

State warns seniors about offer on funds for Y2K concerns

Officials skeptical of using money from reverse mortgages for purchases

By JESSE GARZA
of the Journal Sentinel staff

Senior citizens are being warned about an offer from a Chicago company of tax-free, federally insured funds to deal with possible Y2K problems.

The money will actually come from a reverse mortgage on the senior's home with thousands of dollars in closing costs and interest, the state Department of Agriculture, Trade and Consumer Protection warned Monday.

An advertisement for Senior Income Reverse Mortgage Corp. warns that computer problems that are possible when the year changes to 2000 could disrupt electrical power and telephone systems, affecting everything from food supplies to prescription drugs. It offers money to seniors to pay for preparations for Y2K.

The ad cites information from the American Red Cross urging seniors to stock up on such things as non-perishable foods, flashlights and blankets, and uses the name of the American Association of Retired Persons without permission, said Bill Oemichen, an administrator with the agency.

The company "exploits fear and uncertainty to sell older consumers a product they don't need," Oemichen said.

Rita Wlodarczyk, Wisconsin AARP president, said reverse mortgages can help seniors but should not be undertaken in response to scare tactics.

"AARP supports Y2K readiness but rejects Senior Income's message that reverse mortgages can cure Y2K problems," Wlodarczyk said in a statement.

Steve Baer, Senior Income president, said the brochure was sent only to people on the company's mailing list and only after they had received extensive information on reverse mortgages.

"This was a follow-up mailer," he said.

He said his company was in contact with a consumer protection investigator about the brochure this summer and no concern was expressed that it may be wrong or misleading.

"This is obviously grandstanding by this department," Baer said.

Both the AARP and the federal government have been warning seniors to be prepared for Y2K and both promote reverse mortgage loans for whatever needs senior citizens may have, Baer said.

The Senior Income Reverse Mortgage mailer offers seniors "tax-free, federally insured funds," that they may need to be ready for anything, "with no repayment required for your lifetime in your home!"

Reverse mortgages are an option senior citizens can use to convert some or all of the equity in their homes into cash while maintaining ownership.

"In some cases they may make sense," Oemichen said. "It allows the consumer to get liquidity when they need extra cash."

But reverse mortgages typically cost more than conventional loans, both in interest and closing costs, Oemichen said.

"The interest keeps compounding and grows faster the longer you have (a balance)," he said.

"They could end up losing all the equity in the home and when they die or sell the home they may not have any money left in it."

But Baer said any reverse mortgage loans through the company would not be "impulse buys" by senior citizens, as Oemichen suggests.

"The ad is not misleading," Baer said. "The folks on that (mailing) list received extensive information on what a great tool (reverse mortgages) this is and follow-up counseling is also provided."

Oemichen advised Wisconsin seniors to call the AARP, (608) 251-2277, for advice before considering a reverse mortgage.

But Baer said reverse mortgages are "a terrific way" for seniors to purchase provisions and be prepared for Y2K.

Oemichen sent a letter to the company Monday demanding a stop to the ad in Wisconsin, as it may violate the state's Unfair Trade Practices Law and the direct marketing rule for mail and door-to-door solicitations.

Baer said the brochure was a one-time mailing and said he's already told Oemichen's office his company "is not interested in a fight."

MILWAUKEE JOURNAL SENTINEL — STATE EDITION

WISCONSIN

Consumer Affairs -

David ~~Tatar~~ Poyrette
TATAR

Agenda
Consumer Protection Advisory Council Meeting
October 27, 1999
9 a.m. - 3 p.m.
Room 106
2811 Agriculture Drive
Madison, WI

- 9 am **Welcome**, Bill Oemichen, administrator, Trade and
and Consumer Protection and Fran Tryon, director,
Bureau of Consumer Protection.
- 9:10 **Roundtable introductions**
- 9:25 **Introduction of Eileen Ingwersen**, new Regulation
and Safety Section Chief by Fran Tryon
- 9:35 **New slamming and cramming initiatives**, Bill Oemichen
- 9:55 **Defective siding update**: Bill Oemichen
- ✓ 10:10 **Peppertree timeshare resort (video)**: Bill Oemichen
- ✓ 10:15 **How the new Direct Marking Rule helps consumers**,
Jim Rabbitt
- ✓ 10:30 **Year 2000 preparations**, Jim Rabbitt
- 10:45 **Price comparison investigations**, David Tatar,
manager, Madison Consumer Protection Office
- 11:00 **Update: Undercover car repair survey**, Staff
Attorney Teel Haas and David Tatar
- 11:30 **LUNCH/TREK ALLIANCE VIDEO**
- 12:30 **Cleaning up misleading vacuum cleaner sales**, Judy
Cardin, manager, Green Bay Office
- 1:00 **Product safety update**, Eileen Ingwersen and Teel
Haas

Adjourn

**Governor's Blue Ribbon Commission on
Year 2000 Preparedness**

CONSOLIDATED REPORT

**Commission Approved: September 1, 1999
Released: September 13, 1999**



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The Blue Ribbon Commission on Year 2000 Preparedness recognizes the significant time and effort that went into developing this report. The Commission greatly appreciates the following for their contributions:

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Table of Contents

	Page
Introduction – Letter from Chairman Schnack to Governor Thompson	1
Subcommittee Summaries	4
Infrastructure.....	5
Public Safety.....	6
Healthcare.....	7
Agriculture.....	8
Transportation.....	9
Government.....	10
Public Media.....	11
Finance.....	12
General Business.....	13
Overview of Y2K and the Wisconsin Economy.....	14
Conclusion.....	16



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On Year 2000 Preparedness
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Governor Tommy G. Thompson
125 South, State Capitol
Madison, WI 53703

Dear Governor Thompson:

On behalf of the Blue Ribbon Commission on Year 2000 Preparedness, I am pleased to provide this consolidated report of the Commission's findings and recommendations. All nine subcommittees of the Blue Ribbon Commission have issued one or more comprehensive sector assessment reports. With this consolidated report, the Commission summarizes and updates information from each of the nine subcommittees and presents bottom-line advice for Wisconsin citizens, businesses and governments. At this point in the year, we believe this is what citizens really want to know: the reasonable steps they should take to protect their families and avoid making any potential Y2K problems worse.

The Commission has a number of reasons for emphasizing practical advice for citizens. Our first priority in assessing the state's readiness has always been protecting the health and safety of Wisconsin citizens – that's the framework through which we interpret all of our findings. But also, as the century date change draws closer, one of our primary conclusions is that inappropriate citizen reaction to Y2K reports might pose the biggest uncertainty in trying to forecast the ultimate extent of Year 2000 problems. If citizens don't panic and continue their normal consumption patterns, that will go a long way toward minimizing any Year 2000 difficulties. This message will be an essential component of our outreach efforts, in partnership with the Department of Administration's Public Education Campaign, throughout the remainder of the year. Citizens should prepare their families as they would for any other long winter weekend in Wisconsin.

We are confident that, overall, the public and private sectors have done their jobs, so that consumers who choose not to stockpile aren't disadvantaged by behaving responsibly. None of our subcommittees came to the conclusion that systemic problems exist within their particular sector that could disrupt the lives of state citizens for an extended period. The versatility of most networks that deliver products and services to consumers and the contingency plans in place should ensure that any interruptions are isolated and temporary. In some areas, such as finance, the depth of preparations suggests that the possibility of even isolated and temporary problems is remote.

That is not to say that there won't be any glitches or headaches. In all likelihood, there will be some. None of us has ever lived through something like this before, so we don't have a wealth of experience from which to make specific predictions. But based on our consultations with key individuals in all nine sectors and the expertise that our 80

subcommittee members bring to this effort, we don't anticipate the glitches inherent in the system to seriously disrupt life in Wisconsin. Our biggest challenge at this point is to try to ensure that overreaction doesn't create significant problems where none would have existed otherwise.

In presenting what we view as essentially very good news about Y2K, we still have a few other concerns. A lot of money, time and effort have gone into Year 2000 remediation projects both in the state and around the nation. Many estimates indicate that through 2001, around \$300 billion will be spent in the United States on Y2K solutions. Combined data released by GartnerGroup, Lloyds of London, the Mitre Corporation and Software Productivity Research estimate that more than \$3 trillion will be spent worldwide.

Businesses and governments wouldn't be parting with that kind of money if the Y2K problem weren't real. And it's safe to say that last year at this time, we weren't nearly as optimistic as we are now about the overall outcome of the century date change. Considerable progress has been achieved since this Commission formed in July of 1998, and Commissioners and citizens alike owe their thanks to the many individuals and organizations whose diligence has put us in this favorable position.

Nevertheless, individual businesses and organizations cannot assume that because we believe the state will survive Y2K without serious damage that they will, too. Potential Year 2000 problems can bring down any business if it doesn't take care of its own vulnerabilities or doesn't do the necessary consultations with crucial business partners. Likewise, a family with special circumstances, such as taking care of an individual at home with extensive medical needs, should consult with their service providers to make sure they're accounting for all possible scenarios. The Commission views thorough contingency planning as an integral part of Y2K readiness, not as some tacit admission that we expect the worst.

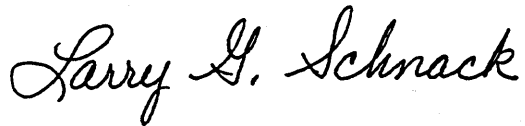
To summarize, then, the Blue Ribbon Commission, based on the significant progress we've seen in the public and private sectors during the past year, is encouraged about the state's overall readiness for January 1, 2000. Absent any highly unusual behavior by consumers – e.g., hoarding prescription medications, stockpiling fuel, drawing large sums of cash out of the bank, testing utilities on the rollover date – we anticipate a relatively smooth transition into the next millennium.

Much of the statewide momentum for achieving Year 2000 readiness results directly from the attention you focused on the issue at a time when that kind of emphasis made all the difference. By forming the Commission and making Y2K preparedness a top priority of state government, you established a proactive attitude toward the Year 2000 that made our investigations and follow-up work easier and more efficient. We appreciate your foresight and your support along the way. Likewise, we are grateful for Secretary Bugher's support and especially his help in providing staff support for the Commission. That staff – Shirley Eckes-Meyer, John Pribek, Jeff Smith and Michael Cowan – also deserves our thanks.

In addition, I personally would like to thank the 14 other Commissioners and the 80 subcommittee members whose efforts were invaluable to our assessment process. Without the knowledge and dedication of these individuals – who served as our eyes and ears throughout the state, providing the detailed analyses that no set of surveys alone can – we could not be approaching the Year 2000 with the same degree of confidence. These people not only put up with our sometimes outrageous demands on their already hectic schedules, but they did so with conscientiousness and good humor. They have served the state's citizens very well.

As the Commission continues its assessment and outreach initiatives, we welcome any suggestions or comments you might have. Thank you again.

Sincerely,

A handwritten signature in cursive script that reads "Larry G. Schnack". The signature is written in black ink and is positioned above the typed name and title.

Larry G. Schnack
Chairman

Subcommittee Summaries

The Governor's Blue Ribbon Commission on Year 2000 Preparedness divided its work among nine subcommittees:

- Infrastructure
- Public Safety
- Healthcare
- Agriculture
- Transportation
- Government
- Public Media
- Finance
- General Business

Each of these subcommittees has issued one or more detailed sector assessment reports, which are available at <http://y2k.state.wi.us/Public/reports.htm>. The following summaries consolidate and, where appropriate, update information from those subcommittee reports so as to offer brief, bottom-line findings and advice to Wisconsin citizens.

Individuals who do not have World Wide Web access can obtain copies of this and all other Blue Ribbon Commission reports by calling the state's Year 2000 information line at 1-800-422-7128 or sending a request through the mail. The Blue Ribbon Commission's mailing address is:

Governor's Blue Ribbon Commission on Year 2000 Preparedness
P.O. Box 7844
Madison, WI 53707-7844

Infrastructure

Methodology

The subcommittee utilized Y2K reports issued by the Nuclear Regulatory Commission, the North American Electric Reliability Council (NERC) and the Federal Communications Commission. Assessments by the Network Reliability and Interoperability Council, the President's Council on Year 2000 Conversion and other Blue Ribbon Commission subcommittee reports were also examined.

Findings

- The majority of the electric, natural gas, telecommunications, water and wastewater industries – due to extensive Y2K efforts and unprecedented cooperation between these utilities – are currently Y2K ready. Even the likelihood of localized interruptions in service is now considered low.
- The North American Electric Reliability Council reports that more than 99 percent of all the critical elements of the U.S. and Canadian electricity supply systems are ready for Y2K. NERC's final quarterly report to the U.S. Department of Energy removes the "cautiously optimistic" language contained in earlier reports and now definitely states the North American power grid is Y2K ready.
- The Nuclear Regulatory Commission reports that as of July 7, all computer systems that support safe plant operation in the three Wisconsin nuclear power plants – one at Kewaunee and two at Two Creeks (Point Beach) – are Y2K ready.
- The Wisconsin Reliability Assessment Organization has concluded that the state will have high levels of generating capabilities to meet demand during the rollover period.
- May 1999 survey results from the President's Council indicate that oil and natural gas producers, oil refiners, gas processors, oil pipelines, petroleum marketers, jobbers and retail service stations all expect to be Y2K ready by the end of 1999. Further, the Strategic Petroleum Reserve plans to have a two-month supply of oil on hand at the end of 1999 if temporary, minor interruptions occur.
- As of July 1999, the nation's largest local and long-distance carriers – which serve more than 97 percent of U.S. access lines – were 98 percent compliant. According to the Public Service Commission of Wisconsin, 90 percent of local exchange providers – this includes Ameritech and GTE, the two largest local exchange companies in the state – are scheduled to be Y2K ready by the end of the third quarter of 1999. The remaining 10 percent of the local exchange companies report Y2K readiness target dates in October.

Implications for Citizens

- Consult the Public Service Commission's Web site at <http://www.psc.state.wi.us/y2k/> for updated, comprehensive information on utility Y2K readiness.
- Carefully follow operating instructions and have generators installed by trained professionals if you choose to use one.
- Avoid "checking" the phone around midnight on Jan. 1; excessive, simultaneous demand could create interruptions to service.

Access the full Infrastructure report at <http://www.y2k.state.wi.us/Public/infreport021298.pdf>
Access the Infrastructure update at <http://www.y2k.state.wi.us/Public/PDF%20Files/Infraupdate.pdf>

Public Safety

Methodology

The subcommittee analyzed Y2K surveys conducted by the United States Fire Association, the United States Fire Administration, the National Association of Fire Marshals, the National Highway and Transportation Safety Administration, and the National Emergency Number Association. Assessments by the Network Reliability and Interoperability Council, the President's Council on Year 2000 Conversion and other Blue Ribbon subcommittees were also examined.

Findings

- Much of the equipment used to ensure citizens' safety by local law enforcement, fire department and emergency medical service personnel should be unaffected by Y2K according to its manufacturers. Moreover, delivering emergency services is not just a function of sophisticated equipment; the most important ingredient is having highly skilled personnel trained to handle adverse situations. These professionals indicate that Y2K challenges should not seriously impact their ability to ensure Wisconsin citizens' safety.
- Though emergencies are handled primarily at the local level, the Department of Military Affairs' Wisconsin Emergency Management plans to activate the state's Emergency Operations Center – which has backup power and communication capabilities – at noon, Dec. 31, to coordinate both local and state emergency efforts. Various state agencies, volunteer organizations such as the Red Cross, and the National Guard plan to have representatives on hand at the EOC, which will operate as a type of command post during the rollover period.
- Manufacturers of fire trucks, emergency medical service vehicles, on-board medical equipment and fire sprinkler systems state their equipment should be unaffected by Y2K issues.
- Test results from industry associations indicate that calls into 911 centers will likely operate at the turn of the century with little disruption.
- Though remediation of some computer systems remains, the likelihood is low that the public's safety is at risk due to possible Y2K challenges experienced by Wisconsin security institutions, security centers and detention facilities.
- The state's Transaction Information for Management of Enforcement System (TIME), an access point to a wide variety of criminal justice and public safety databases, is Y2K compliant. Some of the existing terminals, software and interface systems used to access the TIME system, however, are not currently Y2K compliant, but are expected to be by year's end.

Implications for Citizens

- Keep local fire, police and ambulance seven-digit telephone numbers readily accessible.
- While extraordinary measures are unnecessary, having on hand generic household emergency supplies such as a battery-powered radio, a first-aid manual and kit, and fire extinguishers (5 pound A-B-C type) is always prudent.

Access the full Public Safety report at <http://www.y2k.state.wi.us/Public/PDF%20Files/report0809.pdf>

Healthcare

Methodology

The subcommittee collected information from physicians and representatives from pharmacies, hospitals, medical centers, nursing homes and healthcare provider organizations. Subcommittee members also consulted with health insurance representatives and individuals who work with payment systems. National reports on healthcare industry preparedness were also studied.

Findings

- Once perceived as being behind on compliance issues, hospital systems and nursing homes made significant strides in the past year.
- The American Hospital Association reports that 99 percent of hospitals are or will be fully Y2K ready by the end of the year. Of the balance, almost all are expected to be sufficiently prepared such that critical systems will not be affected.
- Most compliance challenges now center on administrative issues – billing, payroll and patient records – rather than patient care or safety.
- The vast majority of medical devices, including advanced equipment such as defibrillators, cardiac monitors, kidney dialysis machines and heart bypass machines, should operate safely and effectively. Recent U.S. Food and Drug Administration (FDA) findings support this conclusion. Also, many manufacturers, along with the FDA, provide compliance data on the World Wide Web.
- Private insurance companies have made Y2K a priority and expect to be Y2K ready. These reports are substantiated by the Year 2000 regulatory efforts conducted by the Wisconsin Office of the Commissioner of Insurance. The state Department of Health and Family Services, which administers Medicaid, has implemented extensive Year 2000 strategies and anticipates readiness.
- The two firms that process Medicare claims in the state, Wisconsin Physician Service Insurance Corporation and Blue Cross and Blue Shield United of Wisconsin, expect to have their systems ready for Year 2000 operation.
- No major disruptions are anticipated in the delivery of prescription medications. Pharmaceutical manufacturers are increasing production in December of 1999 to compensate for any increased demand brought on by customer stockpiling.

Implications for Citizens

- Maintain copies of accurate, up-to-date family medical records, prescription information and medical insurance documents.
- Families with special medical needs should review plans with their health care providers to deal with possible interruptions in utility services.
- Fill prescriptions as you normally would; avoid any attempts to stockpile medications.

Access the full Healthcare report at <http://www.y2k.state.wi.us/Public/PDF%20Files/hlthcarept.pdf>

Agriculture

Methodology

The subcommittee analyzed Y2K vulnerabilities along the length of the food delivery chain, focusing its efforts on farm production, food processing and food distribution. Subcommittee members consulted various professionals involved with the system from farm to table and, especially in the case of the warehousing and retailing segments, conducted in-depth interviews.

Findings

- Many possible Year 2000 glitches could affect the state's food producers, but none should be severe enough to come close to significantly disrupting overall production. Farm equipment generally exhibits little date sensitivity.
- The probability of Year 2000 problems increases with bigger, more mechanized farm operations, but Wisconsin's farming environment is not dominated by such large producers.
- Food processing firms report that they have implemented projects to address potential Year 2000 problems. They express confidence that there will be no interruption of food production or plant operations. Equipment with embedded chips was either verified as not date sensitive or has been upgraded.
- The food processors contacted either have or are developing contingency plans to assure the safety and continued viability of their products in the event of a utility service interruption. The backup power and heating plans are designed to sustain critical operations for about three days to a week, depending on the firm.
- Wholesalers, distributors, supermarkets and retail grocery stores are taking extensive measures to ensure Y2K readiness, knowing that any failure to have food available and to sell it efficiently will mean immediate and probably permanent loss of customers.

Implications for Citizens

- Consumers do not need to stockpile food. Retailers are justifiably confident that stores will operate normally and that groceries and goods will be available as they are during typical periods. Wholesalers and retailers have a great deal of experience serving customers during natural disasters and understand how to stock shelves for increased demand.
- Consumers should store essentials such as bread, water, milk, batteries and medicines as they would during any Wisconsin winter. Retailers should have these products available during the century date change period, but if it makes customers feel better to have some extra of these items, then they should do so.
- The greatest Y2K danger for farmers might be from overreaction that leads to the improper storage and use of fuels and the faulty installation of standby generators. The Commission urges those who are inexperienced in these areas to seek assistance on the proper methods. UW-Extension county agents can offer guidance to farmers on these and other subjects involving safe contingency planning.

Access the full Agriculture report at <http://y2k.state.wi.us/Public/PDF%20Files/report0818.pdf>

Transportation

Methodology

The subcommittee examined national reports on transportation industry preparedness including those of the President's Council on Year 2000 Conversion and the U.S. General Accounting Office, along with survey data from the Federal Aviation Administration (FAA). The subcommittee also studied information from transportation industry contacts, various trade associations and other subcommittee assessments.

Findings

- Air-travel in the United States should continue without significant interruptions. As of June, major U.S. and Canadian airlines had completed 95 percent of their remediation and implementation, with full completion expected by Sept. 30, according to the Air Transport Association (ATA)'s Aviation Millennium Project. ATA members account for 95 percent of all U.S. domestic passenger and cargo service.
- Wisconsin-based Midwest Express Airlines states that critical systems are more than 98 percent compliant at this time, including 100 percent of its fleet of aircraft. Anecdotal evidence suggests all commercial Wisconsin airports have made substantial progress toward being Year 2000 ready.
- The Federal Aviation Administration affirms that all FAA systems – including air traffic control – are 100 percent Y2K compliant. Airline reservation systems are already processing reservation requests into the year 2000 without incident. Though foreign carriers and airports' Y2K readiness remains in question, the International Air Transport Association reports that Y2K will not pose a safety risk, but rather inconveniences such as flight delays or long waits for baggage.
- Boeing and Airbus Industrie, the two major manufacturers of commercial aircraft, both stated that engines, landing gear and flight control systems are not date-sensitive and will function regardless of date or time.
- The major automobile manufacturers report that the Y2K problem will not affect the safety or performance of their motor vehicles.
- Fuel supplies should be adequate, although temporary, minor interruptions are possible. Concern remains over possible local shortages caused by citizens either stockpiling fuel or "topping off" fuel tanks near the end of December 1999.
- Highway maintenance and snow-removal equipment, traffic-control devices, rail carriers and motor carrier companies will either be unaffected or Y2K ready by year's end.

Implications for Citizens

- Obtain as much information as possible about the specific air carriers and airports' Y2K readiness levels prior to travel.
- Risks from unsafe fuel storage outweigh any supposed gains in Y2K preparedness. Stockpiling could also create shortages where none would have existed.

Access the full Transportation report at <http://y2k.state.wi.us/Public/PDF%20Files/report0426.pdf>

Government

Methodology

The subcommittee collected information through consultations with representatives involved in eight areas of Wisconsin government: the state, counties, municipalities, towns, sovereign nations, school districts, the University of Wisconsin system and courts. Personnel from both state government and the Wisconsin Counties Association teamed up to visit all 72 counties to obtain Year 2000 information and help the counties achieve a reasonable level of Y2K readiness.

Findings

- Governor Thompson has made Year 2000 preparedness state government's top business priority. State agencies are on track to be Y2K ready and no significant Year 2000 disruptions related to the operations of state government are expected. State government rolled over to its fiscal year 2000 on July 1, 1999, without any problems.
- The President's Council on Year 2000 Conversion has repeatedly recognized Wisconsin state government as a leader in Year 2000 preparedness efforts.
- No single approach to addressing the Year 2000 problem at the local government level is universally correct. Community-based Y2K programs should reflect the interests, needs and resources of residents.
- Overall, the subcommittee finds that Wisconsin's local governments have undertaken appropriate efforts to develop and implement strategies to deal with potential Y2K problems.
- Because every resident in the state lives in a county, the subcommittee identified counties as a critical unit of government. All counties appear to be satisfactorily progressing on their Y2K projects in light of their unique local circumstances, priorities and available resources. The state is continuing its communication with the counties in order to promote and assist local Year 2000 initiatives.
- In the fall of 1999, all counties will be re-contacted by telephone to obtain verbal updates on the status of county Y2K preparations. If at that time the counties request assistance from the state, there will still be a few months available during which the requested help could be provided.

Implications for Citizens and Local Government Officials

- The measures being taken by state government and local governments are sufficient to protect the health and safety of Wisconsin citizens.
- Citizens can contact local government officials to learn about the specifics of Year 2000 preparations and contingency planning in their area.
- The Public Leadership Organizations of Wisconsin (PLOW) Web site, a link on the State of Wisconsin's Year 2000 Web page, offers a variety of resources to assist local government officials in their Y2K efforts. The PLOW site includes a directory of Y2K coordinators throughout the state.
- Should local officials need additional assistance from state personnel, they are encouraged to contact the individuals who visited them earlier in the year.

Access the full Government report at <http://y2k.state.wi.us/Public/PDF%20Files/report0408.pdf>
Access the Government update at <http://y2k.state.wi.us/Public/PDF%20Files/report0827.pdf>

Public Media

Methodology

The subcommittee evaluated surveys of state newspapers, advertising publishers, broadcasters and cable companies. These surveys were administered through the respective state associations for each group. Subcommittee members also consulted with media professionals in the state and with national organizations such as the Federal Communications Commission and the Satellite Industry Association.

Findings

- Competitive pressures are a primary force driving media organizations toward Y2K readiness, albeit at various speeds depending on the employees and funds available for the project. Nevertheless, during the New Year, most Wisconsin media outlets are likely to be delivering information in their usual manner.
- Broadcasters do not anticipate any systemic problems that would take a majority of stations off the air except for prolonged, widespread power outages, a scenario that the Commission and other assessment organizations view as highly unlikely.
- The cable industry's reliance on date-sensitive computers for mission critical systems is relatively narrow.
- Personnel from state newspapers and advertising publications report that they are aware of potential Year 2000 problems and have plans to deal with them, motivated by the fact that no newspaper can afford the lost advertising revenue and lost customer confidence that even a brief failure to publish would cause.
- Satellite operators express confidence about the readiness of space stations and those earth stations directly under their control, but offer few assurances about overall systems, especially those involving earth stations in foreign countries. But any difficulties in satellite technology are not expected to produce serious disruptions in the state. In August, the internal clocks of Global Positioning System satellite navigation units were reset without any major problems.
- Three layers of radio stations, comprising 37 individual stations, form the foundation of the state's Emergency Alert System. The power of the signals these stations can generate is sufficient to conclude that – even in the case of electricity outages – if a Wisconsin citizen has a battery-operated radio, there is virtually no location within the state where he or she couldn't pick up an emergency broadcast.

Implications for Citizens

- Every household should have access to a battery-operated radio with fresh batteries. Again, considering the possible extremes of Wisconsin weather year-round, this is always a good idea.
- With Y2K, there are almost as many opinions about the ultimate effects as there are commentators. Before reacting to particularly extreme predictions, check on the source, especially one that is unfamiliar, and attempt to find some independent, third-party verifications of the information. Many Y2K-related products are designed to take in consumers' money, not provide any real added protection.

Access the full Public Media report at
<http://y2k.state.wi.us/Public/PDF%20Files/report%20public%20media%20april%209.pdf>

Finance

Methodology

Depository institutions, insurance companies and securities firms all are subject to regulatory oversight that includes Year 2000 readiness assessments. Much of the Commission's information regarding the finance sector comes from the regulating agencies and associations that examine these industries. Subcommittee members also consulted with industry representatives for personal reports on Y2K progress.

Findings

- Every depository institution in the state has received at least two on-site Y2K exams by one or more of the following regulators: The Wisconsin Department of Financial Institutions, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency, the Federal Reserve System and the Office of Thrift Supervision.
- Based on these regulatory examinations, 100 percent of Wisconsin depository institutions are currently rated "Satisfactory" for Year 2000 readiness according to definitions established by the Federal Financial Institutions Examination Council.
- The FDIC reports that 99 percent of depository institutions nationwide are rated "Satisfactory." Institutions rated as less than "Satisfactory" are receiving intensified supervision.
- Based on the regulatory efforts of the state Office of the Commissioner of Insurance and industry reports, no prolonged computer glitches are expected that would prevent consumers from obtaining the insurance benefits and coverage they purchased.
- During March and April of 1999, the securities industry conducted a nationwide test in which more than 400 organizations participated, including some major firms that do business in Wisconsin. Virtually all of the simulated trades were processed without glitches.
- Investments with maturities in the Year 2000 and beyond have been in common circulation in securities markets for several years.

Implications for Citizens

- There is no need to withdraw extra cash before Jan. 1, 2000. Consumers should have enough cash on hand to get through a three-day, holiday weekend.
- Savings, checking and other depository accounts are still insured by the FDIC and NCUA, regardless of any Year 2000 glitches.
- Customers should always reconcile and retain account statements and documentation of important financial transactions.
- In general, the perils typically covered in a homeowner's policy would still be covered if they occurred due to Y2K. As is always the case when policyholders have questions, they should contact their agents to resolve any confusion regarding Y2K scenarios, and adjust the policy if needed so that they are satisfied.
- Do not make major investment strategy changes solely due to Y2K concerns. Consult your investment adviser regarding the possible impact of Y2K on particular investment vehicles.

Access the full Finance report at <http://y2k.state.wi.us/Public/PDF%20Files/finreptjune.pdf>

General Business

Methodology

The subcommittee utilized Y2K surveys conducted by the National Federation of Independent Businesses and Wisconsin Manufacturers & Commerce, as well as other Blue Ribbon Commission subcommittee assessments. Information from national research groups and anecdotal information from various organizations such as the Small Business Development Center, UW-Extension, the U.S. Small Business Administration (SBA) and Wisconsin Manufacturing Extension Partnership proved valuable.

Findings

- Subcommittee members, with a constituency of more than 123,000 diverse firms of all sizes across different sectors, segmented businesses based on number of employees.
- Small corporate businesses (100 to 500 employees) face the greatest risk related to cost of operations and loss of production and revenue. These businesses tend to utilize technology, yet lack the funds and personnel for a broad-based, systematic approach to compliance, and are hesitant to allocate valuable limited resources for "possible" problems. In response, UW-Extension, the Wisconsin Department of Commerce and the SBA are implementing outreach programs to aid businesses in their Y2K preparedness efforts.
- Medium- and large-sized corporations (500 to more than 20,000 employees) possess resources and technical expertise to more thoroughly address Y2K issues. Also, the U.S. Securities and Exchange Commission requires public companies to disclose Year 2000 information; companies unprepared for Y2K risk the potential loss of investment dollars.
- Small businesses (less than 100 employees), which account for 96 percent of Wisconsin businesses, are typically less reliant on technology, so it is unlikely that many of them will be greatly affected by Y2K. Nevertheless, depending on its circumstances, any individual business of any size could potentially have crucial Year 2000 vulnerabilities, so some level of Y2K assessment and contingency planning is recommended for all businesses.

Implications for Businesses

- Focus on contingency planning, and take advantage of existing Year 2000 resources detailed in the subcommittee's full report, including state Web site information.
- In all contingency planning, consider potential sources of internal risk, including environmental, security and telecommunications systems, as well as external supply issues.
- Self-assess Y2K readiness by sharing information and comparing notes with business counterparts and related trade associations.

Access the full General Business report at <http://y2k.state.wi.us/Public/PDF%20Files/gbreport.pdf>

Overview of Y2K and the Wisconsin Economy

Globally, most economists and business leaders do not envision a world recession resulting from Y2K. A PricewaterhouseCoopers survey of 802 chief executive officers from North America, Europe, Asia and Latin America – presented at the 1999 Annual Meeting of the World Economic Forum – found that the overwhelming majority do not anticipate severe economic disruptions due to Y2K. Ninety-four percent report that their companies were "completely" or "mostly" prepared to deal with the information-technology issues related to the Year 2000 problem. Even the more cautious Edward Yardeni, chief economist at Deutsche Morgan Grenfell in New York, who virtually stands alone in his prediction of a world recession related to Y2K, now states he is leaning toward a slightly more optimistic stance on the severity of a recession.

Joel Prakken, president and chairman of the National Association for Business Economists, said, "This group of professional forecasters does not think that this is an event [Y2K] that will cause a recession." Also, the Federal Reserve, the central bank of the United States, believes the effects of Y2K on economic activity will be limited or negligible, perhaps adding to growth later this year and temporarily reducing growth next year.

Wisconsin's economy has experienced dynamic growth in the last 12 years and continues to expand. In 1998, non-farm employment grew 2.2 percent. Personal income is expected to grow to \$136.5 billion in 1999, a 4.2 percent gain over 1998, and commercial, manufacturing and personal property values grew by \$17.6 billion this year – the largest one-year increase ever. This substantial growth underscores Wisconsin's vibrant economic community.

Wisconsin stands 20th in the nation in state gross product at \$139 billion, owing much of that to the manufacturing and agricultural sectors. Currently, the manufacturing sector – which includes production of industrial equipment, electrical machinery and equipment, fabricated metals, and paper and allied products, as well as printing and food processing – provides roughly 572,000 jobs in Wisconsin and contributes 20 percent of the state's personal income. Agriculture is another major component of the economy; Wisconsin is a national leader in the production of milk, cheese, butter and many dry and condensed milk products, and cash receipts from farm marketing totaled \$5.7 billion in 1997.

Y2K-related glitches should not significantly disrupt overall farm production. Farm equipment generally exhibits little date sensitivity, and while the probability of Year 2000 problems increases with larger, more mechanized farm operations, Wisconsin's farming environment is not dominated by such large producers.

While larger, technology-reliant manufacturing firms tend to have the funds and technical expertise to address compliance issues, Wisconsin's 10,000-plus smaller manufacturers, those firms with under 500 employees, are at greater risk due to more limited funds and personnel. UW-Extension, the Wisconsin Department of Commerce and the U.S. Small Business Administration (SBA), however, are implementing outreach efforts to help businesses achieve Y2K readiness.

Most industries within the United States will be operationally stable even in light of Y2K, but they must also look at the rest of the world to really gauge their potential Year 2000 problems; for Wisconsin, the results are encouraging. The state conducts a significant amount of trade with Canada and the United Kingdom, external partners that have made

substantial gains in Y2K readiness, and Mexico, which is making definite progress. As a GartnerGroup representative told the Blue Ribbon Commission in June, Wisconsin appears to be in a better position than most states to withstand any Y2K-related economic problems.

Some businesses won't be ready for Y2K, or will make a conscious decision to avoid what they view as expensive Y2K projects. If these businesses experience Y2K-related failures, there almost certainly will be firms ready to pick up the customers whose business is made available. The Wisconsin economy has historically shown itself to be very adaptable in situations such as these.

Though there has been a notable increase in information-technology spending, companies have seen that eliminating problems in the technical area lessens problems all around, and so this spending is viewed more as a long-term investment. Y2K does not yet appear to have slowed down business innovation.

Finally, Y2K presents opportunities, and not just to take advantage of less-prepared competitors. The Year 2000 challenge offers a chance for companies and organizations to fundamentally re-evaluate how they operate, and from that analysis, discover possibilities for improvement. Firms that are implementing significant Year 2000 projects almost universally tell the Commission that they expect to be better in many ways for having gone through the process.

Making predictions about the Year 2000 is always a problematic endeavor, for this Commission or anyone else. Much of the state's ultimate resilience to Y2K problems will depend on the extent that small businesses are prepared, and, because of their numbers and dispersion, that is not an easy group to precisely assess. Still, due to the current health of the state and national economies and the Year 2000 initiatives we've observed, the Commission believes that Wisconsin's economy will not be significantly impacted by Y2K-related problems. The continuing outreach efforts of the Department of Administration, UW-Extension, the Department of Commerce, the SBA and others will help to ensure that outcome.

Conclusion

In assessing the state of Year 2000 readiness in Wisconsin, the Blue Ribbon Commission has concluded that citizens' reaction to potential Y2K problems is a primary determinant of the extent of those problems. Therefore our challenge, and the challenge of all governments and organizations during the remainder of the year, is to promote responsible, cautious preparedness approaches that protect one's family while not disadvantaging others.

The Blue Ribbon Commission believes the advice for citizens contained in this report can help to achieve that balance, and Commissioners, with the help of the Department of Administration (DOA), intend to make this information available to state residents through many varied forums – newspaper stories, radio and TV shows, community meetings, presentations to trade associations and civic groups, and other methods. By proactively seeking and following through on these opportunities, Commission members will convey practical preparedness strategies to as many people as possible, recognizing that there is no single medium that reaches everybody.

The Blue Ribbon Commission's outreach efforts will closely complement the Year 2000 Public Education Campaign, implemented through DOA. The campaign recommends that citizens "Get the Facts Before You Act," and those facts are drawn from information collected and evaluated by the Blue Ribbon Commission. Public Service Announcements, print advertisements and the campaign's logo itself will guide individuals to the state's Year 2000 Web site and the 1-800 phone number staffed by personnel from the Department of Agriculture, Trade and Consumer Protection; using either source, citizens will have access to validated, up-to-date information derived from Commission findings, and will know where they can go for more details.

Blue Ribbon Commissioners, subcommittee members and DOA officials will coordinate their activities with media professionals to optimize the exposure afforded to the Public Education Campaign's messages. By continuing to advance its partnership with state agencies and media outlets, the Blue Ribbon Commission will attempt to ensure that every state citizen who has questions about preparing for Y2K will get quick, reliable answers.

Many of the Commission's efforts since its formation in July of 1998 have been designed to gather and verify a set of facts about Y2K that Commission members feel comfortable disseminating to all the state's citizens. We have reached that point. Now, with the help of essential partnerships – the kind that have fostered nearly all meaningful Year 2000 efforts – we will use those facts as a primary component of our continuing outreach. Y2K is a very real but very manageable problem, if citizens work together and look out for each other. We look forward to contributing to those cooperative efforts and to witnessing their long-term benefits in the next millennium.

Larry G. Schnack
Chairman

Governor's Blue Ribbon Commission on Year 2000 Preparedness
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