authority	\$327,400	\$289,400
Expenditure Authority Requested	\$0	\$55,000
Reserves	\$1,600	\$5,200
<i>Subtotal</i>	\$329,000	\$349,600
Ending Balance	\$287,400	\$137,800

RECOMMENDATION:

Approve the request.

CORRESPONDENCE/MEMORANDUM

State of Wisconsin

CC DS
JE

DATE: January 12, 2000

FILE REF: 4520

TO: Richard G. Chandler, Director
State Budget Office
Department of Administration

Rick

JAN 31 2000

FROM: George E. Meyer, Secretary
Department of Natural Resources

George

SUBJECT: Program Revenue Position and Spending Authority Request Under s. 16.515 and 16.505 Wis. Stats., for the Bureau of Air Management Asbestos Program.

REQUEST

The Department requests authorization for an additional 1 FTE for an Air Management Specialist – Senior. In order to fund this position, an additional \$55,000 of expenditure authority will be necessary. This position will be an Asbestos Specialist, located in the Central Office Madison. A primary responsibility of this position is serving as the Department Asbestos Liaison to the Department of Administration (DOA), implementing the January 5, 1998 Memorandum of Agreement (MOA) between these agencies. In addition, this position will assist the Department Asbestos Coordinator in developing, implementing and evaluating the statewide asbestos renovation/demolition program. This position will also ensure that required asbestos notifications are submitted, tracked and evaluated as part of the USEPA delegated asbestos notification program.

BACKGROUND

The implementation of the asbestos-related MOA between both DOA & DNR is a very high priority. This MOA has improved inter-agency coordination concerning the selection of contractors and oversight of asbestos abatement in State buildings. The Department Asbestos Liaison works very closely with DOA staff and contractors, ensuring compliance with applicable regulations. The responsibilities associated with this position include traveling throughout the state, attending pre-construction meetings, inspecting active abatements and conducting post-abatement inspections.

The implementation and enforcement of the federal National Emission Standard for Hazardous Air Pollutants (NESHAPS) asbestos notification program has been delegated by the United States Environmental Protection Agency to the Department of Natural Resources. This notification program requires the submittal of notices for subject asbestos abatement and demolition projects to the Department. The Department receives approximately 3000 such notices per year, which require review, fee processing and response letters generated to the owner/operator. These notices are entered into a national, USEPA mandated database, the Asbestos Contractor Tracking System (ACTS). In addition, it is a requirement that all enforcement-related information is to be entered into ACTS for submittal into the National Asbestos Registry System (NARS) which is a nation-wide database of asbestos contractors with violations of the Asbestos NESHAP.

ANALYSIS of NEED

The Department was unable to fill a two-year project position implementing the MOA, due to a lack of interest from qualified candidates. The asbestos industry has grown substantially the last several years, resulting in a continuing demand for workers, supervisors and consultants. The Department could not find any qualified applicants willing to give up their current position for a 2-year temporary position, with no guarantee of future employment. Therefore, the Department Asbestos Coordinator agreed to assume the duties of the Asbestos Liaison, which expires February 22, 2000. The Asbestos Coordinator has participated in at least 25 abatement projects, including the current project at the State Capitol, in addition to the duties of implementing and coordinating the Department asbestos program. After February 22, 2000, the Department will no longer have an asbestos liaison to DOA. For the upcoming biennium, DOA has budgeted approximately \$3.8 million for asbestos-related activities and has definite projects scheduled for 106 state buildings. In the late 1980's, environmental experts predicted that virtually all asbestos in the US would be abated by 1999. This has definitely not been the case; for state buildings alone, it was once estimated there is probably enough asbestos left to continue abatement into the year 2050. Without the Asbestos Specialist position, the Department will not have an individual in place to adequately handle the needs of state, or private projects in a responsive manner.

The review and tracking of the notifications is a tremendous work effort, and is currently being done by a part-time LTE and the Bureau Asbestos Coordinator. The Asbestos Coordinator was hired for the task of coordinating the asbestos program and should not be reviewing notices, however due to the current workload, assistance by the Asbestos Coordinator has been necessary. Even with the help of the Asbestos Coordinator notices are not reviewed on schedule, which results in inadequate customer service to the owners/operators. Most communities require a Department response letter before local permits can be issued so projects are dependent on the responsiveness of Department. Since most of the program's attention is placed on the application review process, the NARS information is not being inputted in a timely manner and is not meeting USEPA record-keeping requirements.

Because most asbestos abatement projects are capital expenditures involved in renovating or demolishing/building new buildings, these projects are often discretionary. Recent economic trends have prompted a large number of renovation projects and based on current trends the number of subject asbestos abatement/demolition projects is expected to stay nearly the same for the upcoming year. In addition, this new position will generate additional fees, through increased customer outreach. The permit exemption review and inspection fees submitted with the asbestos notices generated \$244,500 in FY99, with expenses at \$208,148. This leaves a balance of \$484,674.

REVENUE SUMMARY

YEAR	REVENUE	EXPENSES	BALANCE
1995	\$132,825	\$62,437	\$275,861
1996	\$215,406	\$169,599	\$321,668
1997	\$252,025	\$141,152	\$432,541
1998	\$210,094	\$194,311	\$448,323
1999	\$244,500	\$208,148	\$484,674

Note: There are outstanding encumbrances/commitments of \$68,282 for FY99, not included above.

Expenditure authority for Asbestos Management appropriation 20.370(2)(bi) is \$327,400 in fiscal year 2000 and \$289,400 in fiscal year 2001.

If you have any questions on this request, please contact Eric Ebersberger, MB/5 at 266-0818, Jon Heinrich, AM/7 at 267-7547 or Bob Sloan, AM/7 at 266-3658. Thank you for your consideration in this matter.

CC: Lloyd Eagan AM/7
Jon Heinrich AM/7
Bob Sloan AM/7
Jay Hochmuth AD/5
Dan Derr FN/1
Susan Felker-Donsing MB/5
Eric Ebersberger MB/5
John Etzler DOA
Dave Schmiedicke DOA

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: March 8, 2000

To: George Lightbourn, Secretary
Department of Administration

From: John M. Etzler *JME*
Policy and Budget Analyst

Subject: Request under s. 16.505/515 from the Department of Natural Resources for the Air Pollution Construction Permit Program

REQUEST:

The Department of Natural Resources (DNR) requests an increase in expenditure authority of \$222,800 PR in fiscal years 1999-2000 and 2000-2001 in the appropriation under s. 20.370 (2) (ci) (air management – permit review and enforcement) to fund 3.0 full-time equivalent (FTE) positions and additional program costs.

REVENUE SOURCES FOR APPROPRIATION(S):

Section 20.370 (2) (ci) is funded from fees assessed to facilities requesting a permit for construction of new air emission sources and modification of an existing emissions source, or the exemption from the requirement for a permit.

BACKGROUND:

Section 110 of the 1990 Clean Air Act authorizes DNR to collect reasonable fees for the (direct and indirect) costs of reviewing and acting on applications for construction permits and permit exemptions. Consequently, manufacturers are required to apply for and receive an air pollution control permit when they propose to construct or modify a source that emits air pollutants. A new or modified source may not begin construction or modification until they receive a permit. DNR is required to review application materials for a permit within 20 days to determine if the applicant has included all necessary materials and information needed to process a request for a construction permit. The department must complete its analysis of an application within 30 days for minor source construction projects and within 120 days for major source projects.

The Bureau of Air Management processes between 160 and 210 construction permit requests per year. Presently, the average time needed to process a permit for modifications to a new or existing emissions source (new source permit) is approximately 100 hours. The table below shows the number of new source construction permits issued since fiscal year 1995.

**Number of New Source Construction
Permits Issued Between FY95 and FY99**

<u>Fiscal Year Issued</u>	<u>Permits Issued</u>
1995	173
1996	153
1997	191
1998	174
1999	<u>194</u>
TOTAL	885

In FY00 the Bureau of Air Management has a base budget of \$1,245,900 PR to support 16.5 FTE PR positions for air construction permit review activities. However, the bureau allocates the equivalent of 19.5 FTE positions to these activities. Previously, 1997 Wisconsin Act 27 (1997-1999 biennial budget) deleted 2.0 vacant FTE positions and transferred 2.5 FTE positions to the stationary source emission fees appropriation to hold construction permit appropriation expenditures within available revenues. Since then, DNR has promulgated administrative rules that will raise the fee for construction permits beginning July 1, 2000. The fee increase is projected to provide \$425,000 PR annually. In addition, 1999 Wisconsin Act 9 required DNR to submit a request under s. 16.505/515 after administrative rules were promulgated to fund construction permit activities from available revenues.

DNR is requesting \$154,500 PR in FY00 and FY01 to support 3.0 additional FTE PR positions. The requested positions are a Program Assistant - 2, Air Management Specialist - Senior, and an Air Management Engineer - Senior. The Program Assistant will be located at the central office in Madison to process new source permit applications. The Air Management Specialist will be an ambient air quality modeler located in Madison and will model new or modified sources to ensure they will not violate any ambient air quality permits or increments. The Air Management Engineer will process new source permits for the Southeast region. The request provides \$100,800 for permanent salary, \$37,900 for fringe benefits, and \$15,800 for supplies and services in each fiscal year.

In addition to the funding for the positions, \$45,300 PR in FY00 and FY01 for supplies and services related to bureau-wide expenses is being requested. These expenses include \$7,200 for yearly information technology maintenance charges, \$3,500 for computer networking and storage services, and \$34,600 for computer replacement costs. Also, the program is requesting \$23,000 PR to support an internship program coordinated by the University of Wisconsin Institute for Environmental Studies. This program supports interns that assist DNR staff in conducting various activities within the bureau. The cost of these expenses is currently funded from emissions tonnage fees and federal grants. The proportionate share of these costs for each is based on the total number of FTE positions within each appropriation.

Summary of DNR Request

<u>Item Requested</u>	<u>Cost</u>
3.0 FTE Positions	
Permanent Salaries	\$100,800
Fringe Benefits	\$37,900
Supplies and Services	\$15,800
<i>Subtotal</i>	<u>\$154,500</u>
Bureau-wide Expenses	
Information Technology Maintenance	\$7,200
Computer Networking and Storage	\$3,500
Computer Replacement	\$34,600
Internship Program	\$23,000
<i>Subtotal</i>	<u>\$68,300</u>
Total Requested	\$222,800

ANALYSIS:

The intent of the staffing changes during the 1997-1999 biennium was to stabilize the construction permit appropriation. Since that time, the number of permits processed has remained constant and additional revenues have been generated. However, the staff reductions have hindered the Bureau of Air Management's ability to meet program requirements with current position levels funded from these revenues. Currently, DNR allocates 3.5 FTE positions from the stationary source program and relies on additional staff overtime to complete the construction permit review process. DNR officials indicate that 3,106 hours and 4,229 hours of overtime were required in FY98 and FY99, respectively, to process construction permits. Delays in the approval process could cause delays in the construction or upgrade of a facility or Environmental Protection Agency sanctions against the department.

The requested positions should allow the bureau to eliminate the need to reallocate staff from stationary source to construction permit activities and reduce the amount of staff overtime. This would assist the department in meeting program activities from the appropriate funding source and allow reallocation of staff to other critical areas within the Bureau of Air Management. In addition, the reallocation of costs for bureau-wide services will assist DNR in assigning operating costs to the appropriate program revenue.

However, the requested funding for positions in FY00 is not necessary because the positions will not be filled until FY01. Likewise, the reallocation of bureau costs for FY00 should be limited to the final four months of the fiscal year. Based on these adjustments and the projected increase in additional revenue for FY01, the air management - permit review and enforcement appropriation will have enough revenues in FY00 and FY01 to fund the on-going expenditures associated with this request.

Air Management - Permit Review and Enforcement Appropriation Expenses

	<u>FY00</u>	<u>FY01</u>
Opening Balance	\$401,500	\$310,400
Revenues	\$1,200,000	\$1,200,000
Fee Increase		\$425,000
<i>Subtotal</i>	\$1,601,500	\$1,935,400
Expenditures		
Chapter 20 Expenditure Authority Request (Adjusted)	\$1,245,900	\$1,245,900
<i>Bureau Costs</i>	\$11,300	\$68,300
<i>Position Costs</i>		\$154,500
Compensation Reserves	\$33,900	\$108,600
<i>Subtotal</i>	\$1,291,100	\$1,577,300
Ending Balance	\$310,400	\$358,100

RECOMMENDATION:

Modify the request by providing \$11,300 PR in FY00 and \$68,300 PR in FY01 for the reallocation of bureau costs and \$154,500 PR in FY01 to fully fund 3.0 additional FTE PR positions.

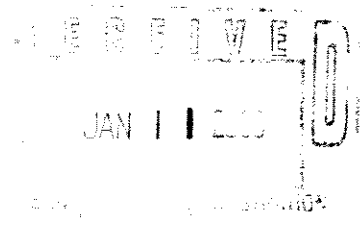
CORRESPONDENCE/MEMORANDUM

CC: DS

DATE: January 4, 2000

TO: *nick*
Richard G. Chandler, Director
State Budget Office
Department of Administration

FROM: *George*
George E. Meyer, Secretary
Department of Natural Resources



SUBJECT: Request for 3 FTE under s. 16.505 and Spending Authority under s. 16.515, for the Bureau of Air Management.

REQUEST

The Department requests hiring authority for an additional 3 FTE in accordance with Section 9136 (3d)(a)&(b) of Wis. Act 9. Section 9136(3d)(a) directs the Department of Natural Resources to request from the Governor an increase in the authorized level of full-time equivalent positions funded by 20.370 (2)(ci) under section 16.505. Section 9136(3d)(b) directs the Department of Natural Resources to request the Secretary of Administration to increase funding from 20.370(2)(ci) for pollution control permits under section 16.515. The Department is requesting 3 FTE consisting of a Program Assistant - 2, an Air Management Specialist - Senior, and one Air Management Engineer - Senior. The Program Assistant - 2 will be located in Madison to process New Source Permit applications. The Air Management Specialist - Senior will be an ambient air quality modeler located in Madison and will model new or modified sources to ensure that they will not violate an ambient air quality permit or increment. The Air Management Engineer - Senior will process New Source Permit applications and will be located in the Southeast Region. In order to fund the positions identified, expenditure authority of \$222,800 per year is needed from appropriation 20.370(2)(ci). The line breakdown would be \$100,800 for permanent salary, \$37,900 for fringe benefits, and \$84,100 for supplies and services. Additional supplies and services costs are being requested to support Bureauwide charges that are currently under-funded from this appropriation.

BACKGROUND

Manufacturers are required to apply for and receive an air pollution control permit when they propose to construct or modify a source that emits an air pollutant. A new or modified source may not begin construction or modification until they receive a permit. The Department is required to process permits according to the time requirements specified in s. 285.61. The Department processes between 160 and 210 air permits each year. Processing time for New Source Permits is approximately 100 hours. The Department has issued a total of (885) New Source Permit, since fiscal year 1995, with a high of 194 in 1999 and a low of 153 in 1996. The following table shows New Source Permits issued by year:

<u>Fiscal Year</u>	<u>Permits Issued</u>
1995	173
1996	153
1997	191
1998	174
1999	194



The Department is currently funding 16.5 FTE for processing permits from appropriation 20.370(2)(ci). The Department funded 21 FTE until a revenue shortfall in 1996 caused the Department to hold positions vacant. In the 1997-99 biennial budget, 2.5 FTE were moved from the new source review program to the stationary source review program and 2 FTE positions were deleted. Since then, new construction permit requests have increased and have remained at a level sufficient to support the 3 FTE requested. The staffing reduction has prompted several individuals to work overtime to ensure that permits are being processed. In FY 98 3,106 hours of overtime were worked and in FY 99 4,299 hours of overtime were worked.

ANALYSIS OF NEED

The increased demand for permits has left the Bureau of Air Management short on staff and many people are doubling up on job duties. The current staff is not able to pick up the extra workload, which is why several people are working overtime on permits. The review process includes a number of deadlines that must be met; this includes analysis of major source construction permits within 120 days, and minor source construction permits within 30 days. Upon the close of the public comment or public hearing notice, the Department has 60 days to act on the request. In order to comply with the program requirements and avoid delays in the construction process additional support is needed in the new source review permitting.

REVENUE SUMMARY

The Department is authorized to collect fees for reviewing and acting on any application for a construction permit or any request for an exemption to obtain an air pollution control permit under s. 285.69. Revenues are sufficient to fund the additional 3 FTE requested. In fiscal year 99 the Department generated \$1,390,983 in revenues and expended \$1,193,679. The balance in the permit review and enforcement account at the end of fiscal year 1999 was \$401,538. The appropriation also had surpluses in fiscal years' 1997 and 1998. The following table shows the condition of the permit review and enforcement appropriation for the past three years, and a projection through fiscal year 2001.

Fiscal Year	Revenue \$	Expenses \$	Balance \$
1997	1,342,600	1,290,641	83,880
1998	1,273,563	1,153,209	204,234
1999	1,390,983	1,193,679	401,538
2000*	1,300,000	1,400,000	302,552
2001*	1,645,000	1,504,472	443,080

*Years 2000 and 2001 are projected figures.

The fiscal year 2001 revenue projection includes a fee increase that has been approved and will be effective in July of 2000. The additional fee increase will ensure the program revenue will provide necessary funding for all positions associated with new source review permitting.

If you have any questions on this request, please contact Jon Heinrich, AM/7 (267-7547) or Dan Johnston AM/7 (267-9500) of the Air Management program, or Brian Dranzik (267-7418) of the Bureau of Management and Budget. Thank you for your consideration of this matter.

Cc: Jay Hochmuth AD/5
Lloyd Eagan AM/7
Jon Heinrich AM/7
Dan Johnston AM/7
Dan Derr FN/1
Brian Dranzik MB/5
Susan Felker-Donsing MB/5
Sue Steinmetz HR/5

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: March 13, 2000

To: George Lightbourn, Secretary
Department of Administration

From: John M. Etzler *JME*
Policy and Budget Analyst

Subject: Request under s. 16.505 from the Department of Natural Resources for the Bureau of Communication and Education

REQUEST:

The Department of Natural Resources (DNR) requests position authority for a 1.0 full-time equivalent (FTE) three-year project position in the Bureau of Communication and Education. Funding for the position will be authorized in the continuing appropriation under s. 20.370 (9) (mk) (General Program Operations – Service Funds) through the normal allotment process.

REVENUE SOURCES FOR APPROPRIATION(S):

Section 20.370 (9) (mk) is a program service revenue appropriation that is funded from moneys received by the department from the department and from other state agencies for facilities, materials or services provided by the department related to communications, customer services, licensing and aids administration. The position will be funded from federal funds received from the Department of Transportation through the federal Congestion Mitigation and Air Quality Improvement (CMAQ) program.

BACKGROUND:

CMAQ was created in the Intermodal Surface Transportation Efficiency Act of 1991. The purpose of the CMAQ program is to fund projects for areas that do not meet the National Ambient Air Quality Standards (nonattainment areas) and former nonattainment areas that are now in compliance (maintenance areas) for ozone, carbon monoxide, and small particulate matter. These funds are provided to help meet the requirements of the Clean Air Act. Eligible CMAQ projects include those that will reduce transportation related emissions, such as transit improvements, travel demand management, rideshare programs, demand management programs, bicycle and pedestrian projects and other transportation control measures. Funding for CMAQ monies requires a 20 percent local matching requirement.

Currently, Southeastern Wisconsin is classified as a severe air quality non-attainment area. Section 127 of the 1990 Clean Air Act (CAA) requires each state to advise the public of the health hazards associated with air pollution and to enhance public awareness of what actions can be taken to prevent the exceedance of air quality standards. Several states have implemented similar programs to meet this requirement through various means. For instance, Illinois, in cooperation with the Chicago Museum of Science and Industry, developed a permanent environmental science exhibit at the museum that presents the basic science, health effects, and the citizen's role in contributing to mobile source emissions.

In order to support Wisconsin's educational campaign, DNR applied for and was granted funding under the CMAQ program. The project being undertaken by DNR consists of the implementation of a three-year campaign; entitled *It All Adds Up to Cleaner Air*. The campaign will use television, radio, print and multi-media resources to convey information about the air quality problem and the transportation-related steps (e.g., carpooling, combining errands) individuals can take to improve the situation.

The educational component of this program will demonstrate the science of the automobile, clarify the engineering and chemistry of fuels and engines and explain the meteorology of air pollution and its transport. This will include information on how the actions of individuals in the State of Wisconsin and other states affect our air quality. The program is being developed around a multi-media package that will be provided to interested school educators and businesses in order to augment public awareness and participation in air reduction programs (e.g., Employee Commute Option Program). The educational component will partner a wide variety of organizations, including the Wisconsin Society of Science Teachers, Milwaukee Area Technical College, John Marshall High School in Milwaukee and Wisconsin Partners for Clean Air (an ad hoc association of over 260 companies, schools, local governments and community-based organizations in southeast Wisconsin).

The public information campaign being implemented under this program will communicate with the general public through the mass media about individual transportation choices that improve air quality. This portion of the campaign will be implemented in cooperation with the Environmental Protection Agency, U. S. Department of Transportation, the Wisconsin Department of Transportation and the Wisconsin Partners for Clean Air. Wisconsin is participating with these federal agencies in a pilot communications program testing the use of consistent, positive messages in the mass media that encourage the public to understand the value of individual transportation choices.

DNR is requesting a 1.0 FTE 3-year project position (Communication Specialist - Advanced). The position will work with Bureau of Communication and Education and Bureau of Air Management personnel to manage education product development, partner relations, vendor selection, distribution and outreach for the proposed program. Funding for the position would come from CMAQ grant funds.

ANALYSIS:

The grant for the *It All Adds Up to Cleaner Air* campaign is \$854,915 PR. These funds are to be distributed in fiscal years 2000, 2001 and 2002. Matching funds for the CMAQ grant will be provided from state air emissions fees. The cost breakdown of this program is provided below.

Estimated Campaign Cost Breakdown

Campaign Phase	Total Estimated Cost	CMAQ Funds	State Matching Funds
Year 1	\$375,000	\$300,000	\$75,000
Year 2	\$372,000	\$297,600	\$74,400
Year 3	<u>\$321,600</u>	<u>\$257,300</u>	<u>\$64,300</u>
Total Cost	\$1,068,600	\$854,900	\$213,700

The requested three-year project position should assist in coordinating the proposed campaign by providing a central contact to manage educational product development, partner relations and vendor services. Without this project position, Bureau of Communication and Education personnel would be unable to fully implement the proposed program due to other agency requirements and programs. The need for this position will expire upon the completion of the campaign in fiscal year 2003.

RECOMMENDATION:

Approve the request.

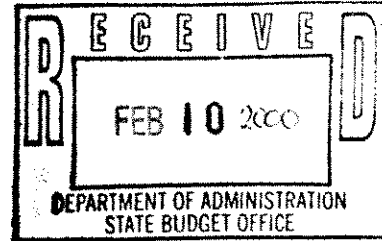
DC
SE

DATE: January 25, 2000

TO: *Rick*
Richard G. Chandler, State Budget Director
Department of Administration

FROM: *George*
George E. Meyer, Secretary
Department of Natural Resources

FILE REF:



SUBJECT: Position Authorization Request for Air Education

The Department of Natural Resources requests position authority under s. 16.505 Wis. Stats. in PRS Appropriation 20.370 (9)(mk) for the Bureau of Communication & Education (CE). We are requesting 1.0 new 3-year project FTE. Funding for the position would come through the Wisconsin Department of Transportation from the federal Congestion Mitigation and Air Quality (CMAQ) program of the U.S. Department of Transportation.

Under the grant, and in conjunction with related air education efforts mandated by the Clean Air Act, the department is responsible for implementing a three year public information and education program. The program will use television, radio and print to convey information about air quality problems and transportation-related steps individuals can take to improve air quality. In addition, the project will create a multi-media educational kit, including CD ROM and video for youthful drivers in the age range of 14-24 years old. The educational component of the project involves substantial involvement with partner organizations, including the Wisconsin Society of Science Teachers, Milwaukee Area Technical College, John Marshall High School in Milwaukee, and Wisconsin Partners for Clean Air.

The educational component will demonstrate the science of the automobile. It will clarify for students the engineering and chemistry of fuels and engine technologies, the meteorology of air pollution transport, and some of the biomedical science of respiratory health. The project will also highlight the decision-making skills that enable individuals and organizations to make effective choices about transportation, congestion mitigation and air quality. The public information campaign will communicate with the general public in the mass media about individual transportation choices that improve air quality, such as keeping car engines properly tuned, combining errands, carpooling, and using alternative transportation modes. This campaign will be implemented in cooperation with the U.S. Environmental Protection Agency, the U.S. Department of Transportation, the Wisconsin Department of Transportation and the Wisconsin Partners for Clean Air. Wisconsin is participating with these federal agencies in a pilot communications program testing consistent, positive messages in the mass media that encourage the public to understand the value of individual transportation choices.

With the passage of the Clean Air Act Amendments in 1990, the enabling Wisconsin legislation, and the subsequent development of the State's Implementation Plan incorporating voluntary efforts to reduce air pollution, the workload has increased significantly and specifically in the communication area. The Bureaus of Communication and Education and Air Management have jointly prepared a workload analysis and developed a communication, education and citizen involvement strategy, but Communication and Education needs an additional staff person to manage educational product development, partner relations, vendor selection, distribution and outreach. Outreach will focus on collaborative efforts between the DNR and Wisconsin Partners for Clean Air (an ad hoc association of



over 260 companies, schools, local governments and community-based organizations in southeast Wisconsin) on how to improve air quality. The position is needed to provide the information and educational resources these organizations need to implement voluntary mobile source programs that assist Wisconsin in achieving its air quality standards. The project developed specifically in response to requests from the Partners for Clean Air for high caliber communication resources.

The proposed classification for this position is Communication Specialist - Advanced (Sch-Rg 07-15, hiring minimum \$16.052). The duties would include administering a very complex public information, education and citizen involvement program. The project staff will formulate and implement the department's programs for the mobile sources education project; and, working directly with division and regional staff and the EPA, provide counsel on how to integrate air science material into existing high school and technical college curricula, and how to involve the public in shaping voluntary transportation choices. The project staff will develop partnerships with educational and citizen groups, professional organizations, industry, local governments and state and federal agencies; expand understanding of the Clean Air Act goals and requirements among non-traditional target audiences such as youth; develop and implement citizen involvement strategies to assist in the implementation of the public education and information program; and coordinate internal communication to achieve DNR staff understanding of voluntary mobile source air pollution reduction strategies supporting the Department's Clean Air State Implementation Plan.

The Bureau of Communication & Education was chosen because its staff have the expertise to guide and support the citizen involvement and outreach activities of the Air Education and Outreach Program and are currently involved with Air Management in that capacity.

Please find attached a copy of the approval letter from Governor Thompson and the interagency agreement.

If you have questions regarding this request, please contact Joy Stewart in the Bureau of Management and Budget at 266-2159.


Thank you for your assistance.

cc: Craig Karr - AD/5
Laurel Steffes - CE/6
Dick Nelson - FN/1
Joy Stewart - MB/5
Sue Steinmetz - HR/5
Kristen Grinde - DOA
Dave Schmiedicke - DOA

CORRESPONDENCE MEMORANDUMSTATE OF WISCONSIN
Department of Administration

Date: March 13, 2000

To: George Lightbourn, Secretary

From: Jeffrey A. Geisler 

Subject: Request to Increase the Public Service Commission's PR Expenditure Authority

Under s. 16.515, the Public Service Commission (PSC) requests an increase of \$556,800 in its FY00 s. 20.155 (1) (g)—Utility Regulation program revenue appropriation.

The requested increase is to the supplies and services line and can be traced to two current PSC projects.

Subject	Amount
Arrowhead to Weston transmission line project	\$406,800
1999 WI Act 9 Horizontal Market Power Study	\$150,000
Total	\$556,800

Revenue Sources for Appropriation

The funding source for s. 20.155 (1) (g) is fees collected from entities regulated by the PSC, for the purpose of performing utility regulation. Also the funding requested for the Arrowhead project costs ultimately will be financed with revenues received from the Wisconsin utility involved in the project.

Background and Analysis*Arrowhead Project*

The Arrowhead transmission line project results from an application by the Wisconsin Public Service Corporation and Minnesota Power to build an electric transmission line in Wisconsin. State statutes require the PSC to

- analyze the environment impact of all proposed transmission routes,
- analyze the technical alternatives to the proposed project such as increased in-state power generation

- inform the public about the potential impacts of the proposed project and
- conduct public and technical hearings regarding the project.

The application was filed in November 1999 after the state budget was passed, so no funding for this project was included in the PSC's FY00 or FY01 budget. The PSC projects that it will be unable to absorb the following cost of the project:

1. Printing and mailing Environmental Impact Statements (EIS)	\$250,000
2. Helicopter survey of proposed routes	\$57,600
3. Reserve administrative law judge	\$25,000
4. Staff travel requirements	\$16,100
5. EIS consultant	\$51,000
6. Public meetings on EIS	<u>\$7,100</u>
Total	\$406,800

The projected printing and mailing costs for the EIS (item #1) appears to be an upper limit to the likely cost. This estimate assumed that 10,500 persons would receive the free EIS. The PSC used the number of people directly affected by the transmission line routes as a proxy for the number of free EIS documents it would need. Preliminary indications are that substantially fewer landowners will request a copy of the EIS. However, the large and controversial nature of this project may generate the originally projected volume of requests. Since the \$250,000 is a reasonable upper limit to the likely cost, the administration may wish to approve the request with the stipulation that some portion of this \$250,000 go in unallotted reserve.

The helicopter survey (item #2), reserve administrative law judge (item #3), staff travel expenses (item #4) and the public meeting (item #6) costs appear reasonable and directly related to the likely workload of the project. These items were all originally believed to be FY00 costs. However, the PSC now believes that the administrative law judge costs and the staff travel costs will not be incurred until FY01 and the associated \$41,100 (Item #3 + Item #4) should be provided as a supplement to the PSC's FY01 budget.

The \$51,000 requested for a consultant to help with the EIS has two components. First, the PSC notes that \$31,000 of this amount would be used to reimburse the Wisconsin Public Service Corporation for the work of an independent consultant who is under a PSC contract. This \$31,000 contract was executed because the PSC believed this work was integral to the EIS, and would allow internal staff to focus its analysis on other aspects of the proposed project. Because the PSC did not have the funds for this work, the PSC ordered the Wisconsin Public Service Corporation to pay the costs. The first \$31,000 of the requested \$51,000 will allow the PSC to reimburse the Wisconsin Public Service Corporation. The second component is the remaining \$20,000 which is needed to complete the environmental analysis of the consultant.

Horizontal Market Power Study

1999 Wisconsin Act 9 created s. 196.025 (ar) which directs the PSC to "contract with an expert consultant in economics to conduct a study on the potential for horizontal market power...to frustrate the creation of an effectively competitive retail electricity market in this state and to make recommendations on measures to eliminate such market power on a sustainable basis." The statute also directs the PSC to submit the study report to the legislature by January 1, 2001.

The PSC based its \$150,000 funding request on the experience of Colorado. In its 1998 legislative session, Colorado established an Electric Advisory Panel that studied and made recommendations to the Legislature concerning electric industry restructuring issues. Part of this study was a contracted evaluation that required the development and use of energy and economic models that are substantial similar to what will be required in the Wisconsin horizontal market power study. This Colorado contract evaluation cost \$180,000 and the PSC believes that the smaller scope of the Wisconsin study will reduce this cost by \$30,000.

Recommendation

Approve the request with modifications.

(1) Approve a total of \$406,800 with \$365,800 in FY00 and \$41,000 in FY01 to more accurately reflect when costs will be incurred. In FY00, place \$50,000 of the \$365,800 in unallotted reserve to reflect the possibility that the cost of printing and mailing the EIS may be lower than anticipated.

(2) Approve the \$150,000 requested for the horizontal market power study.

The total request and recommendation is as follows:

Item	Requested Amount	Recommended Amount	Portion of Recommendation in Unallotted Reserve
Arrowhead Project	\$406,800	\$365,800 FY00 \$41,000 FY01	\$50,000
Horizontal Market Power Study	\$150,000	\$150,000	
Total	\$556,800	\$556,800	\$50,000



Public Service Commission of Wisconsin

Ave M. Bie, Chairperson
Joseph P. Mettner, Commissioner
John H. Farrow, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

February 22, 2000

Mr. George Lightbourn, Secretary
Department of Administration
101 East Wilson Street
Madison, WI 53703

Re: Request for additional expenditure authority of \$406,800 (PRO) for extraordinary expenses related to the Arrowhead to Weston transmission line project, and \$150,000 (PRO) to hire a consultant to conduct the Market Power study required in Section 2310t in 1999 Wisconsin Act 9. The additional expenditure authority would increase the Public Service Commission of Wisconsin's program revenue appropriation under Wis. Stat. § 20.155(1)(g).

Dear Mr. Lightbourn:

The Public Service Commission of Wisconsin (PSCW or Commission) requests assistance pursuant to Wis. Stat. § 16.515 from the Department of Administration and the Joint Finance Committee to fund the costs associated with carrying out the Commission's responsibilities regarding an electric utility construction project that is commonly referred to as the Arrowhead to Weston transmission line project, docket 05-CE-113.

Additional expenditure authority is also requested to hire a consultant to conduct a Horizontal Market Power Study required in 1999 Wisconsin Act 9. State law requires this agency to submit a report regarding the results of this study to the legislature no later than January 2, 2001, and to include recommendations that foster the creation of competitive retail electricity markets in Wisconsin.

1. Arrowhead to Weston

Wisconsin Public Service Corporation and Minnesota Power (applicants) submitted an application to construct a 345 kilovolt (kV) electric transmission line from the Arrowhead substation near Duluth, Minnesota, to the Weston Power Plant near Wausau, Wisconsin (approximately 250 miles), on November 10, 1999. The project also includes the proposed construction of a new 345/115 kV substation to be located near Tripoli, Wisconsin, and the construction of approximately 30 miles of new 115 kV electric transmission line from the new Tripoli substation to the existing Highway 8 substation located in Rhinelander, Wisconsin. The construction application identifies several route alternatives for the electric transmission lines and the proposed substation. As a result, the PSCW's analysis must cover nearly three times the mileage mentioned above.

The applicants have identified alternative "routes" in their application that indicate that this proposed project may affect more than 10,000 landowners. The Commission's statutory and administrative rule responsibilities in this case include: conducting a detailed environmental assessment of all of the proposed routes; analyzing alternatives to the proposed project, including generation alternatives; informing the public about the potential impacts of the proposed project; and conducting public and technical hearings regarding the project.

The Commission does not have the supplies and services base budget to absorb the significant costs associated with this case. The Commission has not experienced a construction application of this magnitude in over thirty years. Without additional funding, the Commission cannot carryout its statutory responsibilities regarding its review of this construction application. It would be required to scale back its planned outreach to the public during the Certificate of Public Convenience and Necessity application review to the point where the costs could be paid from the agency's base budget. The Commission's base budget for utility regulation is \$1,558,300 for FY 2000, 80 percent of which is earmarked for non-discretionary items such as rent, postage, printing, and telephone. The remainder of the budget pays for travel, training, subscriptions, and the like. The agency's entire printing budget is \$45,000 and the entire postage budget is \$57,000. These amounts are sufficient to pay the costs of the agency under normal circumstances, but are insufficient to absorb the costs associated with this docket.

Detailed cost information is contained in Attachment One. A summary of expenditures associated with our agency's review of this application are listed below:

Estimated Expenses

1. Printing and mailing of 10,500 copies of Draft and Final Environmental Impact Statements (EIS)	\$250,000
2. Helicopter fly-over of the route(s) by each Commissioner and selected staff	57,600
3. Time and expenses to hire a reserve judge for an estimated four weeks of hearings	25,000
4. Staff travel requirements	16,100
5. Consultant to assist with environmental study	51,000
6. Meetings on the draft EIS	<u>7,100</u>
TOTAL	<u>\$406,800</u>

Printing and Postage Cost of EIS

The Commission is required to provide, at no charge, copies of draft and final environmental impact statements to any person who requests a copy as well as to provide copies to other government agencies; the media; libraries; and municipal, town and county governments in the project area. The Commission has received a large number of requests for copies of the draft and final environmental impact statements already.

Our agency estimates that these documents will be about 400 pages each and contain over 50 color route maps. The application received by the Commission from the companies was over 1,000 pages. Printing quotes are from an approved state vendor. Printing costs are estimated at \$171,200 and the postage at \$78,800.

Aerial Review of Route Alternatives

The route alternatives identified in the application cover approximately 750 miles. Many of the proposed routes are not accessible by vehicle and can only be viewed by the air or on foot.

In order to make an informed decision regarding whether to approve, deny, or modify the proposed application, our agency believes that the Commissioners may want to conduct an aerial inspection of the proposed routes. An aerial perspective will also enable the Commissioners to better understand the evidence and testimony presented at both the public and technical hearings. The cost estimate is derived from calls made to the National Guard and private companies.

Reserve Judge

The Commission has one administrative law judge (ALJ) position. The hearings in this case are currently expected to last at least four weeks and will be held throughout the project area. The Commission believes that contracting with an outside reserve judge is necessary and appropriate in light of our agency's limited resources. Moreover, funding for an outside reserve judge will enable the ALJ to conduct the hearings required for other PSCW cases during that same period of time.

Staff Travel Requirements

The electric division of the PSCW has a travel budget of \$21,000 for FY 2000. Currently an estimated \$13,000 remains unspent this fiscal year. The costs associated with the on-site work for this project are significant. The travel and associated costs are detailed in Attachment One.

The Commission cannot absorb these added costs and carry out its work responsibilities related to cases and special projects.

Environmental Study Consultant

The electric division of the PSCW currently has five of its seven environmental staff assigned to review portions of this proposed project. There are a significant number of other projects that require environmental review within the Commission's caseload. In addition, several of the environmental staff are key participants in work related to implementing the requirements of the Commission established in 1997 Wisconsin Act 204 and 1999 Wisconsin Act 9.

As indicated previously, the proposed project calls for the construction of approximately 250 miles of 345 kV electric transmission line, a new substation, and approximately 30 miles of 115 kV electric transmission line. The alternative routes for the proposed lines approximately triple the number of miles that need to be analyzed for environmental impacts. Having a consultant conduct the environmental analysis of approximately 30 miles of 115 kV electric transmission line between the proposed Tripoli substation and the existing Highway 8 substation, as well as the system alternatives to that line, will allow our staff members to focus their analysis on the larger portion of the project, the 250 miles of 345 kV electric transmission line.

Public Information Costs

One of the most important aspects of our agency's review of this application involves our effort to provide information to the public on both procedural and substantive issues associated with this application. The PSCW will prepare both a draft EIS and a final EIS for this project. There will be a 45-day public comment period between the issuance of the draft EIS and the final EIS. During that comment period, the PSCW plans to conduct public information sessions regarding the draft EIS. The purpose of the meetings will be to answer questions from the public and obtain public commentary on the contents of the draft EIS. The PSCW expects that this process will help members of the public better understand the information in the draft EIS, and will provide insight into the analysis that was conducted in developing the draft EIS. This additional information will also allow the public to better develop their written comments regarding the draft EIS.

2. An Economic Analysis of Electric Generators' Horizontal Market Power with Recommendations to Foster the Creation of Competitive Retail Electricity Markets in Wisconsin

1999 Wisconsin Act 9 created Wis. Stat. § 196.025(ar) which directs the PSC to "contract with an expert consultant in economics to conduct a study on the potential for horizontal market

power, including the horizontal market power of electric generators, to frustrate the creation of an effectively competitive retail electricity market in this state and to make recommendations on measures to eliminate such market power on a sustainable basis." In addition to the enumerated economic factors, the consultant's market power study will also need to address a series of related questions. 1999 Wisconsin Act 9 requires the market power study to address impacts of the consultant's restructuring recommendations to eliminate market power in the following areas: (1) the effect of each restructuring recommendation on public utility workers and shareholders as well as electric cooperative workers and members; (2) the effect of each restructuring recommendation on the rates for each class of public utility customers and electric cooperative members; and (3) the impact of transmission constraints on the market power of electric generators in local areas.

The study will require a comprehensive economic analysis of the extent and impact of horizontal market power by electric generators in Wisconsin electricity markets. The study will require both a structural and behavioral analysis of electricity markets in Wisconsin. The structural analysis will examine the extent of horizontal market power in Wisconsin electricity markets by employing the market power guidelines established by the U.S. Department of Justice and further refined for use in the electric industry by the Federal Energy Regulatory Commission (FERC).¹ The behavioral analysis of Wisconsin electricity markets will require an extensive computer modeling of Wisconsin's present electric industry structure. Using the results of its computer simulations, the consultant working on the project will also be required to make appropriate industry restructuring recommendations with respect to the ownership of electric generation in the state.

This will require the electricity market modeling for Wisconsin to be dynamic and not static. Moreover, any of the consultant's industry restructuring recommendations on the elimination of market power must be based on a clear empirical identification and computer modeled quantification of any potential market power problems in Wisconsin in terms of the effect on electricity prices or withheld electricity supply. Another category of economic factors pertains to the measurement of stranded costs or benefits in the state. Stranded costs refer to generating units having an economic value below their depreciated book values; stranded benefits refer to the opposite situation. The computer simulations will, by necessity, also have to factor in whether ratepayers may have to pay stranded costs or receive stranded benefit credits.

The Commission is required to submit the results of the market power study to the legislature by January 1, 2001. In order to meet this timeframe, the consultant's study will need to be completed by October 1, 2000. This will also allow the Commission sufficient time to prepare its response to the study in order to meet the January 1, 2001, legislative reporting deadline.

¹ Specifically, the "1992 Horizontal Merger Guidelines With April 8, 1997 Revisions to Section 4 on Efficiencies." U.S. Department of Justice and Federal Trade Commission; and Order 592, "Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement." Federal Energy Regulatory Commission, December 18, 1996, and its 1998 associate rulemaking FERC Docket 98-4-00.

Mr. George Lightbourn
Department of Administration
Page 6

Commission staff believes a four to six month period is an adequate timeframe for the consultant to work with the Commission and professionally perform a thorough, objective analysis.

The projected cost of the market power study for retail competition in Wisconsin is \$150,000. This estimate is based on a similar economic computer modeling exercise performed in mid-1999 for the state of Colorado. In Colorado, the winning bidder, Stone and Webster Consultants, Inc., received \$180,000 for their May 1999 study entitled, "Energy and Economic Modeling Issues Related to an Evaluation of the Regulatory Structure of the Retail Electricity Industry in the State of Colorado." The Colorado study was more comprehensive and considered several issues beyond those required for analysis in 1999 Wisconsin Act 9. Accordingly, the projected cost for the Wisconsin study has been reduced.

In order to meet the statutory and administrative rule requirements entailed with projects of this nature, the Commission respectfully requests that the above Wis. Stat. § 16.515 expenditure authorization be granted.

If you have any questions regarding these requests, please contact Mr. Gordon Grant, Director of Fiscal Services, at 267-9086.

Sincerely,



Ave M. Bie
Chairperson

GLG:NM:sp:g:\arrowhead-Weston\A-W 16.515 Request.doc

Attachment

	Total Costs
Printing and Postage (Draft EIS & Final EIS)	\$ 250,000.00
Commissioner's Route Review (Helicopter)	\$ 57,600.00
Hearings (Contract Administrative Law Judge)	\$ 25,000.00
Staff Travel Requirements (Hearings Participation)	\$ 16,100.00
Outside Consultant (Environmental Review)	\$ 51,000.00
Public Meetings (Staff Attendance & Security)	\$ 7,100.00
Total PSCW Costs Related to Project	<u>\$ 406,800.00</u>

	PSCW Costs	
	As % of Construction	
Total Projected Costs of Constructed Project		
(Per Utility Applicants)		
Low Estimate	\$ 125,000,000	0.33%
High Estimate	\$ 175,000,000	0.23%

Environmental Impact Statement

Printing Costs of DEIS and FEIS	\$	171,200.00
Mailing Costs Draft EIS	\$	45,200.00
Mailing Costs Final EIS	\$	33,600.00
	\$	<u>250,000.00</u>

Estimates based on quotes obtained by Karl Hillman and Gordon Grant

Helicopter Review of Routes

Cost Per Hour-- National Guard Helicopter

Hours Per Day

\$ 2,400.00

Cost Per Day

\$ 19,200.00

Total Days

2

Total Cost of National Guard Helicopter

\$ 38,400.00

Cost Per Hour -- Commercial Helicopter

Hours Per Day

\$ 600.00

Cost Per Day

8

Total Days

4,800

Total Cost of Commercial Helicopter

\$ 19,200.00

Total Cost Estimate

\$ 57,600.00

Assumptions:

Estimated time Needed to Review Routes

1/2 day to review Superior to Ladysmith

1 day to review Ladysmith to Weston via Tripoli, & Ladysmith to Weston via Owen Withee

1/2 day to review the 115 kV Section from Tripoli to Rhineland

Total Days per Commissioner = 2

1 technical staff flying along with a Commissioner and either an E.A. or G.C.

Arrowhead to Weston
Transmission Line Project
Budget Estimate - Reserve Judge

Reserve Judge to Conduct Hearings

Appearance Costs	\$ 22,500.00
Per Diem Costs	\$ 1,720.00
Mileage Costs	\$ 720.94
Total Costs	<u>\$ 24,940.94</u>
Rounded	<u>\$ 25,000.00</u>

Arrowhead to Weston
Transmission Line Project
Budget Estimate - Hearings

Room and Board	\$ 13,694.00
Mileage Costs	\$ 2,047.06
Miscellaneous Expenses	\$ 400.00
	<u>\$ 16,141.06</u>
Rounded	<u>\$ 16,100.00</u>

Outside Consultant Costs:

Environmental Analysis: - Route Review 115kV-- Tripoli to Hwy 8 Substation
Assistance with Formatting and Production of Environmental Impact Statement
Environmental Analysis: System Alternatives to Tripoli to Hwy 8 Substation

Total Budget Estimate: \$ 51,000.00

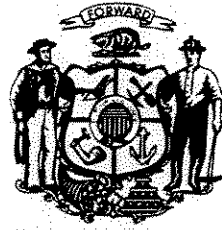
Arrowhead to Weston
Transmission Line Project
Budget Estimate - Public Meetings

Security Costs	\$ 2,600.00
Cost of Motels @ \$52/ Room	\$ 2,080.00
Cost of Meals @ \$31/Day	\$ 1,860.00
Costs of Mileage @ \$0.19/mile	\$ 554.80
Estimated Costs	<u>\$ 7,094.80</u>
Rounded	\$ 7,100.00

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

Date: March 16, 2000

To: George Lightbourn, Secretary
Department of Administration

From: Cynthia Dombrowski ^{CAD}
Executive Policy and Budget Analyst

Subject: Request Under 16.515 from the Department of Administration for increased expenditure authority in the appropriation under s.20.505(1)(ke), telecommunications and data processing services.

REQUEST:

The Department of Administration requests \$6,678,700 PRS for costs of start-up, change-over and service level adjustments related to the new BadgerNet data network and for incremental costs of a new local telephone service contract in fiscal year 2000 and \$6,732,700 PRS in ongoing spending authority in fiscal year 2001 for the local service contract costs.

REVENUE SOURCES FOR APPROPRIATION(S):

The s.20.505(1)(ke), telecommunication and data processing services, appropriation obtains its revenues from fees charged to state agencies for local telephone service, long distance telephone service and data transmissions including BadgerNet charges.

BACKGROUND:

In the 1997-99 biennium the Department of Administration (DOA) concluded a ten-year contract with a vendor for the management of inter-city voice and data network services and began transition to a new telecommunications network. BadgerNet refers to the next generation data and video networks serving all state agencies, local governments, UW campuses, technical colleges, private colleges and universities, public and private K-12 schools, libraries and other authorized entities. As part of its 1999-01 biennial budget request, the department submitted a decision item to increase the s.20.505(1)(ke) appropriation to reflect its best estimate of the changing circumstances in voice and data communications. However, the department subsequently withdrew the item in view of unresolved questions that could be better addressed after a more accurate assessment of agency service level needs was made. There was also confusion at that time regarding who would be the service provider(s). These contracts have now been negotiated and finalized and the department has determined its one-time and ongoing needs.

ANALYSIS:

Local Service Contracts

Service improvements to the local telephone contracts that replaced Centrex make up a large portion of the requested increase. These contracts include local telephone and voice mail service to desktop instruments for state agencies, including the University.

The structure of services provided has changed with the new contract. Under the former contract, the term 'local service' was defined as a bundled group of telecommunication services. Agencies would pay part of the local service costs directly to the vendor and DOA would pay for the main part of the basic service and bill agencies for that amount.

The current contract encompasses all local telephone services including directory listing, end user common line charges, local message units, local number portability, and extended community calling. Previously, user agencies were billed directly by vendors for some services and by DOA for other services. All of these features are now batched in the DOA contract and covered with a single rate. Hence solely DOA will bill agencies for the local service contracts where previously they had been billed by both DOA and the local service vendor. The department indicates that the combined rate will save user agencies an average of \$20 per line annually, or \$1.8 million annually, compared with their total billings from all sources in the past.

Table 1 details the start up costs and on-going funding associated with the local service contracts. It shows a portion of FY00 under the previous contract, the balance of the year under the new contract and the share of those costs that can be funded from within base appropriation levels. *Note: the annualized (FY01) costs of the new Ameritech contract are higher than what would be derived from a straight-line projection of FY00 costs because of one-time discounts that were granted by the vendor in the first year.*

Table 1: Local Service Contract costs (both one-time and ongoing)

<u>Local Service Contract</u>	<u>FY00</u>	<u>FY01</u>
1. Ameritech Contract - desktop local service		
2 months under Centrex (old) contract	\$563,000	
10 months with new contract	\$7,152,000	
Base Amount for old contract	\$-5,321,300	
Total FY00 (one-time)	\$2,393,700	
Estimated costs of new contract		\$10,746,000
Base amount from FY99		<u>\$-5,321,300</u>
Adjustment requested FY01		\$5,424,700
2. Century Tel Contract - desktop service (old contract did not involve DOA)		\$1,308,000
Total FY01 (ongoing)		\$6,732,700

BadgerNet Migration

BadgerNet, first deployed in FY99, is a communications network for the transmission of statewide data. First priority was given to bringing Technology for Educational

Achievement (TEACH) customers onto the network, followed by the placement of state agencies and local governments in all areas of the state in FY00. Under BadgerNet, the bandwidth capacities of data links have increased five fold at the circuit entry level and one thousand fold at the backbone level. This prepares the state for further web-based application services.

Agencies with regional offices such as University campuses, the Department of Workforce Development and the Department of Justice have benefited from the expanded bandwidth to carry increased traffic. This expanded bandwidth and its secure nature will permit electronic transmission of information, such as fingerprinting data to more operations than previous. Circuit Courts and District Attorney's offices are also linked to BadgerNet.

BadgerNet also carries with it a "postalized" rate used to charge agencies. Major urban areas typically have the option of high-speed transmission links that are not always available in more rural areas of the state. When available, those links are often expensive. BadgerNet allows all agencies and network customers to take advantage of high-speed data transmission, regardless of their physical location in Wisconsin.

In order to make the transition from the old system (Consolidated Data Network) to BadgerNet one-time costs have been incurred for FY00 which are not within the appropriation's base funding level. Table 2 details the costs:

Table 2: One-time costs associated with the BadgerNet Migration

<u>BadgerNet Migration</u>	<u>FY00</u>	<u>FY01</u>
1. One-time installation costs		
Total of 762 installs at \$2,250 each	\$1,714,500	
Extra routers for Dept of Justice	\$754,700	
One-time infrastructure set up	\$1,611,800	
2. Conversion with duplicate networks at \$17,000 per month	\$204,000	
Total FY00 (one-time)	\$4,285,000	

Fiscal Effects of BadgerNet Conversion.

The department indicates that the telecommunications and data processing services appropriation (s.20.505(1)(ke)) funding the network and local telephone service contracts will close FY00 with a cash deficit. This is because of the up-front costs of network conversion. Pursuant to the provisions of s.16.513 the department is notifying the Joint Committee on Finance of this circumstance. It indicates that the deficit for the appropriation would be eliminated over a period of two years under current law and that modest rate adjustments may be required, depending on the growth in the customer base and volume experienced.

RECOMMENDATION:

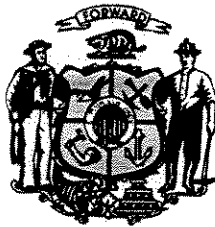
Approve the request.

Prepared by: Cynthia Dombrowski
266-5878

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: March 14, 2000

To: Senator Brian Burke, Co-Chair
Representative John Gard, Co-Chair
Joint Committee on Finance
Room 315-N Capitol
Madison, WI 53708-8952

From: George Lightbourn, Secretary
Department of Administration

A handwritten signature in cursive script, appearing to read "George Lightbourn".

Subject: Request under 16.515 for \$ 6,678,700 PRS authority in FY 00 for 20.505(1)(ke) Telecommunications and data processing services and ongoing \$6,732,700 PRS authority in FY 01 and subsequent years in the same appropriation.

Background

The appropriation 20.505(1)(ke) is used by the Department to provide Telecommunications and transmission of data processing services to state agencies. In the 99-01 biennial budget in September 1998 the Department had submitted a decision item to increase the appropriation but subsequently withdrew the item when the projection of future costs was unclear. The ongoing changeover to Badgernet had just begun when the budget was submitted and costs were still being defined as state agencies established service levels.

Another part of the uncertainty resulted from ongoing changes in the world of telecommunications and the fact that several major contracts in this area were undergoing re-negotiation for future services. Since the contracts have now been established, the cost of associated service with the contracts has been accurately estimated and this request has been prepared to include them. Additionally, since service levels under other contracts for Badgernet are now providing ongoing support after the conversion of data lines from the old CDN network these costs also are known now with greater accuracy and reflected in the request.

Request

The Department requests \$ 6,678,700 as one-time authority in FY 00 related to start up, change-over costs, and new service levels of the new Badgernet data network and the new local service contracts. The Department also requests \$6,732,700 as ongoing authority in FY 01 and subsequent years for the services now being provided to state agencies under the new telephone Local Services contracts. The following discussion summarizes the basis for the request.

1. Local Service Contracts

The biggest share of the requested increase is due to changes in the local telephone contracts that replace the old Centrex contract. The new contracts were put in place during the fall and

winter of this year. These contracts encompass local telephone service to desktop instruments for state agencies, including the University, and for voice mail services used by state agencies, also including the University. Contracts are with two major providers and both contracts were established during FY00 thus determining present year and future year costs. The major contract with Ameritech began in September 1, 1999 and the other contract with Century Tel began January 1, 2000.

The structure of services has changed significantly from the old contract especially under the major provider Ameritech and to a similar degree under the other vendor. The term "local service" actually represented under the old contract a bundled group of telecommunication services. Prior to the present contract, agencies would pay part of the local service cost directly to the vendor and DOA would pay for the main part of basic service and bill agencies for that amount. Only this latter part had been reflected in the Department telecommunications appropriation under the old contracts.

With the new contract, all local telephone services including directory listing, end user common line charges, local message units, local number portability, and extended community calling are bundled under the DOA contract and covered under one rate. It is estimated when all separate charges were combined under the old contract the average cost to agencies was \$14.66 per line per month. DOA has established a new rate that will save agencies \$20 per line annually or for the approximately 90,000 lines under the contract some \$1.8 million. While the total amount paid by agencies is reduced by the contract bundling, a consequence is that more dollars flow through the DOA appropriation as charges against the telecommunications appropriation. The estimate of the amount for the partial start up year of FY00 is \$2,393,700. On an ongoing basis the full year amount in FY 01 and subsequent years is estimated as \$ 6,732,700. See detail in the attached spreadsheets. Agency appropriations for the services are already adequately funded since the unconsolidated costs were previously paid directly to telephone companies and are in the agencies existing base.

2. Badgernet Migration

The Badgernet communications network for the transmission of statewide data was implemented in FY99. First priority was given to TEACH customers for schools and other educational institutions. The second priority for the work of placing state agencies on the Badgernet occurred primarily during FY00. Agencies in the migration were moving from the old CDN (data network) to the new Badgernet data network. The conversion was necessary to carry the increased amount of data used by agencies and with which they communicate all around the state for a variety of agency programs. Under Badgernet the bandwidth capacities of data links have increased five times at the circuit entry level and a thousand times at the backbone level. This prepares the state for further web-based applications services.

Agencies, especially the University, with its many outstate campuses, have greatly benefited from the geometrically expanded bandwidth of Badgernet to carry increased traffic. DWD uses the network to support Job Centers, Unemployment Compensation, Cares and Kids systems and W2 implementation. Public safety agencies are big users of Badgernet with the Department of Justice using it for the TIME system. An upgrade of many local police connections to the network was necessary prior to Y2K to keep TIME system functionality. The expanded bandwidth and its secure nature will permit electronic transmission of fingerprinting data to more operations than previous. Circuit Courts and District Attorney's offices around the state are linked with the new Badgernet.

An advantage of the Badgernet is the postalized rate used to charge agencies. While major urban areas may have options for high-speed data transmission links more isolated areas would find service options across the state very high priced. The Badgernet assures uniform rates and cost-

March 15, 2000

Page 3 of 3

effective service across all parts of the state for agency programs requiring data transmission. This levels the playing field for taxpayer customers of all agencies.

Running two concurrent networks, both the old and the new, has added some costs in FY 00 in order to make the transition as smooth as possible. Additionally, some agencies like the Department of Justice had to convert more circuits than previously planned due to concerns over Y2K issues. The conversion and installation costs are mainly one-time since most agencies will be converted by the end of FY 00. Subsequent years may see a few further conversions and one-time installation costs but not to the degree presently experienced. The estimate of these one-time costs for FY 00 are \$4,285,000. See detail in the attached spreadsheets.

Fiscal Effect and Cost Recovery

The department establishes rates that it charges for voice and data transmission services. Rates are designed to recover all invested cost over the system life. Recognizing that not all costs to start up a network should be front-loaded in the system's initial years the Department has a multi-year plan to recover costs associated with the new data network. This will permit user agencies to benefit from the greatly enhanced new service levels in the bandwidth of Badgernet while user costs increase only slightly in comparison to the service level. Thus, while some agency costs may be up, the service levels have jumped exponentially from the old network. Overall, though present cash expenses will show a short-term deficit, the Department's multi-year plan will provide for the long-term financial health of the telecommunications and data processing services appropriation.

The Department expects that the FY00 closing will show a cash deficit for this appropriation affecting the provisions of 16.513. For the main part this is caused by the up front investment for the establishment of Badgernet. Unfortunately this particular appropriation does not have the cash overdraft protection of 20.903(2)(b) as do other Department appropriations that would permit the value of the equipment to offset the cash expense. Since these costs will be recovered over multiple years the cash deficit will decline and the appropriation will be positive. The Department may seek statutory language to add the appropriation to those already listed with 20.903 overdraft protection in the next biennial budget.

Summary

The Department requests an increase in expenditure authority under 20.505(1)(ke) of \$6,678,700 for FY00. The Department also requests an ongoing base adjustment under the appropriation of \$ 6,732,700 beginning in FY 01.

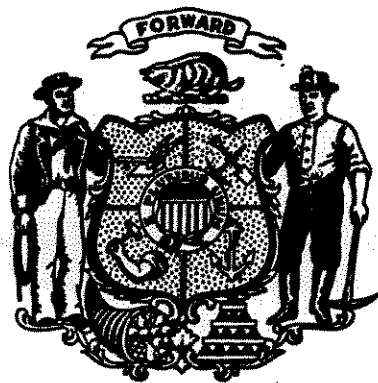
The requested authority in FY 00 and following years will permit the agencies to have the advantages of increased telecommunications services due to the new Badgernet and the new contracts for local service.

Request under 16.515 for appropriation 20.505(1)(ke)

Attachment

	FY 00	FY 01
Local Service Contracts		
replaces old Centrex contracts		
1. Ameritech Contract-desktop local service		
Calculating FY 00 effect		
2 months cost under old contract	\$562,954	
10 months cost under new contract	<u>\$7,152,022</u>	
total for FY 00 service	\$7,714,976	
base amount under old contract FY 99	-\$5,321,294	
adjustment requested FY 00	\$2,393,682	
Calculating FY 01 effect		
Estimate of costs under new contract	\$10,746,000	
base amount under old contract FY 99	-\$5,321,294	
adjustment requested FY 01		\$5,424,706
2. Century Tel Contract-desktop service		
old contract not involve DOA		
base amount under new contract FY01		\$1,308,000
<hr style="border-top: 1px dashed black;"/>		
Subtotal new Local Service contracts	\$2,393,682	\$6,732,706
Badgernet Migration		
3. One-time installion costs		
total 762 installs at \$ 2250 per install	\$1,714,500	
extra routers for Dept of Justice links	\$754,697	
one-time infrastructure set up	\$1,611,822	
4. Conversion with duplicate networks		
at \$17,000 per month	\$204,000	
<hr style="border-top: 1px dashed black;"/>		
Subtotal Badgernet	\$4,285,019	
<hr style="border-top: 1px solid black;"/>		
Total	\$6,678,701	\$6,732,706

END



END