1995-96 SESSION COMMITTEE HEARING RECORDS

Committee Name:

Joint Committee on Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP
- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

- *Appointments ... Appt*
- **
- *Clearinghouse Rules ... CRule*
- **
- *Committee Hearings ... CH*
- **
- *Committee Reports ... CR*
- **
- *Executive Sessions ... ES*
- **
- *Hearing Records ... HR*
- **
- *Miscellaneous ... Misc*
- *95hrJC-Fi_Misc_pt77*
- *Record of Comm. Proceedings ... RCP*
- **

XXIII. Department of Administration -- Mark Wahl, Administrator, Division of Technology Management

This item was submitted to the Committee under s. 16.515 on March 1, 1996; the Committee chose to schedule it for review at the April 16 meeting under s. 13.10.

The department requests authority to distribute $4,108,000* SEG in 1995-96 from the Information Technology Investment Fund (ITIF) to appropriations in the Department of Administration and numerous other state agencies in order to fund 1995-96 information technology development projects. DOA also requests increased expenditure authority of $439,829* PR in 1995-96 and $218,753* PR in 1996-97 for information technology basic infrastructure and master lease payments of various PR agencies. In addition, DOA requests approval of $2,050,783* SEG in 1996-97 from the ITIF for continuing costs of information technology infrastructure projects, including master lease payments.

* These figures have been adjusted due to the amendment submitted March 15, 1996 recommending certain funding increases.

Governor's Recommendation

Approve the request.

4 ~~4~~ 5
~~[illegible]~~
April 13.10

TOMMY G. THOMPSON

Governor
State of Wisconsin

March 16, 1996

The Honorable Timothy Weeden, Co-Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53707-7882

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance
P.O. Box 8952
Madison, WI 53708-8952

Dear Senator Weeden and Representative Brancel:

I am pleased to transmit my 1996 Oil Overcharge Plan for consideration by the Joint Committee on Finance (JCF) at the next s.13.10 meeting. As required by Wisconsin Statute 14.065, I am also forwarding a copy to the Chief Clerks of the Senate and Assembly.

This plan allocates $1.6 million of new Stripper monies plus interest, and modifies three previously approved Stripper oil overcharge programs. Oil overcharge monies must be used on energy programs that provide restitution to Wisconsin citizens.

In addition to JCF's action, the U.S. Department of Energy must also conduct a review to determine if Wisconsin's Plan conforms with federal requirements. I urge your support of this plan as it is sufficiently diverse to provide restitution to the broadest sector of Wisconsin citizens.

The Department of Administration staff will be available to provide additional information that may be required.

Sincerely,

TOMMY G. THOMPSON
Governor

Enclosure

cc: James R. Klauser, Secretary
Department of Administration

Nathaniel E. Robinson, Administrator
Division of Energy and Intergovernmental Relations

Room 115 East, State Capitol, P.O. Box 7863, Madison, Wisconsin 53707 • (608) 266-1212 • FAX (608) 267-8983

GOVERNOR'S 1996 OIL OVERCHARGE PLAN
Stripper XVI Funds: $1,600,000 Available

Prepared by the Department of Administration
Division of Energy and Intergovernmental Relations

March, 1996

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Information Technology Investment Fund Section 16.515 Request--Agenda Item XXIII

INTRODUCTION

On March 1, 1996, the Department of Administration submitted a request under s. 16.515 related to information technology funding in various agencies, and making grants for 1995-96 from the information technology investment fund (ITIF). Under the request, DOA sought total increases of $4,487,402 PR in 1995-96 and $2,148,356 PR in 1996-97. On March 14, 1996, DOA submitted a revised request related to the Department of Military Affairs. As a result of the proposed revision, requested funding increases would total $4,467,102 PR in 1995-96 and $2,137,056 PR in 1996-97. On March 21, 1996, an objection was raised to the total request. As a result, the request is currently before the Committee for approval under s. 13.10.

The requested funding amounts are indicated in Table 1. The cost of grants from the information technology investment fund are indicated in the columns headed ITIF. For projects that are to be funded from increases in existing agency PR appropriations, the requested funding increases are shown in the columns headed non-ITIF. As the table indicates, increased expenditure authority for some grants necessitate expenditures only in 1995-96, while for others approval is being requested for grant funding to be expended over a multi-year period.

TABLE 1

Requested Funding Increases -- Information Technology

Agency	ITIF 95-96	ITIF 96-97	Non-ITIF 95-96	Non-ITIF 96-97
Administration	$961,350	$1,250,000	$0	$0
Adolescent Pregnancy Prevention and Services Board	10,500	0	0	0
Agriculture, Trade and Consumer Protection	63,030	63,030	0	0
Arts Board	36,000	0	0	0
Board of Commissioners of Public Lands*	0	0	33,450	0
Board on Aging and Long Term Care	24,400	0	0	0
Child Abuse and Neglect Board	28,220	0	0	0
Corrections	10,650	10,650	0	0
Development	32,000	32,000	0	0
Elections Board	86,620	0	0	0
Employment Relations Commission	143,680	0	0	0
Ethics Board	48,120	0	0	0
Financial Institutions	0	0	200,628	200,628
Health and Social Services	200,000	0	0	0
Division of Hearings and Appeals**	51,400	0	0	0
Insurance	0	0	129,526	0
Joint Survey Committee on Retirement Systems	18,600	0	0	0
Land Information Board**	0	0	3,000	0
Legislature	1,000,000	0	0	0
Lieutenant Governor	44,820	0	0	0
Military Affairs	86,400	86,400	18,125	18,125
Natural Resources	335,148	335,148	0	0
Office of Justice Assistance**	73,220	0	0	0
Personnel Commission	57,420	0	0	0
Public Instruction	44,375	44,375	0	0
Public Service Commission	0	0	50,000	0
Revenue	16,000	16,000	0	0
Tax Appeals Commission**	10,200	0	0	0
Tourism	100,700	80,700	0	0
University of Wisconsin	400,000	0	0	0
Waste Facilities Siting Board**	0	0	5,100	0
Wisconsin Conservation Corps	71,220	0	0	0
Wisconsin Technical College System Board	49,000	0	0	0
Wisconsin-Minnesota Boundary Area Commission	24,200	0	0	0
	$4,027,273	$1,918,303	$439,829	$218,753

NOTE: *This entity is attached to Office of the State Treasurer for administrative purposes.
**These separate entities are attached to the Department of Administration for administrative purposes.

This paper, in general, follows the organization of DOA's February, 1996, document titled Information Technology Investment Fund Recommendations. Under the analysis portion of the paper, each section will have a brief description of the item, an analysis of the item, and, if appropriate, alternatives. At the beginning of the analysis section, however, four larger issues related to the ITIF are addressed: (1) the current status of DOA's proposed vendor fee; (2) DOA's proposed loan of $4.1 million from its telecommunications appropriation to the ITIF; (3) the use of master leasing arrangements to finance some projects; and (4) DOA's request for special authority to carry-over unexpended expenditure authority from 1995-96 to 1996-97. A summary of alternatives or conclusions for each item is included at the end of this paper.

BACKGROUND

The information technology investment fund (ITIF) was created in 1995 Act 27 to provide a specific source of revenue for the initiation and development of information technology in state agencies. Revenue for the fund is to be generated from a fee on vendors doing business with the state. In Act 27, a special award process was established for information technology project grants for 1995-96. For 1995-96 awards, DOA is required to: (1) submit a single s. 16.515 request for increases to agency PR appropriations established for expenditure of grants from ITIF; (2) provide a detailed description of the projects being funded, the total cost of the projects, the annual commitments from the fund for the project and the completion date for each project; and (3) give priority consideration for grant funding to those projects originally allocated monies from the fund in the biennial budget bill for fiscal year 1995-96.

In addition to this special, one-time award process for 1995-96, Act 27 also created an annual grant award process for grants to be awarded beginning in 1996-97. Under this process, DOA is required to distribute awards on an annual, grant-cycle basis. The Department is required to submit grant criteria to the Joint Committee on Information Policy by September 15 of each year for its approval. Subsequent to approval of the criteria, DOA is required to distribute grant applications to state agencies by January 1 of the following year. State agencies are then required to submit any requests for funding from the ITIF to DOA and DOA is to make awards by May 15, for the following fiscal year. Increases in expenditure authority for individual agency information technology development project appropriations are to then be submitted to the Joint Committee on Finance by the Secretary of DOA under s. 16.515 following completion of the annual award process.

It is anticipated that a request for funding releases for 1996-97 grants is expected to be submitted to the Committee sometime next month.

Act 27 did not establish specific criteria for 1995-96 ITIF grants. However, as a separate but related initiative, DOA developed basic infrastructure standards in accordance with the Governor's Executive Order 242. That order directed DOA to manage information technology development on a state governmentwide basis, assess the state's current information technology infrastructure, establish infrastructure standards for state agencies and prepare an initiative to provide basic standard information infrastructure to state agencies.

On December 4, 1995, DOA recommended computer hardware and software standards for all executive branch agencies. The report specified that: (1) executive branch agencies should meet these standards within four years (by the end of 1998-99); (2) all agencies, regardless of fund source, should be provided with sufficient permanent base resources to fund replacement of hardware and software on a regular basis; and (3) training, support and technical assistance related to agency IT infrastructure operations should be provided. The standards were reviewed by the Joint Committee on Information Policy on February 20, 1996, at a public hearing. In order to achieve the standards, DOA has required that each state agency submit a plan (termed a migration plan) on how these standards will be reached. A number of the grant recommendations in DOA's request are related to allowing agencies to meet these basic infrastructure standards. The report indicates that basic infrastructure establishment should be given higher priority for funding compared to other improvements to existing infrastructure.

SUMMARY OF REQUEST

The request from DOA contains three components: (1) increases in ITIF program revenue appropriations in various agencies to reflect the funds released for various agency projects which are intended to be expended in 1995-96 or 1996-97; (2) increases in program revenue appropriations for seven agencies for various information technology projects including basic infrastructure improvements; and (3) approval of DOA's request for one-time authorization to provide for the carryover of unexpended ITIF grant funds allocated under this request for expenditure in 1995-96 into fiscal year 1996-97. Associated issues related to the request include the current status of DOA's proposed vendor fee, the use of master leasing arrangements to finance some projects and the making of a loan from DOA's telecommunications appropriation to the ITIF.

Attachment 1 to this memorandum summarizes the ITIF grants that DOA has authorized under the request. The attachment identifies each agency for which funding is recommended, the purpose for the grant, and the appropriation for which increased funding is recommended and the amount of the increase. It should be noted that the total funding identified in Attachment 1 is less than that originally recommended by DOA by $80,000 in 1995-96 and $132,500 in 1996-97. This is because these are funding releases which DOA has requested separately (Agenda Item XXII) for administrative costs associated with the operation of the ITIF.

Attachment 2 to this memorandum summarizes the increases in non-ITIF agency appropriations which DOA has included as a part of the request.

The recommendation currently before the Committee is for funding releases for 1995-96 grants under the initial awards process. The request provides grants to 28 agencies. In addition, the request also provides increased expenditure authority from agency PR appropriations for projects in an additional seven agencies. (The Department of Military Affairs would receive both an increase in PR expenditure authority and an ITIF award.)

ANALYSIS

VENDOR FEE

Act 27 authorized DOA to assess fees from private vendors doing business with the state to provide a source of revenue for the fund. The Department of Administration has submitted to the Legislature proposed rules establishing fee amounts which are projected to provide $4,589,600 annually to the ITIF. The fee would generally be assessed to any private business entity that provides materials, supplies, equipment or contractual services to state agencies. As passed by the Legislature, vendors to be assessed would have included those providing highway and building construction and engineering and architectural services. However, the Governor's partial veto deleted the application of the fee to highway and building construction and engineering and architectural services.

Under DOA's proposed rules, the following fees would be charged: (1) for each contract between $10,000 and $50,000, $300 per contract; (2) for each contract of more than $50,000 but less than $100,000, $1,000 per contract; (3) for each contract between $100,000 and less than $1,000,000, $3,000 per contract; and (4) for each contract over $1,000,000, $5,000 per contract. The fee would range from a 0.3% assessment on a $999,999 contract to a 3% assessment on a $10,000 contract. For contracts over $1,000,000 the highest percentage assessed would be 0.5%, with the percentage decreasing as the size of the contract increased.

In addition, DOA has proposed rules for a vendor subscription fee of $100 per year. However, no estimate of revenues for the subscription service is currently available because it is not known how many vendors will subscribe.

On February 29, 1996, DOA held a public hearing on the vendor fee and subscription fee prior to submitting the proposed rule to the Legislature for approval. A number of those testifying at the hearing were opposed to the vendor fee and indicated, among other things, that the fee would simply be considered a part of the cost of doing business with the state. As a result, the cost of products sold to the state would be raised to cover the increased costs.

The Department expects that revenues from the vendor fee or the subscription fee will be likely not start being collected before July, 1996. The fees will be assessed when a contract is awarded and there will be annual fee assessments for multi-year contracts. On March 15, 1996, the proposed administrative rules were submitted for review by the Legislature. The rules were referred, in the Senate, to the Joint Committee on Information Policy (on March 19, 1996) and in the Assembly, to the Committee on Small Business and Economic Development (on March 20, 1996). In general, committees reviewing administrative rules have a maximum of 60 days to take action objecting to proposed rules or the rules are considered to be approved. The Joint Committee on Information Policy plans to hold a hearing on the vendor fee rules, but no date for the hearing has been set yet. The Assembly Committee on Small Business and Economic Development has scheduled a hearing on the rules for April 23, 1996.

It could be argued that until the administrative rules related to the vendor fee are formally approved by the appropriate legislative committees, approval of funding increases using a revenue source that has not yet been approved by the Legislature would be premature. The Committee could, therefore, defer any action on ITIF funding until these legislative committees have completed their review. Subsequent to formal approval of the rules, a meeting of the Committee could then be scheduled to consider this request.

Alternatives

1. Defer action on all of DOA's request until administrative rules establishing the vendor fee have been approved.

2. Defer action only on that portion of DOA's request that relates to release of funds from the ITIF.

3. Proceed with action on the request.

LOAN FROM THE TELECOMMUNICATIONS APPROPRIATION

As noted above, vendor fees are to be established to provide on-going funding for the ITIF. Because the fees are not yet in place, no fee revenues have been collected. Moreover, once the fees are established, the collection of the fees will be occurring throughout a fiscal year as vendor contracts are approved, so that even in 1996-97, it is possible that there could initially be less than the expected level of revenues to support grants in that cycle of awards.

Because there are no fee revenues available to support expenditures in 1995-96, DOA proposes to make a loan from its telecommunications and data processing services appropriation [s.20.505(1)(ke)] to the information technology investment fund (ITIF). It is DOA's position that the Secretary of DOA has authority under the statutes [s. 20.002(11)] to make such a loan.

This appropriation finances DOA's activities related to providing statewide telecommunications services (such as the local centrex system in the Madison area and the state long-distance network service) and data processing oversight and management services (such as the consolidated data network) and includes funding for much of the staff and other administrative costs of the new Division of Technology Management in DOA.

It is DOA's intent to make a loan of $4,107,273 from its telecommunications appropriation to the ITIF once the proposed vendor fee "has received positive treatment" by the Legislature but before any revenues are actually collected. The amount to be loaned is equal to the amount of releases (including the 1995-96 segregated fund transfer under s. 13.10 Agenda Item XXII) that DOA has proposed for 1995-96, a total of $4,107,273.

The Department indicates that it is estimated that the program balance (estimated revenues less estimated expenditures) for the telecommunications appropriation will be about $8.0 million at the end of fiscal year 1995-96. The total authorized expenditure level for the appropriation in 1995-96 is $31,272,100. Much of funding in the appropriation is used to pay for costs of contracts with outside providers (such as AT&T) who under contract with the state provide at special rates such things as long-distance services to state agencies and overall system management. The costs of the long-distance services, contracted management costs and DOA's staff and administrative costs are then met by DOA billing state agencies for usage of such services. These billings are established on such bases as per minute or per call usage by the individual agency. Revenues received then depend on the actual agency usage. Expenditures depend on the contractual rates that DOA must pay to the outside vendors.

The Department indicates the two largest sources of revenues received by the appropriation are from fees paid by state agencies for usage of the state data network and lottery system and from fees paid by state agencies and by certain non-state entities such as school districts and CESAs for use of the state voice network (state telecommunications system or STS).

The Department's submittal states that the balances in the appropriation are available due to efficiencies accomplished within the DOA telecommunications program as well as structural changes which have occurred in the telecommunications market. In particular, it is noted that a significant factor in explaining the favorable program position of the telecommunications appropriation is a rapid growth in the volume of voice communications traffic which is accompanied by increases in the level of revenues received from agencies when they are billed for this increased level of usage.

Program revenue funded operations usually endeavor to retain some program reserve (revenues collected in excess of expenditures), but monitor fee levels set to finance program activities to keep a reasonable balance. If a higher balance than is considered prudent begins to be accumulated, some adjustment in rates is usually made at some point in time. For this appropriation, DOA indicates that it endeavors to maintain a minimum of 60 days of revenue as a cushion for the appropriation, which would equate to a program balance of between $4 and $5 million. However, it has been further indicated that a higher balance has been allowed to accumulate because the Department has concerns that with the upcoming rebid of the state telecommunications contract (the current contract ends on June 30, 1997) it could be faced with additional equipment costs if as a result of the new contract it switches to another carrier.

It is also important to note that, under the appropriation balance reporting system, if this proposed loan is made it will not be treated as reducing the cash balance of the appropriation nor will it be counted as an expenditure from the appropriation. Rather, the loan will be carried as a receivable (loan repayments revenues to be received at a future date) on the accounts for the telecommunications appropriation and as an obligation (loan to be repaid at a future date or dates) on the accounts for the ITIF.

The State Budget Office summary of the DOA s. 16.515 request indicates that an interest charge will be assessed the ITIF as a part of the loan repayment requirements. The summary notes further that it is intended that the loan be repaid within a six-year period from future revenues to the ITIF from the vendor fees. However, no formal schedule for the repayment of the proposed loan has been developed. The DOA submittal indicates that this repayment plan will be submitted to the Committee at a later date.

While DOA has included this information regarding the proposed loan (as well as the information on the proposed vendor fee) in its submittal, these are not viewed as items that are being presented to the Committee for its approval as a part of the requested funding releases from the ITIF. Nonetheless, the Committee may wish to note the following regarding the proposed loan.

First, the statutory authority cited to permit the "loan" refers to the ability of Secretary of DOA to approve the transfer of monies from appropriations and fund balances under certain conditions. Specifically, the statute - titled "TEMPORARY REALLOCATION OF SURPLUS MONEYS" - provides that these surplus monies may be made temporarily available for the purpose of allowing encumbrances or financing expenditures of other general fund or segregated fund activities which do not have sufficient monies in the accounts from which they are financed but have accounts receivable balances or have monies anticipated to be received from such sources as fees.

Since the vendor fee has not yet received positive treatment by the Legislature, the question may be raised as to whether any loan (" temporary reallocation of surplus moneys") can take place, and if no such loan can yet take place, whether the Committee can act to release funds which are not available.

A second question that may be raised is whether, even if the vendor fees are approved by the Legislature, this statutory authority was intended to allow the making of "loans" to other appropriations or funds. The genesis of this statutory language relates to a need that developed a number of years ago when the state was facing severe short-term cash flow problems in the general fund. Among the remedies adopted by the Legislature was this language to allow the Secretary of DOA to transfer balances between appropriations or funds to meet temporary shortages. It was not intended to allow the start-up of new programs.

The Department has argued that there is precedent for doing this in that this exact same appropriation was used in 1991 to provide funding for the establishment and operation of a new division in DOA (the Division of Information Technology Services) that, among other things, was established to operate a new central mainframe computer utility. While DOA is correct that this appropriation was used for this purpose, it is also important to note that specific statutory authorization was provided in the 1991-93 budget to allow the use of monies from this appropriation for that purpose and further that the appropriation authority was increased to reflect this advance of monies to the new Division.

It may further be noted that under the 1995-97 biennial budget as passed by the Legislature, a statutory provision would have been created under the language creating the ITIF to establish a specific procedure by which the Secretary of DOA could propose to the Committee that available moneys from any of DOA's program revenue appropriations could be temporarily reallocated during the 1995-97 biennium to the ITIF, subject to Committee's approval under a 14-day passive review process. Further, the language would have allowed the reallocation to be made without assessing any interest charge to the ITIF. However, the Governor used the partial veto to delete this language.

In view of these concerns, the Committee could consider deferring action on this request until the Legislature has approved rules for the collection of the vendor fees. Alternatively, the Committee could choose not to authorize any grants in 1995-96 and consider anew the awarding of grant releases in 1996-97 once fees are in place and revenues have begun to be received. Once fee revenues are in place, awards in that year could be made equal to the amount of anticipated revenues to be received in that year. Finally, the Committee could choose to defer consideration of this request until DOA has submitted to the Committee a detailed schedule for repayment of the loan.

Alternatives

1. Defer action on all of DOA's request until administrative rules establishing the vendor fee have been approved.

2. Defer action on all of DOA's request until the Department has submitted to the Committee a detailed schedule for repayment of the proposed loan.

3. Deny the entire request and instead direct DOA to return to the Committee under s. 13.10 with a new request for funding releases for fiscal year 1996-97 that will reflect projected fee revenues that will be collected in that year.

4. Proceed with action on the request.

MASTER LEASE

Eight agencies are receiving grants in 1995-96, for which funding from the ITIF will actually be released over a three-year period under the state's master lease program. In addition, PR expenditure authority increases are proposed for the Department of Financial Institutions and the Department of Military Affairs for projects to be financed over three years under the master lease program. The master lease program is a $50 million revolving line of credit the state has with a lender for state agencies' purchases of capital equipment such as computer hardware and software, and distance education services. The program is administered by DOA's capital finance office. Terms of monies borrowed vary but are less than seven years, with a 90-day adjustable interest rate. In the case of the IT projects being recommended for master lease financing, all would be financed over a three-year period. Under the program, semi-annual payments are made by DOA in February and August of each year.

Agencies utilizing the grant for master lease payments also have received increased funding for 1996-97 for continued payments under the master lease. It is important to note that while funding increase for 1997-98 cannot be a part of this authorization, the implication of approving project grants in the 1995-96 cycle that will be financed through master lease financing is that a draw-down from the fund is being made for not only 1995-96 and 1996-97, but also for 1997-98. While the use of master leave financing spreads costs over a period of three years, it also means that some of the fund's revenue in 1996-97 and 1997-98 is being committed in this grant cycle and will therefore, not be available for grants for 1996-97 or 1997-98.

It could be argued that master lease payments in 1995-96 should be eliminated because the next regular payments for master leases is not until August, 1996. This would result in a total decrease to the request of $907,056 in 1995-96 ($688,303 in ITIF-funded payments and $218,753 PR in agency expenditure authority). The result would be to shift these costs out of the 1995-97 biennium into the 1997-99 biennium. The Department argues however that retaining funding for master lease payments in 1995-96 would allow the agency the flexibility to either "buy down" future master lease payments or shorten the term of some of the master lease. However, at this time, it has not yet been determined how the Department would utilize master lease payments from 1995-96. Given the uncertainties associated with startup of the ITIF and the level of vendor fee revenue however, it could be argued that any expenditures which do not have to be made in 1995-96 would leave more revenues available for awards in the 1996-97 cycle.

Further, since master lease payments will not be made until August, 1996, it could be argued that none of the recommended grants financing from the master lease program should be funded in 1995-96, but instead should be addressed in the 1996-97 grant cycle. However, given the timing of the process for the 1995-96 grants and the fact that the grant recommendations have been reviewed and approved by DOA already, eliminating the grants completely from the recommendation could be viewed as inappropriate.

The Department indicates that it did not have a standard rule for which projects should be master leased, although considerations included the life of the hardware and software being purchased and the dollar size of the project. If the Committee wished, for purposes of its review, to establish a general project size threshold below which it believes straight cash-financing would be preferable, it could select such a dollar threshold and shift from master lease financing to 1995-96 cash financing any project whose cost is below that threshold. If, for example, it was decided that projects with a cost of under $100,000 (for which the master lease payment would be around $35,500 annually for three years) should not be master-leased, there would be five projects under DOA's recommendations which would have to be switched from master lease payments to cash financing. The Committee could choose to switch these projects (in the Departments of Military Affairs, Development, Corrections, Natural Resources and Revenue) to be completely funded in 1995-96. This would increase 1995-96 funding by $164,350 for the ITIF and $9,670 for additional agency expenditure authority but reduce 1996-97 and 1997-98 funding requirements by $95,975 ($90,650 ITIF and $5,325 agency PR) annually. This modification would also result in a savings of $17,900 in interest that state would not have to expend from the ITIF.

Alternatives

1. Delete all funding in 1995-96 for projects utilizing master lease financing. Reductions would total $688,303 in ITIF funded payments and $218,753 PR in agency expenditure authority.

2. Provide an additional $164,350 from the ITIF, and $9,675 PR in increased expenditure for the Department of Military Affairs, to fund in 1995-96 all costs of those recommended projects with total costs of under $100,000. Decrease funding by $90,650 from the ITIF and $5,325 PR from DMA in 1996-97 to reflect the deletion of the requirement for lease payments of these projects in that year.

3. Make no modifications to the funding recommended for master lease payments.

SPECIAL CARRY-OVER EXPENDITURE AUTHORITY

The Department of Administration has requested one-time authorization to carry-over (on a non-base building status) all unused 1995-96 expenditure authority for increases approved under its request into 1996-97. The Department argues that due to the time involved in developing the criteria for awarding grants, the submission of these requests comes relatively late in the fiscal year. As a result, DOA and the agencies will have at most three months to make the necessary purchases and begin implementation of the projects.

The Department indicates that if the request for carry-over of unused expenditure authority is denied, DOA and the agencies may be able to encumber some of the expenditure authority. However, DOA feels that unless all vendors are known and purchase orders are written for the IT infrastructure items before June 30, 1996, DOA may not be able to encumber all of the funds allotted in 1995-96 for IT development projects. In that case, DOA argues that agencies would be required to resubmit requests for funding from the ITIF or for PR expenditure increases in 1996-97 which could further delay IT development projects and the statewide movement to IT standards.

It could be argued that allowing DOA to carry over unexpended funding from 1995-96 into 1996-97 would make tracking grants from 1995-96 more difficult because funds would be combined with those from 1996-97. Instead of granting DOA special carry-over authority, the Committee could specify its intent that the Bureau of Financial Operations should allow any unused funds allotted in 1995-96 in connection with this request to be encumbered for expenditure in 1996-97.

Alternatives

1. Approve DOA's request for one-time authorization to carry-over (on a non-base building status) all unused 1995-96 expenditure authority for increases approved under its request into 1996-97.

2. Specify that the Bureau of Financial Operation should allow state agencies, on a one-time basis, to encumber any unexpended funds allotted in 1995-96 in connection with this request for subsequent expenditure in 1996-97.

3. Deny DOA's request for one-time carryover expenditure authorization.

VENDORNET

The Department of Administration recommends release of $552,100 in 1995-96 and $250,000 in 1996-97 from the ITIF to DOA for the development of a statewide vendor information system, called VendorNet, that will provide information on state procurement practices via the Internet to vendors who do business with the State of Wisconsin. In addition to vendor information, VendorNet will also enable DOA to electronically administer the proposed vendor fee and to maintain a central database of vendors. The recommendation includes $31,300 to provide Internet access to agencies which do not currently have it available.

Funding provided in 1995-96 is associated with systems development costs (contract programmers to develop the VendorNet database and World Wide Web (WWW) applications--$311,000) and system hardware and software (WWW network servers, licenses, WWW development software, workstation, computer security software--$209,800). In addition to costs for DOA, the VendorNet recommendation also provides $31,300 for 110 internet access software packages and 62 modems to allow agencies to have access to VendorNet.

The Department of Administration argues that VendorNet will provide a service to vendors who are paying the vendor fee by providing on-line procedures explaining how to do business with the state, vendor on-line self registration for bid lists, access to bid specifications, synopses of upcoming bids, access to vendor "home pages" for viewing by state agency procurement officers, and eventually, the transmission of bids electronically. While recommending funding for the VendorNet in 1995-96 appears reasonable, the funding requested for 1996-97 is for possible future system capacity increases. Demand for VendorNet services are not known. In

DOA's original request no funding was requested for 1996-97. The Committee could choose to delete funding in 1996-97 at this time. Future costs of VendorNet could be addressed in connection with future ITIF grant cycles.

Alternatives

1. Approve DOA's recommendation to provide $552,100 in 1995-96 and $250,000 in 1996-97 from the ITIF to DOA for the development of a statewide vendor information system.

2. Provide only funding of $552,100 in 1995-96 from the ITIF to DOA for the development of a statewide vendor information system. Funding for future years for VendorNet could be addressed in future ITIF requests.

INFRASTRUCTURE SUPPORT

The Department recommends $389,250 in 1995-96 and $1,000,000 in 1996-97 from the ITIF to DOA to provide consultation, help desk and training services to small agencies that are being recommended for upgrade from their current configuration to the basic infrastructure standards. These services would be provided through contracting with outside entities. The service areas and amounts of funding to be allocated are as follows:

	1995-96	1996-97
Help Desk Services	$105,000	$525,000
Consultation Services	56,250	225,000
Training Services	185,000	250,000
Consultant Computer Equipment	43,000	0
Total	$389,250	$1,000,000

The help desk services recommended by DOA would become available to small agencies in May, 1996, and would provide 24-hour a day, seven day a week assistance with hardware and software questions. The Department indicates that the help desk services would also provide on-site visits, if necessary. This function would be staffed with 7.0 contracted consultants. The consultation services recommended by DOA would be available in April, 1996, and assist small agencies in: (1) hardware and network planning and implementation; (2) planning for and initial training of advanced level users; and (3) software conversion. This function would be staffed with three contract consultants.

DOA's recommendations are based on the assumption that one consultant is necessary for every 70 work stations; for consulting services, three consultants are needed to assist small agencies and the Department of Tourism, Office of Commissioner of Insurance and the Department of Military Affairs. Demand for help desk and consultation services by small agencies, however, is unknown. Further, it is unlikely that a 24-hour a day, seven day a week help desk services is necessary given that assistance would generally only be needed during regular business hours. It could be argued that a lower level of initial funding could be provided until actual workload can be determined. If funding for five, instead of ten, consultants were provided grant funding could be reduced by $80,625 in 1995-96 and $375,000 in 1996-97. Further, since only five consultants would be retained, equipment purchases could be reduced by $20,000 in 1995-96. Under this alternative, DOA would be able to determine how consultants services would be distributed between help desk and consultation services.

As a part of the infrastructure standards, DOA has indicated that training will be provided for managers and "end-users." In connection with the standard, DOA has recommended providing $185,000 in 1995-96 for training 370 small agency staff and $250,000 in 1996-97 for training of 500 staff from medium sized agencies. In its original request, DOA did not request training funds for 1996-97. Further, the focus of the infrastructure support recommendation is on small, not medium-sized agencies. It could be argued that funding for training in 1996-97 could be deleted. If training monies are necessary in 1996-97, these funds could be requested in connection with the 1996-97 ITIF grant process.

The Committee should note that DOA has indicated that in the next biennium help desk, consultation and training services will be paid for by individual agencies through an annual rate to participating agencies. Agencies would be required to either use base resources or increased funding would need to be requested. The Department has not determined how a fee would be calculated.

Alternatives

1. Approve the recommendation to provide $389,250 in 1995-96 and $1,000,000 in 1996-97 from the ITIF to DOA to provide consultation, help desk and training services to small agencies.

2. Modify the recommendation to remove $100,625 in 1995-96 and $375,000 in 1996-97 associated with funding for five consultants.

3. Modify the recommendation to remove $250,000 in 1996-97 associated with training of staff in medium sized agencies.

SMALL AGENCY INFRASTRUCTURE

Fifteen small agencies are receiving a total of $728,620 in ITIF grants for basic infrastructure projects. Under DOA's recommendation, funding for all of these agencies would be placed in the single DOA appropriation for multi-agency projects. The appropriation was intended to be used for information technology projects that involve two or more state agencies. However, none of these projects are joint agency projects. Rather, each is a project for an individual agency or entity.

Of the fifteen agencies receiving grants, fourteen of the agencies have separate agency PR appropriations for receipt of ITIF grants. When funds are placed in DOA's multi-agency appropriation they cannot be individually tracked. The Committee could choose to instead release the recommended ITIF funds directly to the distinct ITIF appropriations established for the 14 separate agencies but provide that these funds be placed in unalloted reserve for release by DOA once the final infrastructure project purchases are approved. Funds for the Child Abuse and Neglect Prevention Board would have to remain in DOA's appropriation because the Board does not have separate ITIF grant appropriation.

Alternatives

1. Approve DOA's recommendation that funding for fifteen small agency infrastructure projects be released into DOA's multi-agency ITIF projects appropriation.

2. Provide that, except for the recommended ITIF funding for the Child Abuse and Neglect Prevention Board, the ITIF funding recommended by DOA for small agency infrastructure projects be released into the agency-specific ITIF appropriations established for this purpose. Further, provide that these amounts be placed in unalloted reserve within these appropriations for release by the State Budget Office for expenditure only after final approval has been given by the Division of Technology Management for the agency's infrastructure project purchases.

Board on Aging and Long-Term Care

The Department of Administration recommends $24,400 in 1995-96, from the ITIF, to be used to purchase equipment to meet standard basic infrastructure needs of the Board on Aging and Long-Term Care (BOATC) for upgrades to eight desktop and four laptop computers, five new desktop computers, 12 software upgrades to Microsoft Office Suite and a printer.

BOATC is currently using computer and printing equipment which does not meet established infrastructure standards. The total cost of the equipment and software to meet these standards is $30,000. BOATC currently has $5,600 in its IT base for 1995-96 and 1996-97 which can be used. Although BOATC is partly funded with federal and program revenues, these revenues are set amounts; additional expenditures for computer equipment would not generate additional federal or program revenues. Thus, to fully fund the costs to meet the basic infrastructure standards, BOATC would need a transfer of $24,400 from the ITIF.

The breakdown of the equipment and software costs is as follows:

Item	Quantity	Unit Price	Total Cost
New Computers	5	$3,000	$15,000
Computer Upgrades	12	800	9,600
Software Upgrades	12	200	2,400
New Printer	1	3,000	3,000
Total Cost			$30,000

In its migration plan, BOATC had included a request for: (a) all new computers; (b) an additional laptop computer for the ombudsman supervisor; (c) $2,600 for upgrade of the server; and (d) $2,500 to connect BOATC's LAN system by cable to DOA. DOA did not approve inclusion of these parts of BOATC's migration plan.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Adolescent Pregnancy Prevention and Pregnancy Services Board

The Department of Administration recommends $10,500 in 1995-96, from the ITIF, to be used to purchase equipment to meet standard basic infrastructure needs of the Adolescent Pregnancy Prevention and Pregnancy Services (APPPS) Board including two personal computers, one E-mail connection, two modems, and one printer.

The APPPS Board is currently using computer and printing equipment which does not meet established infrastructure standards. The Board is funded by general program revenues and has no additional funding which can be used for the purchase of such equipment.

In its migration plan, the Board specified that based on its 1.5 FTE positions, it would need: (a) two personal computers to upgrade to DOA standards; (b) one lap-top computer for travel purposes; (c) a new photocopy machine; (d) E-mail connection; (e) desktop software packages and (f) one printer.

Based on the Board's current computer hardware and software configuration, DOA recommended that a portion of the Board's migration plan be funded to upgrade to DOA's infrastructure standards. Since travel is not a specified part of the Board's activities, the lap-top computer was not included as an essential component of the Board's technology upgrade. Also, photocopy and fax machines were not recommended at this time, but rather can be considered in a later request.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Division of Hearings and Appeals

The Division of Hearings and Appeals, attached to DOA for administrative purposes, has 25.0 authorized positions. The Division conducts contested administrative proceedings for the Department of Natural Resources, all cases arising under the Department of Justice's Crime Victim Compensation program, all appeals brought by nursing homes contesting actions of the Department of Health and Social Services, and appeals from the Department of Transportation. In addition, the Division conducts probation and parole revocation hearing for the Department of Corrections. The Division has offices in Madison and Milwaukee.

The Department of Administration has recommended $51,400 from the ITIF for the Division to purchase 15 personal computers, upgrade two servers and two printers. The Division will replace 15 existing computers and two printers.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Child Abuse and Neglect Prevention Board

The Department of Administration recommends $28,220 in 1995-96, from the ITIF, to be used to purchase equipment to meet standard basic infrastructure needs of the Child Abuse and Neglect Prevention Board including four personal computers, one printer, one E-mail connection, and network equipment.

The Child Abuse and Neglect Prevention Board currently has one computer, which was purchased about one year ago using a federal grant. This computer meets the DOA infrastructure standards. However, all other computer and printing equipment which is currently being used does not meet the established infrastructure standards.

Although the Board is partially funded through program revenue, it has no funds available for these expenditures. Therefore, the request is to provide funding for the equipment from the ITIF. The total cost of the equipment is $34,220; however, the Board has $6,000 in its base budget which can be subtracted from the costs. Of this $6,000, $3,000 FED is available on an on-going basis and $3,000 PR is provided on a one-time basis in 1995-96 to the Board to purchase a printer.

In its migration plan, the Board requested: (a) five personal computers for its 5.0 FTE positions; (b) one mobile computer; (c) one printer; (d) network equipment; (e) a photocopy machine; (f) a fax machine; and (g) support costs. The Board has 4.0 FTE positions and 1.0 seasonal LTE position who is to be hired once a year to help plan activities for child abuse prevention month. The Board indicated that a computer is also essential for this LTE position.

In its recommendation, DOA noted that since the Board currently has one computer which meets infrastructure standards, only four computers are needed at this time. Also, because travel is not a specified part of the Board's activities, a lap-top computer was not considered an essential component of the Board's technology upgrade and was not recommended by DOA. Finally, photocopy and fax machines were not recommended at this time but rather can be considered in a later request.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Ethics Board

The Department of Administration's recommendation for the Ethics Board is for $86,600 in 1995-96 from the ITIF for the following items:

(a) seven desktop computers ($21,000);
(b) one laptop computer ($3,000);
(c) two printers ($6,000);
(d) network server ($4,000);
(e) backup tape system ($1,000);
(f) 56kb frame relay circuit ($1,200);
(g) one year of circuit use costs ($4,800);
(h) one year of router lease costs ($1,600);
(i) wiring for data and electricity needs ($2,500); and
(j) 12-port hub ($3,000).

Currently, the Ethics Board utilizes a MacIntosh system. Consequently, in order to meet the new IT standards, complete replacement of the current system is necessary. All of the components of the request for the Ethics Board are funded at the standard costs identified in DOA's small agency standard infrastructure cost table.

The Ethics Board is currently funded from GPR and program revenue received from lobby license fees. Under the provisions of 1995 Wisconsin Act 27 (the biennial budget), these license fees were increased effective January 1, 1997, with the result that the agency's program revenue expenditure authority was increased, and GPR funding was decreased by a comparable amount, in 1996-97. Based on the assumptions used in Act 27 (without consideration of the IT request), the Ethics Board will complete the 1995-97 biennium with a program revenue balance of $41,200. However, a deficit of $76,700 is projected to accrue in the appropriation by the end of the 1997-99 biennium and will need to be addressed by the 1997 Legislature. Thus, an alternative to fund the agency's IT components from the agency's program revenue appropriation appears to be a less preferable alternative and approving the request to provide funding from the ITIF seems appropriate.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Elections Board

The Department of Administration's recommendation for the Elections Board is for $86,600 in 1995-96 from the ITIF for the following items:

(a) 17 desktop computers, including two for public access to campaign finance data ($51,000);
(b) one laptop computer ($3,000);
(c) one printer ($3,000);
(d) network server ($15,000);
(e) backup tape system ($3,000);
(f) 56kb frame relay circuit ($1,200);
(g) one year of circuit use costs ($4,800);
(h) one year of router lease costs ($1,600);
(i) e-mail connection ($1,200); and
(j) network operating system ($2,800).

All of the components of the request for the Elections Board are funded at the standard costs identified in DOA's small agency standard infrastructure cost table, with the exception of the network server. DOA indicates that the server would be funded at $15,000 rather than the standard $4,000 because of the large volume of campaign finance data that the Elections Board collects and is required to make available for public inquiries. As a result, DOA determined that a larger server was the minimum necessary to replace the Board's current technology.

The Elections Board is a primarily GPR-funded agency, with a small amount of program revenue ($25,300 annually) received for documents sales, photocopies, records searches and the costs of administrative meetings and conferences. As a result, support from the ITIF seems appropriate.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Office of the Lieutenant Governor

The Department of Administration recommends the transfer of $44,820 from the ITIF to provide funding to the Office of the Lieutenant Governor for the following items: (a) seven personal computers and associated network equipment ($37,200); (b) monthly user and lease costs ($6,420) and (c) an EMX (E-mail) connection ($1,200).

The recommended funding is intended to help the Office meet DOA's infrastructure standards. The overall configuration would permit a more efficient management of databases used by the Office and would allow easier citizen access through the E-mail connection.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Personnel Commission

The Department of Administration recommends the transfer of $57,420 from the ITIF to provide funding to the Personnel Commission for the following items: (a) 10 personal computers, one laptop computer and associated network equipment ($51,000); and (b) monthly user and lease costs ($6,420).

The recommended funding is intended to help the Personnel Commission meet DOA's infrastructure standards. It is anticipated that the upgraded network will significantly improve the Commission's ability to manage and schedule its cases, prepare decisions and expand its case histories of earlier proceedings. It should be noted that in the development of the proposed funding allocation, only $3,000 would be provided for a 24 port network hub. The quoted cost for such a hub is actually $3,300, consequently, the Committee may wish to approve the request at a revised level of $57,720.

Conclusion

The Committee may wish to approve the request at a revised level of $57,720 (an increase of $300 to DOA's recommendation).

Joint Survey Committee on Retirement Systems

The Department of Administration recommends the transfer of $18,600 from the ITIF to provide funding to the Joint Survey Committee on Retirement Systems for: (a) three personal computers and associated network ($17,250); and (b) an EMX (E-mail) connection and additional dial-in access ($1,350).

The recommended funding is intended to help the retirement research committees meet DOA's infrastructure standards. The new network will significantly improve the ability of the agency to prepare and publish research and related materials.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Tax Appeals Commission

The Department of Administration recommends the transfer $10,200 from the ITIF in 1995-96 to provide the Tax Appeals Commission (TAC) with funding for three personal computers, one printer and an EMX connection. The total cost of the items is $13,200; however, the TAC has $3,000 in base level funding which would be used to cover these costs.

The recommended funding is intended to help the TAC meet DOA's infrastructure standards. The IT equipment and software would provide the TAC with improved word processing and spreadsheet capabilities and e-mail. The TACs' proposed use of the recommended funding amount of $10,200 would assist the agency in meeting DOA's infrastructure standards.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Arts Board

The Department of Administration recommends the transfer of $36,000 from the ITIF to provide funding to the Arts Board for the following items: (a) nine personal computers ($27,000); (b) a network server ($4,000); (c) a tape backup unit ($1,000); (d) an EMX connection ($1,200); and (e) a 25-user network operating system ($2,800).

The recommended funding is intended to help the Arts Board meet DOA's infrastructure standards. The EMX connection would provide staff with e-mail and the tape backup device would provide protection against the loss of data. The upgrade in the personal computers used by the Board's staff (from a 386-type model to a Pentium processor) would enable the Board to establish a home page on the World Wide Web. The Web page would be used to communicate information (currently only available in printed form) to artists and community members. Arts Board staff has indicated that the ability to distribute information and materials electronically may result in a decrease in the agency's printing costs.

The Arts Board's use of the recommended funding amount of $36,000 would assist the agency in meeting DOA's infrastructure standards and also may reduce its printing costs.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Minnesota-Wisconsin Boundary Area Commission

The Department of Administration recommended $24,200 PR in 1995-96 in one-time funding for the following: (a) $15,000 for five personal computers; (b) $4,000 for a network server; (c) $3,000 for a printer; (d) $1,200 for an EMX connection (e-mail); and (e) $1,000 for a cartridge tape drive backup device. This request would provide equipment for all of the estimated 4.5 knowledge workers employed by the Commission. DOA's narrative states that these project costs would be split-funded with the State of Minnesota and that the funding would not be released until Minnesota provided $12,100. However, the actual recommendation from DOA provides $24,200 PR in 1995-96 from the ITIF.

Although the Commission is a joint entity that is supported by both Wisconsin and Minnesota, all Commission operations are not equally funded. The IT standards have been developed by Wisconsin's DOA. In addition, DOA has recommended that the basic infrastructure should be completely installed in order for the agency to function efficiently. The entire $24,200 could be provided from the ITIF. Whichever amount is selected ($24,200 or $12,100), Minnesota has appropriated $32,100 more in base funding than Wisconsin during the 1995-97 biennium and would release these funds from reserve to match the amount selected.

Commission staff have indicated that Minnesota's matching funds would be used for the following purposes: (a) to establish data links with various federal, state and local organizations for information related to the Mississippi and St. Croix Rivers; and (b) provide information to citizens and local units of government via the world wide web.

Alternatives

1. Approve DOA's recommendation for $24,200 PR in 1995-96 in one-time funding.

2. Provide $12,100 PR in 1995-96 in one-time funding.

Wisconsin Conservation Corps

The Department of Administration recommended $71,220 PR in 1995-96 in one-time funding for the following: (a) $36,000 for twelve personal computers; (b) $18,000 for six printers; (c) $5,600 for seven personal computer upgrades; (d) $3,500 for a local area network server upgrade; (e) $1,200 for a frame relay circuit; (f) $500 for two Attachmate cards and Extra software; (g) $4,800 for the total monthly network use charges; and (h) $1,620 for the total monthly router lease costs. These amounts would be used to support the Madison and Eagle River offices ($38,220) and the regional and mobile crew leaders' offices ($33,000). This request would provide equipment for 19.0 individuals employed by the WCC.

Of the one-time funding requested by DOA, $6,420 would be for on-going monthly operation costs. In future years, WCC would be required to reallocate existing base funds or request new funds in order to operate the equipment that would be provided as part of this request.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Employment Relations Commission

The Department of Administration recommends the transfer of $143,680 from the ITIF to provide funding to the Employment Relations Commission for: (a) 23 personal computers and associated network ($101,900); (b) 14 personal computer upgrades ($21,800); (c) monthly user and lease costs ($18,780); and (d) and EMX (E-mail) connection ($1,200).

The recommended funding is intended to help the Employment Relations Commission meet DOA's infrastructure standards. It is anticipated that the upgraded network will significantly improve the Commission's ability to manage and schedule its cases, prepare decisions and expand its compilation of case histories and precedents.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Office of Justice Assistance

The Department of Administration recommendation for the Office of Justice Assistance (OJA) is to provide $73,220 in 1995-96 from an ITIF grant to fund computer hardware and software upgrades to meet DOA's basic infrastructure standards (15 personal computers and associated network equipment). OJA officials indicate that the grant amount would provide basic office automation services for agency staff, but does not address certain hardware and software needs, particularly those relating to OJA's maintenance of the state's uniform crime reporting (UCR) system. Specifically, OJA officials indicate that the DOA recommendation does not provide desktop publishing software, desktop database software, statistical analysis software, a database management system and a magnetic reel tape drive. DOA officials indicate that the current recommendation is intended to provide basic infrastructure resources only. According to DOA, the more advanced computer needs of OJA require further technical discussions and can be addressed under subsequent ITIF grant recommendations.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Land Information Board

The Land Information Board directs and supervises the state's land information program and serves as the state clearinghouse for access to land information. In addition, the Board is required to: (a) provide technical assistance and advice to state agencies and local governmental units with land information responsibilities; (b) maintain and distribute an inventory of land information available for the state; (c) prepare guidelines to coordinate the modernization of land records and land information systems; (d) review grant applications from local governments and determine which projects to fund; and (e) review and approve countywide plans for land records modernization. Funding for the Board and grants to counties is generated from the $2 fee counties are required to submit to the Board from the $10 register of deeds filing fee (counties retain $8 of the $10 fee).

The Department of Administration recommends that the Board's expenditure authority be increased by $3,000 PR in 1995-96 to allow the purchase of one computer. Funding for the computer would be provided from the $2 fee the state receives from counties. To the extent that administrative costs increase, less is available for grants to counties. However, as of April 9, 1996, the Board had approximately $350,000 in a continuing appropriation that was not committed to grants or state operations. It would therefore appear that sufficient revenues are available to fund the increased expenditure in 1995-96.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Board of Commissioners of Public Lands

The Department of Administration's recommendation for the Board of Commissioners of Public Lands is for an increase of $33,500 PR in 1995-96 in the Board's general program operations appropriation for the following items:

(a) two desktop computers ($6,000);
(b) one laptop computer ($3,000);
(c) two printers ($6,000);
(d) two network servers ($8,000);
(e) backup tape system ($1,000);
(f) e-mail connection ($1,200);
(g) network operating system ($2,000);
(h) wiring for data and electricity needs ($3,300); and
(i) one 12-port hub ($3,000).

The Board operates two offices, one in Madison and one in northern Wisconsin (Woodruff). Among the items requested are one computer, one printer, and one server for each office, and an e-mail connection between the two offices. All of the components of the request for the Board are funded at the standard costs identified in DOA's small agency standard infrastructure cost table.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Waste Facility Siting Board

The Waste Facility Siting Board supervises a negotiated arbitration process between applicants for solid or hazardous waste facility licenses and local committees affected by proposed facilities. In arbitration hearings, the Board may make final awards. The Board also enforces legal deadlines and other obligations of the applicants and local committees during the process. The Board has 2.0 staff positions and is funded from the solid waste facility siting board fee collected by DNR.

The Department of Administration has recommended increasing the Board's expenditure authority by $5,100 PR in 1995-96 to fund half of the costs of purchasing two personal computers, one printer and an electronic mail connection for the Board. The remaining funding would come from existing expenditure authority. The Board currently has one 286 computer and one 386 computer with two older printers, and no electronic mail capabilities. Current revenues are sufficient to fund this request.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

OTHER AGENCY INFRASTRUCTURE REQUESTS

Department of Natural Resources--Network Expansion

The Department of Administration has recommended $260,048 PR in 1995-96 and in 1996-97 from the ITIF for the first two years of three years of master lease payments for a DNR network expansion project. The ITIF funding would be used in conjunction with base funding to fully network thirteen regional service centers with each other and the Madison central office. Equipment in the request would include computer workstations, printers, network router installations, data communications lines, service center servers (computers), wiring electronics and network interface cards. This request also includes one-time funding of $10,865 to provide wiring hubs at the Woodruff, Brule and Cumberland offices. These offices would be operated as transitional offices during the initial phase of DNR's reorganization. The total cost of networking these thirteen service centers (plus the transitional offices) is estimated to be $1,139,529 (with $780,144 being provided from the ITIF).

DNR's reorganization plan states that the Department will be developing a total of 35 service centers over a period of four years. The service centers would consist of current DNR offices converted to service centers and new locations. It is estimated that these service centers would continue to be developed with a combination of funding sources that could include general purpose revenue, segregated revenue, federal revenue, bonding and the ITIF.

DNR program staff initially estimated that it would cost $35,000 for each computer that would be used as a service center server. However based on actual costs, these computers are estimated to cost $25,000 per computer. DOA's initial request could be reduced to $228,098 PR annually (or a $95,850 reduction over three years) to reflect the reestimate of the price for nine service center servers and associated financing costs.

Alternatives

1. Approve DOA's recommendation for $260,048 PR in 1995-96 and 1996-97 for the first two years of three years of master lease payments for a DNR network expansion project.

2. Provide $228,098 PR in 1995-96 and 1996-97 to reflect a reestimate of the costs of providing computers to be used as service center servers.

Military Affairs, National Guard Operations--Basic Infrastructure

The Department of Administration recommends $46,300 in 1995-96 and 1996-97 from the ITIF for the first two of three years of master lease payments. The funding would be used to purchase equipment to meet standard basic infrastructure needs of the National Guard including personal computers, software packages, workstation upgrades, conversion of existing applications, printers and other network equipment.

DMA officials indicate that a majority of their employees are using equipment that is well below the established desktop standard. In addition, three distinct local area networks exist within DMA headquarters. One network is federally-owned and operated by the Army National Guard, one is state-owned and operated by the Division of Emergency Government and one is state-owned and operated by DMA's budget and finance section. The intention is that all three systems be integrated into a new state network (however, standards applicable to the federally owned network are prescribed by the National Guard Bureau and therefore, compatibility with state standards may be an issue).

The Department of Military Affairs and Division of Emergency Government were merged as a result of 1991 Wisconsin Act 31 which became effective on October 1, 1989. Until recently, the two organizations were located in different physical locations. As a result, the information systems of the two have evolved separately and are presently dissimilar. DMA officials indicate that their migration plan which was predominately approved by DOA should allow them to fully meet state standards by fiscal year 1997-98.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Military Affairs, Division of Emergency Government--Basic Infrastructure

The Department of Administration recommends funding of $40,100 from ITIF, $7,600 PR from the administrative appropriation for emergency planning and reporting, and $5,200 PR from the program services appropriation in both 1995-96 and 1996-97 for the purchase of equipment to meet state standard basic infrastructure requirements.

DEG has $20,300 available in base funds for information technology ($1,400 from general operations, $9,900 from emergency planning and reporting and $9,000 from program services). Therefore, total annual funding would be $73,200 for the first two of three years of master lease payments for basic infrastructure equipment including new computers, printers, software and other equipment.

Under the original DOA request, the funding for DEG information technology, less the base funds available, would have come from the program revenue appropriation for emergency planning and reporting. This appropriation is funded from annual inventory and planning fees paid by facilities which store or use hazardous materials (the SARA program). The revenue generated is used to fund administration of the program and grants to counties to establish and maintain emergency response plans for facilities in their county. DEG officials voiced concern over the effect of the increased expenditures on the solvency of the fund. In addition, they argued that since the program accounts for only 24% of the Division's full-time employees, while program services and general operations account for the remainder funding should be distributed accordingly. In response, DOA amend its original request to recommend the use of ITIF funds and other program revenue funds in accordance with DEG's concerns.

The facility fees which fund the SARA program are set by the State Emergency Response Board (SERB) as are the grants to counties to establish and maintain emergency response plans. Fees were last increased in 1992. Under the program, annual expenditures currently exceed annual grants by amounts such that there would be expected to be a deficit in fiscal year 2000-01. The same would be true under DOA's original request, except that the extent of the projected deficit would be greater ($344,400 versus $126,800 with current levels). Therefore, the solvency of the fund is going to be an issue in the 1999-01 biennium regardless of the modest information technology expenditure levels.

One option the Committee could consider would be to modify DOA's recommendation to provide that the fund increase of $40,100 be funded from the SARA fund instead of the ITIF (total information technology related expenditures from SARA revenues would be $47,700 in 1996-97 and 1997-98). Under this option, the remaining $5,200 would continue to come from the program revenue services appropriation. It should be noted that under this alternative, the level that the SERB would be required in future years to either increase fees to facilities that store hazardous substances or reduce grant levels to counties would be greater than under DOA's modified request. However, the draw on the ITIF would be lessened and the intent that agency PR funding for IT costs be used whenever possible would be adhered to.

Alternatives

1. Approve DOA's recommendation to provide $40,100 from ITIF, $7,600 from SARA fund revenue and $5,200 from program services revenue to make the first two of three years of payments for master lease costs for information technology.

2. Modify the request to reduce funding from the ITIF by $40,100 and increase funding from the SARA fund by the same amount. (Annual funding for the two years of master lease payments would be $47,700 from the SARA fund and $5,200 from the program revenue services appropriation).

Tourism--Basic Infrastructure Development

The Department of Administration recommends the transfer from the ITIF of $100,700 in 1995-96 for the first year of three years of master lease payments and of $80,700 in 1996-97 for the second year of three years of master lease payments to allow the Department of Tourism purchase a standard basic infrastructure. The Department has $20,000 in 1995-96 and $40,000 in 1996-97 in base level funding to apply to the purchase. The total state cost of the infrastructure project would be $340,100, including interest.

The funding would enable the Department to make the following purchases: (a) 70 personal computers ($210,000); (b) nine printers ($27,000); (c) two local area network (LAN) hubs ($12,800); (d) circuit installation costs ($8,200); (e) monthly use costs for the line in 1996-97 ($4,800); (f) monthly router lease costs for two routers in 1996-97 ($8,040); (g) six servers ($24,000); (h) wiring for 70 workstations ($17,500); (i) five copies of the 10-user operating system ($14,000); (j) two copies of the 50-user operating system ($7,600); and (k) other costs ($6,200). The recommendation indicates that, because Tourism is a new agency with relatively limited base level funding, certain costs which are not basic infrastructure costs would also be funded.

The recommended funding would be used to develop an information technology (IT) infrastructure in the Department of Tourism. The Department currently has 22 personal computers and two desktop laser printers. Only four of the personal computers meet DOA state infrastructure standards and one of the printers must be replaced. Under the DOA recommendation, new and upgraded IT equipment, such as personal computers, workstations and printers, and software would be provided to Department staff in Madison and to staff in the eleven remote Wisconsin tourism information centers. Staff would use the new or upgraded computers to develop a database of tourism-related information, including listings of events, attractions and accommodations. The information is organized and developed for use in various promotional, marketing and advertising materials, publications and media campaigns. The equipment would also provide staff with e-mail. In addition, the IT infrastructure would assist Tourism in implementing the state parks reservation system.

The recommended funding level was based on the Department's request for an IT infrastructure that would be sufficient to enable the Department to perform all of its authorized functions, beginning in fiscal year 1995-96. However, Tourism staff have indicated that the Department intends to delay full implementation of its marketing clearinghouse activities.

Act 27 provided Tourism with $320,000 PR and 5.0 PR positions to establish a marketing clearinghouse. The clearinghouse will provide consulting services to state agencies including: marketing plans, market research, public relations and advertising. The Department charges state agencies for the services provided at a rate that will cover the Department's costs.

Since Tourism only began operating as a separate agency on January 1, 1996, it is still in the process of recruiting and filling positions. The tourism marketing and promotional activities are in the process of being fully implemented. As a result, Tourism staff indicate that marketing clearinghouse positions must still be recruited and filled. Once the clearinghouse positions are filled, the Department intends to identify needs and develop plans to be submitted to other agencies before Tourism would provide marketing clearinghouse services.

Due to the delay in full implementation of the Tourism marketing clearinghouse function, Department staff have indicated that the Department will not need eight of the 70 personal computers that are provided for the basic IT infrastructure. Consequently, the Committee could delete eight computers and $24,000 from the DOA recommendation, for a net reduction of $8,520 per year for the three years of the request including interest costs under the master lease.

Alternatives

1. Approve DOA's recommendation to provide $100,700 from the ITIF in 1995-96 for the first year of three years of master lease payments and to provide $80,700 in 1996-97 for the second year of three years of master lease payments to purchase a standard basic IT infrastructure for Tourism.

2. Provide $92,180 from the ITIF in 1995-96 and $72,180 in 1996-97 for the first two years of three years of master lease payments to reflect deletion of eight personal computers from the basic IT infrastructure proposal for Tourism. This alternative would reduce the master lease payments by $8,520 annually.

Office of the Commissioner of Insurance

The Department of Administration's recommendation for the Office of the Commissioner of Insurance (OCI) is for increased expenditure authority of $122,000 PR in 1995-96 in the Office's general program operations appropriation and $7,600 PR in 1995-96 in the general program operations appropriation of the Office of Health Care Information (OHCI) within OCI. The recommended funding increase would allow the purchase of:

(a) hubstack ($1,300);
(b) three printers ($9,000);
(c) 11 desktop computers ($33,000);
(d) 11 laptop computers with expanded memory for field audits and examinations ($55,000);
(e) network operating system ($2,900);
(f) virus protection ($3,000);
(g) PC user licenses ($15,300);
(h) support and maintenance for the PC connection ($2,300);
(i) remote access modem ($7,400); and
(j) CD server upgrade ($400).

Under Act 27, OCI received increased expenditure authority of $300,000 PR in 1995-96 to purchase 70 PCs, associated wiring and hookups, a file server, network interface cards, technical support and training, and consulting services regarding alternative IT systems. OCI indicates that the present request represents the second phase of the agency's IT implementation schedule, with additional funding requested now in 1995-96 because the agency is ahead of schedule in the installation of the items approved in Act 27. With this request, OCI indicates that its IT infrastructure improvements will be completed. In the future, the agency anticipates requesting expenditure authority for the continual replacement of depreciated equipment on a four-year replacement schedule.

OCI's general program operations appropriation is funded from fees assessed insurance companies and agents writing insurance in the state and insurer examination fees, with a balance maintained should the Office need to incur unanticipated expenditures related to its duty to regulate the insurance industry. Base level funding in 1995-96 for this appropriation is $7,507,400 PR. OHCI's general program operations appropriation is funded from annual assessments on hospitals and ambulatory surgical centers in Wisconsin, and has 1995-96 base level funding of $1,407,100 PR. The assessments which fund this appropriation are based on OHCI's actual expenditures, so that no appropriation balance is maintained.

With the completion of OCI's IT infrastructure upgrade, the agency indicates that it will next be moving to the implementation of several targeted IT projects such as enhancements to the agency's rate and policy tracking systems, the development of interfaces with other states' regulatory agencies and the National Association of Insurance Commissioners (NAIC), or the development of electronic filing capabilities for provider data within OHCI. Funding for these initiatives would be provided in 1996-97 from $673,000 placed in unallotted reserve as part of Act 27 in OCI's general program operations appropriation. In order to release any or all of these funds from reserve, however, OCI will need to receive approval from DOA and the Committee in a subsequent request under s. 16.515 of the statutes.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Legislature--Basic Infrastructure

The Department of Administration has recommended providing $1,000,000 in 1995-96 from the ITIF for the Legislature to begin implementation of an estimated $4 million infrastructure upgrade plan for Assembly and Senate offices and their respective caucus staff offices. The plan calls for the upgrade of 470 legislative office and caucus staff workstations. Under the plan, the Legislature will: (a) upgrade office 286/386 computers to Dell Pentium with Windows applications capability; (b) upgrade office printers and software; (c) install new token ring cards to increase memory capacity; (d) provide standard software applications for all computers; and (e) provide for installation and initial support. The upgrade is expected to commence soon and be completed during May.

Legislative office staffs have been experiencing limitations with respect to the overall capabilities of the current IT infrastructure available to them. In recognition of the need to provide the upgrade, the Joint Committee on Legislative Organization approved the project on March 13, 1996. As a result of this approval, costs of the upgrade may be charged to the legislative documents sum sufficient appropriation. The project will be funded under a standard master lease agreement with payments spread over a four-year period, corresponding to the expected useful life of the new equipment. Allocation of $1,000,000 from the ITIF to support this upgrade will result in a reduction in total amount of the project cost that would otherwise be charged to the GPR-funded legislative documents appropriation.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

INFORMATION TECHNOLOGY DEVELOPMENT PROJECTS IDENTIFIED IN 1995 ACT 27

Department of Agriculture, Trade and Consumer Protection--Interactive Voice Response and Complaint Tracking System

The Department of Administration recommends $63,030 in 1995-96 and 1996-97 from the ITIF for the first two years of three years of master lease payments to automate the complaint tracking system and provide an interactive voice response (IVR) system for the Bureau of Consumer Protection. The total three-year lease payments of $180,090 would include $177,550 in equipment costs and $11,590 in interest payments. The request would integrate DATCP's automated complaint tracking system with its automated telephone system and network the four offices that receive complaints.

Specifically, over a three-year period, the ITIF would provide a total of $177,550 for the following: (a) $20,000 to reprogram the IVR system which was transferred from DOJ to DATCP; (b) $80,000 to complete programming of the automated complaint tracking system, integrate the databases of the two Departments and connect the IVR to the database; (c) $59,375 for 19 personal computers and database software packages associated with the staff transferred from DOJ in Act 27; (d) $8,175 in related telephone and computer equipment; and (e) $10,000 for training staff on how to use the IVR and complaint tracking system.

The budget bill recommended by the Governor contained $90,000 in funding for DATCP to purchase IVR equipment for its consumer protection program. DATCP officials indicate the current request differs from the funding DOA recommended in the biennial budget because subsequent to the submission of the Governor's biennial budget request most of DOJ's consumer protection functions and staff were transferred to DATCP. The difference relates to the following: (a) funding is no longer needed to purchase IVR equipment because DOJ's IVR equipment was transferred to DATCP; (b) support equipment needs are greater and an overall larger complaint tracking system is needed due to the increased volume of calls received by DATCP staff as a result of the transfer; and (c) the current request contains funding for 19 personal computers and support equipment for the 13.8 staff being transferred from DOJ and the 3.0 new staff provided to DATCP as part of the transfer.

As outlined in an December, 1995, memorandum of understanding (MOU) between DATCP and DOJ, only two personal computers are expected to be transferred to DATCP along with the 13.8 FTE being transferred, resulting in a Department need of 12 computers. Also, the Department indicates that because several of the positions are half-time the Department is requesting an additional four computers so that some of these half-time positions have their own computer. Further, the Department is requesting computers for the three new positions provided DATCP in Act 27. Therefore, the Department is requesting a total of 19 computers as result of the consolidation of most of the state's consumer protection functions in DATCP.

The MOU between DATCP and DOJ indicates that the remaining DOJ computers would not be transferred along with staff because the computers are not compatible with DATCP's computer network. DATCP officials indicate that the DOJ computers were used on a local area network and do not contain a hard drive which is not in accordance with the state agency staff personal computer standard identified in DOA's information technology standards.

1995 Act 27 provided DATCP with $14,100 in one-time costs associated with the three new positions provided DATCP as a result of the transfer. Therefore, it could be argued that the one-time funding has already considered the purchase of computers and other standard office equipment for these new positions. Therefore, the Committee could reduce the Department's request by $10,200 including interest ($3,200 per computer and $600 in three-year interest payments on the computers) to reflect the cost of the three computers and software requested for the three new positions.

Further, it should be noted that DOA does not have a standard addressing computer purchases for part-time positions. DOA officials however indicate that they would generally like to maintain a ratio of one computer per FTE. DATCP's request would provide seven computers to 3.5 FTE (seven one-half time positions). DATCP contends that seven computers are needed for these staff because they are not involved in a job-share situation and therefore, could all be on-duty at the same time. However, the Committee could further reduce the Department's request by three computers or another $10,200 to make the number of computers more consistent with the number of FTEs provided the Department.

Alternatives

1. Approve the Department's request to provide $63,030 in 1995-96 and 1996-97 from the ITIF for DATCP's consumer protection program.

2. Provide $59,630 in 1995-96 and 1996-97 from the ITIF to reflect the fact that one-time funding has already been provided for computers and other office equipment for the three new consumer protection positions provided DATCP. (This alternative would reduce the total, three-year master lease payments by $10,200 or $3,400 per year.)

3. Provide $56,230 in 1995-96 and 1996-97 from the ITIF to reflect the fact that one-time funding has already been provided for computers and other office equipment for the three new consumer protection positions provided DATCP and to make the number of computers more consistent with the number of FTEs provided the Department. (This alternative would reduce the total three-year master lease payments by $20,400 or $6,800 per year.)

Department of Development--Interactive Voice Response Unit

The Department of Administration recommends the transfer of $32,000 in 1995-96 and 1996-97 from the ITIF for the first two years of three years of master lease payments to enable the Department of Development (DOD) to develop an interactive voice response (IVR) system to provide information on Department operations through a variety of media.

The recommended funding would be used to develop an IVR system to provide fax back capability and bulletin board access to Department information as well as upgrading the Department's existing 1-800 number and voice mail services. Under the current system, most requests come by telephone and staff must assemble and send information. Frequently, the response takes from two to five days. The new system would provide customers with immediate access to information and direct access to staff, if necessary. The system would provide services to all of DOD's customer groups. The recommended funding would assist DOD in providing services to its customers and could reduce postage and printing costs.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Department of Corrections--Scheduling Software

The Department of Administration recommends providing $10,650 in 1995-96 and 1996-97 from the ITIF for the first two years of three years of master lease payments to enable Corrections to purchase program scheduling software for inmate program assignments in 12 correctional institutions. The software will allow Corrections to track inmate movement and monitor program participation. Currently, inmate program assignments are not monitored in a consistent manner between institutions. The Department has indicated that the software will be purchased all at one time, with costs spread over three years (master lease funding). It could be argued that since the cost of the software is relatively small, spreading the costs over three years is inappropriate. The Committee could provide $30,000 from the ITIF in 1995-96 and delete funding of $10,650 in 1996-97. By providing funding in 1995-96, $1,950 could be saved from the ITIF over the three-year period.

Alternatives

1. Approve DOA's recommendation to provide $10,650 in 1995-96 and 1996-97 from the ITIF for the first two years of three year of master lease payments to enable Corrections to purchase program scheduling software for inmate program assignments in 12 correctional institutions.

2. Provide $30,000 in 1995-96 from the ITIF to enable Corrections to purchase program scheduling software for inmate program assignments in 12 correctional institutionals. Delete funding of $10,650 from the ITIF in 1996-97.

Military Affairs, Division of Emergency Government--Back-Up Equipment for Mobile Response Unit

The Department of Administration recommends $5,325 in 1995-96 and 1996-97 from the administrative appropriation for emergency planning and reporting (SARA program) for the first two of three years of master lease payments for equipment necessary for DEG to backup its emergency government mobile unit.

DEG's mobile unit travels to scenes of emergencies and is often the only communication link between on-site responders and other emergency officials (police, fire and the state division headquarters). The funding would enable DEG to contract for development and testing of a backup system for its on-site emergency unit. Funding would also be provided for the purchase of two additional computers, an uninterruptable power supply and additional storage capacity. The total cost of the request is $15,975 of which $975 is for interest on the leased funds.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Department of Natural Resources--Snowmobile, ATV and Boat Registration Automation

The Department of Administration recommends the transfer of $43,100 annually from the ITIF for the first two years of three years of master lease payments to enable DNR to redesign and expand its automated boat registration system to include the registration of snowmobiles and all-terrain vehicles (ATVs). This project would decentralize the current system, which is operating only in the Madison central office, in order to provide access in its new service centers. In addition, DNR would install an interactive voice response (IVR) system that would allow people to use the telephone to renew snowmobile, ATV and boat registrations. The total cost of the project is estimated to be $129,300.

The Governor recommended providing, as part of the 1995-97 biennial budget, $33,800 PR in 1995-96 and $90,000 PR in 1996-97 from the DOA information technology investment fund to allow DNR to implement this project. The Joint Committee on Finance deleted these amounts from the 1995-97 biennial budget and created a modified information technology development grant process. This project was included in the list of sixteen development projects that DOA was directed to accord priority consideration in approving IT projects for 1995-96 funding.

DNR indicates that this expanded system would provide a significant improvement in customer service.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Department of Natural Resources--Outdoor Skills Initiative

The Department of Administration recommends the transfer of $32,000 annually from the ITIF for the first two years of three years of master lease payments to enable DNR to develop an interactive voice response (IVR) system to provide information on outdoor skills training and activities. The total cost of the project is estimated to be $96,000. The system would be designed to provide up-to-date hunting and fishing information related to outdoor skills training and scheduled participatory events throughout the state. In addition to outdoor skills training, the system is expected to provide increased public awareness related to recreational safety issues, rapid dissemination of event information and 24-hour customer service.

The Governor recommended providing, as part of the 1995-97 biennial budget proposal, the following amounts for DNR: (a) $40,000 SEG annually from the fish and wildlife account of the conservation fund for operations at the Sandhill Wildlife Area outdoor skills center (Wood County); (b) $90,000 PR in 1995-96 from the proposed DOA information technology investment fund for the purchase and installation of an IVR system; and (c) $9,000 SEG in 1996-97 from the fish and wildlife account for operating the IVR system.

In addition, as part of the 1995-97 biennial budget proposal, the Governor recommended allowing DNR to conduct educational hunting, fishing and trapping activities on DNR lands on which the Department allows hunting, fishing or trapping, including those parts of state parks that are designated for hunting. This would have allowed DNR to conduct these activities outside of the normal hunting, fishing and trapping seasons. Also, DNR would have been allowed to waive the requirement that participants purchase hunting, fishing or trapping licenses. Finally, DNR could have required participants to first attend an educational workshop and could have collected fees for these workshops.

The Joint Committee on Finance specifically deleted these recommendations from the 1995-97 biennial budget as part of a decision separate from the decision to remove the ITIF from the budget. This project, however, was inadvertently included in the list of sixteen information technology development projects that DOA was directed to accord priority consideration in approving IT projects for 1995-96 funding. Because there is no authorization for the initiative, the funding could be deleted.

Alternatives

1. Approve the recommendation for $32,000 annually for the first two years of three years of master lease payments to enable DNR to develop an IVR system to provide information on outdoor skills training and activities.

2. Deny the recommendation.

Department of Public Instruction--Interactive Voice Response System

The Department of Administration recommends the transfer of $44,375 in each year of the biennium from the ITIF for the first and second payments of a three-year master lease to allow DPI to develop an interactive voice response (IVR) system with fax back capability. The IVR system would direct incoming calls and enable callers to receive requested information by fax.

The total cost of the IVR system (excluding interest costs) would be $125,000. This project was recommended for funding in the Governor's 1995-97 biennial budget but was designated for consideration for funding from the ITIF during 1995-96.

Funding from the ITIF would be used by DPI to develop an IVR system for selected areas of the Department (such as state aids or educational statistics) which receive a large volume of calls from citizens, school districts and other organizations requesting information on a variety of topics. The IVR would allow callers, through the selection of one or more numeric options, to route their own call to the appropriate person or to order a specific report or other information. The system would be designed so that selected information could be faxed directly to the caller.

DPI staff indicate that the IVR system would enable the agency to maintain or improve its current level of customer service despite budget reductions which were required of the Department in Act 27. Fewer staff members would be required to direct calls and take requests for information and the fax back capability would significantly reduce the turnaround time for many such requests.

The IVR system would initially be developed for only one or two bureaus or teams in the Department. It is estimated that (depending on the volume of calls to a particular bureau) one IVR system could serve two to three areas. While it is possible that DPI could request additional funds for additional systems in the future, the total amount recommended for the master lease payments ($133,125) would fund the entire cost of this project. Therefore, DOA's recommendation would not commit future funds (beyond the three-year master lease).

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Department of Revenue--Milwaukee Refund Inquiry System

The Department of Administration recommends transfer of $16,000 in 1995-96 and 1996-97 from the ITIF for the first two years of three years of master lease payments to enable the Department of Revenue (DOR) to develop an interactive voice response system in the Department's Milwaukee office.

The recommended funding is intended to assist DOR in responding to tax-related inquires originating in Milwaukee. DOR receives approximately 90,000 calls requesting tax forms or information concerning the status of tax refunds each year. Both permanent staff and LTEs devote a significant amount of time responding to calls. Many callers experience frequent busy signals on the phone and often make long-distance calls to Madison. The proposed IVR system is intended to improve the Department's response to taxpayers. Projected LTE savings from implementing the IVR system were removed from DOR's budget in Act 27. The recommended funding would assist DOR in improving its response to taxpayer requests originating from the Milwaukee area.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

University of Wisconsin System--Student Information System and Distance Education Projects

The Department of Administration recommends the transfer of $400,000 in 1995-96 from the ITIF to the UW System to begin implementing two initiatives: a student information system and an enhancement in the telecommunications used to deliver distance education. This project was recommended for ITIF funding in the Governor's 1995-97 budget.

The University's request consists of two components. The first component is the development of a "student information system" in which statewide linkages would be made among university campuses, technical colleges, K-12 schools and libraries in order to do the following: (1) improve access to college preparatory experiences (including advance placement courses) from participating schools; (2) improve access to library materials and services; (3) improve access to college selection and program selection information; and (4) allow students to submit college applications and review class schedules via the Internet. The system would be developed on a statewide basis.

The second component is an upgrade in the University's ability to deliver distance education courses through compressed video technology. Over the last several years, the University has established a consortium of nursing schools at five campuses which allows courses to be delivered statewide to nurses seeking to complete a bachelors degree. This and other similar distance education projects would benefit by the compressed video upgrade.

The cost of $400,000 in 1995-96 would include approximately $225,000 for the student information system and approximately $175,00 for the enhancement in distance education. The University indicates that both projects will extend beyond the current fiscal year and into 1996-97 and 1997-98. According to UW officials, an additional $2.0 million will be needed to complete the projects. Although the University intends to make further requests to the ITIF for a portion of this amount, it will also seek funds from private sources (including telecommunications providers).

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

INFORMATION TECHNOLOGY INFRASTRUCTURE FOR THE DEPARTMENT OF FINANCIAL INSTITUTIONS

Act 27 creates DFI effective July 1, 1996. DFI will consist of the Offices of the Commissioners of Banking, Credit Unions (attached for administrative purposes), Savings and Loan, and Securities, as well as responsibilities for filing business organization records and the uniform commercial code of the Secretary of State, and the mortgage banking responsibilities of the Department of Regulation and Licensing. Act 27 provides 168.5 PR positions for DFI.

The Department of Administration recommends increased expenditure authority of $181,600 PR in 1996-97 in DFI's general program operations appropriation for the first year of a three year master lease payment plan for basic infrastructure improvement. In addition, the recommendation would increase expenditure authority by $19,000 PR in 1996-97 in the separate general program operations appropriation for Office of Credit Unions to fund the infrastructure costs of that Office, which is attached to DFI for administrative purposes. Of the total $200,600 annual payment amount, approximately $19,000 would be for interest on the master lease plan.

The Department of Administration has indicated that the amounts for equipment are being requested now, in advance of the agency's creation, because the new DFI Secretary and senior managers will soon begin moving into new quarters. Under the proposed financing, the equipment would be acquired through a master lease mechanism with the first payment required in August, 1996, which is in fiscal year 1996-97.

The IT request would provide a local area network connecting all computers, printers, fax machines and electronic mail of the separate divisions of DFI. The departmental LAN would include four file servers and associated software. In addition, 168 personal and notebook computers, eight printers, six printer upgrades, 32 portable printers and 30 docking stations would be provided.

In reviewing the proposed funding request, funding for 1995-96 is not required. Under DOA's recommendation, $200,600 of funding for DFI is included in each fiscal year of the biennium, rather than only in 1996-97. The Committee should provide an appropriation increase only in 1996-97.

Conclusion

Because the proposed funding would be used to acquire equipment that appears consistent with the standards established by DOA, the Committee may wish to approve the funding for the project. However, increased funding of $200,600 PR should be provided to DFI only for 1996-97, rather than in both years of the 1995-97 biennium.

OTHER INFORMATION TECHNOLOGY DEVELOPMENT PROJECT REQUESTS

Health and Social Services--Scheduling and Timekeeping

The Department of Administration recommends the transfer of $200,000 in 1995-96 from the ITIF to H&SS to be used to implement a scheduling and timekeeping project for the facilities operated by the Division of Care and Treatment. This Division operates the three state centers for the developmentally disabled, the two mental health institutes and the Wisconsin Resource Center.

In its 1995-97 budget request, H&SS requested $220,700 GPR and $861,900 PR in 1996-97 to purchase equipment to implement an automated staff scheduling and time keeping system for the state centers for the developmentally disabled, the mental health institutes and the Wisconsin Resource Center. This request was not included in the Governor's recommended budget, and H&SS was directed to include this request for funds from the ITIF in 1995-96.

The automated scheduling system is intended to help supervisors at the institutions to more efficiently schedule staff to reduce overtime and increase worker and supervisor productivity. It is also hoped that better scheduling would reduce workers compensation costs by reducing the number of occasions that a staff person would have to work a double shift. The original request by H&SS also had the goal of installing an automatic time clock system that would reduce the amount of manual data entry by timekeepers and schedulers. However, the system as recommended by DOA would not include resources for an automatic time clock system and would focus instead on the automated scheduling system.

The $200,000 amount recommended by DOA is less than the original request for $1,080,000. The $200,000 recommended by DOA could also generate additional federal funding. If all of the $200,000 were to be spent at the three state centers, an additional $300,000 in federal funds would be generated. There may also be some matching federal dollars for funds spent at the mental health institutes but this would not be substantial since medical assistance patients make up a small proportion of the populations. With the elimination of the automatic time clock system, the cost for an automated scheduling system for all the facilities would be less than $1,080,000, but the specific amount that is required is unclear since the original request was based on an integrated system. It is not clear that the funding approved by DOA would allow all of the institutions to install an automated scheduling system. However, with the federal funding, a significant effort could be made in this direction.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Administration--Electronic Forms

The Department of Administration recommends the transfer of $20,000 in 1995-96 from the ITIF to DOA for the establishment of a statewide standard for electronic forms. Funding would support approximately 225 hours of consultation services ($9,000), software and software support ($8,500) and training ($2,500). The Department indicates that use of electronic forms could reduce current forms inventory, allow forms to be filled out electronically, and possibly result in fewer preprinted forms, decreases in storage and faster distribution. No cost reductions are indicated.

The project proposal appears to be reasonable. However, it could be argued that the request is not related to the basic infrastructure standards or to the projects given priority in 1995 Act 27, and therefore, could be denied for funding in this grant cycle.

Alternatives

1. Provide $20,000 from the ITIF in 1995-96 to enable DOA to establish a statewide standard for electronic forms.

2. Deny the recommendation.

Public Service Commission--Electronic Report Filing

The Department of Administration recommends increasing the expenditure authority in the Commission's general utility regulation appropriation by $50,000 in 1995-96 to fund the installation of an electronic annual report filing system. The increased funding authority would support the purchase of the necessary hardware ($10,000), software ($25,000) and training and maintenance ($15,000). The additional funds would derive from utility assessments.

Currently, utilities file hardcopy reports which are then edited, validated and loaded into the Commission's database. Under the proposed changes, the electronic transfer of annual report data could be communicated directly from utilities to the Commission's database in a format designated by it. The Commission had originally requested this item as part of its 1995-97 biennial budget request. The Governor denied the Commission's request pending a subsequent review of all agency IT development requests.

The electronic report filing request would result in considerable time savings both for utilities and for Commission staff.

Conclusion

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

Wisconsin Technical College System Board--Computer file Servers and Storage System

The Department of Administration recommends the transfer of $49,000 from the ITIF to provide funding for the Wisconsin Technical College System (WTCS) Board for two computer file servers ($40,000) and a computer file storage system ($9,000).

One of the servers, would be used to provide database information which could be accessed by staff at the 16 technical college districts through the Internet. WTCS anticipates a reduction in its printing costs as more information would be provided electronically.

The other server would be used for tasks which are currently performed on the agency's mainframe. Such tasks would include the compilation, manipulation and storage of data for longitudinal studies. Using the smaller computer would allow WTCS to save the larger, more expensive mainframe computer capacity for very large projects. The redistribution of tasks from the mainframe to the smaller computer would also result in cost savings. WTCS staff indicate that the two new servers would allow the agency to save at least $25,000 annually. Further, the computer file storage system would protect WTCS data from being lost or unavailable in case of a malfunction.

<u>Conclusion</u>

Funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation.

SUMMARY OF ALTERNATIVES

The following is a list of those items of the request for which alternatives have been identified in this paper. For each item, the title and the corresponding alternatives are listed.

Vendor Fee

1. Defer action on all of DOA's request until administrative rules establishing the vendor fee have been approved.

2. Defer action only on that portion of DOA's request that relates to release of funds from the ITIF.

3. Proceed with action on the request.

Loan from the Telecommunications Appropriation

1. Defer action on all of DOA's request until administrative rules establishing the vendor fee have been approved.

2. Defer action on all of DOA's request until the Department has submitted to the Committee a detailed schedule for repayment of the proposed loan.

3. Deny the entire request and instead direct DOA to return to the Committee under s. 13.10 with a new request for funding releases for fiscal year 1996-97 that will reflect projected fee revenues that will be collected in that year.

4. Proceed with action on the request.

Master Lease

1. Delete all funding in 1995-96 for projects utilizing master lease financing. Reductions would total $688,303 in ITIF funded payments and $218,753 PR in agency expenditure authority.

2. Provide an additional $164,350 from the ITIF, and $9,675 PR in increased expenditure for the Department of Military Affairs, to fund in 1995-96 all costs of those recommended projects with total costs of under $100,000. Decrease funding by $90,650 from the ITIF and $5,325 PR from DMA in 1996-97 to reflect the deletion of the requirement for lease payments of these projects in that year.

3. Make no modifications to the funding recommended for master lease payments.

Special Carry-Over Expenditure Authority

1. Approve DOA's request for one-time authorization to carry-over (on a non-base building status) all unused 1995-96 expenditure authority for increases approved under its request into 1996-97.

2. Specify that the Bureau of Financial Operation should allow state agencies, on a one-time basis, to encumber any unexpended funds allotted in 1995-96 in connection with this request for subsequent expenditure in 1996-97.

3. Deny DOA's request for one-time carryover expenditure authorization.

VendorNet

1. Approve DOA's recommendation to provide $552,100 in 1995-96 and $250,000 in 1996-97 from the ITIF to DOA for the development of a statewide vendor information system.

2. Provide only funding of $552,100 in 1995-96 from the ITIF to DOA for the development of a statewide vendor information system. Funding for future years for VendorNet could be addressed in future ITIF requests.

Infrastructure Support

1. Approve the recommendation to provide $389,250 in 1995-96 and $1,000,000 in 1996-97 from the ITIF to DOA to provide consultation, help desk and training services to small agencies.

2. Modify the recommendation to remove $100,625 in 1995-96 and $375,000 in 1996-97 associated with funding for five consultants.

3. Modify the recommendation to remove $250,000 in 1996-97 associated with training of staff in medium sized agencies.

Small Agency Infrastructure

1. Approve DOA's recommendation that funding for fifteen small agency infrastructure projects be released into DOA's multi-agency ITIF projects appropriation.

2. Provide that, except for the recommended ITIF funding for the Child Abuse and Neglect Prevention Board, the ITIF funding recommended by DOA for small agency infrastructure projects be released into the agency-specific ITIF appropriations established for this purpose. Further, provide that these amounts be placed in unalloted reserve within these appropriations for release by the State Budget Office for expenditure only after final approval has been given by the Division of Technology Management for the agency's infrastructure project purchases.

Personnel Commission--Basic Infrastructure

The Committee may wish to approve the request at a revised level of $57,720 (an increase of $300 to DOA's recommendation).

Minnesota-Wisconsin Boundary Area Commission--Basic Infrastructure

1. Approve DOA's recommendation for $24,200 PR in 1995-96 in one-time funding.

2. Provide $12,100 PR in 1995-96 in one-time funding.

Natural Resources--Network Expansion

1. Approve DOA's recommendation for $260,048 PR in 1995-96 and 1996-97 for the first two years of three years of master lease payments for a DNR network expansion project.

2. Provide $228,098 PR in 1995-96 and 1996-97 to reflect a reestimate of the costs of providing computers to be used as service center servers.

Military Affairs, Division of Emergency Government--Basic Infrastructure

1. Approve DOA's recommendation to provide $40,100 from ITIF, $7,600 from SARA fund revenue and $5,200 from program services revenue to make the first two of three years of payments for master lease costs for information technology.

2. Modify the request to reduce funding from the ITIF by $40,100 and increase funding from the SARA fund by the same amount. (Annual funding for the two years of master lease payments would be $47,700 from the SARA fund and $5,200 from the program revenue services appropriation).

Tourism--Basic Infrastructure Development

1. Approve DOA's recommendation to provide $100,700 from the ITIF in 1995-96 for the first year of three years of master lease payments and to provide $80,700 in 1996-97 for the second year of three years of master lease payments to purchase a standard basic IT infrastructure for Tourism.

2. Provide $92,180 from the ITIF in 1995-96 and $72,180 in 1996-97 for the first two years of three years of master lease payments to reflect deletion of eight personal computers from the basic IT infrastructure proposal for Tourism. This alternative would reduce the master lease payments by $8,520 annually.

Department of Agriculture, Trade and Consumer Protection--Interactive Voice Response and Complaint Tracking System

1. Approve the Department's request to provide $63,030 in 1995-96 and 1996-97 from the ITIF for DATCP's consumer protection program.

2. Provide $59,630 in 1995-96 and 1996-97 from the ITIF to reflect the fact that one-time funding has already been provided for computers and other office equipment for the three new consumer protection positions provided DATCP. (This alternative would reduce the total, three-year master lease payments by $10,200 or $3,400 per year.)

3. Provide $56,230 in 1995-96 and 1996-97 from the ITIF to reflect the fact that one-time funding has already been provided for computers and other office equipment for the three new consumer protection positions provided DATCP and to make the number of computers more consistent with the number of FTEs provided the Department. (This alternative would reduce the total, three-year master lease payments by $20,400 or $6,800 per year.)

Department of Corrections--Scheduling Software

1. Approve DOA's recommendation to provide $10,650 in 1995-96 and 1996-97 from the ITIF for the first two years of three year of master lease payments to enable Corrections to purchase program scheduling software for inmate program assignments in 12 correctional institutions.

2. Provide $30,000 in 1995-96 from the ITIF to enable Corrections to purchase program scheduling software for inmate program assignments in 12 correctional institutionals. Delete funding of $10,650 from the ITIF in 1996-97.

Department of Natural Resources--Outdoor Skills Initiative

1. Approve the recommendation for $32,000 annually for the first two years of three years of master lease payments to enable DNR to develop an IVR system to provide information on outdoor skills training and activities.

2. Deny the recommendation.

Information Technology Infrastructure for the Department of Financial Institutions

Because the proposed funding would be used to acquire equipment that appears consistent with the standards established by DOA, the Committee may wish to approve the funding for the project. However, increased funding of $200,600 PR should be provided to DFI only for 1996-97, rather than in both years of the 1995-97 biennium.

Administration--Electronic Forms

1. Provide $20,000 from the ITIF in 1995-96 to enable DOA to establish a statewide standard for electronic forms.

2. Deny the recommendation.

Summary of Conclusions

The following is a list of those items of requests for which no alternatives were listed but, rather a conclusion that "funding for the project appears to be reasonable and, therefore, the Committee may wish to approve the recommendation."

- Board on Aging and Long Term Care--Basic Infrastructure
- Adolescent Pregnancy Prevention and Pregnancy Services Board--Basic Infrastructure
- Division of Hearings and Appeals--Basic Infrastructure
- Child Abuse and Neglect Prevention Board--Basic Infrastructure
- Ethics Board--Basic Infrastructure
- Elections Board--Basic Infrastructure
- Office of the Lieutenant Governor--Basic Infrastructure
- Joint Survey Committee on Retirement Systems--Basic Infrastructure
- Tax Appeals Commission--Basic Infrastructure
- Arts Board--Basic Infrastructure
- Wisconsin Conservation Corps--Basic Infrastructure
- Employment Relations Commission--Basic Infrastructure
- Office of Justice Assistance--Basic Infrastructure

- Land Information Board--Basic Infrastructure
- Board of Commissioners of Public Lands--Basic Infrastructure
- Waste Facility Siting Board--Basic Infrastructure
- Military Affairs, National Guard Operations--Basic Infrastructure
- Office of the Commissioner of Insurance--Basic Infrastructure
- Legislature--Basic Infrastructure
- Department of Development--Interactive Voice Response Unit
- Military Affairs, Division of Emergency Government--Back-Up Equipment for Mobile Response Unit
- Department of Natural Resources--Snowmobile, ATV and Boat Registration Automation
- Department of Public Instruction--Interactive Voice Response System
- Department of Revenue--Milwaukee Refund Inquiry System
- University of Wisconsin System--Student Information System and Distance Education Projects
- Health and Social Services--Scheduling and Timekeeping
- Public Service Commission--Electronic Report Filing
- Wisconsin Technical College System Board--Computer File Servers and Storage System

ATTACHMENT 1

Information Technology Investment Fund
1995-96 Grant Awards

Agency	Purpose	Amount 1995-96	Amount 1996-97	Appropriation
VendorNet				
Administration	VendorNet	$552,100	$250,000	20.505(1)(kn)
Infrastructure Support				
Administration	Infrastructure Support			
	-- Help Desk Services	105,000	525,000	20.505(1)(kn)
	-- Hardware and Network Planning Consulting Services	56,250	225,000	20.505(1)(kn)
	-- Training Services	185,000	250,000	20.505(1)(kn)
	-- Equipment for Support Staff	43,000	0	20.505(1)(kn)
Subtotal		$389,250	$1,000,000	
Small Agency Basic Infrastructure				
Board on Aging and Long Term Care	Basic Infrastructure	$24,400	$0	20.505(1)(kn)
Adolescent Pregnancy Prevention & Services Bd.	Basic Infrastructure	10,500	0	20.505(1)(kn)
Division of Hearings and Appeals	Basic Infrastructure	51,400	0	20.505(1)(kn)
Child Abuse and Neglect Board	Basic Infrastructure	28,220	0	20.505(1)(kn)
Ethics Board	Basic Infrastructure	48,120	0	20.505(1)(kn)
Elections Board	Basic Infrastructure	86,620	0	20.505(1)(kn)
Lieutenant Governor	Basic Infrastructure	44,820	0	20.505(1)(kn)
Personnel Commission	Basic Infrastructure	57,420	0	20.505(1)(kn)
Joint Survey Committee on Retirement Systems	Basic Infrastructure	18,600	0	20.505(1)(kn)
Tax Appeals Commission	Basic Infrastructure	10,200	0	20.505(1)(kn)
Arts Board	Basic Infrastructure	36,000	0	20.505(1)(kn)
Minnesota-Wisconsin Boundary Area Commission	Basic Infrastructure	24,200	0	20.505(1)(kn)
Wisconsin Conservation Corps	Basic Infrastructure	71,220	0	20.505(1)(kn)
Employment Relations Commission	Basic Infrastructure	143,680	0	20.505(1)(kn)
Office of Justice Assistance	Basic Infrastructure	73,220	0	20.505(1)(kn)
Large Agency Basic Infrastructure				
Natural Resources	Network Expansion	$260,048	$260,048	20.370(8)(mh)
Military Affairs	Basic Infrastructure -- National Guard Operations	46,300	46,300	20.465(1)(kn)
Military Affairs	Basic Infrastructure -- Emergency Government	40,100	40,100	20.505(1)(kn)
Tourism	Basic Infrastructure	100,700	80,700	20.380(1)(kd)
Legislature	Basic Infrastructure	1,000,000	0	20.765(1)(ka)

Agency	Purpose	Amount 1995-96	Amount 1996-97	Appropriation
IT Development Projects Identified in Act 27				
Agriculture, Trade and Consumer Protection	Interactive Voice Response and Complaint Tracking System	$63,030	$63,030	20.115(8)(kt)
Development	Interactive Voice Response Information Desk	32,000	32,000	20.143(4)(kc)
Corrections	Scheduling Software	10,650	10,650	20.410(1)(kw)
Natural Resources	Expansion of Boat Registration System	43,100	43,100	20.370(8)(mh)
Natural Resources	Interactive Voice Response--Outdoor Skills Initiative	32,000	32,000	20.370(8)(mh)
Public Instruction	Interactive Voice Response System	44,375	44,375	20.255(1)(kt)
Revenue	Milwaukee Refund System	16,000	16,000	20.566(3)(ka)
University of Wisconsin	Distance Education	400,000	0	20.285(1)(kc)
Other IT Projects				
Health and Social Services	Scheduling and Timekeeping	$200,000	$0	20.435(8)(ka)
Administration	Electronic Forms	20,000	0	20.505(1)(kn)
Wisconsin Technical College System Board	Workstation Servers	49,000	0	20.292(1)(kb)
Total		$4,027,273	$1,918,303	

ATTACHMENT 2

Agency Non-ITIF Appropriation Increase

Agency	Purpose	Amount 1995-96	Amount 1996-97	Appropriation
Small Agency Basic Infrastructure				
Land Information Board	Basic Infrastructure	$3,000	$0	20.505(4)(k)
Board of Commissioners of Public Lands	Basic Infrastructure	33,450	0	20.585(2)(hg)
Waste Facilities Siting Board	Basic Infrastructure	5,100	0	20.505(4)k)
Large Agency Basic Infrastructure				
Military Affairs	Basic Infrastructure -- Emergency Government Operation	7,600	7,600	20.465(3)(i)
Military Affairs	Basic Infrastructure -- Emergency Government Operation	5,200	5,200	20.465(3)(g)
Insurance	Basic Infrastructure	121,973	0	20.145(1)(g)
Insurance	Basic Infrastructure	7,553	0	20.145(8)(hg)
IT Development Projects Identified in Act 27				
Military Affairs	Emergency Government Mobile Unit Backup	5,325	5,325	20.465(3)(i)
Department of Financial Institutions	Basic Infrastructure -- General Program Operations	$181,628	$181,628	20.144(1)(g)
	Basic Infrastructure--Office of Commissioner of Credit Unions	19,000	19,000	20.144(2)(g)
Other IT Projects				
Public Service Commission	Electronic Report Filing	50,000	0	20.155(1)(g)
Total		$439,829	$218,753	

GOVERNOR'S 1996 OIL OVERCHARGE PLAN

1996 Plan At-A-Glance

The Governor's 1996 Stripper XVI Oil Overcharge Plan, which proposes allocation of $1,600,000 of new Stripper funds, focuses on developing and demonstrating a pilot sustainable energy initiative to provide energy assistance services to low income residents. Funding is provided to assist the community of Weyauwega with economic recovery from the recent propane spill. The Plan also emphasizes the leveraging of private sector and Federal funds to implement program initiatives beneficial to Wisconsin.

As a result of at least nineteen different partnerships, program *funding* will be generated with a strong involvement from a broad cross-section of businesses, government, the University, and utilities.

This plan also proposes modifications to previously-approved Plans by the Joint Committee on Finance. For example, the scope of the School Energy Bank Program, approved as part of the Stripper XI Oil Overcharge Plan, is recommended for broadening. Two residential energy loan programs approved in Strippers I and VIII Oil Overcharge Plans, are recommended for combining and modification of the payment and management structure.

The recommended programs, each summarized in the plan, are as follows:

PROPOSED INITIATIVES	Oil Overcharge Funds	Total Program Funds
Pilot for Low Income Sustainable Energy Initiative	$1,000,000	$1,000,000
Weyauwega Disaster Recovery Assistance	$100,000	$100,000
Renewable Energy Initiative	$170,000	$1,621,625
Home Energy Rating/ Energy Efficiency Financing	$125,000	$1,345,000
Energy Education Grants	$115,000	$115,000
Environmental Monitoring of Energy Impacts	$50,000	$200,000
Black Holocaust Museum (Milwaukee) Weatherization	$40,000	$40,000
Energy Program Management	*	*
Total	**$1,600,000**	**$4,421,625**

* Program to receive accrued interest.

PROGRAM MODIFICATIONS

- Stripper XI: School Energy Bank
- Stripper I: Middle Income, Residential Energy Conservation
- Stripper VIII: Home Energy Loan/Rebate Program (WHEDA)

PROGRAM SUMMARY

1. **Pilot for Low Income Sustainable Energy Initiative** **$1,000,000**

Federal funding for the Low Income Energy Assistance Program (LIEAP), as well as the Weatherization Assistance Program (WAP) has been reduced and is likely to continue a downward trend. In response to these cuts and to concerns expressed by the Joint Committee on Finance, Governor Thompson has directed the Department of Administration *"to coordinate a thorough exploration of alternatives aimed at achieving a more sustainable low-income energy assistance funding strategy that will continue to meet the needs of Wisconsin as federal funding declines."*

This effort has begun but has not had adequate time to develop a recommendation. Rather than create yet another low income committee, the Department of Administration, Energy Bureau will coordinate the efforts of existing organizations and stakeholders to develop a plan that can be piloted with the proposed funding. Program components may include education, increased home weatherization and energy efficiency assistance, developing additional funding sources, and targeting new funds to areas of greatest need.

The existing Public Service Commission (PSC) mandated moratorium on winter heat cut-offs for electricity and natural gas customers is and will remain an integral part of Wisconsin's response to low-income heating needs. A key element of this proposal will include coordination with the PSC to avoid inconsistencies with the Commission's recent Advance Plan 7 order to utilities that they help develop *"a cost-effective, comprehensive residential DSM program ... with a focus on low-income customers."*

A sustainable low income winter heating program can be developed from these components and with input from low income advocacy groups, energy providers and state and local agencies. Of the funds proposed, up to $100,000 will be made available to help develop the proposal including potential experimentation with preliminary plan concepts. Remaining funds will not be committed until a detailed action plan is approved by the Joint Committee on Finance under the provisions of s.16.515.

If an acceptable plan is not available by the beginning of the 1996-97 winter heating season, the DOA Secretary is given the authority to commit up to $300,000 of these funds to supplement existing appropriations for crisis heating assistance. This assistance may include purchasing heating fuel and replacing or repairing inoperative furnaces.

2. **Weyauwega Disaster Recovery Assistance** **$100,000**

The recent accident in Weyauwega has created severe hardship for the residents and businesses in that community. This funding will support the economic recovery process that is now underway and help the community recover as a model of energy efficiency. The funds will be used in cooperation with other government agencies, utilities and businesses to supplement but not supplant funding anticipated from insurance or other legally liable sources. They will be used to provide incentives for installation of high efficiency appliances, improvements and repairs that provide energy efficiency and increase economic activity in the community now and well into the future. Additionally, existing energy related programs will be directed to Weyauwega to the maximum extent possible. Up to 5 percent of the funding will be used by the Department of Administration for program delivery.

3. **Renewable Energy Initiative** **$170,000**

New markets and evolving technologies open up opportunities that allow Wisconsin to take advantage of unique renewable energy projects using Wisconsin resources. This multi-faceted renewable energy initiative will encourage new industries that provide additional jobs and economic growth in Wisconsin based on locally produced renewable energy resources. The five renewable projects described below emphasize ethanol (improving the delivery infrastructure and producing it from lower cost waste products--paper mill sludge, cheese whey and switch grass) and solar energy.

A. *Ethanol Refueling Infrastructure*: The U.S. Department of Energy is providing $1,320,000 in matching grant funds to develop at least 40 ethanol refueling centers for private vehicles in the Midwest, including four in Wisconsin (Madison, Milwaukee, Green Bay and Stevens Point). Existing gasoline station owners will be provided with potentially forgivable, no interest loans to convert or install additional tanks and equipment to handle and sell ethanol fuels. A portion of these funds will also support ethanol marketing and related administrative activities. Total Wisconsin project costs and partners are:

Private Sector	$45,000
U.S. Department of Energy	$19,000
Other Public	$15,000
Great Lakes Biomass Program	$10,000
Stripper XVI	**$25,000**
TOTAL	$114,000

B. *Ethanol from Paper Mill Sludge*: This project will support pilot scale studies and plant design necessary to construct a 5-10 million gallon a year paper mill sludge-to-ethanol plant in Wisconsin. It will build on previous oil overcharge supported research in which the University of Wisconsin at Stevens Point conducted a comprehensive survey of potential renewable energy resources in Wisconsin and then characterized the ethanol producing potential of 14 major Wisconsin paper mills. This funding will allow the Department of Administration to form a partnership with a major paper mill(s), private sector development firms, the federal government and academic institutions to take advantage of newly developed technology that will use paper mill sludge as a low cost feedstock to produce ethanol. Paper mill sludge is currently treated as an undesirable waste product with a burdensome disposal cost. Anticipated partners and total project costs are estimated to be:

Wisconsin Paper Mill(s)	$100,000
National Renewable Energy Laboratory	$ 60,000
UW-Stevens Point (remaining Stripper 14 funds)	$ 60,000
Great Lakes Biomass Program	$ 35,000
Green Bay Energy Corp.	$ 25,000
USDA Forest Products Lab.	$ 10,000
Stripper XVI	**$ 70,000**
TOTAL	$360,000

C. *Ethanol from Cheese Whey*: This project will help support modification and operation of an existing corn to ethanol and cattle feed plant under construction near Spring Green, Wisconsin.

The modification will demonstrate the viability of integrating cheese whey with the existing corn feedstock to reduce the cost of production while reducing the environmental impacts of cheese whey landspreading. Anticipated partners and total project costs are estimated to be:

Farm Technology USA, Inc.	$900,000
John Oliver Assoc.	$100,000
Stripper XVI	**$ 40,000**
TOTAL	$1,040,000

D. *Switchgrass Production for Electricity and Ethanol*: This project will evaluate the economic and agronomic feasibility of growing switchgrass as a dedicated energy crop. Switchgrass has high biomass yields per acre and can be grown on erodible and marginal farm land. A potential market to burn switchgrass for electricity is being developed separately by Madison Gas and Electric at its Blount Street plant. Anticipated partners and total project costs are estimated to be:

Great Lakes Biomass Program	$28,813
ReCon Associates	$ 6,500
Prairie Nursery, Inc.	$ 3,000
Kinney & Urban, S.C.	$ 3,500
Power Grass Purveyors, LLC.	$ 812
Stripper XVI	**$15,000**
TOTAL	$57,625

E. *Photovoltaics*: This project will assess the feasibility of installing grid connected photovoltaics (PV) at state facilities to defer the need for new peak generating, transmission and distribution facilities. Off-grid state owned facilities will also be evaluated for cost effective PV opportunities. The Department of Administration has entered into a Memorandum of Understanding with the National Renewable Energy Laboratory to carry out this project along with eleven other states. Anticipated partners and total project costs are estimated to be:

National Renewable Energy Laboratory	$25,000
Wisconsin Utilities	$ 5,000
Stripper XVI	**$20,000**
TOTAL	$50,000

4. **Home Energy Rating/Energy Efficiency Financing** **$125,000**

The current six-month pilot home energy rating system (HERS)/energy efficient financing (EEF) project funded by EPA will be continued and expanded to include training and incentives for lenders, realtors, builders and weatherization providers as well as homeowners. Additional energy raters will be trained. The energy rating provides a uniform way to compare the energy efficiency of homes, as well as quantify the amount of energy efficiency improvement. Anticipated partners and total project costs are estimated to be:

Homeowner Improvements	$1,000,000
Environmental Protection Agency *	$ 100,000
Energy Center of Wisconsin	$ 60,000
CAP Weatherization In-Kind	$ 40,000
Madison Gas & Electric	$ 20,000
Stripper XVI	$ 125,000
TOTAL	$1,345,000

* $49,225 unliquidated obligations

5. **Energy Education Grants** **$115,000**

This program will be administered by the Wisconsin Energy Bureau to continue its historic support of energy education and demonstration programs. The projects are implemented by nonprofit organizations, schools, local governments and others. Eligible strategies include films, lectures, school curricula, public presentations, conferences, energy fairs, energy educational materials, public service announcements, etc., designed to enhance public awareness about the value of saving energy. To advance energy education at higher levels of learning, a portion of these funds will be used to establish a formal partnership between the Department of Administration, Energy Bureau and the Institute for Environmental Studies at the University of Wisconsin-Madison.

6. **Environmental Monitoring of Energy Impacts** **$50,000**

This program will provide the required state match for $150,000 contributed by Wisconsin utilities in cooperation with the Electric Power Research Institute to continue to monitor sensitive natural resources that may be impacted by energy generating activities. Monitoring will include sulfur dioxide, nitrogen dioxide and mercury in the air, water and biota of Wisconsin. The data gathered will help establish the impact of electricity generation on the environment and evaluate the effectiveness of existing pollution prevention and clean up efforts. Total funding will be:

Utilities/Electric Power Research Institute	$150,000
Stripper XVI	$50,000
TOTAL	$200,000

7. **Wisconsin Black Holocaust Museum** **$40,000**

The Wisconsin Black Holocaust Museum collects, exhibits and preserves the history of African-Americans who were persecuted. The building that houses the museum was donated by the City of Milwaukee and requires substantial renovation. The museum accepts donations and gifts. A new energy efficient heating and air conditioning system and hot water heater were purchased with funds ($50,000) received from an anonymous donor. An additional donation ($30,000) given by the Milwaukee County Board of Supervisors, assisted with some insulation, more efficient lighting and making bathrooms handicapped accessible. Oil overcharge funds will be used to purchase energy efficient windows, doors and related insulation.

8. <u>Energy Efficiency Program & Oil Overcharge Management</u> **Accrued Interest**

In 1988, the Joint Committee on Finance allocated interest accruing on the Stripper IV plan to support the Wisconsin Energy Bureau's management of oil overcharge programs. These Stripper IV funds will be nearly exhausted in FY 1996. However, the Energy Bureau is required to manage existing oil overcharge and other energy programs as well as continue to develop new plans and implement, monitor and report on existing and future oil overcharge programs. These funds will assist the Energy Bureau in continuing its mandated oil overcharge activities.

PROGRAM MODIFICATIONS

A. Stripper XI - School Energy Bank

This no-cost modification will provide funding for technical energy analyses to local units of government (including public schools), non-public schools, vocational-technical schools, independent colleges and universities throughout Wisconsin. Stripper XI funding was authorized for a six county pilot program to provide energy efficiency assistance to public schools. This program, now referred to as the Wisconsin Energy Initiative - 2, has been well received and now provides services, but not funding, to schools throughout the State.

B. Stripper I - Middle Income, Residential Energy Conservation
Stripper VIII - Home Energy Loan/Rebate Program

This change consolidates two previously authorized oil overcharge funded home energy efficiency financing programs by combining unexpended funds. Program management is transferred from the Wisconsin Housing and Economic Development Authority (WHEDA) to the Energy Bureau. The existing program of interest rate buy downs creates a substantial and continuing administrative burden. The new program will provide one-time rebates designed to provide an incentive for homeowners to increase the energy efficiency of their homes. The rebates will be determined through the use of a home energy rating system. Up to 5% of the unexpended funds may be used by the Energy Bureau for delivery of the modified program.

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(14) 2

April 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Investment Board--Section 13.10 Request for Release of Funds for Performance-Based Bonus Compensation Awards to Agency Staff--Agenda Item XXIV

Provisions of 1995 Wisconsin Act 27 [Section 9132(1)(g)] prohibit the distribution of $472,900 PR in 1995-96 and $525,500 PR in 1996-97 of base level funding included in the Investment Board's budget for performance-based bonus compensation awards to eligible staff until the agency submits a revised plan for the distribution of such awards to the Joint Committee on Finance and the Committee has approved the plan. Act 27 further required that the revised distribution plan must incorporate any necessary changes required to address any findings contained in a Legislative Audit Bureau evaluation of the bonus compensation program. (That audit was begun in the spring of 1995 and released in August 1995.)

On November 13, 1995, SWIB submitted the required report which requested that the Committee approve the agency's existing policy governing the distribution of bonus compensation awards. Committee approval of this bonus compensation policy would authorize the distribution of such awards in the 1995-96 and 1996-97 fiscal years. Consideration of SWIB's request was placed on the agenda of the Committee's December 12, 1995, meeting under s. 13.10. At that meeting, the Committee's Co-chairs set this request aside for consideration at a future meeting of the Committee. This item has been rescheduled for consideration at the Committee's April, 16, 1996, s. 13.10 meeting.

BACKGROUND

The Bonus Compensation Program. The Investment Board may award annual bonuses to unclassified staff for meritorious performance which occurred in the immediately preceding fiscal year during the subsequent fiscal year. Currently, 76.5 FTE of the agency's 83.5 FTE base level employes are unclassified and are potentially eligible for awards. The annual amount of funding available in the bonus pool is set by statute at an amount equivalent to 10% of the total annualized salaries for the agency's unclassified employes. Individual bonus awards are limited by statute to a maximum of 25% of the employe's annual salary amount and must be actually paid out over a three-year period (50% in the year of the award and 25% in each of the succeeding two years), provided the individual continues employment with the agency. Exceptions to this continued employment requirement are provided for employes who retire or become disabled, and also for employes who die, in which case the employes' estates receive payment of the escrowed amounts.

Funds for the bonus pool are appropriated each biennium as a part of the Investment Board's budget. Since the establishment of the Investment Board's bonus compensation program in 1988, bonus compensation distributions totaling $1,768,300 PR have been awarded to eligible unclassified staff.

Brief History of the Program. The current bonus compensation program was established by 1987 Wisconsin Act 399 as part of several changes intended to provide increased managerial and compensation flexibility to the Investment Board. The legislation establishing the bonus plan gave the Investment Board relatively broad authority over administration of the program. The existing statutory authority for the plan [s. 25.156(6) of the statutes] places relatively few specific limitations on the Board with respect to the program's implementation. The statute does set the total size of the bonus pool at 10% of all unclassified salaries and establishes 25% of annual salary as the maximum amount that any individual employe may receive as an award. It also specifies that the Board, in awarding bonus compensation, consider the investment performance of the funds it manages relative to the performance of similar funds and market indices. Beyond these guidelines, however, the statute does not enumerated any criteria which must be used in the granting of these awards, other than to stipulate that the Board may provide a bonus plan whereby unclassified employes may qualify for an annual bonus on the basis of "meritorious performance."

A 1991 evaluation of the bonus compensation program by the Legislative Audit Bureau found that the program was being used primarily to supplement salaries instead of rewarding meritorious investment performance. That audit recommended that the Legislature either act to repeal the bonus compensation program or to improve its overall operation. Subsequently, provisions of 1991 Wisconsin Act 39 directed the Investment Board to develop a revised bonus distribution plan applicable to awards beginning with the 1991-92 fiscal year which would address: (1) the conditions under which bonus compensation would be awarded; (2) the relative percentages of the bonus pool that would be awarded for investment performance of staff and for other meritorious performance of staff; and (3) the criteria that would be considered in determining whether to award bonus compensation to an employe. No bonus distributions were to be made under that revised plan until the plan had been approved by the Joint Committee on Finance.

Current Procedures Governing the Distribution of Bonus Compensation. In May 1992, the Committee approved a revised bonus distribution policy developed by the Investment Board yin response to the 1991 audit and the 1991 Act 39 requirements. This policy has governed the distribution of all bonus pool distributions authorized by the agency since the 1992-93 fiscal year. The policy has the following principal elements:

• *Use of Performance Benchmarks.* Comparative measures ("benchmarks") have been developed with the assistance of a benchmark consultant to assess the performance of each of the Board's individual investment portfolios. These benchmarks are used to provide a basis for comparing the rate of return of each portfolio to a composite measure of the performance of the specific markets in which the individual portfolios invest. In general, if an individual investment portfolio exceeds its benchmark, performance bonuses are available to the unclassified employes who work directly on that portfolio.

• *"Dual Release" Payout Mechanism.* The Investment Board uses a "dual release" mechanism to award different portions of the bonus pool for investment performance and for meritorious performance. Under this procedure, the total bonus pool in any year is divided in half. One-half of the total pool is available for distribution to employes who work directly on individual investment portfolios where the portfolios have exceeded their respective benchmarks, as calculated on a five-year rolling average basis. If a portfolio does not exceed its benchmark, the portfolio's proportionate share of the bonus pool is not allocated and these amounts lapse at the end of the fiscal year.

The second half of the pool is available only if the Fixed Retirement Trust Fund as a whole exceeds its benchmark, as calculated on a five-year rolling average basis. The Fixed Retirement Trust Fund benchmark is a compilation or "roll up" of all of the composite benchmarks of all of the separate portfolios that comprise the Fund. When the Fixed Retirement Trust Fund benchmark is exceeded, an additional 20% of the total bonus pool is added to the amount under the first 50% available for distribution to those individuals whose portfolios exceeded their benchmarks. The remaining 30% of the total bonus pool is then available for distribution as an award for meritorious service to any unclassified employes whose work activities are determined to have contributed to the performance of the Fixed Retirement Trust Fund. A meritorious service award may also be used to provide additional awards to investment staff whose portfolios performed exceptionally well.

1995 Developments. The Governor recommended as part of his 1995-97 biennial budget proposal that the total size of the salary bonus pool available for distribution be increased from a maximum of 10% of total annual unclassified salaries to 25% of all such salaries. The Governor also recommended increasing the maximum bonus award allowed for any individual employe from 25% of the individual's salary to 50% of the individual's annual salary. Finally, the Governor recommended establishing three tiers of performance standards against which to measure portfolio investment results. Upon achieving each higher performance standard, staff would have become eligible for the release of successively higher distributions from the bonus pool.

At the same time these proposals were being considered by the Committee as part of its budget deliberations, losses to the State Investment Fund from derivative investments were reported by the Investment Board. Among other legislative responses, the Joint Legislative Audit Committee directed audits of: (1) the Investment Board's investment practices; and (2) the Investment Board's bonus compensation program.

In light of concerns with respect to the bonus compensation program and more general uncertainties with respect to overall Investment Board investment practices, the Joint Committee on Finance deleted from the budget bill all of the Governor's recommended changes to the bonus compensation program. Further, the Committee added session law language to the budget prohibiting the distribution of any of the on-going base level funding for bonus compensation awards pending its review and approval of a revised distribution plan prepared by the Investment Board which incorporated any necessary changes to address findings contained in the Legislative Audit Bureau's evaluation of the bonus awards program.

ANALYSIS

Audit Findings. The focus of the bonus compensation audit included a review of the following: (1) how the Investment Board has distributed bonuses to its staff; (2) how the program affected staff turnover; (3) whether bonuses create an incentive for investment staff to make potentially riskier investments; and (4) the appropriateness of the performance benchmarks used in determining eligibility for bonus distributions.

The principal findings of the Legislative Audit Bureau's evaluation of the Investment Board's bonus compensation awards program were as follows:

• Administration of the bonus compensation program has improved since the earlier audit in 1991. Further, there appears to be greater success in recognizing meritorious performance since 1991. Prior to 1991-92, a total of 96.6% of the agency's staff had received bonus awards, and, as the earlier audit found, the program appeared to operate primarily as a salary supplementation device. Since 1991-92, a total of 68.8% of the staff had received bonus awards and the focus of the program appeared to be better recognize meritorious performance.

• Overall, the bonus awards program may have had a favorable impact on the retention of senior investment staff. Turnover of senior investment staff was found to be lower since the establishment of the program than was the case before its creation. However, in the last two years there has been an upturn in staff turnover levels. The audit noted in this regard that the Board has been unable to meet the salary requirement of the top candidates for several recent senior investment staff positions and has filled the positions with less-experienced staff.

• The operation of the current bonus compensation program does not appear to encourage unnecessary risk-taking. The use of five-year averaging to determine bonus eligibility generally tends to discourage investments that may result in large losses, since a large loss could adversely affect the portfolio managers' ability to qualify for bonus compensation awards over several years.

• The benchmarks used to measure investment performance do not appear to be either too difficult or too easy to meet. The Investment Board has continually refined its benchmarks in accordance with consultants' recommendations. However, the flexibility in certain portfolio investment guidelines may make it difficult to construct appropriate benchmarks in some cases.

Audit Recommendations. The Legislative Audit Bureau evaluation of the Investment Board's bonus compensation program contained two specific recommendations arising from its audit findings.

First, the audit noted that the Investment Board could provide somewhat larger bonuses under existing statutory provisions by revising its current distribution guidelines. Currently, when the Fixed Retirement Trust Fund exceeds its benchmark, all authorized funds are released for bonuses and 70% of these amounts are specifically available for awards to investment staff based on portfolio performance. If a portfolio fails to meet its benchmark, the bonus funds allocated for staff assigned to that portfolio are currently lapsed. Over the last four fiscal years during which the "dual release" payout mechanism has operated, the 70% bonus pool for investment performance totaled $913,570, of which $714,513 (78.2%) was awarded to investment staff, and the remaining $199,057 (21.8%)--an average of $49,764 per year--was not awarded. If the entire 70% bonus pool had been awarded to all of those investment staff eligible for bonuses, the average bonus award would have been increased from 10.4% of salary to 13.4% of salary. In the view of the Legislative Audit Bureau, the Investment Board's current policy of not awarding these residual amounts "limits the amount of bonuses available to investment staff and limits the effectiveness of the bonus program." Accordingly, the audit recommended that the Investment Board change its policy governing the bonus program to provide that the entire 70% bonus pool is apportioned to portfolios that exceed their benchmarks.

Second, it was observed that inadequate investment guidelines in some cases may not provide adequate guidance for the construction of appropriate benchmarks for a portfolio. The Legislative Audit Bureau recommended that the Investment Board ensure that its investment guidelines provide the specific policy direction needed to establish meaningful portfolio performance benchmarks.

Investment Board Response. In requesting the release of funds for the payment of bonus compensation awards in 1995-96 and 1996-97, the Investment Board has not proposed any modifications to its existing written bonus compensation awards policy to specifically incorporate references to either of the above recommendations of the Legislative Audit Bureau.

With regard to the audit recommendation to redistribute any residual awards funds from portfolios which did not achieve their benchmarks, the agency noted that its current policy is to ensure that rewards for staff are greater if the earnings of Fixed Retirement Trust Fund as a whole exceed its benchmark. The Board believes that the current incentive structure is designed to encourage teamwork and a focus on the overall performance of the whole Fixed Retirement Trust Fund. The agency believes that if it were required to redistribute these residual funds, some staff in some years could receive larger bonuses than they would have received if the overall performance of the Fixed Retirement Trust Fund had been better. (Such a situation could occur for some staff assigned to several portfolios in a year in which the Fixed Retirement Trust Fund as a whole beat its benchmark but relatively few individual portfolios did so.) Effectively, in the Investment Board's view, some portfolios could "profit" from the under-performance of other portfolios.

If the Legislative Audit Bureau's recommendation were to be adopted for bonus compensation awards to be distributed in 1995-96, it is estimated that a total of $124,738 allocated to five portfolios which did not meet their benchmarks in 1994-95 would be available to supplement the $146,162 budgeted for the seven portfolios which beat their benchmarks in 1994-95. The Investment Board has not incorporated this recommendation into its current distribution policy, arguing that the redistribution of residual amounts could: (1) serve to undermine overall investment teamwork; (2) allow certain portfolios to profit from the under-performance of others; and (3) occasionally result in larger bonuses for a small number of successful investment staff than would have been the case if the overall performance of the Fixed Retirement Trust Fund had been better.

With regard to the audit recommendation to ensure that investment guidelines provide specific policy guidelines for the development of meaningful portfolio benchmarks, the agency has indicated that in addition to the Board's new Investment Policy Committee, a staff committee has also been created to review the adequacy of the investment portfolios' investment guidelines. Any recommended revisions as a result of staff and the agency's benchmark consultant's suggestions are presented for consideration by the Investment Policy Committee or the Benchmark Committee of the Board of Trustees.

Possible Options for Committee Action. The Act 27 language prohibiting the distribution of bonus compensation funds by the Investment Board requires that the agency submit to the Committee a revised distribution plan which incorporates any necessary required changes to address the Legislative Audit Bureau findings. If the Committee concludes that this specific audit recommendation should be addressed in any bonus plan which the Committee approves, it could act to modify the Investment Board's incentive awards policy as submitted by the Board. The modification would provide for the redistribution of any unawarded residual bonus pool monies not allocated because certain portfolios did not meet their benchmarks to investment staff whose portfolios did meet their established benchmarks, effective for bonus compensation awards to be distributed in 1995-96 and thereafter.

However, if the Committee believes that incorporation of the audit recommendation into the current bonus awards distribution policy could adversely affect overall investment staff teamwork, as suggested by the Investment Board, then the Committee could choose to make no changes to this aspect of the current awards distribution policy.

The audit recommendation to ensure that investment guidelines provide specific policy guidelines for the development of meaningful portfolio benchmarks appears to relate to issues that are already the focus of on-going efforts by Board staff, the Board's benchmark consultant and the Board of Trustees. It is expected that these current activities will, in all likelihood, address the benchmark guideline concerns raised by the Legislative Audit Bureau. In fact, it may be noted that, as recommended by the Legislative Audit Bureau, the Board plans to report to the Joint Committee on Audit by December 31 of this year regarding a periodic update of the investment guidelines. Further, it does not appear that the current written bonus compensation awards distribution policy is the appropriate vehicle for establishing policies which might ultimately result from these on-going benchmark guideline reviews. In discussions with Legislative Audit Bureau staff regarding this issue, it has been indicated that given these current activities, it may not be necessary to adopt any language regarding this audit recommendation. Thus, the Committee could choose not to make any specific written changes to the current distribution policy with respect to benchmark guidelines.

However, if the Committee believes that it would be appropriate to continue to review the Investment Board's progress in providing more precise guidelines for the development of meaningful portfolio benchmarks, the Committee could direct the Investment Board to submit a report to the Committee detailing its activities with respect to benchmark guideline reviews. Further, the Committee could specify that the report would have to be received by the Committee prior to the actual distribution of any bonus compensation awards in the 1996-97 fiscal year.

ALTERNATIVES

1. Approve the Investment Board's "Incentive Awards Policy" as submitted.

2. Approve the Investment Board's "Incentive Awards Policy" with the modifications to the language as specified in the Attachment relating to the disposition of unawarded bonus pool monies to incorporate the recommendation of the audit report relating to this issue.

3. Direct the Investment Board to submit a report to the Co-chairs of the Joint Committee on Finance~~, prior to the award of any bonus pool monies in fiscal year 1996-97,~~ Jan. 1, 97 detailing the specific policies which have been adopted by the Board and the actions that have been taken by the Board to address the concern raised by the Legislative Audit Bureau recommendation that the Board's investment guidelines provide the specific policy direction needed to establish meaningful portfolio performance benchmarks.

4. Do not approve the "Incentive Awards Policy" as submitted by the Investment Board.

Prepared by: Tony Mason
Attachment

ATTACHMENT

Alternative 2
Modification to "Incentive Awards Policy" Plan as Submitted by the Investment Board

Modify the submitted policy as follows:

1. On page 1, in s. 3. A., ["Availability of Bonus Pool for Distribution"] delete "up to" after "annually" in line 1.

2. On page 1, in s. 3. B., ["Availability of Bonus Pool for Distribution"] after "proportions", delete "up to" in line 3 and delete "no more than" in lines 5 and 6.

3. On page 2, in s. 6, ["Portfolio Allocations"], delete "or other qualifying portfolios" in the last sentence of that section.

4. On page 3, delete s. 11 ["Disposition of Unawarded Funds"] and insert the following:

"11. **DISPOSITION OF CERTAIN UNAWARDED FUNDS:** To the extent that bonus funds budgeted for specific portfolio investment performance are available under either 3. A. or 3. B. above but are not awarded because an individual portfolio did not exceed its benchmarks, these funds shall be reallocated and awarded to those portfolios that did exceed their benchmarks. If budgeted bonus funds available under 3. A. are not awarded because no portfolio beats its benchmark, then these funds shall not be distributed in the current or subsequent years. If budgeted bonus funds available under 3. B. are not awarded because the Fixed Trust Fund did not exceed its five-year benchmark, then these funds shall not be distributed in the current or subsequent years. Any budgeted bonus funds under 3. A. or 3. B. that are not distributed shall not be charged against the Funds under management. An allotment transfer will be submitted to the Department of Administration to transfer budget authority for the unawarded amounts to unallotted reserve."

[End]