

Committee Name:
Joint Committee – Finance
(JC–Fi)

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S.13.10 Meeting
April 21, 1999

Smead
No. C1526E
HASTINGS, MN



Agency: Employee Trust Funds

Recommendations:

Agenda Item 1 – Supplementation Request for the 1998-99 FY

✓ **Alternative: 1**

Comments: Gives them the funds necessary to continue with Phase II of the distribution of the SIPD lawsuit settlement. Their request is well documented and based partly on costs actually incurred, with estimated future costs clearly outlined.

Agenda Item 1 – Supplementation Request for the '99-00 FY

✓ **Alternative: 2**

Comments: According to the stats., they can't make a 13.10 request for the next biennium, so we have to deny the request. Alt. 2 not only tells them they have to come back in the next FY, but it specifies that they need to come up with a more detailed plan for how they will locate the last of the claimants.

Alt. 1 would be acceptable, however, that just says come back with this request in the next FY. We need to tell them to be more specific with their request to ensure their efforts to locate individual retirees don't cost more than the amount of the settlement for these individuals. There also has to be an absolute deadline on when they will end this project. They can't keep this going forever.

Prepared by: Cindy



Legislative Fiscal Bureau

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

April 21, 1999

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Employee Trust Funds: Section 13.10 Request for Increased Operations Funding Associated with Estate and Beneficiary Claims under the Special Investment Performance Dividend Lawsuit Settlement -- Agenda Item I

The Department of Employee Trust Funds (ETF) is seeking one-time funding supplements of \$505,300 SEG in 1998-99 and \$541,700 SEG in 1999-00 to its s. 20.515(1)(w) general administrative appropriation to fund extraordinary costs associated with the agency's continuing implementation of the special investment performance dividend (SIPD) lawsuit settlement. ETF requests that these amounts be provided from the Committee's s. 20.865(4)(u) appropriation. Supplements made from this appropriation are drawn from the available balances of the appropriate segregated fund, which in this case are monies from the investment earnings of the Public Employee Trust Fund.

BACKGROUND

Provisions of the 1987-89 biennial budget act directed that \$230 million of unrecognized investment earnings in the Fixed Retirement Investment Trust's transaction amortization account be immediately recognized and apportioned to the Fixed Trust's employee accumulation reserve, employer accumulation reserve and annuity reserve accounts. The legislation further specified that the portion of newly recognized earnings transferred to the Fixed Trust's annuity reserve be paid as a "special investment performance dividend" (SIPD), but only to those pre-October 1, 1974, Wisconsin Retirement System (WRS) annuitants who were receiving GPR-funded post-retirement supplemental annuities at the time. The legislation also provided that the level of GPR-funded

supplemental benefits be reduced by the amount of the SIPD payments and repealed the statute authorizing these supplemental benefits payments.

Litigation over the manner of this SIPD distribution commenced in 1988 and continued for the next nine years. Ultimately, in early 1997, the Wisconsin Supreme Court held in *Wisconsin Retired Teachers Association, Inc. v. Employee Trust Funds Board* that the method of distribution of the SIPD within the annuity reserve resulted in an unconstitutional taking of private property without just compensation since not all of annuitants at the time received the full benefit of the newly recognized earnings. The Supreme Court ordered that: (1) the state return to the Fixed Trusts annuity reserve the amounts previously paid out under the SIPD legislation, together with accrued interest; (2) attorneys' fees be awarded from the recovered funds in an amount to be determined by the trial court; and (3) the total amounts recovered be equitably distributed to WRS annuitants, as determined by the ETF Board. The trial court was directed to enter a final judgment consistent with these directives.

In mid-1997, the parties involved in the SIPD lawsuit reached a tentative agreement in Dane County Circuit Court on the amount of the SIPD settlement pursuant to the Supreme Court order. The parties agreed that the state would be required to pay a settlement in the amount of \$215,000,000 GPR on or before November 1, 1997, of which \$8,387,402 would be reserved for attorneys' fees, and that the balance of \$206,612,598 would be restored to the WRS annuity reserve account for equitable distribution ("settlement amounts") to WRS annuitants, as determined by the ETF Board. The 1997-99 biennial budget included an appropriation of the \$215 million GPR to fund this settlement.

In the fall of 1997, the ETF Board approved a procedure to equitably distribute the required settlement to eligible annuitants (persons with WRS annuities first effective November 1, 1987, or earlier). Most notably, the Board's distribution plan provided for: (1) a 2.4% permanent increase in the monthly WRS annuity of each such eligible annuitant to recognize prospectively the value of the dividend increase foregone in 1987 due to the SIPD distribution; (2) a lump sum payment to an approximately 42,400 current and former annuitants, that was to represent the total amount of such dividends foregone during the previous 10 years; and (3) interest payments equal to 8.8% annually, compounded through November 1, 1997.

On October 1, 1997, the Secretary of ETF, in a letter to the Co-chairs of the Joint Committee on Finance, advised the Committee that ETF would incur "significant unbudgeted expenditures" associated with the implementation of the Board's distribution plan. The Secretary indicated that these expenditures would have to begin to be made in advance of the submission of a formal s. 13.10 supplementation request in order to comply with the court-ordered distribution deadlines. The letter from the Secretary further identified that it was estimated that the estates and beneficiaries of some 25,000 annuitants who had died could be due settlement payments under the Supreme Court order.

During late 1997, ETF began implementing Phase I of what was envisioned as an anticipated three-phase project to distribute the SIPD settlement amounts. Activities during this phase included

notification to all WRS annuitants of the Board's distribution decision and a description of its impact on annuitants, former annuitants, alternate payees, joint survivors, beneficiaries and the estates of eligible deceased annuitants who would have been eligible to receive the approved distribution. During this period, ETF staffed special information lines, terminated payment of the previous SIPD distributions, and instituted a new GPR-funded annuity supplements authorized by 1997 Wisconsin Act 27 to hold harmless any annuitant who would have been adversely affected by the termination of the SIPD payment. As a result of these activities, some \$99.5 million of lump sum payments have been made to current eligible annuitants, and \$81.6 million has been reserved for prospective dividends payable to these eligible annuitants.

Phase II of the project's activities began in early 1998 after the payments and distributions under Phase I were fully implemented. The principal focus of Phase II activities is to locate potential claimants for a now estimated 27,700 estates or beneficiaries of deceased annuitants who would have been eligible for the adjusted annuity payment if they were still living. Lump sum payments for these purposes are being made from amounts reserved for this purpose out of the total settlement amount. The Department currently estimates that this phase of the project will now run through about the end of calendar year 1999.

Phase III of the project's activities are currently anticipated to begin about December 1, 1999, and run through March 31, 2000. During this planned final phase of the project final claim payment would be made, tax documents prepared and a final report for the ETF Board would be written.

In June, 1998, ETF received supplemental appropriation authority of \$359,800 SEG for 1997-98 to fund its extraordinary, unbudgeted costs in that fiscal year associated with the implementation of Phase I activities of the project and the commencement of Phase II activities. At that time, the Secretary of ETF indicated to the Committee that the Department estimated that an additional supplement of \$512,400 SEG could be required for fiscal year 1998-99 to complete Phases II and III of the project. The request presently before the Committee now presents a request for 1998-99 supplemental funding of \$505,300 SEG, which is slightly less than the earlier estimate. However, there is also included a new request for supplemental funding for newly identified additional project costs of \$541,700 SEG in 1999-00. The requests for the two fiscal years are considered separately in the analysis presented below.

ANALYSIS

Supplementation Request for the 1998-99 Fiscal Year

The Department has requested a one-time funding supplementation of \$505,300 SEG in 1998-99 to support the unbudgeted costs associated with the continuing implementation of Phase II activities. The Department has sent a letter to the last known address of eligible former annuitants or beneficiaries. From this initial effort at contact, ETF has received approximately 12,500 claims and/or inquiries from heirs of those estates to which a potential claim is payable. Once an inquiry is

made, ETF must seek to determine whether the payment may be transferred to an eligible heir by affidavit (usually in the case of estates valued at less than \$10,000) or whether the estate must be formally reopened. These requirements may also vary depending on the jurisdictions involved.

Initially, the Department was engaging in a fairly rigorous effort to determine the names of the potential heirs for each estate for which an inquiry had been made. These procedures contributed to delays in the processing of estate payment claims, such that the ETF Board extended the deadline date for filing a claim for an SIPD settlement payment from the original March 31, 1999, deadline to November 30, 1999. The cutoff date for final claims payments was also extended from June 30, 1999, to March 31, 2000.

In recent months, ETF has begun to revise its procedures with an eye towards expediting the processing of claims payments. To date, approximately 4,500 payments to estates have been made with a total value of \$8.3 million. Approximately 7,200 estates for which an inquiry has been received and a claim filed are currently being processed. In the remaining 800 cases where there has been an inquiry, no initial claim has been received. The Department believes that in many of these cases, the potential claimant has decided not to pursue the matter further.

The Department is currently uncertain how it might proceed with respect to identifying those estimated 15,200 estates for which no inquiry has been yet been received. There has been some discussion of hiring locator services, but this procedure would be expensive and time-consuming and would carry with it the potential for further delaying the conclusion of the project.

A total of \$505,300 SEG in extraordinary expenses associated with ongoing Phase II activities which the Department has or expects to expend in 1998-99 has been identified by ETF and is the amount for which it seeks the supplementation from the Committee.

The Department's SIPD supplementation request for fiscal year 1998-99 is comprised of the following cost elements:

Requested 1998-99 Funding for SIPD Continued Implementation Costs

<u>Cost Category</u>	<u>Requested Amount</u>
ETF Staff Costs	
Additional LTE Assistance	\$18,900
Special SIPD Claims Processing Services Center Operations	
Contractual Staff (approximately 16 FTEs currently)	415,300
Space Rental	29,700
Office Supplies	8,200
Telephone Services	10,800
Equipment Rental	3,200
Postage Expenses	11,400
Messenger Services	1,600
Record Center Annuitant File Retrieval Costs	<u>6,200</u>
 Total	 \$505,300

These 1998-99 supplement amounts, as identified by ETF for the continued implementation of the SIPD settlement payments, are supported by documentation and are based either on costs actually incurred to date and on estimated costs for the remaining anticipated obligations through the end of the current fiscal year. Further, an examination of the remaining budget authority in the agency's 1998-99 general administrative appropriation indicates that ETF currently has insufficient available base level funds to meet these additional, unbudgeted costs. Since ETF's request meets the current statutory standards under s. 13.101(3) of the statutes for granting a supplementation, and it was previously made known to the Committee that costs would be incurred in this fiscal year prior to the supplemental of a formal s. 13.10 request, the Committee may wish to approve the Department's request for one-time supplemental funding of \$505,300 SEG for the 1998-99 fiscal year.

Supplementation Request for the 1999-00 Fiscal Year

The Department has also requested a one-time funding supplementation of \$541,700 SEG for 1999-00 to support the unbudgeted costs associated with the conclusion of Phase II undertakings and the implementation and conclusion of Phase III project closure activities.

However, under s. 13.101(3)(b) of the statutes, the Committee is barred from making a supplementation to any appropriation in a future fiscal biennium. Therefore, the Committee may not act in this fiscal year to authorize a supplemental for fiscal year 1999-00.

Although the Committee is unable to act on a supplement for fiscal year 1999-00 at this time, the Committee may nonetheless wish to consider whether: (a) to inform the Department that it is

free to continue expenditures for this purpose in 1999-00 and seek supplemental funding for such purposes from the Committee at a subsequent s. 13.10 meeting in 1999-00; or (b) require the Department to return to the Committee at its June, 1999, s. 13.10 meeting with a precise plan for any future expenditures for this project in the next biennium as well as an indication from the ETF Board as to when this project will be brought to a timely conclusion.

Absent any other indication from the Committee, ETF can logically conclude that, consistent with its first notice to the Committee in October of 1997, that it may return to the Committee as frequently as needed to receive supplemental authority for the costs of this project until the project has been concluded. If the Committee agrees that such course of action with regard to possible additional costs in 1999-01 for this project is acceptable, it could choose to adopt an alternative at this time to so indicate that fact.

Alternatively, however, the Committee may wish to consider the following points:

- Based on ETF's estimates, there are outstanding a potential 15,200 estate claims for deceased annuitants who would have been eligible for a settlement payment under the Supreme Court order had they been alive. The 1999-00 supplementation that has been presented to the Committee currently indicates a planned March 31, 2000, end date for the project. At the same time, however, the request notes that if location efforts for these estates "proceed more slowly than expected or a larger number of claims are filed than projected, it may be necessary for the Board to further extend the deadline [for the filing of claims]". In discussions with ETF staff, they have indicated that the Department and Board are undetermined as to how extensive the Department's location efforts have to be to comply with the Supreme Court order.

- Based on 7,185 filed claims awaiting processing as of March 22, 1999, and the Department's estimate that it could pay about 200 claims per week using the contractual temporary help services it has been using to process claims, it would take until about the end of December of this calendar year just to complete the processing of those claims. With regard to those claims currently in processing to be paid, ETF estimates that about 36% of them are for lump sum payments in excess of \$1,000, about 20% are for lump sum payments of less than \$1,000 but more than \$500 and the remaining 44% are for lump sum payments of less than \$500.

- The two major components of the request ETF submitted for supplemental funding for 1999-00 consisted of: (1) \$331,500 SEG for additional temporary help services related to answering potential claim questions and processing submitted claims; and (2) \$140,000 SEG for the costs of contractual services for further efforts to locate beneficiaries and/or heirs of deceased annuitants.

- The Department has indicated that at this time there has been no clear determination as how extensive its search for remaining potential claimants will be nor that the current stated deadline date for claims to be submitted will not be again extended by the ETF Board.

The Committee could consider whether, particularly in view of the relatively small individual claim amounts being paid out, substantial expenditures of additional retirement fund dollars to try and locate potential additional claimants is inadvisable. If the Committee believes this to be the case, it could require that the Department submit to the Committee, for approval at its next regular

meeting under s. 13.10, a plan that would address each of the following items: (1) an identification from the ETF Board of specifically what further efforts need to be undertaken by the Department to locate remaining uncontacted estates or beneficiaries; (2) a statement from the Board of an absolute deadline by which all claims to be handled by this project must be filed; (3) a procedure under which some settlement funds could be reserved for payment of any future claims that may be filed with ETF after the end of the current project; and (4) a proposed project budget to accomplish the remaining project activities.

ALTERNATIVES -- Supplementation Request for the 1998-99 Fiscal Year

1. Approve the Department's request for a one-time supplement of \$505,300 SEG in 1998-99 from the Committee's s. 20.865(4)(u) appropriation to the agency's s. 20.515(1)(w) general administrative appropriation to fund extraordinary, unbudgeted costs associated with the continuing implementation of the SIPD settlement.

2. Deny the request.

ALTERNATIVES -- Supplementation Request for the 1999-00 Fiscal Year

1. Deny the request and instead stipulate that, in accordance with previous actions by the Committee, the Department of Employee Trust Funds may submit to the Committee, in 1999-00, a supplemental funding request for administrative expenses incurred in connection with additional activities undertaken in 1999-00 under the Special Investment Performance Dividend (SIPD) lawsuit equitable distribution project.

2. Deny the request and instead require that the Department submit a plan to the Committee at its next regular meeting under s. 13.10 that addresses each of the following items: (a) an identification from the Employee Trust Funds Board of what specific additional activities need to be undertaken by the Department to locate any remaining uncontacted estates or beneficiaries regarding possible lump sum payments due under the SIPD lawsuit equitable distribution project; (b) a statement from the Employee Trust Funds Board of an absolute deadline by which all claims to be handled by this project must be filed; (c) details of a procedure under which some settlement funds may be reserved by the ETF Board for payment of any future claims that may be filed with ETF after the end of the current project; and (d) a proposed budget for the next biennium to accomplish all remaining activities under the project to allow its orderly termination. Specify that the Committee must approve the proposed plan before any future expenditure commitments for this project may be made by the Department.

MO#	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
BURKE	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
DECKER	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
JAUCH																			
MOORE																			
SHIBILSKI																			
PLACHE																			
COWLES																			
PANZER																			
GARD																			
PORTER																			
KAUFERT																			
ALBERS																			
DUFF																			
WARD																			
HUBER																			
RILEY																			

Prepared by: Tony Mason

13.10 Meeting

Wednesday, April 21, 1999

Issue: DOA Oil Overcharge Plan

Recommendation: Alternative 1 (or just about any other alternative)

Comments: My general, slacker opinion is that it's not worth the effort to try and mess around with this, unless some other committee member has a good motion.

Most of the DOA funding proposals are fine. There are 2 questionable items, however. They are:

- \$150,000 oil overcharge (i.e. energy) money for a Y2K hotline and media strategy. Presumably to let people know that they shouldn't panic, but gas heaters and blow their house up.
- \$75,000 to pay for a strategy to promote energy efficient windows made in Wisconsin (i.e. "Energy Star Windows Promotion"). This is really just a grant to an industry and something they should probably be doing themselves.

The problem with messing around with the Y2K money is that you put yourself in the middle of a Jauch - Albers issue. This is not a good place to be. Plus, USDOE has to approve the use of oil overcharge monies for this purpose. It sounds like they will hold their nose, but you never know. Maybe some contingency plan for the money could be worked up in case USDOE says no (ask Lang at pre-meeting). Huber opposes the Y2K funding proposal.

The Energy Star Windows Promotion proposal is probably equally fraught with political difficulties. I think many of these window-manufacturing facilities are located in Decker's and Shibilski's districts. Plus, the proposed use of the funding is at least somewhat related to energy efficiency and might encourage more people to buy efficient windows.

So, I think it would be most efficient to just run with the DOA proposal, but you should be open to any other good ideas as well. If people start horse trading, I guess I'd try to direct more funding into the "Operation Fresh Start Program." That might end up benefiting some Milwaukee projects.

Sorry I don't have a better idea. But the whole proposal is pretty underwhelming, and the oil overcharge money is really starting to dwindle.

Prepared by: Barry.



Legislative Fiscal Bureau

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

April 21, 1999

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Section 13.10 Request to Approve the Governor's Plan for Expenditure of "Stripper XIX" Oil Overcharge Restitution Funds -- Agenda Item II

INTRODUCTION

Under procedures set forth in s. 14.065 of the statutes, any new oil overcharge expenditure plan from the Governor must be submitted simultaneously to the Joint Committee on Finance and to the Chief Clerk of each house of the Legislature. Each Chief Clerk then forwards the plan to the committee in each house having jurisdiction over energy matters. The energy committees have up to 30 calendar days from receipt of the Governor's proposal to forward their recommendations on the expenditure proposal to the Joint Committee on Finance. The Joint Committee on Finance may not hold a meeting under s. 13.10 to approve, modify or disapprove the Governor's proposal until either 30 calendar days after the original receipt of the proposal or upon receipt of the energy committees' recommendations, whichever is earlier.

On March 4, 1999, the Committee received a letter from Governor Thompson containing a proposal to expend \$513,308.63 FED (plus all interest accruing) of oil overcharge restitution funds. This proposed expenditure plan constitutes the latest allocation of "stripper well" funds which first began to be received by the state in December, 1986. The funds in question continue to derive from the settlement of suits between the federal Department of Energy (DOE) and petroleum companies found to have illegally overcharged consumers for petroleum products.

This current expenditure plan was submitted to the Senate and Assembly Chief Clerks and forwarded respectively to the Senate Committee on Health, Utilities, Veterans and Military Affairs and to the Assembly Committee on Utilities. Neither of these committees held hearings on the current proposal during the 30-day review period for the purpose of developing alternative

recommendations for submittal to the Joint Committee on Finance. Accordingly, the Co-chairs scheduled the "Stripper XIX" oil overcharge allocation proposal for consideration at the Committee's April 21, 1999, meeting under s. 13.10 of the statutes.

The Governor's current "Stripper XIX" proposal also contains recommendations to reallocate \$66,000 FED of previously deobligated Exxon oil overcharge restitution funds. Under provisions of s. 14.065(5) of the statutes, any amendments to previously approved allocation plans must also be approved by the Committee meeting under s. 13.10 of the statutes. Further, modifications to previous allocations are not required to be referred to the standing energy committees of the Legislature.

BACKGROUND

Oil overcharge funds have derived from a variety of federal court settlements involving controversies over the validity of applying certain price controls on crude oil during the period from early 1974 until early 1981. During the period in question, the affected oil producers were required to deposit to an escrow fund the difference between the uncontrolled crude oil price at the time and the controlled price, pending a determination of the validity of the federal pricing regulations. These regulations were ultimately upheld and oil overcharge distributions began flowing to the states in late 1983. A subsequent, highly complex final settlement agreement relating to the distribution of the escrow funds was entered in mid-1986. This 1986 settlement agreement was made the mechanism by which all future oil overcharge restitution fund amounts deriving from a variety of sources would be distributed to the states.

Since 1983, the state has received \$79.3 million of "stripper well," Exxon and other oil overcharge restitution funds from a variety of federal court settlements and has earned an additional \$30.2 million in interest on these amounts, for a total of \$109.5 million through January, 1999. Most of this funding was received by the state during the decade after 1985. It is anticipated that the state will continue to receive oil overcharge restitution funds under the "stripper well" payout mechanism at least for a few more years; however, the amount of these distributions are expected to be relatively modest.

To date, "stripper well funds totaling about \$36.8 million have been allocated eighteen previous occasions, in fourteen instances as a result of action on allocation proposals submitted by the Governor and in four instances as a result of specific legislation. These previous allocations are summarized below in Table 1.

TABLE 1

Previous "Stripper Well" Oil Overcharge Allocations

<u>Allocation</u>	<u>Action</u>	<u>Date</u>	<u>Original Amount Allocated (FED)</u>
Stripper I Plan	JFC Modified Plan	December 18, 1986	\$12,792,700 ^a
Stripper II Plan	JFC Modified Plan	January 27, 1988	2,356,100 ^a
Stripper III Plan	JFC Modified Plan	May 2, 1988	100,000
Stripper III Amendment	1987 Wisconsin Act 399	May 17, 1988	300,000
Stripper IV Plan	JFC Modified Plan	December 12, 1988	2,930,507 ^b
Stripper V Plan	JFC Modified Plan	March 15, 1989	232,544 ^c
Stripper VI Plan	1989 Wisconsin Act 31	August 9, 1989	600,000
Stripper VII Plan	JFC Modified Plan	December 19, 1989	3,108,597 ^d
Stripper VIII Plan	JFC Modified Plan	December 18, 1990	2,642,111 ^e
Stripper IX Plan	JFC Modified Plan	March 13, 1991	95,000
Stripper X Plan	1991 Wisconsin Act 39	August 15, 1991	998,500
Stripper XI Plan	JFC Modified Plan	February 13, 1992	1,711,819 ^f
Stripper XII Plan	JFC Modified Plan	December 15, 1992	3,379,416 ^g
Stripper XIII Plan	1993 Wisconsin Act 16	August 12, 1993	1,158,200
Stripper XIV Plan	JFC Modified Plan	February 2, 1994	1,613,398 ^h
Stripper XV Plan	JFC Modified Plan	October 25, 1995	539,500 ⁱ
Stripper XVI Plan	JFC Modified Plan	April 16, 1996	700,000 ^j
Stripper XVII Plan	JFC Modified Plan	September 26, 1996	1,018,461 ^k
Stripper XVII Plan	JFC Modified Plan	June 23, 1998	513,309 ^l
TOTAL ALLOCATIONS			\$36,790,162

^aPlus all interest accruing [allocated to the institutional conservation (Schools and Hospitals Weatherization Program)]. In addition, \$1,000,000 originally allocated for construction of an ethanol plant on January 27, 1988, was subsequently reallocated as part of the December 12, 1988, "Stripper IV" approval.

^bPlus interest (identified as \$82,100 in 1989-90 and \$138,200 in 1990-91 in the 1989-91 biennial budget) allocated to the DOA Energy Bureau for oil overcharge management and reporting activities.

^cPlus interest accruing to December 31, 1988.

^dPlus accrued and future "Stripper VI and VII" interest.

^ePlus accrued and future "Stripper VIII" interest.

^fPlus accrued and future "Stripper XI" interest. An additional \$250,000 of "Stripper XI" funds were also allocated for a Sheet Metal Workers Energy Management Program; however, this component was item vetoed by the Governor. The resulting unprogrammed \$250,000 subsequently became part of the "Stripper XII" allocation plan.

^gPlus accrued and future "Stripper XII" interest.

^hPlus accrued and future "Stripper XIV" interest. Of the amounts originally allocated, \$30,000 was placed in unallotted reserve by Joint Finance. On June 22, 1994, the Committee subsequently allocated the amounts in unallotted reserve to fund an auto train feasibility study by the Department of Transportation.

ⁱAllocation of available unprogrammed oil overcharge balances to supplement low-income energy assistant program crisis assistance benefits which had most recently been provided under "Stripper XIV" and through reallocations of Exxon oil overcharge residual amounts. Since these earlier approved allocation plans had been submitted for amendment approval at the October 25, 1995, meeting of Joint Finance, the Committee acted to allocate these unprogrammed funds in the context of approving the amendments to the earlier plans.

^jPlus accrued and future "Stripper XVI" interest. Of the amounts allocated, \$100,000 was placed in unallotted reserve for subsequent release after submittal of a detailed expenditure plan for low-income initiatives.

^kPlus accrued and future unallocated "Stripper XV" interest and all accrued and future "Stripper XVII" interest. On December 16, 1996, the Committee amended the "Stripper I and II" and Exxon allocations to exchange Exxon funds for "Stripper" funds.

^lPlus accrued and future "Stripper XVIII" interest. Of these amounts, \$845,182 were reprogrammed from the residual balances of previous "Stripper well" allocations (\$345,182) and Exxon allocations (\$500,000)

SUMMARY OF CURRENT ALLOCATION PROPOSAL

The Governor's "Stripper XIX" proposal would allocate for expenditure \$513,308.63 FED of oil overcharge restitution funds, plus certain additional interest earning, as follows: (1) \$413,000 FED of currently available, unprogrammed oil overcharge restitution funds; (2) \$16,309.63 FED of interest earnings (plus future accruals) on these amounts; and (3) \$66,000 FED of residual, deobligated Exxon funds which would be reprogrammed as part of this proposal. The Governor's proposed allocation plan is summarized in Table 2 below:

TABLE 2

**Governor's Oil Overcharge Plan Proposal
to Expend "Stripper XIX" Oil Overcharge Funds
(FED Funds)**

<u>Program Element</u>	<u>Administering Agency</u>	<u>Governor's Proposal</u>
A. Year 2000 (Y2K) Outreach	Administration (Technology Management)	\$150,000
B. Community Services Energy Efficiency Rewards	Administration (Energy)	100,000 ^a
C. Operation Fresh Start Program	Administration (Housing)	100,000 ^b
D. Energy Star Windows Promotion	Administration (Energy)	75,000 ^c
E. Alternative Motor Fuels -- Clean Cities Program	Administration (Energy)	72,000
F. Energy Program Management Costs	Administration (Energy)	<u>16,309^d</u>
	TOTAL	\$513,309

^aIncludes \$25,000 of reprogrammed residual Exxon funds.

^bIncludes \$10,000 of reprogrammed residual Exxon funds.

^cIncludes \$31,000 of reprogrammed residual Exxon funds.

^dPlus all future interest accruing.

The reprogrammed Exxon funds included in the "Stripper XIX" proposal are residual amounts remaining from the exchange of \$1,100,000 of previously allocated Exxon funds for an equivalent amount of "stripper well" funds. This exchange was originally approved in September, 1996, as part of the Committee's approval of the "Stripper XVII" plan.

This exchange was proposed so that the "stripper well" monies could be used as a state match for federal Low-Income Home Energy Assistance Program (LIHEAP) funds. Under the terms of the federal court order governing the use of Exxon funds, these monies retain their federal character and may not be used for the purpose of matching federal dollars. In contrast, under the terms of the court orders governing the distribution of "stripper well" funds, there is no such limitation once the state receives those allocations. Consequently, the "stripper well" funds may be used by the state to match additional federal dollars.

Following the approval of this exchange in September, 1996, the state was able to make retroactive adjustments to the funding previously provided for certain targeted energy assistance programs, thereby maximizing the use of other federal dollars. The targeted programs that were subject to this funding adjustment have now been phased out with the passage of federal welfare legislation, and a residual amount of \$66,000 of Exxon funds which could not be exchanged for "stripper well" monies now remains to be reallocated under "Stripper XIX."

ANALYSIS

Each of the "Stripper XIX" program elements is discussed in the following sections. The program element designations are the same as those listed in Table 2.

A. **Year 2000 (Y2K) Outreach.** The Governor has proposed allocating \$150,000 of "Stripper XIX" funds to create a Year 2000 (Y2K) outreach program. The program is designed to provide information to Wisconsin residents to assist with an understanding of the Y2K issue and preparing for any energy-related Y2K events. This program would be administered by DOA's Division of Technology Management.

The expression "Y2K" is a shorthand notation to represent the complex of issues relating to the problems of computer software dealing with recognition of the year 2000 problem. The problem has its basis in a programming convention that dates to the earliest days of mainframe computer programming. During this formative period, computer memory available for software applications was extremely limited and expensive. Computer programmers were challenged to write useful software applications given these memory restrictions. One response to address this situation was to allocate two digits of a date field, instead of four, to refer to a given year. Software was designed to assume that the two digits represented a year in the current century. Thus, "75" in the date field would actually represent 1975.

Programmers in the 1960s and 1970s assumed the software they were writing would only be used for a few years and then replaced. However, programming evolved in a manner where early conventions could not be easily discarded, particularly if newer programs were to be compatible with older programs. Software developers, therefore, continued to use the two-digit date field for years. The convention was also carried on for the application and operating system software developed for personal computers throughout the 1980s and into the 1990s. Moreover, in addition to application and operating system software, the dating convention is present in the internal programming of computer microchips. Even today, microchips utilizing the two-digit date field may still be being used in new products.

The general problem relating to the imminent advancement to the year 2000 is that computer software and microchips utilizing the two-digit format may assume that the year 2000 is the year 1900. This could have serious implications for any software or hardware application that is date sensitive; that is, it performs functions or calculations that rely on an accurate reading of dates. In addition, at least two other factors complicate this basic problem. First, the computational procedure, or algorithm, used in some programming will not correctly identify the year 2000 as a

leap year. Thus, even if such a program recognized the year 2000, its date function would be inaccurate beginning on February 29, 2000. Second, some currently operating programs utilize certain dates in the year 1999 to signify functions other than the date. Again, it was assumed that such programming would not be used through the end of this century. In 1999, then, when certain dates are reached within these systems, date assumptions will be corrupted and programs may execute other instructions that alter or terminate the functioning of the system.

According to DOA, this proposed oil overcharge allocation would "provide citizens with the information needed to make a transition to the Year 2000 smoothly, without unfounded anxiety, and adequately prepared to meet the short term challenges that could arise." An allocation from oil overcharge funds for Y2K outreach/education is requested because "Wisconsin is a cold winter state, [and] the potential interruption of the electrical or natural gas delivery system in January could have severe consequences." The Department believes that "[a]bsent reliable information, some residents may purchase and install equipment (e.g., electrical generators and space heaters) which, if improperly installed or operated, could pose a safety hazard for themselves and others."

The Governor's proposed allocation, based on a tentative arrangement with a private education campaign management firm, would provide funding for:

- *Education Campaign Management.* A private firm would be contracted to assist in the management of an outreach/public education campaign at a cost of \$50,000. The Department would receive assistance in developing public educational materials, video and audio messages, as well as assistance in developing and implementing the campaign.
- *Consumer Hotline.* DOA would contract with the Department of Agriculture, Trade and Consumer Protection (DATCP) for \$40,000 in fiscal year 1998-99 for the cost of a consumer hotline. Funding would support limited-term employees and a project position (position authorization is not included in the request) for the hotline. DOA indicates that another funding source for the hotline would be necessary to continue the hotline in fiscal year 1999-00.
- *Materials Development.* The remaining funding of \$60,000 would be used for materials. These may include an expanded printing of a current Y2K brochure (A Guide to the Year 2000 for Wisconsin Families), development of radio and television public service announcements and, potentially, other media advertising. DOA indicates that educational material developed with the oil overcharge allocation would be targeted to messages to help ensure actions taken by Wisconsin citizens related to Y2K issues will limit the waste of energy resources and promote energy conservation.

The Department indicates that the oil overcharge allocation proposal would be a portion of a larger Y2K education and outreach effort being pursued in connection with the Governor's Commission of Year 2000 Preparedness, DOA, other state agencies and private sector firms. DOA's preliminary estimates are that the total Y2K education and outreach effort would cost between \$300,000 and \$500,000, including in-kind contributions, with the state contributing

\$250,000 to \$300,000. This Governor's proposed oil overcharge allocation proposal of \$150,000 would represent a portion of the state's fiscal effort.

On February 24, 1999, the Joint Committee on Information Policy adopted two motions related to the Y2K issues contained in the Governor's oil overcharge plan:

- *Y2K Communications Plan.* This motion recommended that DOA prepare a comprehensive Y2K communications plan, in cooperation with other executive branch agencies and outside consultants as necessary. Further, the motion specified that the plan should "present Wisconsin citizens with a clear understanding of the Y2K problem, promote public Y2K preparedness and detail the state's strategy for achieving Y2K rediness. The DOA should seek appropriate funding for this initiative through the Legislature."
- *Y2K Hotline.* This motion recommended that DATCP, in cooperation with DOA, establish a Y2K hotline to receive questions about Y2K product compliance and disseminate Y2K information to the citizens of Wisconsin.

The Governor's oil overcharge plan provides a general outline of how the proposed funding would be utilized, but no detailed expenditure plan is available. While DOA has identified a potential broad range of costs for a statewide education and outreach plan (and a potential total state contribution to that cost), the Department has indicated that if the proposed oil overcharge allocation is not approved, it anticipates that the education/outreach plan would continue through the use of other available resources.

Although \$40,000 has been proposed by the Governor for operation of a Y2K hotline by DATCP for the remainder of 1998-99, that agency has estimated its costs at \$51,500 for a three-month period. This estimate consists of: \$25,700 for staff costs, \$10,500 for hotline toll charges and the costs of customer-requested information and \$15,300 for one-time equipment costs. On a monthly basis, on-going operating costs would be estimated at \$12,100. The Committee could consider adopting one of the following two alternatives to the Governor's recommendation regarding the proposed hotline operation.

1. Reduce the amount of funding recommended for hotline operations in 1998-99 by \$12,100. This reduction would be based on the following: (a) the Governor's plan would provide funding only for 1998-99; (b) there are only approximately two months remaining in fiscal year 1998-99 but the Governor's plan was premised on three months of funding for the hotline; and (c) the Governor's recommendation would provide three months of operating costs at \$12,100 per month and only \$3,700 for one-time costs. Providing funding for the remaining two months of fiscal year would mean this portion of the project funding could be reduced by \$12,100.

2. Modify the Governor's proposal by specifying that the \$150,000 of oil overcharge funding for Y2K activities be allocated as follows: (a) \$100,000 for the consumer hotline and (b) \$50,000 for education campaign management. Assuming \$15,300 for one-time equipment costs, the remaining \$84,700 that would be allocated under this alternative for the Y2K hotline would fund operations of the hotline from May, 1999, through November of 1999. Under this alternative,

no funding would be allocated from oil overcharge funds for the costs of educational materials development. As a result, an alternative means of funding the publication of Y2K brochures, the development of public service announcements and other media advertising would be necessary. However, it could be argued that DOA would be more likely to be able to find other sources of funding (including funding or in-kind contributions from private companies) for educational materials development than funds for supporting the operating costs of the Y2K hotline.

Finally, with respect to the Y2K outreach proposal it may be noted that the federal courts have given states relatively broad discretion in expending oil overcharge funds among a variety of restitutionary energy-related programs. These programs are limited to: (1) weatherization of buildings and dwellings of low-income, handicapped or elderly persons; (2) implementation of state energy conservation programs; (3) reduction of energy consumption in, or finding cheaper alternative energy sources for, schools and hospitals; (4) promotion of conservation by small businesses and individuals; and (5) assistance to low-income individuals with home heating bills. In addition to these general energy programs, any other broadly restitutionary, energy-related project benefiting petroleum users which has previously been approved by a federal court or by the federal Department of Energy (DOE) is also a permitted use of a state's oil overcharge funds.

Given the authorized uses of oil overcharge funds as identified above, whether the funding of a program related to Y2K technology issues would qualify as a broadly restitutionary energy-related program activity is open to question. However, the DOA Energy Bureau indicates that, to the extent that any Y2K project has an energy-related component, the use of oil overcharge funds for that component may be possible. Energy Bureau staff have stated that preliminary indications from federal DOE staff indicate that the state's proposed use of oil overcharge funds for year 2000 education and outreach as envisioned in the Governor's proposal would be acceptable, but that formal approval must still be provided by the federal Department of Energy's (DOE) Stripper Well Review Committee after the approved Stripper XIX plan is submitted to DOE.

B. Community Services Energy Efficiency Rewards. The Governor has proposed allocating \$75,000 of "Stripper XIX" funds and \$25,000 of reprogrammed residual Exxon funds to support a continuation of the current community services energy efficiency rewards program. The extended program would continue to be administered by DOA's Energy Bureau.

The current community services energy efficiency rewards program has previously been funded by the following oil overcharge allocations:

<u>Date</u>	<u>Nature of Allocation Action</u>
June 23, 1998	Allocate \$255,000 of residual "Stripper II, VII XIV and XVIII" funds allocated for appliance rebates and facility improvements in child care facilities and community-based residential facilities.

The community services energy efficiency program provides assistance to licensed, home-based childcare facilities and community-based residential facilities (CBRFs) in the form of cash

awards for: (1) the purchase of high efficiency refrigerators, freezers or dishwashers or for the conversion of an electric water heater or clothes dryer from electric to natural gas or propane service; and (2) energy efficiency improvements to residential single-family or duplex buildings that are the result of an in-depth energy assessment of the structure. Funding under the program is also used to pay for the costs of appliance and facility energy audits and for administration.

The Energy Bureau has contracted with the Wisconsin Energy Conservation Corporation to operate the program. Funding is awarded to eligible participants on a first come, first served application basis. Participants may receive cash awards of from \$100 to \$300 per appliance when they purchase a high efficiency replacement or convert from electric service to a high efficiency appliance using natural gas or propane. To date, under the initial oil overcharge allocation to the program, a total of 251 appliances have been upgraded or converted. Where a participant has requested an energy audit, cash awards are available in amounts ranging from \$300 to \$1,000 to help offset the costs of energy efficiency improvements made as a result of the audits. Energy efficiency ratings have been completed on more than 144 facilities. However, since the facility owner receives the cash award only after the recommended improvements have been completed, only five awards have actually been paid to date. It is anticipated that all of the funds budgeted for energy conservation retrofitting awards will be fully utilized once the improvements have been made and verified.

The Committee has had a long history of providing oil overcharge funding for energy improvements in licensed childcare facilities and CBRFs. It is also anticipated that there will continue to be strong demand for the continuing services under the current program. Accordingly, the Committee may wish to provide additional funding of \$100,000 for this program.

Alternatively, if the Committee believes that other restitutionary programs should receive a higher priority, it could reallocate the \$100,000 proposed for continuing the community services energy efficiency awards program to another purpose of the Committee's choosing.

C. Operation Fresh Start Program. The Governor has proposed allocating \$90,000 of "Stripper XIX" funds and \$10,000 of reprogrammed residual Exxon funds to support certain energy conservation activities of projects that replicate Madison's Operation Fresh Start program. This program assists youth and adults (ages 16 to 24) with alcohol and other drug abuse problems, poor health and nutrition, low educational achievement, poor employment history, physical, sexual and emotional abuse or a criminal history to become self-sufficient. A focus of the program is to rehabilitate substandard housing into well-built, affordable and mechanically sound dwellings for low- and moderate-income homeowners.

The Governor's recommended 1999-01 biennial budget contains funding of \$232,000 GPR annually to support grants to local housing organizations that seek to fund Operation Fresh Start-type replication projects. It is anticipated that this GPR funding plus monies from a variety of other sources totaling nearly \$1.8 million annually will be committed to the replication initiative, thereby funding up to 10 projects per year in the state. All of these funds provided or anticipated under the budget initiative would be used for administration and program delivery costs. They would not be

used for construction materials and fixtures. These "Stripper XIX" funds would be used for that latter purpose (furnaces and appliances) but could not be used to supplant any of the funding provided in the budget, since those funds do not have an energy-related purpose.

The "Stripper XIX" funding would not be applied towards reaching the \$1.8 million of additional funding commitments from non-GPR sources but instead would be available to provide grants to any operating Operation Fresh Start project to: (1) purchase high energy efficiency furnaces and appliances (approximately \$80,000 of the total allocation); and (2) provide training in home weatherization skills for program enrollees (approximately \$20,000 of the total allocation).

The Energy Bureau indicates that even if 10 Operation Fresh Start programs can not be replicated annually, the proposed funding would be available to those programs that were operational for as long as the funding lasted.

The proposed Operation Fresh Start project represents an eligible use of oil overcharge funds. The Committee has also supported a variety of reasonably similar furnace and appliance efficiency projects in the past. Accordingly, it may wish to approve the allocation. Alternatively, if the Committee believes that other restitutionary programs should receive a higher priority, it could reallocate the \$100,000 proposed for Operation Fresh Start program to another purpose of the Committee's choosing.

D. Energy Star Windows Promotion. The Governor has proposed allocating \$44,000 of "Stripper XIX" funds and \$31,000 of reprogrammed residual Exxon funds to assist Wisconsin window manufacturers by providing technical and labeling assistance and increasing the awareness of the public, window dealers and building contractors of energy-efficient window alternatives. Funding would also be used to help identify energy efficiency market opportunities for manufacturers. The Energy Bureau indicates that it would most likely use some of the proposed funding allocation to hire a consultant familiar with the window industry and the marketing of energy efficient products,

With regard to this proposed program, the Committee may wish to note that most window manufacturers presumably would already have concluded that having a highly energy-efficient product should be a focus of their current marketing strategies. Thus, it is not clear whether a state effort in this regard would provide a new service for window manufacturers or would be duplicative of manufacturers' current efforts. It is also uncertain whether the proposal would support promotional activities primarily for Wisconsin-based window manufacturers. In the event that the materials focus on energy efficient windows generally, they would likely be of benefit to non-Wisconsin manufacturers as well.

However, it could be argued that the preparation of window energy efficiency generic information would still be useful in informing consumers about making wiser purchases of such products. Further, the state's participation in such promotional efforts could increase consumer confidence in making such purchases, which would be beneficial from an overall energy conservation standpoint.

Materials provided by the Energy Bureau in support of this project indicate that one problem faced by smaller window manufacturers in the state is the difficulty in getting energy efficiency ratings for their product line. Consequently, if the Committee wishes to approve funding the window promotion project but feels that the promotional aspects of the program may duplicate manufacturers' current effort, it could stipulate instead that priority be given to providing energy efficiency rating assistance to smaller Wisconsin window manufacturers to help them market their products. The Governor has proposed allocating \$44,000 of "Stripper XIX" funds. Alternatively, if the Committee believes that other restitutionary programs should receive a higher priority, it could reallocate the \$75,000 proposed for the energy-efficient window promotion program to another purpose of the Committee's choosing.

F. Alternative Motor Fuels -- Clean Cities Program. The Governor has proposed allocating \$72,000 of "Stripper XIX" funds to be used over a two-year period to support a portion of the costs of an executive director position for Wisconsin Clean Cities -- Southeast Area, Inc. This organization is a nonprofit, public/private partnership whose mission is to expand the use of alternative-fueled motor vehicles in southeastern Wisconsin. It is anticipated that the major focus of the executive director's efforts would be to provide information and direction in the development of the required infrastructure to support a fleet of alternative-fueled vehicles in the southeastern Wisconsin region. The position would also work with government fleet managers and government and corporate bodies in order to promote the benefits of alternative-fueled vehicles.

The proposed funding would provide matching funds for the salary costs and general expenses of the executive director. The remaining funds to support the costs of the position would come from gifts and donations and a federal DOE grant.

The Committee has acted in the past to promote the use of alternative-fueled vehicle fleets in Wisconsin and the operation of such motor fleets would be expected to have a beneficial impact on air quality in the region. Therefore, the Committee may wish to approve the proposed allocation. Alternatively, if the Committee believes that other restitutionary programs should receive a higher priority, it could reallocate the \$72,000 proposed for the alternative motor fuels program to another purpose of the Committee's choosing.

G. Energy Program Management Costs. The Governor has proposed allocating \$16,308.63 of "Stripper XIX" funds plus all future "Stripper XIX" interest earnings to support Energy Bureau administrative costs associated with the management and oversight of oil overcharge and energy efficiency programs.

Previously, the Committee has taken the following action relating to authorizing the allocation of oil overcharge interest monies for Energy Bureau administration and management activities:

<u>Date</u>	<u>Nature of Allocation Action</u>
December 12, 1988	All interest earnings accruing from "Stripper III" and "Stripper IV" allocations authorized to support oil overcharge management activities in DOA's Energy Bureau.
April 16, 1996	All interest earnings accruing from the "Stripper XVI" allocation authorized to support oil overcharge management activities in DOA's Energy Bureau.
September 26, 1996	All interest earnings accruing from the "Stripper XV and XVII" allocation authorized to support oil overcharge management activities in DOA's Energy Bureau.
June 23, 1998	All interest earnings accruing from the "Stripper XVIII" allocation plus small residual amounts remaining from other previous allocations.

Under these earlier allocation actions, more than \$1.2 million in interest earnings have been made available to support oil overcharge management activities in the Energy Bureau from the 1988-89 fiscal year to the present. The Energy Bureau estimates that the proposed allocation under "Stripper XIX" will provide additional support for program management costs through the 2000-01 fiscal year.

Under current federal DOE procedures, up to 5% of a state's oil overcharge allocations may be used for the general administration and management of programs. Typical administrative and management costs are those relating to developing allocation plans, reporting annually to the federal DOE and to relevant federal courts on the use of previously allocated funds and tracking the expenditures of each program receiving funds. These types of activities are viewed as being distinct from specific administrative efforts directly linked to program delivery. Program delivery costs (such as awarding and administering grants or managing project activities) are typically funded by deductions from the total allocations made to a specific project.

In light of the Committee's prior actions approving the use of oil overcharge funds for the Energy Bureau's oil overcharge management activities, the Committee may wish to approve the allocation. Alternatively, if the Committee believes that other restitutionary programs should receive a higher priority, it could reallocate the "Stripper XIX" interest earnings to another purpose of the Committee's choosing.

ALTERNATIVES

1. Approve the "Stripper XIX" oil overcharge plan dated March 4, 1999, as proposed by the Governor to allocate for expenditure \$513,308.63 FED of oil overcharge restitution funds,

"STRIPPER XIX" OIL OVERCHARGE ALLOCATION PLAN

**Energy-Efficient Window Replacements for
Households with Significant Lead Contamination**

Motion:

Move to delete the \$75,000 FED proposed for Energy Star Windows Promotion component [Program Element D] of the Governor's "Stripper XIX" oil overcharge allocation plan and instead allocate \$44,000 FED of "Stripper XIX" funds and \$31,000 FED of reprogrammed residual Exxon funds to DOA's Division of Housing. Specify that the funds be used in connection with the Division's Lead Hazard Reduction program for the purpose of replacing lead paint contaminated windows with energy-efficient windows. Provide that the funding would be available for use anywhere in the state.

Note:

This motion would delete the component of the Governor's oil overcharge allocation plan [Program Element D] that would provide total funding of \$75,000 FED to assist Wisconsin window manufacturers by providing technical and labeling assistance and increasing the awareness of the public, window dealers and building contractors of energy efficient window alternatives.

This motion would reallocate this funding to DOA's Division of Housing to be used in connection with its Lead Hazard Reduction program. This program is federally funded from the Residential Lead-Based Hazard Reduction Act and is targeted to low- and moderate-income households where there is significant lead contamination. The reallocated oil overcharge funding under this motion would be used to replace existing windows that are lead paint contaminated with energy efficient windows.

The Division of Housing program operates in all areas of the state, except the City of Milwaukee, which receives direct lead hazard reduction funding from HUD. Under this motion, the funds would be available for window replacement projects statewide.

MO# Motion 562

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 8 NO 8 ABS 0

"STRIPPER XIX" OIL OVERCHARGE ALLOCATION PLAN

Oil Overcharge Restitution (Agenda Item II)

Motion:

Move to modify the Governor's oil overcharge plan by: (a) eliminating the proposed allocation of \$75,000 for energy star windows promotion; and (b) providing \$75,000 to the Department of Agriculture, Trade and Consumer Protection for either Year 2000 consumer hotline activities or Year 2000 related consumer investigations.

MO# 566

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
JAUCH	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
² COWLES	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
PANZER	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
GARD	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
PORTER	Y	<input checked="" type="radio"/> N	A
KAUFERT	Y	<input checked="" type="radio"/> N	A
¹ ALBERS	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
DUFF	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
WARD	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
HUBER	Y	<input checked="" type="radio"/> N	A
RILEY	Y	<input checked="" type="radio"/> N	A

AYE 6 NO 10 ABS _____

13.10 Meeting
Wednesday, April 21, 1999
Agenda Item III-A

✓ **Issue:** Historical Society—Request for 0.5 Archivist Position

Recommendation: Alternative 1

Comments: The Historical Society really should have made this request in the budget process, but they claim that the budget time line didn't allow them to get the request in time to DOA. Nonetheless, it's a worthwhile project and a modest request. Might as well give them the position authority.

Prepared by: Julie



Legislative Fiscal Bureau

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

April 21, 1999

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Historical Society: Section 13.10 Request for 0.5 Archivist Position--Agenda Item III-A

REQUEST

The Historical Society requests the creation of a 0.50 SEG position under s. 20.245(1)(r); this additional 0.50 FTE position would supplement the currently authorized 0.50 FTE for a senior archivist for the Society's McCormick-International Harvester Company Collection. Position authorization would be provided in a segregated appropriation under the Society's archives, research and library services program.

In a letter dated March 26, 1999, the Society submitted a revised request to also increase the expenditure authority under s. 20.245(1)(r) by \$19,000 SEG. However, because this appropriation is a continuing appropriation, legislative approval is not necessary for increased expenditures.

BACKGROUND

In 1951, the Historical Society received the McCormick collection, which currently includes approximately 4,000 cubic feet of textual records and large quantities of photographs, films, posters and related materials which cover the mechanization of agriculture, the growth of major industrial corporations and agricultural entrepreneurship.

In 1989, the Society created an endowment with the receipt of a \$250,000 donation from the McCormick Family. Earnings from the endowment fund the management of the collection and currently support a 0.50 FTE archivist position. In 1993, the McCormick Family donated an additional \$400,000, to be paid in five equal installments over five years, to expand the

management and preservation of the collection. According to Historical Society Board of Curators policy, endowment expenditures may not exceed five percent of the principal of the fund, plus known donations to be received. The following table provides an outline of estimated fund activities for 1998-99 through 2000-01.

McCormick Endowment Projected Income & Expenditures

	<u>Starting Balance</u>	<u>Donations</u>	<u>Income and Gain</u>	<u>Budgeted Expenses</u>	<u>Ending Balance</u>	<u>Spending Using 5% Rule</u>
1998-99	\$877,000	\$80,000	\$82,500	-\$43,300	\$996,200	\$47,900
1999-00	996,200	0	89,700	-45,500	1,040,400	49,800
2000-01	1,040,400	0	93,600	-47,700	1,086,300	52,000

ANALYSIS

According to the Historical Society, since the 1992 hiring of the part-time archivist currently managing the collection, demand for access to the collection has greatly increased. This has left inadequate time for collection processing, description, preservation and programming. Additionally, in December, 1998, the Society received the final \$80,000 installment to complete the McCormick Family donations to the endowment fund. These two factors have led the Society to request the authority to expand the current 0.50 FTE position into a 1.0 FTE position. Based on information provided by the Society, sufficient funding does exist in the endowment to fund a 1.0 position and related supplies and services, within the five percent policy established by the Board of Curators.

Arguably, the Society should have included the request for this position authority in its 1999-01 budget request submitted to the Department of Administration in September 1998. However, Society staff indicates that because the final \$80,000 payment was not received until December, 1998, the budget process timeline did not allow the Society to include the authority to hire an additional 0.50 FTE position in its state budget request.

Due to the proximity of the upcoming budget deliberations, the Committee may wish to delay authorizing this position and include it in the 1999-01 state budget through an amendment to the budget bill when the Committee considers the Historical Society's 1999-01 budget, rather than authorize it under s. 13.10. However, because the funds are available for this fiscal year, the Society believes that it would be more timely to hire an additional 0.50 archivist as soon as possible to meet the demand for the collection, rather than delay the expansion until after the passage of the 1999-01 state budget.

ALTERNATIVES

1. Approve the Historical Society's request for the creation of a 0.50 SEG position under s. 20.245(1)(r).
2. Deny the request.

Prepared by: Ruth Hardy

MO# 441

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 15 NO 0 ABS 1

13.10 Meeting
Wednesday, April 21, 1999
Agenda Item III-B

Issue: Historical Society—Request for Position and Funding Transfers

Recommendation: Alternative 1

Comments: LFB says it's fine to give them the authority to move these positions around. However, someone will probably make the point that this is the fourth s. 13.10 request of its kind in the last nine months from the Historical Society. LFB seems a little irritated that they keep using the s.13.10 process for these types of requests.

Prepared by: Julie



Legislative Fiscal Bureau

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

April 21, 1999

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Historical Society: Section 13.10 Request Relating to Position and Funding Transfers--
Agenda Item III-B

REQUEST

In a revised request dated March 26, 1999, the Historical Society requests the following:

- a. Transfer \$34,000 GPR and 0.75 GPR position from the executive and administrative services program to the archives, research and library services program;
- b. Eliminate 0.75 unclassified PR position from the executive and administrative services program;
- c. Convert 1.0 classified GPR position in the executive and administrative services program to a 1.0 unclassified GPR position in the same program;
- d. Convert 0.25 unclassified GPR position in the executive and administrative services program to a 0.25 classified GPR position.

ANALYSIS

The Historical Society indicates that this request is meant to provide a more appropriate and stable funding source for 0.75 of a graphic artist position, which is currently supported by PR and would be supported by GPR if this request were approved. In this case, a currently vacant 0.75 GPR position and related funding would be transferred for this purpose. The request would also

adjust the position structure of the Office of Development and the Division of Administrative Services following a reorganization approved in 1997.

Staff at the Historical Society indicates that this request would: (a) complete a transition to make each of the seven division administrators unclassified positions; (b) address recent position vacancies and employe transfers; and (c) ensure increased efficiencies and accountabilities. Society staff indicates that at the time of the biennial budget request, these goals and opportunities had not yet presented themselves.

Because the request requires no additional funding or position authority, the Committee may wish to approve the request in order to facilitate the current needs of the Society.

However, this is the fourth s. 13.10 request submitted by the State Historical Society over the past nine months. This request and two others have dealt with the creation or transfer of positions in various divisions within the agency. While the s. 13.10 process was created to respond to state agency emergencies and extenuating circumstances, which could include agency reorganizations and funding sources, arguably an agency reorganization initiated well over a year ago should have provided the Society with ample time to prepare for and request changes as part of the state biennial budget process. In addition, a goal of the state budget process is to encourage state agencies to engage in long-term planning and budgeting, which would require an agency to set priorities and goals, as well as the organizational and management changes necessary to meet these goals within a given budget and timeframe.

ALTERNATIVES

1. Approve the request, which would involve the following funding and position adjustments:

<u>Appropriation</u>	<u>Funding</u>	<u>Position</u>	MO#				
s.20.245 (4) (a)	-\$34,000	-1.00 GPR Classified	Add 1	BURKE	Y	N	A
s.20.245 (1) (a)	34,000	1.00 GPR Classified		DECKER	Y	N	A
s.20.245 (4) (h)	0	-0.75 PR Unclassified		JAUCH	Y	N	A
s.20.245 (4) (a)	0	-1.00 GPR Classified		MOORE	Y	N	A
s.20.245 (4) (a)	0	1.00 GPR Unclassified		SHIBILSKI	Y	N	A
s.20.245 (4) (a)	0	0.25 GPR Classified		PLACHE	Y	N	A
s.20.245 (4) (a)	0	-0.25 GPR Unclassified		COWLES	Y	N	A
				PANZER	Y	N	A
				GARD	Y	N	A
				PORTER	Y	N	A
				KAUFERT	Y	N	A
				ALBERS	Y	N	A
				DUFF	Y	N	A
				WARD	Y	N	A
			HUBER	Y	N	A	
			RILEY	Y	N	A	

2. Deny the request.

Prepared by: Ruth Hardy

AYE 15 NO 0 ABS 1

Agency: UW System -- Transfer of proceeds from the sale of surplus land.

Recommendations:

Agenda Item IV

Comments: This would allow UW System to use some of the money it raised by the sale of some land in Ashland County.

Fiscal Bureau says it appears to be an appropriate use of the funds. The Senator for that district might have some brief comments.

Prepared by: Bob



Legislative Fiscal Bureau

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

April 21, 1999

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: University of Wisconsin System: Section 13.10 Transfer of Proceeds from the Sale of Surplus Land -- Agenda Item IV

The University of Wisconsin (UW) System requests the transfer of \$2,762.50 from the sale of 5.5 acres of land at the Ashland Agricultural Research Station operated by UW-Madison.

BACKGROUND

Prior to the 1995-97 budget, proceeds from the sale of surplus land were applied to agency debt service payments. For properties where the debt had already been retired or never existed, the proceeds were used to pay off the agency's most costly outstanding debt supported by the same appropriation source as the liquidated property.

To give agencies more incentive to dispose of surplus properties, 1995 Act 27 (the 1995-97 budget) modified the use of funds received from the sale of surplus property. Under Act 27, these monies, after paying off outstanding bonds used to finance the property, are deposited in the Joint Finance Committee's appropriation for release to the agency or the Building Commission. If the property was used by a single agency, up to 50% of these funds can be released by the Committee upon request of the agency to supplement any agency appropriation, except a sum sufficient appropriation, without a finding by the Committee under s. 13.10 that an emergency need exists. Similarly, upon the request of the Building Commission, the Committee can transfer the remaining funds, depending on the amount of funds released to the agency, to the building trust fund, without a finding of an emergency.

