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13.10 Meeting
Wednesday, July 12, 2000
Agenda Item III

Issue:

DOA/LFB – Appropriations Schedules and Summaries under Chapter 20 of the Statutes

Comments:

At the conclusion of each legislative session, DOA and LFB submit the appropriation schedules to JFC for inclusion in the statutes. The report has been submitted and now needs JFC approval

Staff Recommendation:

Support the conclusion and approve the schedules and summaries.

Prepared by: Julie



Legislative Fiscal Bureau

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

July 12, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Appropriations Schedules and Summaries Under Chapter 20 of the Statutes – Agenda
Item III

REQUEST

The Department of Administration and Legislative Fiscal Bureau request approval of the appropriations schedules and summaries for 1999-01 to be printed in the next edition of the state statutes.

BACKGROUND

At the conclusion of each legislative session, the Department of Administration and Legislative Fiscal Bureau submit to the Joint Committee on Finance, for its approval, the appropriation schedules and summaries for inclusion in the next edition of the state statutes. These schedules and summaries are to incorporate the effect of each Act of the Legislature and Governor.

Attached is the report of the Department of Administration and Legislative Fiscal Bureau. It contains the appropriations summaries. A copy of the entire appropriations schedule has been given to the Committee's Co-chairs. We believe that these documents accurately reflect the actions of the 1999 session of the Legislature.

CONCLUSION

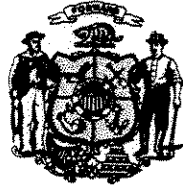
The summaries and schedules prepared by the DOA and LFB reflect decisions of the 1999 legislative session. Once approved by the Committee, they will be forwarded to the Revisor of Statutes for inclusion in the next edition of the Wisconsin Statutes.

Attachment

STATE OF WISCONSIN

Department of Administration

101 East Wilson Street
10th Floor
Madison, WI 53703



Legislative Fiscal Bureau

One East Main Street
Suite 301
Madison, WI 53703

DATE: June 30, 2000

TO: Members *RGC*
Joint Committee on Finance

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

Bob Lang, Director *BL*
Legislative Fiscal Bureau

SUBJECT: Appropriations Schedules and Summaries Under Chapter 20 of the Statutes

Section 20.004 of the Statutes requires the Department of Administration, upon final adjournment of the Legislature, to submit the appropriations schedules and corresponding summaries of Chapter 20 of the Statutes to the Joint Committee on Finance for its approval.

Chapter 20 contains a listing of all appropriations, by fund source, for each state agency. At the conclusion of each legislative session, DOA is required to amend the appropriations schedules and summaries to incorporate all law changes enacted in the session. Once the schedules and summaries are approved by the Joint Committee on Finance, they are forwarded to the Revisor of Statutes who is required to have them printed in the ensuing issue of the Statutes.

As in past biennia, the Department of Administration and Legislative Fiscal Bureau have worked together to prepare the schedules and summaries for the Committee's approval. We believe that the attached summaries correctly reflect the final Chapter 20 schedule for 1999-01 based upon the enactment of 1999 Acts 1 through 198.

Upon approval by the Committee, this material will be forwarded to the Revisor of Statutes.

RGC/BL/lah
Attachments

Figure 20.005(1):

GENERAL FUND SUMMARY

	<u>1999-00</u>	<u>2000-01</u>
Opening Balance, July 1	\$ 701,293,000	\$ 658,784,800
Revenues and Transfers		
Taxes	\$10,793,300,000	\$10,281,100,000
Departmental Revenues		
Tobacco Settlement	167,886,100	124,763,700
Other	260,087,900	190,946,100
Transfer from Computer Escrow Fund	<u>64,000,000</u>	<u>0</u>
Total Available	\$11,986,567,000	\$11,255,594,600
Appropriations, Transfers and Reserves		
Gross Appropriations	\$11,332,210,800	\$11,076,302,400
Compensation Reserves	56,100,000	117,750,000
Transfer to Tobacco Control Fund	23,500,000	0
Less Lapses	<u>-84,028,600</u>	<u>-122,124,800</u>
Total Expenditures	\$11,327,782,200	\$11,071,927,600
Balances		
Gross Balances	\$ 658,784,800	\$ 183,667,000
Less Required Statutory Balance	<u>-113,883,100</u>	<u>-134,328,600</u>
Net Balance, June 30	\$ 544,901,700	\$ 49,338,400

SUMMARY OF APPROPRIATIONS -- ALL FUNDS

	<u>1999-00</u>	<u>2000-01</u>
General Purpose Revenue	\$ 11,332,210,800	\$ 11,076,302,400
Federal Revenue	\$ 5,085,572,200	\$ 4,703,374,700
Program	(4,453,148,300)	(4,121,351,700)
Segregated	(632,423,900)	(582,023,000)
Program Revenue	\$ 2,658,535,300	\$ 2,734,917,200
State	(1,917,270,500)	(1,979,622,400)
Service	(741,264,800)	(755,294,800)
Segregated Revenue	\$ 2,275,967,300	\$ 2,292,791,500
State	(2,052,895,200)	(2,075,367,900)
Local	(71,673,000)	(65,570,000)
Service	<u>(151,399,100)</u>	<u>(151,853,600)</u>
GRAND TOTAL	\$ 21,352,285,600	\$ 20,807,385,800

Figure 20.005(1): (continued)

SUMMARY OF COMPENSATION RESERVES -- ALL FUNDS

	<u>1999-00</u>	<u>2000-01</u>
General Purpose Revenue	\$ 56,100,000	\$ 117,750,000
Federal Revenue	15,948,200	33,474,100
Program Revenue	43,016,300	90,288,200
Segregated Revenue	<u>10,019,100</u>	<u>21,029,600</u>
TOTAL	\$ 125,083,600	\$ 262,541,900

LOTTERY FUND SUMMARY

	<u>1999-00</u>	<u>2000-01</u>
Gross Revenue	\$ 421,860,400	\$ 427,363,200
Expenses		
Prizes	241,690,100	244,368,500
Administration	<u>130,600</u>	<u>64,501,700</u>
	\$ 241,820,700	\$ 308,870,200
Net Proceeds	\$ 180,039,700	\$ 118,493,000
Total Available for Property Tax Relief		
Opening Balance	\$ 33,467,000	\$ 8,437,200
Net Proceeds	180,039,700	118,493,000
Interest Earnings	3,730,000	2,190,000
Gaming-Related Revenue	<u>4,688,300</u>	<u>3,302,200</u>
	\$ 221,925,000	\$ 132,422,400
Property Tax Relief	\$ 213,487,800	\$ 123,875,100
Gross Closing Balance	\$ 8,437,200	\$ 8,547,300
Reserve	<u>8,437,200</u>	<u>8,547,300</u>
Net Closing Balance	\$ 0	\$ 0

Note: The lottery fund summary reflects action by the Joint Committee on Finance under s. 13.10 to provide funding for lottery-related costs in 2000-01 that are not reflected in the schedule under s. 20.455(2)(r), 20.566(2)(r) and 20.566(8)(q).

Figure 20.005(2)(a)

Summary of Bonding Authority Modifications, 1999-01 Biennium

Source and Purpose	1999-01 Biennium
General Obligation	
Agriculture, Trade and Consumer Protection	
Soil and water	\$ 3,575,000
Conservation reserve enhancement program	40,000,000
Building Commission	
Other public purposes	137,303,500
Housing state agencies	127,919,000
Project contingencies	7,955,200
Capital equipment acquisitions	21,058,300
Refunding building corporation debt	-1,070,000
Milwaukee Police Athletic League	1,000,000
Swiss Cultural Center	1,000,000
Clean Water Fund	
Safe drinking water loan program	14,080,000
Corrections	
Correctional facilities	102,998,800
Juvenile correctional facilities	1,285,000
Educational Communications Board	
Educational communications facilities	304,000
Health and Family Services	
Mental health and secure treatment facilities	36,993,200*
Marquette University	
Dental clinic and educational facility	15,000,000
Military Affairs	
Armories and military facilities	827,100
Natural Resources	
GPR supported administrative facilities	2,586,600
SEG supported facilities	4,630,000
SEG supported administrative facilities	2,905,900
Nonpoint source grants	22,400,000
Urban nonpoint source cost sharing	13,000,000
State Fair Park	
Board facilities	1,887,100
Self-amortizing facilities	16,937,100
Stewardship 2000	460,000,000
Transportation	
Harbor improvements	7,000,000
Rail acquisition	4,500,000
Local roads for job preservation	10,000,000
University of Wisconsin	
Academic facilities	94,584,600**
Self-amortizing facilities	75,692,800
Veterans Affairs	
Mortgage loans self amortizing	213,000,000
Self-amortizing mortgage loans	13,909,100
TOTAL General Obligation Bonds	\$ 1,453,262,300

Figure 20.005(2)(a) (continued)

Source and Purpose	1999-01 Biennium
REVENUE OBLIGATIONS	
Commerce	
PECFA	\$ 270,000,000
Transportation	
Major highway projects	191,585,600
TOTAL Revenue Obligation Bonds	\$ 461,585,600
GRAND TOTAL Bonding Authority Modifications	\$ 1,914,847,900

*Includes \$30,000,000 authorized in 1997 Wisconsin Act 27 with a July 1, 1999 effective date.

**Includes \$28,885,000 authorized in 1997 Wisconsin Act 27 with a July 1, 1999 effective date.

Figure 20.005(2)(b)

**General Obligation Debt Service
Fiscal Years 1999-00 and 2000-01**

Statute, Agency and Purpose	Source	1999-00	2000-01
20.115 Agriculture, trade and consumer protection			
(2)(d) Principal repayment and interest	GPR	\$ 700	\$ 0
(7)(b) Principal repayment and interest; conservation enhancement reserve	GPR	0	153,900
(7)(f) Principal repayment and interest	GPR	42,900	130,800
20.190 State Fair Park Board			
(1)(c) Housing facilities principal repayment, interest and rebates	GPR	866,700	871,500
(1)(d) Principal repayment and interest	GPR	53,600	199,500
20.225 Educational Communications Board			
(1)(c) Principal repayment and interest	GPR	1,054,900	845,300
20.245 Historical Society			
(1) (e) Principal repayment, interest and rebates	GPR	0	24,700
(2)(e) Principal repayment and interest	GPR	926,700	786,600
(4)(e) Principal repayment and interest	GPR	0	0
(5)(e) Principal repayment and interest	GPR	503,500	498,600
20.250 Medical College of Wisconsin			
(1)(e) Principal repayment and interest	GPR	185,300	158,700
20.255 Public Instruction, Department of			
(1)(d) Principal repayment and interest	GPR	1,255,500	1,130,000

Figure 20.005(2)(b) (continued)

Statute, Agency and Purpose	Source	1999-00	2000-01
20.275 Technology for educational achievement in Wisconsin board			
(1)(er) Principal, interest and rebates; public library boards	GPR	0	206,800
(1)(es) Principal, interest and rebates, school districts	GPR	1,560,800	2,715,100
20.285 University of Wisconsin System			
(1)(d) Principal repayment and interest	GPR	88,963,500	80,313,700
(1)(db) Self-amortizing facilities principal and interest	GPR	0	0
(1)(fh) State laboratory of hygiene; principal repayment and interest	GPR	0	0
20.320 Environmental improvement program			
(1)(c) Principal repayment and interest – clean water fund program -	GPR	27,463,300	30,044,000
(2)(c) Principal repayment and interest – safe drinking water loan program	GPR	899,400	780,100
20.370 Natural Resources, Department of			
(7)(aa) Resource acquisition and development -- principal repayment and interest	GPR	19,016,500	20,815,000
(7)(ac) Principal repayment and interest – recreational boating bonds	GPR	0	0
(7)(ba) Debt service - remedial action	GPR	1,476,900	2,161,100
(7)(ca) Principal repayment and interest -- nonpoint source grants	GPR	2,319,100	2,979,300
(7)(cb) Principal repayment and interest -- pollution abatement bonds	GPR	71,595,800	68,963,300
(7)(cc) Principal repayment and interest - combined sewer overflow; pollution abatement bonds	GPR	17,277,600	17,000,500
(7)(cd) Principal repayment and interest - municipal clean drinking water grants	GPR	848,100	859,700
(7)(ce) Principal repayment and interest - nonpoint source compliance	GPR	63,100	140,300
(7)(cf) Principal repayment and interest - urban nonpoint source cost-sharing	GPR	0	64,200
(7)(ea) Administrative facilities - principal repayment and interest	GPR	532,800	553,500
20.410 Corrections, Department of			
(1)(e) Principal repayment and interest	GPR	53,471,000	55,628,700
(1)(ec) Prison industries principal, interest and rebates	GPR	0	0
(3)(e) Principal repayment and interest	GPR	4,349,000	4,124,800
20.435 Health and Social Services, Department of			
(2)(ee) Principal repayment and interest	GPR	10,200,200	10,438,600
(6)(e) Principal repayment and interest	GPR	32,400	31,300
20.465 Military Affairs, Department of			
(1)(d) Principal repayment and interest	GPR	3,103,300	2,993,600
20.485 Veterans Affairs, Department of			
(1)(f) Principal repayment and interest	GPR	1,441,600	1,421,100
20.505 Administration, Department of			
(5)(c) Principal repayment and interest; Black point Estate	GPR	0	98,800
20.855 Miscellaneous Appropriations			
(8)(a) Dental clinic and educational facility	GPR	0	0

Figure 20.005(2)(b) (continued)

Statute, Agency and Purpose	Source	1999-00	2000-01
20.867 Building Commission			
(1)(a) Principal repayment and interest - housing of state agencies	GPR	0	0
(1)(b) Principal repayment and interest - capitol and executive residence	GPR	0	1,158,700
(3)(a) Principal repayment and interest	GPR	3,699,000	24,278,100
(3)(b) Principal repayment and interest	GPR	653,500	0
(3)(bp) Principal repayment, interest and rebates	GPR	0	0
(3)(br) Principal repayment, interest and rebates	GPR	0	0
(3)(e) Principal repayment and interest and rebates; parking ramp	GPR	0	0
TOTAL General Purpose Revenue Debt Service		\$313,856,700	\$332,569,900
20.190 State Fair Park Board			
(1)(j) State fair principal repayment, interest and rebates	PR	\$ 1,554,800	\$ 1,701,700
20.245 Historical Society			
(2)(j) Self-amortizing facilities, principal repayment interest and rebates	PR	155,400	243,600
20.275 Technology for educational achievement in Wisconsin board			
(1)(h) Principal, interest and rebates; school districts	PR	2,070,600	4,709,400
(1)(hb) Principal, interest and rebates; public library boards	PR	101,600	633,100
20.285 University of Wisconsin System			
(1)(ih) State laboratory of hygiene; principal repayment and interest	PR	0	0
(1)(kd) Principal repayment, interest and rebates	PR	25,858,600	30,629,000
20.370 Natural Resources			
(7)(ag) Land acquisition - principal repayment and interest	PR	0	0
20.410 Corrections, Department of			
(1)(ko) Prison industries principal repayment, interest and rebates	PR	97,600	101,900
20.485 Veterans Affairs, Department of			
(1)(go) Self amortizing housing facilities; principal repayment and interest	PR	0	56,700
20.505 Administration, Department of			
(5)(g) Principal repayment, interest and rebates; parking	PR	1,251,800	1,255,200
(5)(kc) Principal repayment, interest and rebates	PR	9,509,600	9,122,500
20.867 Building Commission			
(3)(g) Principal repayment, interest and rebates; program revenues	PR	0	0
(3)(h) Principal repayment; interest and rebates	PR	0	0
(3)(i) Principal repayment, interest and rebates; capital equipment	PR	0	0
TOTAL Program Revenue Debt Service		\$ 40,600,000	\$ 48,453,100
20.320 Environmental improvement program			
(1)(t) Principal repayment and interest - clean water fund bonds	SEG	\$ 4,000,000	\$ 4,000,000
(1)(u) Principal repayment and interest - clean water fund program revenue obligation repayment	SEG	0	0

Figure 20.005(2)(b) (continued)

Statute, Agency and Purpose	Source	1999-00	2000-01
20.370 Natural Resources, Department of			
(7)(aq) Resource acquisition and development principal repayment and interest	SEG	238,700	247,900
(7)(ar) Dam repair and removal - principal repayment and interest	SEG	245,600	457,900
(7)(at) Recreation development - principal repayment and interest	SEG	0	0
(7)(au) State forest acquisition and development - principal repayment and interest	SEG	3,000,000	3,000,000
(7)(eq) Administrative facilities - principal repayment and interest	SEG	1,280,100	1,500,200
(7)(er) Administrative facilities - principal repayment and and interest; environmental fund	SEG	11,100	11,500
20.395 Transportation, Department of			
(6)(aq) Principal repayment and interest, transportation facilities, state funds	SEG	6,278,800	6,353,500
(6)(ar) Principal repayment and interest, buildings state funds	SEG	510,100	327,600
20.485 Veterans Affairs, Department of			
(3)(t) Debt service	SEG	71,080,000	76,633,900
(4)(qm) Repayment of principal and interest	SEG	10,800	10,700
20.867 Building Commission			
(3)(q) Principal repayment and interest: segregated revenues	SEG	0	0
TOTAL Segregated Revenue Debt Service		\$ 86,655,200	\$ 92,543,200
GRAND TOTAL All Debt Service		\$441,111,900	\$473,566,200

III. Department of Administration – Richard G. Chandler, State Budget Director

The department requests approval pursuant to s. 20.004(2) of the Statutes of updated summaries and schedules under s. 20.005(1), (2)(a) and (b), and (3) prepared by the Department of Administration and the Legislative Fiscal Bureau, which include the fiscal effect of all legislation enacted by the 1999 Legislature.

STATE OF WISCONSIN

Department of Administration

101 East Wilson Street
10th Floor
Madison, WI 53703



Legislative Fiscal Bureau

One East Main Street
Suite 301
Madison, WI 53703

DATE: June 30, 2000

TO: Members *RGC*
Joint Committee on Finance

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

Bob Lang, Director *BL*
Legislative Fiscal Bureau

SUBJECT: Appropriations Schedules and Summaries Under Chapter 20 of the Statutes

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Upon approval by the Committee, this material will be forwarded to the Revisor of Statutes.

RGC/BL/lah
Attachments

Figure 20.005(1):

GENERAL FUND SUMMARY

	<u>1999-00</u>	<u>2000-01</u>
Opening Balance, July 1	\$ 701,293,000	\$ 658,784,800
Revenues and Transfers		
Taxes	\$10,793,300,000	\$10,281,100,000
Departmental Revenues		
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Other	260,087,900	190,946,100
Transfer from Computer Escrow Fund	<u>64,000,000</u>	<u>0</u>
Total Available	\$11,986,567,000	\$11,255,594,600
Appropriations, Transfers and Reserves		
Gross Appropriations	\$11,332,210,800	\$11,076,302,400
Compensation Reserves	56,100,000	117,750,000
Transfer to Tobacco Control Fund	23,500,000	0
Less Lapses	<u>-84,028,600</u>	<u>-122,124,800</u>
Total Expenditures	\$11,327,782,200	\$11,071,927,600
Balances		
Gross Balances	\$ 658,784,800	\$ 183,667,000
Less Required Statutory Balance	<u>-113,883,100</u>	<u>-134,328,600</u>
Net Balance, June 30	\$ 544,901,700	\$ 49,338,400

SUMMARY OF APPROPRIATIONS -- ALL FUNDS

	<u>1999-00</u>	<u>2000-01</u>
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Federal Revenue	\$ 5,085,572,200	\$ 4,703,374,700
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Segregated	(632,423,900)	(582,023,000)
Program Revenue	\$ 2,658,535,300	\$ 2,734,917,200
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Service	(741,264,800)	(755,294,800)
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GRAND TOTAL	\$ 21,352,285,600	\$ 20,807,385,800

Figure 20.005(1): (continued)

SUMMARY OF COMPENSATION RESERVES -- ALL FUNDS

	<u>1999-00</u>	<u>2000-01</u>
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TOTAL	\$ 125,083,600	\$ 262,541,900

LOTTERY FUND SUMMARY

	<u>1999-00</u>	<u>2000-01</u>
Gross Revenue	\$ 421,860,400	\$ 427,363,200
Expenses		
Prizes	241,690,100	244,368,500
Administration	<u>130,600</u>	<u>64,501,700</u>
	\$ 241,820,700	\$ 308,870,200
Net Proceeds	\$ 180,039,700	\$ 118,493,000
Total Available for Property Tax Relief		
Opening Balance	\$ 33,467,000	\$ 8,437,200
Net Proceeds	180,039,700	118,493,000
Interest Earnings	3,730,000	2,190,000
Gaming-Related Revenue	<u>4,688,300</u>	<u>3,302,200</u>
	\$ 221,925,000	\$ 132,422,400
Property Tax Relief	\$ 213,487,800	\$ 123,875,100
Gross Closing Balance	\$ 8,437,200	\$ 8,547,300
Reserve	<u>8,437,200</u>	<u>8,547,300</u>
Net Closing Balance	\$ 0	\$ 0

Note: The lottery fund summary reflects action by the Joint Committee on Finance under s. 13.10 to provide funding for lottery-related costs in 2000-01 that are not reflected in the schedule under s. 20.455(2)(r), 20.566(2)(r) and 20.566(8)(q).

Figure 20.005(2)(a)

Summary of Bonding Authority Modifications, 1999-01 Biennium

Source and Purpose	1999-01 Biennium
General Obligation	
Agriculture, Trade and Consumer Protection	
Soil and water	\$ 3,575,000
Conservation reserve enhancement program	40,000,000
Building Commission	
Other public purposes	137,303,500
Housing state agencies	127,919,000
Project contingencies	7,955,200
Capital equipment acquisitions	21,058,300
Refunding building corporation debt	-1,070,000
Milwaukee Police Athletic League	1,000,000
Swiss Cultural Center	1,000,000
Clean Water Fund	
Safe drinking water loan program	14,080,000
Corrections	
Correctional facilities	102,998,800
Juvenile correctional facilities	1,285,000
Educational Communications Board	
Educational communications facilities	304,000
Health and Family Services	
Mental health and secure treatment facilities	36,993,200*
Marquette University	
Dental clinic and educational facility	15,000,000
Military Affairs	
Armories and military facilities	827,100
Natural Resources	
GPR supported administrative facilities	2,586,600
SEG supported facilities	4,630,000
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Nonpoint source grants	22,400,000
Urban nonpoint source cost sharing	13,000,000
State Fair Park	
Board facilities	1,887,100
Self-amortizing facilities	16,937,100
Stewardship 2000	460,000,000
Transportation	
Harbor improvements	7,000,000
Rail acquisition	4,500,000
Local roads for job preservation	10,000,000
University of Wisconsin	
Academic facilities	94,584,600**
Self-amortizing facilities	75,692,800
Veterans Affairs	
Mortgage loans self amortizing	213,000,000
Self-amortizing mortgage loans	13,909,100
TOTAL General Obligation Bonds	\$ 1,453,262,300

Figure 20.005(2)(a) (continued)

Source and Purpose	1999-01 Biennium
REVENUE OBLIGATIONS	
Commerce	
PECFA	\$ 270,000,000
Transportation	
Major highway projects	<u>191,585,600</u>
TOTAL Revenue Obligation Bonds	\$ 461,585,600
 GRAND TOTAL Bonding Authority Modifications	 \$ 1,914,847,900

*Includes \$30,000,000 authorized in 1997 Wisconsin Act 27 with a July 1, 1999 effective date.

**Includes \$28,885,000 authorized in 1997 Wisconsin Act 27 with a July 1, 1999 effective date.

Figure 20.005(2)(b)

**General Obligation Debt Service
Fiscal Years 1999-00 and 2000-01**

Statute, Agency and Purpose	Source	1999-00	2000-01
20.115 Agriculture, trade and consumer protection			
(2)(d) Principal repayment and interest	GPR	\$ 700	\$ 0
(7)(b) Principal repayment and interest; conservation enhancement reserve	GPR	0	153,900
(7)(f) Principal repayment and interest	GPR	42,900	130,800
20.190 State Fair Park Board			
(1)(c) Housing facilities principal repayment, interest and rebates	GPR	866,700	871,500
(1)(d) Principal repayment and interest	GPR	53,600	199,500
20.225 Educational Communications Board			
(1)(c) Principal repayment and interest	GPR	1,054,900	845,300
20.245 Historical Society			
(1) (e) Principal repayment, interest and rebates	GPR	0	24,700
(2)(e) Principal repayment and interest	GPR	926,700	786,600
(4)(e) Principal repayment and interest	GPR	0	0
(5)(e) Principal repayment and interest	GPR	503,500	498,600
20.250 Medical College of Wisconsin			
(1)(e) Principal repayment and interest	GPR	185,300	158,700
20.255 Public Instruction, Department of			
(1)(d) Principal repayment and interest	GPR	1,255,500	1,130,000

Figure 20.005(2)(b) (continued)

Statute, Agency and Purpose	Source	1999-00	2000-01
20.275 Technology for educational achievement in Wisconsin board			
(1)(er) Principal, interest and rebates; public library boards	GPR	0	206,800
(1)(es) Principal, interest and rebates, school districts	GPR	1,560,800	2,715,100
20.285 University of Wisconsin System			
(1)(d) Principal repayment and interest	GPR	88,963,500	80,313,700
(1)(db) Self-amortizing facilities principal and interest	GPR	0	0
(1)(fh) State laboratory of hygiene; principal repayment and interest	GPR	0	0
20.320 Environmental improvement program			
(1)(c) Principal repayment and interest – clean water fund program	GPR	27,463,300	30,044,000
(2)(c) Principal repayment and interest – safe drinking water loan program	GPR	899,400	780,100
20.370 Natural Resources, Department of			
(7)(aa) Resource acquisition and development -- principal repayment and interest	GPR	19,016,500	20,815,000
(7)(ac) Principal repayment and interest – recreational boating bonds	GPR	0	0
(7)(ba) Debt service - remedial action	GPR	1,476,900	2,161,100
(7)(ca) Principal repayment and interest -- nonpoint source grants	GPR	2,319,100	2,979,300
(7)(cb) Principal repayment and interest -- pollution abatement bonds	GPR	71,595,800	68,963,300
(7)(cc) Principal repayment and interest - combined sewer overflow; pollution abatement bonds	GPR	17,277,600	17,000,500
(7)(cd) Principal repayment and interest - municipal clean drinking water grants	GPR	848,100	859,700
(7)(ce) Principal repayment and interest - nonpoint source compliance	GPR	63,100	140,300
(7)(cf) Principal repayment and interest - urban nonpoint source cost-sharing	GPR	0	64,200
(7)(ea) Administrative facilities - principal repayment and interest	GPR	532,800	553,500
20.410 Corrections, Department of			
(1)(e) Principal repayment and interest	GPR	53,471,000	55,628,700
(1)(ec) Prison industries principal, interest and rebates	GPR	0	0
(3)(e) Principal repayment and interest	GPR	4,349,000	4,124,800
20.435 Health and Social Services, Department of			
(2)(ee) Principal repayment and interest	GPR	10,200,200	10,438,600
(6)(e) Principal repayment and interest	GPR	32,400	31,300
20.465 Military Affairs, Department of			
(1)(d) Principal repayment and interest	GPR	3,103,300	2,993,600
20.485 Veterans Affairs, Department of			
(1)(f) Principal repayment and interest	GPR	1,441,600	1,421,100
20.505 Administration, Department of			
(5)(c) Principal repayment and interest; Black point Estate	GPR	0	98,800
20.855 Miscellaneous Appropriations			
(8)(a) Dental clinic and educational facility	GPR	0	0

Figure 20.005(2)(b) (continued)

Statute, Agency and Purpose	Source	1999-00	2000-01
20.867 Building Commission			
(1)(a) Principal repayment and interest - housing of state agencies	GPR	0	0
(1)(b) Principal repayment and interest - capitol and executive residence	GPR	0	1,158,700
(3)(a) Principal repayment and interest	GPR	3,699,000	24,278,100
(3)(b) Principal repayment and interest	GPR	653,500	0
(3)(bp) Principal repayment, interest and rebates	GPR	0	0
(3)(br) Principal repayment, interest and rebates	GPR	0	0
(3)(e) Principal repayment and interest and rebates; parking ramp	GPR	0	0
TOTAL General Purpose Revenue Debt Service		\$313,856,700	\$332,569,900
20.190 State Fair Park Board			
(1)(j) State fair principal repayment, interest and rebates	PR	\$ 1,554,800	\$ 1,701,700
20.245 Historical Society			
(2)(j) Self-amortizing facilities, principal repayment interest and rebates	PR	155,400	243,600
20.275 Technology for educational achievement in Wisconsin board			
(1)(h) Principal, interest and rebates; school districts	PR	2,070,600	4,709,400
(1)(hb) Principal, interest and rebates; public library boards	PR	101,600	633,100
20.285 University of Wisconsin System			
(1)(ih) State laboratory of hygiene; principal repayment and interest	PR	0	0
(1)(kd) Principal repayment, interest and rebates	PR	25,858,600	30,629,000
20.370 Natural Resources			
(7)(ag) Land acquisition - principal repayment and interest	PR	0	0
20.410 Corrections, Department of			
(1)(ko) Prison industries principal repayment, interest and rebates	PR	97,600	101,900
20.485 Veterans Affairs, Department of			
(1)(go) Self amortizing housing facilities; principal repayment and interest	PR	0	56,700
20.505 Administration, Department of			
(5)(g) Principal repayment, interest and rebates; parking	PR	1,251,800	1,255,200
(5)(kc) Principal repayment, interest and rebates	PR	9,509,600	9,122,500
20.867 Building Commission			
(3)(g) Principal repayment, interest and rebates; program revenues	PR	0	0
(3)(h) Principal repayment; interest and rebates	PR	0	0
(3)(i) Principal repayment, interest and rebates; capital equipment	PR	0	0
TOTAL Program Revenue Debt Service		\$ 40,600,000	\$ 48,453,100
20.320 Environmental improvement program			
(1)(t) Principal repayment and interest - clean water fund bonds	SEG	\$ 4,000,000	\$ 4,000,000
(1)(u) Principal repayment and interest - clean water fund program revenue obligation repayment	SEG	0	0

Figure 20.005(2)(b) (continued)

Statute, Agency and Purpose	Source	1999-00	2000-01
20.370 Natural Resources, Department of			
(7)(aq) Resource acquisition and development principal repayment and interest	SEG	238,700	247,900
(7)(ar) Dam repair and removal - principal repayment and interest	SEG	245,600	457,900
(7)(at) Recreation development - principal repayment and interest	SEG	0	0
(7)(au) State forest acquisition and development - principal repayment and interest	SEG	3,000,000	3,000,000
(7)(eq) Administrative facilities - principal repayment and interest	SEG	1,280,100	1,500,200
(7)(er) Administrative facilities - principal repayment and and interest; environmental fund	SEG	11,100	11,500
20.395 Transportation, Department of			
(6)(aq) Principal repayment and interest, transportation facilities, state funds	SEG	6,278,800	6,353,500
(6)(ar) Principal repayment and interest, buildings state funds	SEG	510,100	327,600
20.485 Veterans Affairs, Department of			
(3)(t) Debt service	SEG	71,080,000	76,633,900
(4)(qm) Repayment of principal and interest	SEG	10,800	10,700
20.867 Building Commission			
(3)(q) Principal repayment and interest: segregated revenues	SEG	<u>0</u>	<u>0</u>
TOTAL Segregated Revenue Debt Service		\$ 86,655,200	\$ 92,543,200
GRAND TOTAL All Debt Service		\$441,111,900	\$473,566,200

July 12, 2000

13.10 Mtg. - Agenda Item IV
Re: PSC - Universal Service Fund

Summary:

PSC wants \$6.9 million released to fund programs that provide universal telecommunication services. This is their proposal for how they would spend the money.

Analysis:

The USF was the best thing about getting "TELCO'D" in 1994, but it's the last thing to get fully implemented. The PSC hasn't done a good job of getting this worthy program off the ground.

PSC staff called yesterday to acknowledge their lack of progress and promise that they are finally getting their act together on the USF. Even FB says this plan is a good faith effort by the PSC to develop a realistic program budget level.

Overall, I think their plan is pretty good, we just have to make sure they implement it in the near future.

Recommendations:

Alternative 1

(note #1: DOA is apparently trying to cut the overall plan by \$1 million - according to PSC staff. I don't know why, and I don't know how they plan to parcel out the cuts. I don't have a real problem with this if the rationale is sound.)

(note #2: Pat Essie is pushing for the plan to be amended to include more money for public interest pay phones. Currently, PSC is recommending \$100,000. Kaufert may make this motion for Essie. I guess it's an ok thing to do.)



Legislative Fiscal Bureau

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

July 12, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Public Service Commission: Section 13.10 Request for Release of Funding for the Universal Service Fund Programs -- Agenda Item IV

REQUEST

The Public Service Commission (PSC) requests release of \$6,900,500 SEG in 2000-01 from the reserved position of the Committee's supplemental segregated appropriation to fund programs that provide universal telecommunications services. In action on the PSC's 1999-01 budget, the Committee placed \$8,000,000 SEG in the Committee's supplemental segregated appropriation and directed the PSC to submit a report, detailing the programs and recommended budgets to be funded from the universal service fund (USF), for review and approval by the Committee before the USF funding for 2000-01 could be released. The PSC was directed to submit the report to the Joint Committee on Finance because the USF budget did not reflect recent actual expenditures and no review of the base level of the appropriation was undertaken in developing the 1999-01 biennial budget request. Funding for this appropriation is from the universal service fund, the revenues for which are derived from assessments on telecommunications providers.

BACKGROUND OF UNIVERSAL SERVICE FUND

1993 Wisconsin Act 496

The USF was created by 1993 Wisconsin Act 496 to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities such as the internet. The focus of Act 496 was to: (1) deregulate the telecommunications utilities in Wisconsin; (2) increase competition among telecommunications companies; and (3) as part of the

agreement on deregulation of telecommunication providers, to ensure the provision of universal service to all Wisconsin residents by establishing the USF to fund programs for this purpose.

The original purposes of the USF were to provide funds for PSC-related programs to: (1) assist customers in areas of this state that have relatively high costs of telecommunications services, low-income customers and disabled customers in obtaining affordable access to a basic set of essential telecommunications services; (2) assist in the deployment of advanced service capabilities of a modern telecommunications infrastructure throughout the state; (3) promote affordable access throughout this state to high-quality education, library and health care information services; and (4) pay for the costs of administering the fund.

Act 496 further specified that the PSC was to promulgate, by administrative rule, the specific programs to be funded from the USF in accordance with authorized statutory purposes. To ensure both consumer and telecommunications provider input into this process, Act 496 also required the PSC to appoint a USF Council to advise the Commission on the creation and implementation of PSC programs to be funded from the USF. The USF Council consists of representatives of the telecommunications providers and consumers of telecommunications services and the statutes require that a majority of the members be representatives of telecommunications consumers. As part of its responsibilities, the Council is to make recommendations to the PSC on the administration of the USF statute and the content of rules promulgated by the PSC under that statute.

In May of 1996, the PSC first promulgated rules that formally established the programs to be funded from the USF. In general, the programs were designed to ensure telecommunications access for low-income residents, provide assistance to disabled residents, provide safeguards for certain consumers against large fluctuations in rates, and provide grants to institutions for advanced telecommunication services. A brief description of each of the original programs and budgeted and expended levels for these programs are provided in the "Description of PSC Proposal" section of this memorandum.

Recent Appropriations and Expenditures

Since 1996, when the first USF programs were established, expenditures under the USF appropriation have never been close to the \$8 million that was initially budgeted to be expended from the fund. Prior to the 1997-99 budget, the fund was actually operated off-budget. Prior to being brought on budget in 1997-98, calendar year expenditures totaled \$2,769,600 SEG in CY 1996 and \$2,816,600 SEG in CY 1997. Act 27, the 1997-99 budget bill, brought the USF on-budget, established a specific appropriation for expenditures from the fund and provided expenditure authority of \$8,000,000 SEG per year in a biennial appropriation. As shown in Table 1, actual expenditures during the 1997-99 biennium were again significantly below the budgeted amount and the PSC estimate for 1999-00 is a continuation of this trend (see Table 2 in the "Description of PSC Proposal" section for program by program expenditure details for fiscal years 1998 thru 2001).

TABLE 1

Comparison of Appropriations and Expenditures
PSC Programs Funded from the USF

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Budgeted	\$8,000,000	8,000,000	8,000,000
Expended	2,759,700	2,835,100	2,788,500*
Difference	5,240,300	5,164,900	5,211,500

*Estimated

1999 Wisconsin Act 9 Changes

The 1999-01 budget made both programmatic and budgetary changes to the USF eligible activities of the PSC. The programmatic changes included both modifications to existing programs and authorization for new activities. The budgetary changes included provisions to place the second year funding for PSC universal service fund program in the Joint Committee on Finance's supplemental reserve pending a report on planned expenditures and a reporting requirement to improve future budget requests.

Programmatic changes

In terms of program changes to existing USF programs, the Legislature eliminated new commitments under the assistance to institutions program (also known as the institutional discount program). This program provided three-year grants for partial reimbursement for new telecommunications services to eligible not-for-profit schools, private schools, charter schools, colleges and universities, technical college districts public libraries and not-for-profit hospitals. The Legislature directed the PSC to pay the remaining obligations under this program but not authorize any new grants. However, the Legislature also retained, in the base appropriation, the \$2 million that was budgeted for the assistance to institutions program to be available for allocation to other USF programs.

In addition, the Legislature reauthorized the transfer of funding to the Department of Public Instruction (DPI) for the *Newsline for the Blind*, which provides dial-up telephone access to audio versions of major national newspapers for sight-impaired individuals. A total of \$43,500 SEG in 1999-00 and \$45,500 SEG in 2000-01 was allocated from the fund for transfer to DPI for operation of this program.

In terms of authorizing new programs, the Legislature enumerated a new medical telecommunications equipment purchase program to provide grants to nonprofit medical clinics and public health agencies for the purchase of telecommunications equipment to be used in providing services to their clients. Funding from the USF for this program was limited to no more than \$500,000 SEG annually.

The Legislature also specified that the PSC coordinate with W-2 agencies regarding USF programs available to low-income individuals. The PSC is required to provide information booklets describing the assistance that is available under the USF and how that assistance may be obtained. The Department of Workforce Development is directed to assist the PSC in identifying the W-2 agencies that should receive the information booklets.

Budgetary changes

In terms of budgetary changes, the Legislature provided PSC with \$8,000,000 SEG in 1999-00 for USF programs. For the second year of the biennium, the Legislature placed \$8,000,000 SEG in the Joint Finance Committee's supplemental SEG appropriation to be released under s. 13.10 upon approval by the Committee of a detailed expenditure plan from the PSC which identifies each program or activity under the universal service fund.

In addition, Act 9 established a requirement that the PSC submit a budget for each USF program as part of its biennial budget request that includes the expenditure amount for each program by fiscal year and a description of each program. The Act also changed the USF appropriation from a biennial appropriation to an annual appropriation.

DESCRIPTION OF PSC PROPOSAL

The expenditure plan submitted by the PSC outlines the current USF programs and the proposed expenditure level for each of the initiatives for FY 2000-01. In total, the PSC requests release of \$6,900,5000 SEG for 2000-01 from the Committee's SEG supplemental appropriation. This is \$1,099,500 SEG less than the \$8,000,000 SEG that was placed in the supplemental appropriation in Act 9. The plan reflects the outcome of a rulemaking procedure that became effective on May 1, 2000. The rulemaking incorporated the changes made by the Legislature in Act 9 and other program changes and new programs advanced by the USF Council and approved by the PSC. Table 2 provides a detailed listing of the programs, the recent expenditure history of each of the existing programs, and the proposed expenditure level requested for 2000-01 for both existing and newly-created programs.

TABLE 2

**Public Service Commission
Universal Service Fund Programs and Expenditures**

	1997-98 <u>Actual</u>	1998-99 <u>Actual</u>	1999-2000 <u>Estimated</u>	2000-01 <u>Budgeted</u>
<u>Existing Programs</u>				
Assistance to Institutions	\$248,900	\$194,800	\$98,000	\$75,000
Telecommunications Equipment				
Purchase Program	271,700	604,400	770,000	1,550,000
Voice Mail for the Homeless	0	0	0	20,000
Rate Shock Mitigation	28,300	14,200	0	0
High Rate Assistance Credits	1,471,500	1,337,900	1,125,000	1,400,000
Lifeline Assistance	332,300	299,700	401,000	1,750,000
Link-Up America	171,000	207,300	211,000	450,000
Newsline for the Blind	111,000	35,000	43,500	45,500
Provider of Last Resort	0	0	0	0
Advanced Telecommunications Services	0	0	0	0
Administration	125,000	141,800	140,000	250,000
<u>New Programs</u>				
Outreach for Low-Income Programs	*	*	*	250,000
Non-Profit Groups -- Access Programs				
or Projects	*	*	*	500,000
Medical Telecommunications Equipment	*	*	*	500,000
Public Interest Payphones	*	*	*	100,000
Two-Line Voice Carryover	*	*	*	10,000
Eligible Telecommunications Carrier	*	*	*	0
Total	\$2,759,700	\$2,835,100	\$2,788,500	\$6,900,500

*New program established for FY 2000-01.

A brief description of each of the PSC programs recommended to be funded from the USF in 2000-01 and the PSC's rationale for the proposed expenditure level is provided below.

Assistance to Institutions (Institutional Discount Program). This program is being phased out as a result of provisions in Act 9. The program provided partial reimbursement for new telecommunications services to eligible not-for-profit schools, private schools, charter schools, colleges and universities, technical college districts, public libraries and not-for-profit hospitals. New services eligible for reimbursement included two-way interactive video services, high-speed data transfer, toll call access to the internet, and direct internet access. Grant levels were set at the lower of 30% of the monthly charge or \$300 per month the first year, 20% of the monthly charge or \$200 per month the second year, and 10% of the monthly charge or \$100 per month the third year.

The proposed expenditure level of \$75,000 reflects the remaining payments due in 2000-01 to eight institutions that participated in this program prior to the effective date of Act 9. One remaining year (2001-02) of payments under this terminated program will then remain.

Telecommunication Equipment Purchase Program (TEPP). This existing program provides vouchers to disabled customers for the purchase of telecommunications equipment needed in their homes to allow them to access and use the telecommunications network. Vouchers to pay for a portion of the cost are available from the PSC and the voucher amounts are established by administrative rule based upon different disabilities. With the exception of vouchers for those who are hard of hearing, the vouchers require a co-payment of \$100 by the voucher recipient at the time of purchase.

The proposed expenditure level of \$1,550,000, which is an increase of \$780,000 above the 1999-00 estimated level, is based primarily upon four factors. The first three factors are a result of changes made to the program in the recent rulemaking and are as follows: (1) voucher amounts have been increased for four of the six categories of disability that are eligible; (2) co-payment requirements are eliminated for persons who are hard of hearing; and (3) a voucher for each qualified individual in the same household are newly authorized (the previous limit was one voucher per household). The last factor is that an increasing number of previous voucher recipients will once again become eligible for a grant because the three-year time limit between grants will begin being reached.

Voice Mail for Homeless. Under this existing program, any voice mail provider may be compensated for providing voice-mail services to a social services agency, a job service agency or other homeless shelter authority, upon request, as long as the voice mail service is to be used for the benefit of the entity's homeless clients or residents. Under the program, the local exchange service provider or its affiliate is eligible for reimbursement from the USF of the incremental cost of providing the voice-mail service. In addition, under the new PSC rules, the qualifying agency or authority that administers the voice-mail service to homeless clients may newly request reimbursement for its costs directly attributable to providing the voice-mail boxes for the benefit of the homeless clients.

The proposed expenditure level of \$20,000 is based on the assumption that the new authority to reimburse administrative costs of qualifying agencies will increase interest in this program. The PSC previously estimated \$20,000 for this program in 1999-00; however, to date no grants have been made. The PSC indicated that, during the rulemaking proceeding, the need for administrative reimbursement was identified as an impediment to participation by eligible agencies.

Rate Shock Mitigation. Under this existing program, the PSC may provide temporary rate credits for customers of rate of return regulated telecommunications utilities to temporarily mitigate the impact on customers of large increases in authorized rates. Issuance of these credits would generally occur following a rate case before the PSC where a utility receives approval to increase rates significantly. In cases where the PSC determines a rate increase is necessary, credits may be provided to customers to temporarily lessen the impact of the increase. A utility is first required to pay a portion of the credits from other available utility revenues. PSC credits, which generally are

available for three years or less, are provided to the customer by the utility and the utility is reimbursed by the USF. The PSC is required to specify the individual rate cases where rate shock mitigation credits apply.

The PSC plan retains this existing program but does not allocate any funding for the rate shock mitigation program as it does not anticipate any use of this plan in 2000-01. However, the PSC has the authority to transfer budgeted funds between USF programs should a telecommunications provider have a large rate increase and the program need to be accessed to mitigate the cost to consumers. Further, if no budget funds were available, the total USF budget could be increased by the Committee under s. 13.101.

High Rate Assistance Credits. This existing program, also referred to as the high-rate ceiling credits program, provides credits for a portion of the local service rates when the rate charged for service exceeds levels set in administrative rule for this program. When the local access charge exceeds an amount equal to 1.5% of the median household income of a county, a credit is provided. As the local access charge increases as a percentage of the median household income, the credit increases. Conversely, as median income in a county increases, claim costs could decrease. Local exchange service utilities issue the credits and are eligible for reimbursement from the USF for the cost of the credits provided.

The proposed expenditure level of \$1,400,000 in 2000-01 is an increase of \$275,000 above the estimated expenditures for this fiscal year and is based upon a change in the formula for calculating the local service rates that generate the credit amount. However, the PSC indicates that expenditures for this program are not easily estimated and better estimates for the program will be possible after experience with the new formula.

Lifeline Assistance. Under this existing program, local exchange service utilities are required to provide reduced monthly service rates for certain low-income residential customers. Low-income customers include those who receive benefits from any of the following programs: (1) Wisconsin works; (2) medical assistance; (3) SSI; (4) food stamps; (5) low-income household energy assistance; or (6) the Wisconsin homestead tax credit. The minimal level of service, which must be provided at a cost of no more than \$15 monthly, includes: (1) single party residential service including touch-tone; (2) 911 charges billed on the telephone bill; (3) the federal subscriber line charge; and (4) a maximum of 120 local monthly calls. Local exchange service providers may receive reimbursement from the USF for 100% of the difference between the lifeline rate and the amount of the standard rate that is not offset by federal programs.

The proposed expenditure level of \$1,750,000 in 2000-01, an increase of \$1,349,000 above the estimated expenditures for this fiscal year, is based upon the PSC's belief that the rule changes and expected promotion efforts will dramatically increase the Lifeline expenditures. In terms of significant rule changes that will increase expenditures, the local exchange service utilities reimbursement rate has been increased from 25% to 100% of the costs not covered by federal lifeline programs. New promotional efforts for the USF programs are also funded under the PSC plan and are expected to increase awareness of this program.

Link-up America. This existing program provides qualified low-income residential customers with a waiver for the cost of establishing their telephone service or relocating their service from one residence to another. Low-income eligibility is based upon eligibility for the same low-income programs as the lifeline assistance program discussed above. Typical charges that are waived include those for new service installations, moves from one residence to another, and reconnecting existing service. Eligible local exchange service utilities receive reimbursement from the USF for 50% of the waived charges. Except in special situations, the remaining 50% of the cost may be partially offset by federal programs, if available, or else must be absorbed by the utility.

The PSC plan proposes an expenditure level of \$450,000 in 2000-01, an increase of \$239,000 above the estimate for 1999-00, because of the increased reimbursement rate established in the new rules. As with the Lifeline projection, the PSC anticipates that additional promotional activities will similarly increase participation in this program.

Newsline Expenses. Under 1999 Wisconsin Act 9, a new PSC use for the USF was statutorily established, the promotion of access to information and library services to blind and visually handicapped individuals. This made permanent a 1997-99 pilot project, *Newsline*. This program provides dial-up telephone access to audio versions of major national newspapers for sight-impaired individuals. The PSC was required to provide the Department of Public Instruction with funding from the USF in the amount of \$43,500 in 1999-00 to provide *Newsline* at two local service centers located in Milwaukee and Madison.

The PSC plan budgets \$45,500 in 2000-01 for the *Newsline* for the Blind consistent with the amount specified for the program in 2000-01 under Act 9.

Outreach for Low-income Programs. This new program, established under the revised rules, will make USF grants available to fund collaborative efforts between community-based organizations and telecommunications providers to increase awareness and participation in USF low-income support programs. Funding will be provided for not more than six grants, with at least one project to be focused statewide and one to be centered in the Milwaukee area.

The PSC has budgeted \$250,000 in 2000-01 for outreach activities for low-income programs. The Commission has indicated in its rulemaking that it will contract for an evaluation of the low-income assistance outreach grants by May 1, 2002.

Non-Profit Groups - Access Programs or Projects. This new program, created under the revised rules, will provide funding for non-profit groups that will facilitate the provision of affordable access to telecommunications and information services that are consistent with the uses of the USF. These are: (1) assisting customers in areas of the state with high telecommunications costs; and (2) assisting low-income and disabled customers in obtaining affordable access. Under the program, the USF will provide grants for up to 50% of the cost of these programs.

The recent rulemaking establishes a maximum expenditure limit of \$500,000 for this program and that is the basis for the PSC plan estimate.

Medical Telecommunications Equipment. This new program was created by Act 9 and is statutorily limited to a maximum expenditure of \$500,000 annually. Grants will be available, to be awarded on a competitive basis, for non-profit medical clinics and public health agencies for the purchase of telecommunications equipment to: (1) promote technologically-advanced medical services; (2) enhance access to medical care in rural or under-served areas of the state; and (3) enhance access to medical care by under-served populations or persons with disabilities in the state.

The PSC plan budgets \$500,000 in 2000-01 for this program based upon the statutory expenditure maximum established in Act 9.

Public Interest Pay Phones. This new program, established under the revised rules, will provide for payments from the USF to pay phone operators where it is determined that the public health, safety and welfare is jeopardized without the availability of public pay phone services yet there is insufficient demand or usage to assure installation and continued operation of that public telephone by the service provider. Under this program, the PSC will reimburse a pay telephone service provider, or any other individual, that operates a pay phone that is designated by the Commission to be a public interest pay phone for certain costs. To be designated a public service telephone, a public telephone must meet location and availability criteria established by the PSC. The level of reimbursement is to cover the costs and charges for equipment, provision of basic service, maintenance, and administrative operations. The reimbursement from the USF is to cover only those costs not covered by federal programs and the revenues received from the pay phones.

The PSC plan budgets \$100,000 for payments for public interest pay phones. The PSC indicates that because this is a new program, the requested amount is an estimate that will need to be updated based on actual demand.

Two-Line Voice Carryover. This new program, established under the revised rules, addresses a telecommunications technology employed by persons with hearing disabilities that requires the availability of a second telephone line. One line is used for voice communication and the other is connected with the TTY (teletype) service. Under the two line voice carryover program, any intrastate nonrecurring charge or monthly rate for the second line would be waived for hearing impaired customers who chose this option. The local exchange service provider would be reimbursed for the amount waived.

The PSC plan budgets \$10,000 in 2000-01 for this program based upon the expectation that program participation in the first year of the new program will be low.

Provider of Last Resort. This existing program authorizes the Commission to provide compensation from the USF to an intralata toll service provider in the case where no provider is willing to be the provider of last resort. A provider of last resort is responsible for providing intralata toll service within a telephone exchange. In the case where no toll provider is willing to be the provider of last resort, the PSC may authorize an auction to provide compensation to the

provider selected for that role. In such an auction, the PSC is authorized to use USF funds to reimburse the lowest bidder for accepting the designation as the provider of last resort.

The PSC plan does not budget any funding for this program. PSC staff do not anticipate any expenditures under this program at this time, as the telecommunications industry is able to provide the necessary coverage. However, the program is retained to ensure access in the future should an area lose intralata toll service. Expenditures for this program, if necessary, could be made using available unexpended funds from other programs or the total USF budget could be increased by the Committee under s. 13.101.

Eligible Telecommunications Carrier. An eligible telecommunications carrier is a telecommunications provider who can offer all essential telecommunications services in an area, advertised in the service area and makes available life line and link-up services. The eligible telecommunications carrier program, a program created under the revised rules, is like the program for a provider of last resort, and will allow for the reimbursement of a telecommunications provider in a service area where no other eligible telecommunications carrier is designated. The PSC is authorized to conduct an auction to provide compensation from the USF to the lowest bidder for providing the essential services.

The PSC plan does not budget any funding for this program. The PSC staff does not anticipate expenditures under this program at this time, as the telecommunications industry is able to provide the necessary coverage. However, the program is established to ensure that there would be access in the future should an area lose an essential service from an eligible telecommunications carrier.

Advanced Telecommunications Services. This is an existing program. Under the rule relating to this program, the PSC may undertake an investigation of the deployment of an advanced telecommunications services to Wisconsin customers. The PSC, on its own motion or at the request of a service provider or a customer, may initiate such an investigation. The investigation shall address, at a minimum, the following issues regarding deployment: (1) reasonableness of the required investment; (2) availability of alternative service providers; (3) level of demand; and (4) existing universal services. Upon completion of the investigation and required hearings, the PSC may require the deployment of the advanced telecommunications service as part of universal service and determine whether the provider requires assistance from the USF.

The PSC plan does not budget any funding for this activity in 2000-01. The PSC has never made any determinations under this rule and none are currently anticipated.

Administration. The PSC is statutorily required to contract for the administration of the USF and has done so since the USF was first established. The fund administrator handles the disbursements from the USF and administers certain of the programs. In addition, the fund administrator handles the assessments of telecommunications providers for non-PSC USF program

such as TEACH. Lastly, some promotion and general office expenses are attributable to the administrative cost area.

The PSC plan budgets \$250,000 in 2000-01 for the contracted fund administrator, an increase of \$110,000 above 1999-00 expected expenditures. The funding will be used for the following purposes: (1) \$100,000 for the fund administrator contract; (2) \$100,000 for promotion of USF programs; (3) \$25,000 for costs associated with verifying low-income eligibility; (4) \$15,000 for general PSC administrative costs; and (5) \$10,000 for annual LAB audit costs.

ANALYSIS

Under Act 9, 2000-01 funding for USF programs was placed in the Committee's appropriation for release by the Committee. The intent was then that the PSC would submit a detailed expenditure plan for 2000-01 to the Joint Committee on Finance because PSC USF program budget did not reflect recent actual expenditures experience. Rather, the \$8,000,000 SEG level that had been appropriated each year for the 1997-99 biennium was simply carried forward.

In general, the expenditure plan provided by the PSC meets the requirements established for the release of the funds reserved under Act 9 for this purpose and addresses the concerns raised by the Committee during its 1999-01 budget deliberations on the PSC budget. In developing this plan, the PSC, in coordination with the USF Council, completed a review of the USF programs, updated the rules for the USF programs operated by the PSC, established new USF programs, and developed updated estimated budget levels for each program for the 2000-01 fiscal year.

In reviewing this request, the Committee should note that the concern behind the establishment of this required report submittal was that the overall budgeted level in the USF appropriation was not being jointly reviewed in concert with what actual programmatic expenditures were. One effect of this was that assessments against utilities were being made based on the appropriation level, but program expenditures were not actually occurring equal to that total amount and therefore, assessments and expenditures were not in line. A second effect was that, to the degree that there was an expectation that a total of \$8 million per year was going to be expended on universal service type programs from the USF, that was not occurring.

It may be noted that approval of this expenditure plan would only release funding totaling \$6.9 million. However, if actual expenditure needs exceed the budgeted level, the Committee could release additional funding under s. 13.10. In addition, if further modifications to the current programs or the establishment of new programs funded from the USF are approved by the PSC through the administrative rule process, the PSC could also request supplemental funding for these program changes under s. 13.10. Finally, it may be noted that although the \$8 million budget level was set when the USF was first established (when the program was actually off-budget), there is no statutory provision that limits overall programmatic expenditure levels to this amount.

Based on the program changes made under the new rules and past expenditure experience for existing programs and taking into consideration planned increased promotional activities, the PSC appears to have generally established reasonable budgets. However, in some cases where there is a program expenditure limit the PSC has merely used the maximum expenditure limit as the budget level. In some cases, it was easier for the PSC to prepare a budget based on past experience or expected demand. For example, the PSC feels confident that grant applications for the medical telecommunications equipment program will be sufficient to reach the statutory limit. On the other hand, estimating the cost for those programs that provide vouchers for individuals or reimburse the telecommunications service providers for waived costs is much more difficult. In these cases, the PSC has made its estimate based upon regulatory changes and expected increased demand due to promotional activities.

The PSC plan includes funds for numerous promotional activities of the Commission that should increase the awareness and participation in the PSC programs. According to PSC staff, a total of \$650,000 is targeted for promotional activities. These promotional activities include \$300,000 from the TEPP program, \$250,000 from the outreach for low-income programs and \$100,000 from the general administration budget. In addition, the PSC has, for the first time, established a dedicated staff position to function as the USF program coordinator.

As before, actual expenditures under any particular program may be greater or less than the budgeted level. However, any concern about the adequacy of individual program budget levels is mitigated by the significant flexibility that PSC has with funding of the individual USF programs. What the Committee is approving is the overall appropriation amount. Therefore, if planned expenditures for the individual programs vary substantially from the current estimates, the PSC can shift resources between individual programs. Similarly, if the need arises, PSC may make expenditures on those programs that are not currently expected to need any funding in the report. In either case, in the event that the total budgeted level is insufficient, the Commission could return to the Committee under s. 13.10 for the release of additional funding.

It should be noted that if the Committee approves the PSC's \$6.9 million request, the adjusted base funding level for the 2001-03 budget will be \$6.9 million instead of the \$8.0 million that was placed in the Committee's supplemental SEG appropriation under Act 9. However, this does not prohibit the PSC requesting additional funding above the adjusted base level for USF programs in the next biennial budget if expenditures in the program warrant an increase. While PSC staff indicate that very little additional information regarding actual expenditures will be available prior to submission of the agency budget request to DOA in September, this issue could be further reviewed during the course of 2001-03 budget deliberations.

The PSC plan will also have a significant impact on the assessments of the telecommunications providers. To fund expenditures from the USF appropriation, 1993 Wisconsin Act 496 authorized the PSC to assess telecommunication utilities that have gross intrastate telecommunications revenues of greater than \$200,000. Assessments are made monthly; however, assessments for the PSC programs were suspended in January of 1998 because of a surplus in the

USF relative to actual expenditure levels. Subject to the Committee's release of the proposed expenditure authority, the PSC intends to reinstate the assessments on telecommunications providers beginning in August, 2000. It is the Commission's intention to set the assessment at an amount to derive total revenues of \$6.9 million in the 2000-01 fiscal year.

While individual program actual expenditures may vary from the budgeted levels, the PSC proposed expenditure budget appears reasonable and represents a good faith effort by the PSC to develop a realistic program budget level. Given that a variety of program expansions or modifications and the creation of several new programs are involved, the PSC proposed expenditure budget seems to address the concerns raised by the Committee during the budget.

ALTERNATIVES

1. Approve the release of \$6,900,500 SEG from the Joint Committee on Finance's appropriation under s. 20.865(4)(u) for the USF funded programs under s. 20.155(1)(q) appropriation of the PSC.
2. Deny the request.

Prepared by: David Worzala

	MO#	<u>44</u>	<u>1</u>	
2	BURKE	<input checked="" type="radio"/>	N	A
	DECKER	<input checked="" type="radio"/>	N	A
1	JAUCH	<input checked="" type="radio"/>	N	A
	MOORE	<input checked="" type="radio"/>	N	A
	SHIBILSKI	<input checked="" type="radio"/>	N	A
	PLACHE	<input checked="" type="radio"/>	N	A
	COWLES	<input checked="" type="radio"/>	N	A
	DARLING	<input checked="" type="radio"/>	N	A
	GARD	<input checked="" type="radio"/>	N	A
	PORTER	<input checked="" type="radio"/>	N	A
	KAUFERT	<input checked="" type="radio"/>	N	A
	ALBERS	<input checked="" type="radio"/>	N	A
	DUFF	<input checked="" type="radio"/>	N	A
	WARD	<input checked="" type="radio"/>	N	A
	HUBER	<input checked="" type="radio"/>	N	A
	RILEY	<input checked="" type="radio"/>	N	A
	AYE	<u>9</u>	NO	<u>7</u>
			ABS	

PUBLIC SERVICE COMMISSION

Funding for Universal Service Fund Programs
(Agenda Item IV)

Motion:

Move to release \$5,900,000 SEG in 2000-01 from the reserved portion of the Committee's segregated appropriation for funding of the thirteen programs identified in the Public Service Commission's budget submittal.

Note:

This motion is the same as the Governor's recommendation to release a total of \$5,900,000 SEG in 2000-01 for the thirteen universal service fund program proposals identified in the Public Service Commission's budget submittal. This would be a reduction of \$1,000,500 SEG from the PSC request. This amount of funding would be \$3.1 million more than the \$2.8 million average level of expenditures from the USF over the last three years. Under this motion, if actual demand for the USF programs exceeds the total released amount of funding, then the PSC could request additional funds under s. 13.10. Funding for these programs comes from the Universal Service Fund, the revenues for which are derived from assessments on telecommunications providers.

MO#	BURKE	DECKER	JAUCH	MOORE	SHIBILSKI	PLACHE	COWLES	PANZER	GARD	PORTER	KAUFERT	ALBERS	DUFF	WARD	HUBER	RILEY	AVE	NO	ABS
	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A			
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N			
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			

IV. Public Service Commission – Gary Evenson, Assistant Administrator,
Telecommunications and Anita Sprenger, Universal Services Program Manager

The agency requests the release of \$6,900,500 SEG for fiscal year 2000-01 from the reserved portion of the Committee's appropriation under s. 20.865(4)(u) to the agency's Universal Service Fund (USF) appropriation under s. 20.155(1)(q) to fund projected needs in the USF program in fiscal year 2000-01.

Governor's Recommendation

Approve \$5.9 million for the proposed fiscal year 2000-01 USF budget. Transfer the funds from the reserved portion of the Committee's appropriation under s. 20.865(4)(u) to the agency's USF appropriation under s. 20.155(1)(q).

Over the past three years, USF expenditures have averaged \$2.8 million. The recommendation more than doubles the budget based on this experience. Even allowing for outreach efforts and expanded services, the recommendation should be sufficient for likely spending. If the demand for USF funds increases sufficiently to deplete this amount, the PSC could request additional funds through a subsequent s. 13.10 request.

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

TOMMY G. THOMPSON
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY



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

Date: July 10, 2000

To: Members, Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration

Subject: Section 13.10 Request from the Public Service Commission for the release of funds from the Committee's appropriation to the Universal Service Fund for fiscal year 2000-01.

Request

The agency requests the release of \$6,900,500 SEG for fiscal year 2000-01 from the reserved portion of the Committee's appropriation under s. 20.865(4)(u) to the agency's Universal Service Fund (USF) appropriation under s. 20.155(1)(q) to fund projected needs in the USF program in fiscal year 2000-01.

Background

The USF was established under 1993 Wisconsin Act 496 to ensure that all state residents receive essential telecommunications services and have access to advanced telecommunications capabilities. Program rules for the USF were completed in May 1996. Under 1997 Wisconsin Act 27, the USF obtained expenditure authority of \$8 million SEG annually; however, actual expenditures under the program have been well below the authorized amount, or approximately \$2.8 million each year since fiscal year 1997-98.

1999 Wisconsin Act 9 set aside \$8 million in the reserved portion of the Committee's appropriation under s. 20.865(4)(u) until the Public Service Commission (PSC) presented an expenditure proposal for the fund, as well proposed expenditure levels for each individual USF program for which the agency intends to expend monies in fiscal year 2000-01. In addition, updated administrative rules for the USF were completed and made effective on May 1, 2000. The updated rules address both new and reformulated programs, including rules to increase outreach efforts and awareness of USF programs, particularly programs targeted at low-income individuals.

To fund expenditures from the USF appropriation, the PSC assesses telecommunication utilities that have gross intrastate telecommunications

revenues of greater than \$200,000. 1993 Wisconsin Act 496 authorized the PSC to set the level of assessments sufficient to fund the PSC programs. Assessments are made monthly; however, assessments for PSC programs were suspended in January 1998 because of a surplus in the USF relative to actual expenditures. PSC staff indicate that assessments will resume in fiscal year 2000-01, pending the release of funds to the USF appropriation.

Analysis

The agency requests the release of \$6,900,500 SEG for fiscal year 2000-01 from the reserved portion of the Committee's appropriation under s. 20.865(4)(u) to the agency's Universal Service Fund (USF) appropriation under s. 20.155(1)(q) to fund projected needs in the USF program in fiscal year 2000-01. 1999 Wisconsin Act 9 required the agency to provide proposed expenditure levels for each individual USF program for which the agency intends to expend monies in fiscal year 2000-01. In response, the agency proposes the following budgets for 13 individual USF programs for fiscal year 2000-01:

USF Program	Proposed Budget
Lifeline	\$1,750,000
Telecommunications Equipment Purchase Program (TEPP)	\$1,550,000
High Rate Ceiling Credits	\$1,400,000
Medical Telecommunications Equipment Program	\$500,000
Non-Profit Groups - Access Programs or Projects	\$500,000
Link-up	\$450,000
Outreach for Low-Income Programs	\$250,000
USF Administration	\$250,000
Public Interest Payphones	\$100,000
Institutional Discount Program	\$75,000
Newsline for the Blind	\$45,500
Voice Mail for the Homeless	\$20,000
Two-Line Voice Carryover	\$10,000
TOTAL	\$6,900,500.00

The following are brief descriptions of the 13 USF programs with estimated expenditure levels for fiscal year 2000-01 and the rationale used to determine proposed expenditure levels.

Lifeline

The Lifeline program makes a lower monthly rate for telephone service available to low-income customers. Provided jointly by the Federal Communications Commission (FCC) and the states, a portion of Lifeline reimbursement to the telecommunications providers is from the FCC and the USF.

New PSC rules increase the Lifeline benefit amount and the PSC also intends to increase the promotion of low-income programs such as Lifeline. The estimated expenditures for Lifeline are therefore expected to increase dramatically over prior year expenditures.

FY98 Actual Expenditures: \$332,300
FY99 Actual Expenditures: \$299,700
FY00 Expected Expenditures: \$401,000
FY01 Estimated Expenditures: \$1,750,000

Telecommunications Equipment Purchase Program (TEPP)

This program assists persons with disabilities with the purchase of certain telecommunications equipment to be able to use the telephone system. Vouchers are given to the qualifying individuals and these vouchers are used to pay vendors for a portion of the cost of the necessary equipment. Vendors submit the vouchers to the USF administrator and receive a check from the USF.

Rule changes recently adopted for TEPP increase the voucher amounts in some categories, eliminate the co-payment requirement for the hard-of-hearing category, and permit more than one person in a household to get a voucher. The proposed increase in TEPP funding relates changes to the program rules and reflects the intention of the PSC to undertake more extensive publicity efforts to inform the public about TEPP.

FY98 Actual Expenditures: \$271,700
FY99 Actual Expenditures: \$604,400
FY00 Expected Expenditures: \$770,000
FY01 Estimated Expenditures: \$1,550,000

High Rate Ceiling Credits

The high rate ceiling credit program provides USF payments to local exchange service providers to reimburse them for credits to customers needed to keep rates at affordable levels. The new PSC rules have changed the formula for calculating the applicable local service price that is compared to the income threshold, which will increase the high rate ceiling assistance claims by the local exchange service providers. The proposed spending level is based on modeling of the potential impact of the new rules.

FY98 Actual Expenditures: \$1,471,500
FY99 Actual Expenditures: \$1,337,900
FY00 Expected Expenditures: \$1,125,000
FY01 Estimated Expenditures: \$1,400,000

Members, Joint Committee on Finance

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July 10, 2000

Medical Telecommunications Equipment Program

This is a new program established by 1999 Wisconsin Act 9. The agency has promulgated rules to permit medical clinics and public health agencies to request USF support for the purchase of telecommunications equipment to promote technologically advanced medical services, and to enhance access to medical care in rural or underserved areas, populations, or persons with disabilities in the state. Section 196.218 (4u), Wisconsin Statutes specifies that the PSC may spend up to \$500,000 annually from the USF for this program. PSC staff indicate that there is already strong interest in this new program.

FY01 Estimated Expenditures: \$500,000

Non-Profit Groups - Access Programs or Projects

This is a new provision in the USF rules under which non-profit organizations may seek USF support for programs or projects that will facilitate the affordable access to telecommunications and information services. The USF will reimburse successful applicants for up to 50 percent of the cost of the reimbursable portion of the program or projects. The PSC rule limits USF spending for this program to no more than \$500,000 annually. PSC staff indicate that there is already strong interest in this new program as well.

FY01 Estimated Expenditures: \$500,000

Link-up

Link-up is provided jointly by the FCC and the states and requires telecommunications providers to waive service connection charges when low-income consumers establish or move their telephone service. The provider is reimbursed from the FCC and the states for the amounts waived.

The recent PSC rule change increased the amount reimbursed from the state under this program. Proposed expenditures levels have been increased from prior years as a result of the rule change and the potential for greater participation in Link-up due to efforts to promote awareness of the program.

FY98 Actual Expenditures: \$171,000

FY99 Actual Expenditures: \$207,300

FY00 Expected Expenditures: \$211,000

FY01 Estimated Expenditures: \$450,000

Outreach for Low-Income Programs

This is a new specific promotional program added to the USF rules, under which USF moneys can be used to fund collaborative partnerships between community-based organizations and telecommunications providers to increase participation in the USF low-income programs. The new PSC rules specify that up to \$250,000 may be spent on this program annually. Again, PSC staff indicate that there is already strong interest in this program.

FY01 Estimated Expenditures: \$250,000

USF Administration

Fund administration covers a variety of expenditures, including the fund administrator with whom the PSC has contracted to handle assessments and disbursements for the fund, and to administer certain programs. The fund also pays for miscellaneous expenses including printing and promotional materials, travel reimbursement for the public members of the USF Council, interpreters for the deaf at USFC meetings, and assistance from the Department of Revenue in verifying Lifeline and Link-up applicant eligibility. The proposed expenditures for USF administration were increased for fiscal year 2000-01 because there will be a need for more USF printed materials, for added administrative processes related to the new programs, and for some additional promotional and educational activities.

FY98 Actual Expenditures: \$125,000
FY99 Actual Expenditures: \$141,800
FY00 Expected Expenditures: \$140,000
FY01 Estimated Expenditures: \$250,000

Public Interest Payphones

A new rule has been promulgated to be consistent with FCC rulings on the provision of pay telephones when they are needed in the public interest but might not otherwise be provided. Under the new PSC rules, when a pay telephone is installed and designated as a public interest pay telephone, the provider of that telephone may be reimbursed for the costs associated with the provision of the service, less any federal universal service support or revenues generated by the pay telephone. The proposed expenditures represent agency estimates of the estimated reimbursements. PSC staff believe there will be strong interest in this program.

FY01 Estimated Expenditures: \$100,000

Institutional Discount Program

This program was initiated to provide discounts over a 3-year time period to schools, libraries, and hospitals for certain telecommunications services. The statutory underpinning for a USF program to support educational, library, and health care information services was removed under 1999 Wisconsin Act 9. The USF rules recently promulgated by the PSC have restricted this program to institutions already in the program. The proposed \$75,000 therefore reflects only the discounts due in fiscal year 2000-01 to those institutions accepted into the program prior to 1999 Wisconsin Act 9.

FY98 Actual Expenditures: \$284,900
FY99 Actual Expenditures: \$194,800
FY00 Expected Expenditures: \$98,000
FY01 Estimated Expenditures: \$75,000

Newsline for the Blind

This program allows blind persons to get access to audio news stories over the telephone. 1999 Wisconsin Act 9 established the expenditure amount for fiscal year 2000-01 at \$45,500.

FY98 Actual Expenditures: \$111,000
FY99 Actual Expenditures: \$35,000
FY00 Expected Expenditures: \$43,500
FY01 Estimated Expenditures: \$45,500

Voice Mail for the Homeless

The USF rules include a provision to support the use of voice mail by homeless persons so that they can use the telephone system to the extent of being reachable, for instance, for medical or employment purposes. Although explored by a couple of homeless agencies, this services has not been adopted to date. One issue noted is that there are administrative costs to coordinating such a voice mail program, and the agencies could not afford the staff time to initiate the program. The new USF rules allow a qualifying agency to get USF reimbursement of costs directly attributable to administering this voice mail program for its clients. Further interest and expenditures in the program are therefore expected.

FY98 Actual Expenditures: \$0
FY99 Actual Expenditures: \$0
FY00 Expected Expenditures: \$0
FY01 Estimated Expenditures: \$20,000

Two-Line Voice Carryover

Two-line voice carryover is a service technology that some persons with hearing impairments use to communicate over the telephone. The new PSC rules allow a customer to get a second telephone line with voice carryover without paying a service connection charge or a monthly rate. The service provider may be reimbursed for the amounts waived for these customers. Since use of this provision is expected to be low, the requested amount is an estimate pending further experience and actual demands for the program.

FY01 Estimated Expenditures: \$10,000

Programs with no Proposed Funding

No proposed expenditures have been estimated for the following four programs. The following are brief descriptions of these programs and why no funding has been proposed:

- Advanced Telecommunications Services - Under this pre-existing rule, a provider, a customer, or the PSC may initiate an investigation about the deployment of advanced telecommunications services. No determinations have been made under this rule to date, and none are anticipated in fiscal year 2000-01.
- Eligible Telecommunications Carrier - This is a new provision in the rules to address the PSC designation of providers as eligible telecommunications carriers (ETC); an ETC is then eligible for federal (and some state) universal service support. The PSC anticipates no actions requiring payments from the USF for ETC status purposes.
- Provider of Last Resort - Under this existing program, in the event that no provider is willing to be the provider of last resort for telecommunications served to a telephone exchange, the PSC is required to hold an auction for the provider of last resort status and may provide USF compensation to the provider selected for that role. No USF funding has been proposed for this program in fiscal year 2000-01 because the PSC is not aware of any pending actions that would create USF payments for this purpose.
- Rate Shock Mitigation - This program permits the USF to provide support to a telecommunications provider that needs to raise its rates by a large amount. Although this program has provided funding in the past, the PSC does not anticipate the use of this program in fiscal year 2000-01.

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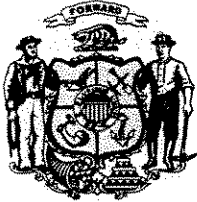
July 10, 2000

Recommendation

Approve \$5.9 million for the proposed fiscal year 2000-01 USF budget. Transfer the funds from the reserved portion of the Committee's appropriation under s. 20.865(4)(u) to the agency's USF appropriation under s. 20.155(1)(q).

Over the past three years, USF expenditures have averaged \$2.8 million. The recommendation more than doubles the budget based on this experience. Even allowing for outreach efforts and expanded services, the recommendation should be sufficient for likely spending. If the demand for USF funds increases sufficiently to deplete this amount, the PSC could request additional funds through a subsequent s. 13.10 request.

Prepared by: Kerry Holden
266-8593



Public Service Commission of Wisconsin

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

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

May 23, 2000

The Honorable Brian Burke, Senate Chair
Joint Committee on Finance
State Capitol, Room 316 South
Madison, WI 53702

The Honorable John Gard, Assembly Chair
Joint Committee on Finance
State Capitol, Room 315 North
Madison, WI 53702

RE: Request to Release \$6,900,500 SEG for FY 2001 from § 20.865(4)(u)

Dear Senator Burke and Representative Gard:

In 1999 Wisconsin Act 9, a decision was made to set aside \$8 million in segregated Universal Service Funds (USF) until such time that the Public Service Commission (PSC) presented an expenditure proposal for the fund. This action was the result of a vote in the Joint Committee on Finance on Issue Paper 811 (B), which recommended, in part, that the PSC provide the Committee with a proposed expenditure level for each individual USF program for which the PSC proposes to expend monies in the forthcoming biennium.

This action was taken in part because of the low level of expenditures for the USF program in the past. As of May 1, 2000, the proposed new rules (Wis. Admin. Code ch. PSC 160), which contain both new and reformulated programs, are now in effect. Most of the old USF programs have had changes made in the new rules, and some new programs, such as the Medical Telecommunications Equipment Program, have been added. I am confident that with the new programs that have been added, USF programs will be more visible and will provide more options to target groups.

I am including a brief description of each of the programs now contained in the USF rules and indicating why I believe the expenditure levels for FY 2001, as recommended in the accompanying spreadsheet, are appropriate. If you have any questions on these programs and the proposed funding levels, please contact Anita Sprenger at 266-3843 or Gary Evenson at 266-6744.

Sincerely,

Ave M. Bie
Chairperson

AMB:GAE:lep:t:\ss\letterJFC appropriation request 4-00

Attachment: USF Programs and Recommended Funding Levels

Public Service Commission - Universal Service Fund

Program Summaries and FY 2001 Appropriation Request

For FY 2001, the Public Service Commission proposes an appropriation for the universal service fund (USF) programs of \$6,900,500. By program, this request is as follows:

Institutional Discount Program	\$ 75,000
TEPP	\$ 1,550,000
Voice Mail for the Homeless	\$ 20,000
Rate Shock Mitigation (SMP)	\$ 0
High Rate Ceiling Credits	\$ 1,400,000
Lifeline	\$ 1,750,000
Link-up	\$ 450,000
Outreach for Low-income Programs	\$ 250,000
Newsline for the Blind	\$ 45,500
Non-Profit Groups - Access	\$ 500,000
Medical Telecommunications Equipment	\$ 500,000
Public Interest Payphones	\$ 100,000
Two Line Voice Carryover	\$ 10,000
Provider of Last Resort	\$ 0
Eligible Telecommunications Carrier	\$ 0
Advanced Services	\$ 0
Administration	\$ 250,000
Total for FY 2001	<u>\$ 6,900,500</u>

A brief summary of each program and of the basis for the FY 2001 estimate is provided below:

Institutional Discount Program
§ PSC 160.11

FY 2001 request - \$ 75,000

FY 98 actual	\$ 284,891
FY 99 actual	\$ 194,755
FY 00 expected	\$ 98,000
FY 01 estimate	\$ 75,000

This program was initiated to provide discounts to schools, libraries and hospitals for certain telecommunications services. Discounts were provided for three years to a qualifying institution; the discount from the service rates were 30 percent in the first year, 20 percent in the second year, and 10 percent in the third year. Discounts are paid from the USF to the school, library, or hospital.

The statutory underpinning for a USF program to support educational, library, and health care information series was removed in 1999 Wisconsin Act 9. The USF rules recently promulgated by the PSC, have restricted this discount program to those institutions already in the program. Consequently, the proposed \$75,000 is to reflect only the discounts due in FY 2001 to those institutions accepted into this discount program before Act 9 was effective.

Telecommunications Equipment Purchase Program (TEPP)
§ PSC 160.071(1)

FY 2001 request - \$ 1,550,000

FY 98 actual	\$ 271,705
FY 99 actual	\$ 604,387
FY 00 expected	\$ 770,000
FY 01 estimate	\$1,550,000

This program assists persons with disabilities with the purchase of certain telecommunications equipment so that they can use the telephone system. Vouchers are given to the qualifying individuals and these vouchers are used to pay vendors for a portion of the cost of the necessary telecommunications equipment. Vendors submit the vouchers to the USF administrator and receive a check from the USF. Voucher amounts vary for different types of disabilities (because the typical equipment needs of persons in these different categories vary in price). In most cases, the purchaser needs to make a \$100 co-payment when purchasing the equipment. If the co-payment and voucher are not sufficient to cover the equipment price, the purchaser pays any additional amount.

Rule changes recently adopted for the TEPP, increase the voucher amounts in some categories, eliminate the co-payment requirement for the hard-of-hearing category, and permit more than one person in a household to get a voucher. (Previously, the rules allowed only one person in a household to get a voucher every three years, even if there was another person in the household with the same disability.

The increase in TEPP funding relates to the increased voucher limits, the co-payment elimination in one TEPP category, the potential for some multiple voucher households, and the potential that some earlier TEPP recipients will be reapplying because they will become eligible again (three years after their last TEPP applications). The proposed program amount of \$1,550,000 also reflects the intention of the PSC to undertake more extensive publicity efforts to inform the public about TEPP. The PSC has been advised by many in the disability community, that the TEPP, as valuable as many persons find it to be, is still not well-known to all who may be eligible. The USF rules were changed to specify and clarify that the fund may be used "for the purpose of informing the public regarding the universal service fund, its existence, purpose, intent and areas of use." The FY 2001 estimate includes funding to actively promote this TEPP portion of the USF.

Voice Mail for the Homeless
§ PSC 160.125(1)

FY 2001 request - \$ 20,000

FY 98 actual	\$ 0
FY 99 actual	\$ 0
FY 00 expected	\$ 0
FY 01 estimate	\$ 20,000

The USF rules include a provision to support the use of voice mail by homeless persons so that they can use the telephone system to the extent of being reachable, for instance, for medical or employment purposes. Under the rules, an agency that serves homeless clients may use voice mailboxes without charge. The provider that supplies this service to the agency can recover its incremental costs of this service from the USF. Although explored by a couple of homeless agencies, this service has not been adopted to date. One issue noted is that there are administrative costs to coordinating such a voice mail program, and the agencies could not afford the staff time to initiate such a voice mail program for their clients use.

The new USF rules will allow a qualifying agency to get USF reimbursement of costs directly attributable to administering this voice mail program for its clients. With this change, further interest in this program is expected.

Rate Shock Mitigation (SMP)

§ PSC 160.10

FY 2001 request - \$ 0

FY 98 actual	\$ 28,251
FY 99 actual	\$ 14,160
FY 00 expected	\$ 0
FY 01 estimate	\$ 0

This is an existing program that permits the USF to provide support to a telecommunications provider that needs to raise its rates by a large amount. If such an increase is deemed to be so large as to burden consumers if enacted on a flash cut basis, the increase may be phased in, and the needed revenues the provider would not get immediately from the rate increase would be paid to the provider from the USF.

At this time, although this program provides an important safety net for large rate increases, the PSC does not anticipate use of this plan in FY 2001.

High Rate Ceiling Credits

§ PSC 160.09

FY 2001 request - \$ 1,400,000

FY 98 actual	\$ 1,471,494
FY 99 actual	\$ 1,337,884
FY 00 expected	\$ 1,125,000
FY 01 estimate	\$ 1,400,000

The high rate ceiling credit program provides USF payments to local exchange service providers to reimburse them for credits to customers needed to keep local rates at affordable levels. Rates are compared to medial household incomes and if the rates that company needs would exceed the threshold established in the rules, the customers only pay the threshold price and the USF pays the company the necessary increment it needs.

The new rules have changed the formula for calculating the applicable local service price that is compared to the income threshold. This change will likely increase high rate ceiling assistance claims by the local exchange service providers. Increases in median income are expected to reduce the need for such claims however. Experience with the new rule will provide better estimates for this program as time progresses; the proposal for \$1,400,000 is based on a modeling of the potential impact of the new rules.

Lifeline

§ PSC 160.062

FY 2001 request - \$ 1,750,000

FY 98 actual	\$ 332,279
FY 99 actual	\$ 299,651
FY 00 expected	\$ 401,000
FY 01 estimate	\$ 1,750,000

The Lifeline program makes a lower monthly rate for telephone service available to low-income consumers. With the Link-up program, these low-income USF programs are intended to get consumers onto the telephone network and help them to keep their services. Lifeline is provided jointly by the Federal Communications Commission (FCC) and the states. A portion of Lifeline reimbursement to the telecommunications providers is from the FCC USF.

New PSC Lifeline rules increase the lifeline benefit. Additional promotion of low-income programs like Lifeline and Link-up are also anticipated. Given the rule changes and the expected promotion efforts (see Outreach section below), the estimated expenditures for Lifeline are expected to increase dramatically.

Link-up
§ PSC 160.061

FY 2001 request - \$ 450,000

FY 98 actual	\$ 170,972
FY 99 actual	\$ 207,280
FY 00 expected	\$ 211,000
FY 01 estimate	\$ 450,000

Link-up is provided jointly by the FCC and the states. Link-up requires telecommunications providers to waive service connection charges when low-income consumers establish or move their telephone service. The provider is reimbursed from the FCC and state USF for the amounts waived.

The recent PSC rule change increases the amount reimbursed from the state fund for Link-up. Given that change and the potential for greater participation in Link-up due to efforts to promote awareness of this program, the expected FY 2001 expenditure for Link-up is increased from historic levels.

Outreach for Low-income Programs
§ PSC 160.063

FY 2001 request - \$ 250,000

FY 98 actual	N/A
FY 99 actual	N/A
FY 00 expected	N/A
FY 01 estimate	\$ 250,000

This is a new specific promotional program added to the USF rules. The Commission may use USF moneys to fund collaborative partnerships between community-based organizations and telecommunications providers to increase participation in the USF low-income programs.

The new PSC USF rules specify that up to \$250,000 may be spent on this program annually. That is the basis of the FY 2001 request.

Newsline for the Blind (DPI)
PSC 160.05 (1) (r)

FY 2001 request - \$ 45,500

FY 98 actual	\$ 111,000
FY 99 actual	\$ 35,000
FY 00 actual	\$ 43,500
FY 01 estimate	\$ 45,500

Newsline for the Blind allows blind persons to get access to audio news stories over the telephone. The expenditure of USF support to DPI for this program is mandated by statute (Wis. Stat. § 196.218 (5) (a) 8.).

The FY 2001 amount of \$45,500 for Newsline for the Blind was set in Act 9.

Non-Profit Groups - Access Programs or Projects
§ PSC 160.125(2)

FY 2001 request - \$ 500,000

FY 98 actual	N/A
FY 99 actual	N/A
FY 00 expected	N/A
FY 01 estimate	\$ 500,000

This is a new provision in the PSC's USF rules. Non-profit organizations may seek USF support for programs or projects that will facilitate the affordable access to telecommunications and information services consistent with the purposes for USF as specified in the statutes (§§ 196.218 (5) (a) 1. and 2.). The USF will reimburse successful applicants for up to 50 percent of the cost of the reimbursable portions of the program or projects.

The PSC rule limits USF spending for this program to no more than \$500,000 annually. That is the requested amount for this program for FY 2001.

Medical Telecommunications Equipment Program
§ PSC 160.115

FY 2001 request - \$ 500,000

FY 98 actual	N/A
FY 99 actual	N/A
FY 00 expected	N/A
FY 01 estimate	\$ 500,000

This is a new program established by Act 9. The Commission has promulgated rules to permit medical clinics and public health agencies to request USF support for the purchase of telecommunications equipment to promote technologically advanced medical services, to enhance access to medical care in rural or underserved areas of the state, or to enhance access to medical care by underserved populations or persons with disabilities in the state.

Wis. Stat. § 196.218 (4u) specifies that the PSC may spend up to \$500,000 annually from the USF for this program; that is the basis of the requested \$500,000 for FY 2001.

Public Interest Payphones
§ PSC 160.073

FY 2001 request - \$ 100,000

FY 98 actual	N/A
FY 99 actual	N/A
FY 00 expected	N/A
FY 01 estimate	\$ 100,000

A new rule has been promulgated to be consistent with FCC rulings on the provision of pay telephones when they are needed in the public interest but might not otherwise be provided. Under the new PSC rules, when a pay telephone is installed after being designated as a public interest pay telephone, the provider of that telephone may be reimbursed for the costs associated with provision of the service, less any federal universal service support or revenues generated at the pay telephone.

Because this is a new program, the requested amount is an estimate that will be updated based on actual demand.

Two-line Voice Carryover
§ PSC 160.071 (6) (b)

FY 2001 request - \$ 10,000

FY 98 actual	N/A
FY 99 actual	N/A
FY 00 expected	N/A
FY 01 estimate	\$ 10,000

Two-line voice carryover is a service technology that some persons with hearing impairments use to communicate over the telephone. It requires a second line. The new rules allow a customer to get that second line without a service connection charge or monthly rate. The service provider may be reimbursed for the amounts waived for these customers.

Use of this provision is expected to be low, especially in the first year of its existence. The request for \$10,000 is an estimate pending further experience with actual demands for this service.

Provider of Last Resort
§ PSC 160.14

FY 2001 request - \$ 0

FY 98 actual	\$ 0
FY 99 actual	\$ 0
FY 00 expected	\$ 0
FY 01 estimate	\$ 0

This is an existing program. In the event that no provider is willing to be the provider of last resort for telecommunications served to an exchange, the PSC shall hold an auction for the provider of last resort status and may provide USF compensation to the provider selected for that role.

The need for this provision is dependent on many actions and circumstances in the marketplace that cannot be foreseen at this time. For FY 2001, the PSC is not aware of any pending actions that would create USF payments for this purpose.

Eligible Telecommunications Carrier
§ PSC 160.13 (5) (c)

FY 2001 request - \$ 0

FY 98 actual	N/A
FY 99 actual	N/A
FY 00 expected	N/A
FY 01 estimate	\$ 0

This is a new provision in the rules to address the PSC designation of those providers as eligible telecommunications carriers (ETC); an ETC is then eligible for federal (and some state) universal service support. The rules have a provision for designating an ETC in an area if no provider seeks that status. In such a case, the PSC may use the provider of last resort process in Wis. Admin. Code §§ PSC 160.14 (3) to (6) to determine an ETC, and payments from the USF to the designated ETC may arise.

In this next fiscal year, no actions to use make payments from the USF for ETC status purposes are anticipated.

Advanced Telecommunications Services
§ PSC 160.035

FY 2001 request - \$ 0

FY 98 actual	\$	0
FY 99 actual	\$	0
FY 00 expected	\$	0
FY 01 estimate	\$	0

This is not a new rule. Under this rule, a provider, a customer, or the PSC may initiate an investigation about the deployment of advanced services. Following such an investigation, the PSC can determine a deployment schedule, set a maximum rate for the service, and determine if the provider needs USF support to meet the demand for the advanced serve capability.

No determinations have been made to date under this rule; in FY 2001, none are currently anticipated.

Administration
§ PSC 160.05

FY 2001 request - \$250,000

FY 98 actual	\$	124,971
FY 99 actual	\$	141,755
FY 00 expected	\$	140,000
FY 01 estimate	\$	250,000

Fund administration covers a variety of expenditures. The PSC has contracted with a fund administrator to handle assessments and disbursements for the fund and to administer certain of the programs. (Currently, the USF administrator's contract calls for an annual fee of \$99,900.) The USF administrator also handles assessments related to TEACH, the UW-System and the DPI BadgerLink, which are funded by the USF. The fund also pays for miscellaneous expenses including printing and promotional materials, travel reimbursement for the public members of the USF Council, interpreters for the deaf at USFC meetings, and assistance from the Department of Revenue in verifying whether Lifeline and Link-up applicants are eligible under the Homestead Tax Credit. (Payment to the Department of Revenue have averaged about \$1,900 per month.)

Because of the promulgation of new USF rules, there will be a need for more USF printed materials, for added administrative processes related to new programs, and for some additional promotional and education activities. Consequently, the administration expenditure was increased for FY 2001.

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