

July 11, 2000

13.10 Mtg. - Agenda Item IX  
Re: DOT - Amtrak Station Renovation

Summary:

DOT wants approval to use \$2 million of the \$50 million bonding set aside for passenger rail development to help match federal funding for renovation of the Amtrak Station in Milwaukee.

Analysis:

Rodney Kruehen called to say the funding should come from the transportation fund, not the bonding set aside. Sean in Cowles office, said Rob would not be "rocking the boat."

The Building Commission recently approved this funding proposal and JFC should too.

It is needed to match federal funds. FB memo indicates that passenger use of the Depot will likely double by 2010 (to nearly 900,000 people each year). The facility desperately needs to be updated and modernized. In addition, if CMC can make the Depot more profitable it will likely reduce state lease costs in the future.

Lastly, we need to show that Wisconsin is committed to moving forward with the Midwest Regional Rail Initiative that the governor and DOT are working so hard on. Funding the Depot improvements will show Congress and USDOT that we are moving in the right direction.

The FB memo really lays out a lot of reasons to support this request.

Recommendations:

Alternative 1



## 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: Transportation: Section 13.10 Request for the Use of General Obligation Bonding for the Renovation of the Milwaukee Amtrak Station -- Agenda Item IX

### REQUEST

The Department of Transportation requests the Committee's approval to use \$2,000,000 of the \$50,000,000 of general obligation bonding authorized by 1993 Act 16 for passenger rail route development to provide a state match for federal funds earmarked for the renovation of the Milwaukee Amtrak station.

### BACKGROUND

1993 Act 16 authorized \$50,000,000 in general obligation bonds for rail passenger route development, with debt service to be paid from the general fund. The act specified that DOT could use these funds for capital costs related to establishing passenger rail service between Milwaukee and Madison and between Milwaukee and Green Bay. 1997 Act 27 amended the Act 16 provisions to also allow up to \$10,000,000 of the bonds to be used for: (a) railroad track or rail passenger station improvements related to an Amtrak service extension route between Milwaukee and Waukesha County or the establishment of commuter rail service between these jurisdictions; or (b) rail passenger station improvements related to an existing rail passenger service. DOT is required to get the approval of the Joint Committee on Finance prior to the use of these bond proceeds and the Building Commission must approve the issuance of the bonds. The Building Commission approved the issuance of the \$2,000,000 at its June 28, 2000, meeting.

## DESCRIPTION

The Amtrak station in Milwaukee is owned by CMC Heartland Partners. CMC has proposed a renovation of both the first floor of the station, which serves as the passenger depot, and improvements to the exterior of the station. The interior renovations would include improvements to the passenger waiting areas, ticket counters, passenger boarding lounge and retail space, as well as general improvements to the appearance of the station. The improvements to the station's exterior would include the construction of a covered entryway and transit bus loading area, enhanced lighting and resurfacing of the parking lot and driveways. It is expected that eventually the second and third floors, which consist primarily of leased office space, will be renovated at CMC's expense.

The total estimated cost of the renovation of the first floor and the station's exterior is \$3,978,500. The Milwaukee County Board has approved a \$4,000,000 bond issue in its 2000 capital budget to provide advance funding for the project. The 1998 and 1999 federal appropriations acts for transportation included grants totaling \$1,989,274 for the station renovation and DOT's request would provide the required 50% match for these funds, providing a total of \$3,989,274.

## ANALYSIS

The Department of Transportation indicates that the principal benefits of the project would be to make the station more attractive and easier for passengers to use. The proposed exterior improvements, for instance, would make it easier for buses and taxis to enter and exit the station grounds. Some interior and exterior improvements would make the facilities more accessible for passengers with disabilities and it is expected that new retail space would make the station more convenient for passengers.

The use of the station has increased recently as the number of passengers using the Hiawatha route between Chicago and Milwaukee has increased in the past few years. The Department of Transportation is currently conducting preliminary engineering on a proposed high-speed rail service between Madison and Milwaukee, which would further increase the use of the Milwaukee station. This service is part of a proposal developed by nine Midwestern states, including Wisconsin, known as the Midwest Regional Rail Initiative. The proposal involves the construction of a high-speed network linking cities throughout the region with a hub in Chicago. In Wisconsin, the system would include service to Green Bay through Fond du Lac, Oshkosh, Appleton and other cities, and service to the Twin Cities as a continuation of the Milwaukee to Madison service. In addition, it is anticipated that a feeder bus network would be established to link more areas of the state to the service. Upon full implementation of the system, it is expected that the number of passengers using the Milwaukee station would more than double, to nearly 900,000 annually by 2010. It is anticipated that the \$50,000,000 in bonds authorized by 1993 Act 16 would be used, in conjunction with any available federal rail funds, to make the track, signaling and station

improvements necessary to implement the Milwaukee to Madison service, as well as to purchase the train equipment for the service.

The Midwest Regional Rail Initiative's strategic plan identifies local and private sector funds as a possible supplement to state and federal funds to pay for a portion of the proposed high-speed rail system. The rail passenger route development program, under which the \$50,000,000 in bonding is authorized, however, does not require a local funding share. The proposed renovation of the Milwaukee station would not involve any local governmental funding. It is expected that CMC Heartland will pay for the entire cost of renovating the second and third floors of the station (although these areas are not used by train passengers), and will pay Milwaukee's interest costs, if any, associated with providing the advance financing for the project. CMC will also be entirely responsible for the maintenance of the station and for any cost overruns for the renovation project.

If the service extensions envisioned under the Midwest Regional Rail Initiative occur, additional stations will be needed. Although future station improvements could be financed, in part, with local funds, other communities may argue that the stations could be financed using all federal and state funds, citing the Milwaukee project as a precedent.

DOT indicates that another possible benefit of the improvement project may be a future reduction in Amtrak's lease for the station if the improvements to the retail areas and an increase in the number of passengers make the station more profitable for CMC Heartland. A reduction in the lease for Amtrak could ultimately increase the profitability of a future high-speed rail system. It is expected that the proposed Midwest high-speed rail system will produce an operating surplus after a period of three or four years. This would be accomplished, in part, through the utilization of lighter, self-propelled passenger coaches that would be cheaper to maintain and run than the equipment currently used by Amtrak, and faster train speeds, which would reduce the cost of labor per mile traveled.

The Department of Transportation indicates that the federal funds provided by the 1998 federal appropriations act (\$996,774 of the \$1,989,274 total) will lapse if the matching funds are not committed by September 30. Because Milwaukee County is the local sponsor of the project for the purposes of receiving the federal funds, the county must formally apply to the Federal Transit Administration for the grant prior to that time in order to avoid the lapse of funds. The County has indicated, however, that the application will not be completed until state funds are available to fully reimburse the County. The Committee's approval of the use of state bond funds, therefore, would ensure that the federal funds do not lapse. It is expected that the project would begin soon after the Committee's approval and take about 12 months to complete.

DOT is in the process of finalizing an agreement on the project with Milwaukee County related to the use of the station. This agreement will require the county to, among other things, require CMC Heartland to agree to abide by certain maintenance standards for the station and specify, if the station is sold to another party, that the purchaser abide by similar standards.

**ALTERNATIVES**

1. Approve the Department of Transportation's request to use \$2,000,000 in bond funds to provide a state match for federal funds earmarked for the rehabilitation of the Milwaukee Amtrak station.

2. Deny the request.

Prepared by: Jon Dyck

MO# Alt 1

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

AYE 16 NO 0 ABS 0

TRANSPORTATION

Project Cost Overruns  
[Agenda Item IX]

Motion:

Move to require DOT, prior to expending any bond funds, to ensure that CMC Heartland will be entirely responsible for all costs of the renovation project above \$3,978,500.

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

AYE 16 NO 0 ABS \_\_\_\_\_

IX. Department of Transportation – Terrence D. Mulcahy, Secretary

The department, pursuant to s. 85.061(3)(b), requests approval to use up to \$2.0 million general obligation (GO) bonding authorized under s. 20.866(2)(up) to match approximately \$2.0 million from the Federal Transit Administration (FTA) for the renovation of the Milwaukee Amtrak Depot owned by CMC Heartland Partners, LP.

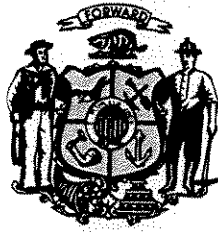
Governor's Recommendation

Modify the request. Authorize use of the requested bonding for both renovation and purchase of the Milwaukee Amtrak Depot.

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

TOMMY G. THOMPSON  
GOVERNOR

GEORGE LIGHTBOURN  
SECRETARY



IX

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

A handwritten signature in black ink, appearing to read "George Lightbourn", written over the printed name in the "From:" field.

**Subject:** Section 13.10 request from the Department of Transportation for approval to use \$2.0 million of general obligation bond authority.

**Request**

The department, pursuant to s. 85.061(3)(b), requests approval to use up to \$2.0 million general obligation (GO) bonding authorized under s. 20.866(2)(up) to match approximately \$2.0 million from the Federal Transit Administration (FTA) for the renovation of the Milwaukee Amtrak Depot owned by CMC Heartland Partners, LP.

**Background**

1993 Wisconsin Act 16 provided \$50 million GO bond authorization for capital costs associated with extending passenger rail service from Milwaukee to Green Bay and from Milwaukee to Madison. During the 1997-1999 biennial budget, the Legislature authorized the Department of Transportation (DOT) to use up to \$10 million of the GO bond proceeds for railroad track or railroad station improvements related to the extension of Amtrak (passenger rail) service from Milwaukee into Waukesha County or along an existing passenger rail service route. DOT is required to receive the approval of the Joint Committee on Finance (JCF) before using bond proceeds for these purposes.

FTA has earmarked \$996,800 FED in federal fiscal year 1997-98 and \$992,500 FED in federal fiscal year 1998-99 for the \$4.0 million rehabilitation of the former Union Depot (Milwaukee Amtrak Depot) in Milwaukee. Currently, the depot is leased to Canadian Pacific Railway Company by CMC Heartland Partners and made available for use by Amtrak for its interstate railroad service as part of the lease agreement. The federal grant requires a 50 percent local match for the total cost of the project. Milwaukee County is serving as the public sponsor for the renovation and has applied to DOT for \$2.0 million in state funds to provide the local match. The first portion of the federal earmarked funds is due to expire on September 30, 2000.



**Analysis**

The station renovation project will upgrade the interior and exterior of the depot and enhance access to Milwaukee County Transit System bus services and other intrastate and interstate bus carriers. DOT indicates the depot currently handles 420,000 passengers annually. The number of passengers is expected to increase to 885,000 by the year 2010 due to the expansion of intercity passenger rail in Wisconsin being planned by Amtrak and by the state as part of the Midwest Regional Rail Initiative. Similarly, the number of scheduled trains will increase from the current daily service of 12 round trips to approximately 31 roundtrips.

Currently, Milwaukee County and CMC Heartland Partners are meeting with FTA to clarify the Milwaukee County partnership obligations, project scope and funding eligibility. Federal tax laws require the state to have an ownership interest in the depot equivalent to the state's contribution (\$2.0 million). However, the nature of the state's ownership interest in the rehabilitation project has yet to be determined. The final agreement drafted between the State of Wisconsin, Milwaukee County, CMC Heartland Partners and FTA would clarify the state's ownership interest before the bonds are issued.

Alternatively, the state could purchase the Milwaukee Amtrak Depot from CMC Heartland Partners. Under this scenario, the state's ownership interest is protected since the state would own the depot and lease the facility to Amtrak for passenger rail purposes. The Committee could authorize DOT to use GO bonding for acquisition, in addition to renovation of the depot.

**Recommendation**

Modify the request. Authorize use of the requested bonding for both renovation and purchase of the Milwaukee Amtrak Depot.

Prepared by: John M. Etzler  
266-1039



Wisconsin Department of Transportation

www.dot.state.wi.us

Tommy G. Thompson  
Governor

Terrence D. Mulcahy, P.E.  
Secretary

Office of the Secretary  
4802 Sheboygan Ave., Rm. 120B  
P.O. Box 7910  
Madison, WI 53707-7910

Telephone: 608-266-1113  
FAX: 608-266-9912  
E-Mail: sec.exec@dot.state.wi.us

June 15, 2000

Senator Brian Burke  
State Capitol 316 South  
PO Box 7882  
Madison, WI 53707-7882

Representative John Gard  
State Capitol 315 North  
PO Box 8952  
Madison, WI 53708-8952

Dear Senator Burke and Representative Gard:

The Wisconsin Department of Transportation (WisDOT) requests the Joint Committee on Finance to approve the use of up to \$2 million of General Obligation (GO) bond authority for the renovation of the Milwaukee Amtrak Depot owned by CMC Heartland Partners, LP.

As detailed in the enclosed materials, the state bond funding will provide the local match to almost \$2 million in appropriations from the Federal Transit Administration. Milwaukee County serves as the local government sponsor for the \$4 million project.

The station renovation project will thoroughly modernize the interior and exterior of the depot, to make it an attractive and efficient gateway to Milwaukee and Wisconsin. Currently, 420,000 passengers use the facility each year, a figure that will rise to 885,000 as passenger rail is expanded through the Midwest Regional Rail Initiative. The improvements will also enhance access to connecting transportation services, including the Milwaukee County Transit System.

As you consider this request, we ask you to make a prompt decision, as approximately half of the federal funding will expire on September 30, 2000, and would thus be unavailable for the project.

Thank you for your consideration. Please contact me if you need additional information about the project and our request.

Sincerely,

*Terrence D. Mulcahy*  
Terrence D. Mulcahy  
Secretary

cc: Governor Tommy Thompson  
Secretary George Lightbourn, Department of Administration  
Joint Committee on Finance Members  
County Executive F. Thomas Ament, Milwaukee County

**REQUEST FOR BONDING AUTHORITY  
by the Wisconsin Department of Transportation**

**Milwaukee Amtrak Depot Renovation**

*Request*

Wisconsin Statutes Section 20.866(2)(up) allows the state to contract public debt in an amount not to exceed \$50 million for rail passenger service development. Of the \$50 million, \$10 million may be used for rail passenger station improvements.

The Wisconsin Department of Transportation (WisDOT) is requesting the Joint Committee on Finance approve the use of up to \$2 million of General Obligation (GO) bond authority to match of \$2 million in Federal Transit Administration (FTA) funds earmarked for the renovation of the Milwaukee Amtrak Depot owned by CMC Heartland Partners, LP. The US Congress approved \$1 million of FTA funding in 1998 and an additional \$1 million in 1999 for renovation of the Milwaukee depot.

Without matching funds as a commitment to spend the federal funds, the 1998 earmark of \$1 million will be lost on September 30, 2000. State Building Commission approval, which includes review by the Department of Administration (DOA) Capital Finance Office and the Bond Counsel, is also required before these funds can be committed to the project.

*Rationale for request*

The Milwaukee Amtrak Depot was originally built in 1965. It is currently owned by CMC Heartland Partners, LP (CMC) and is leased to Canadian Pacific Railway (CP) company. CP makes the depot available to Amtrak for two services:

- The state-supported *Hiawatha Service*, providing six daily round trip trains between Milwaukee and Chicago; and
- The *Empire Builder*, offering one round-trip daily as part of the long-distance corridor from Chicago to the Pacific Northwest.
- Over 420,000 arriving or departing passengers used the Milwaukee Amtrak Depot in 1999.

Although the depot is in sound structural condition, its internal design is obsolete by current standards of passenger friendly facilities. In addition, the station lacks facilities for passengers to make easy connections to local ground transportation services, including the Milwaukee County Transit System (MCTS).

Due to increased ridership on Amtrak's *Hiawatha Service*, and the greater reliance on public transportation by Amtrak passengers arriving or departing from Milwaukee, CMC has developed a \$4 million renovation plan for the depot, to include the following elements:

- Modernization of the interior and exterior of the depot to better serve passengers and staff, and to make it an attractive gateway to the city and state;
- Improved accessibility to public and private ground transportation, including MCTS lines as well as intrastate and interstate bus carriers;
- An ultimate goal to transform the depot into a major intermodal transportation facility serving the City and County of Milwaukee, the greater Milwaukee metropolitan area, and the rest of Wisconsin.

The renovated depot will better serve increased passenger counts resulting from expansions of intercity passenger rail in Wisconsin being planned by Amtrak and by the state as part of the Midwest Regional Rail Initiative:

- Midwest Rail calls for additional passenger rail routes and service from Milwaukee to Green Bay, and from Milwaukee through Madison and La Crosse to Minneapolis/St. Paul.
- The state currently has an engineering study and environmental analysis underway from Milwaukee to Madison, with an ultimate goal for service to start by December, 2003.
- Independent of the Midwest Rail initiative, Amtrak has announced plans for extension of the *Hiawatha Service* to Fond du Lac in the near future.

With these service expansions, passenger use of the depot is expected to more than double from the current 420,000 annual passengers to 885,000 by the year 2010. The number of trains using the station will increase from the current 14 arrivals and departures, to 34 arrivals and departures.

Milwaukee County is the public sponsor of the depot renovation. As such, it has secured \$2 million in appropriations from the Federal Transit Administration that requires a dollar-for-dollar local match. Milwaukee County has applied to WisDOT for \$2 million to provide this local match (see attached). There is great urgency in the request, as approximately \$1 million of the federal funds are due to expire on September 30, 2000.

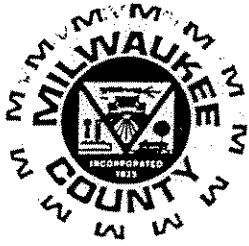
WisDOT participation is consistent with the station improvement clause of the Rail Passenger Route Development Program and current and future passenger rail transportation in the state. As WisDOT is unable to provide funding from currently available SEG funds, the department is seeking approval to use its authorized rail passenger route development bonding.

*How request meets statutory criteria*

The bonding authorized under s.20.866(2)(up) is available for Rail Passenger Route Development purposes described in s.85.061 of the Statutes. The program was created in 1993 specifically to finance the capital costs related to extensions of passenger rail service between Milwaukee and the cities of Madison and Green Bay and Waukesha County as well as rail passenger station improvements on new and existing rail passenger routes.

Specific to this request, s. 85.061(3)(a) 3 allows for the funding of rail passenger station improvements related to an existing rail passenger service from the bonding authorized under s. 20.866(2)(up). Section 20.866(2)(up) states that up to \$10 million of the \$50 million in bonding authorized for rail passenger route development may be used for rail passenger station improvements.

Under s.85.061(3)(b), the Department may not use the bonding unless the Joint Committee on Finance approves the use of the funds. However, the format of the Committee's approval is not specified. In reviewing this request, we ask that you consider the urgency in which this funding is needed to prevent the loss of currently available federal funding.



DEPARTMENT OF PUBLIC WORKS

*Milwaukee County*

WILLIAM HEINEMANN, A.I.A., P.E. • DIRECTOR

April 4, 2000

Mr. Ronald E. Adams, Director  
Bureau of Railroads and Harbors  
Wisconsin Department of Transportation  
4802 Sheboygan Avenue  
Room 155B  
Madison, WI 53707

Re: **CMC Depot Rehabilitation Project**

As you are aware from our telephone conversations of the past year, the Milwaukee County Board of Supervisors in July, 1999, adopted a resolution directing the Director of Public Works to advance the goal of Milwaukee County sponsorship of the CMC Depot Rehabilitation Project by executing a Memorandum of Understanding with CMC, and providing that any subsequent proposed grants or agreements were subject to review and approval of the County Board. Further, staff was directed to resolve all development issues and prepare all needed grant agreements, again subject to County Board review and approval before execution by the Director of Public Works.

The general outline of this project involves a \$4,000,000 rehabilitation of the former Union Depot of the Milwaukee Road, located at 433 West St. Paul Avenue in Milwaukee, Wisconsin, leased to C.P. Rail by CMC Heartland Partners (a Delaware general partnership), a diversified land holding and development company, which succeeded to most of the non-operating property of the Milwaukee Road, pursuant to a reorganization proceeding in U.S. District Court for the Northern District of Illinois commenced on December 19, 1977. C.P. Rail makes the depot available for use by Amtrak for purposes of its interstate railroad service to and from the City of Milwaukee under the terms of a master operating agreement between C.P. Rail and Amtrak.

COURTHOUSE ANNEX • 907 NORTH 10TH STREET • MILWAUKEE, WI 53233

FAX NUMBERS: Central Mail Room 223-1377 • Architecture & Engineering 223-1366  
Transportation 223-1850 • Administration 223-1899

Due to greater use of the Amtrak depot as a result of increased ridership on Amtrak's Hiawatha service between Chicago and Milwaukee, and a greater reliance on public transportation by Amtrak passengers arriving in or departing from Milwaukee, CMC has undertaken development of a rehabilitation plan which will upgrade the interior of the depot to make it more passenger friendly and to improve the ability of passengers arriving or departing Milwaukee to more easily gain access to and from local bus transportation provided by the Milwaukee County Transit System (MCTS), as well as other intrastate and interstate bus carriers. During the course of our discussions, the Midwest Rail Initiative has been developing, and according to projections from the Wisconsin Department of Transportation (WisDOT) Bureau of Railroads and Harbors, this initiative will significantly increase the passenger use of the depot from 420,000 passengers annually to 885,000 passengers annually, a 47.5% increase (465,000 passengers) over the current passenger usage. Similarly, the number of scheduled trains will also increase from the current daily service of 12 roundtrips to approximately 31 roundtrips. The project scope documents produced by CMC as well as White Paper Report, providing project justification, are Attached for your use and review in support of this application.

The \$4,000,000 project first received U.S. Department of Transportation support when FTA earmark funding of \$996,774 was approved by Congress for FY 1998. A second earmark in the amount of \$992,500 was approved by Congress for FY 1999. This \$1,989,274 total represents approximately fifty percent of project needs. Contemporaneously, the Wisconsin State Legislative approved authorization of up to \$2,000,000 from the State Transportation Bond Pool, earmarked for renovation of the Milwaukee Depot. This \$2,000,000 in State bond funds is intended to provide the entire required local match for the FTA earmark funding. Our conversations have established that this project will probably come under the jurisdiction of the FTA, and FTA procedures and requirements will probably be used to guide the project, even though State of Wisconsin funds are equally used.

In accordance with Milwaukee County Board directives, Milwaukee County staff, advancing the goal of Milwaukee County sponsorship of the CMC Depot Rehabilitation Project, hereby requests on behalf of CMC Heartland Partners, the State of Wisconsin consideration and approval for up to \$2,000,000 in State of Wisconsin Transportation Bond Pool funds to serve as the entire local match for approximately \$2,000,000 in FTA earmark funds. In commitment to this project, the Milwaukee County Board of Supervisors has

included \$4,000,000 in its (March 7, 2000) 2000 Capital Improvements Bond, providing upfront project funding, as needed. The County Board has directed, however, that no Milwaukee County tax levy be used for the project, requiring 100% FTA and State reimbursements for all project-related costs.

The process Milwaukee County proposes to follow as sponsor for CMC involves first, an application to the State of Wisconsin for local matching funds and development of all required understandings and agreements. To this end, we understand that this application for Transportation Bond Pool funds must initially be reviewed by WisDOT and forwarded with an affirmative recommendation to the Wisconsin Joint Finance Committee. Upon Joint Finance Committee approval, we further understand that the Wisconsin Building Commission must also approve this project and State funding.

Because the first (FY 1998) FTA earmark funds must be committed to a grant contract by September 30, 2000 or they will be lost, Milwaukee County, immediately upon applying for the State of Wisconsin local share match and having established for FTA the proposed basis and nature of the Federal fund match, will together with CMC Heartland Partners, meet with FTA to clarify detail questions relating to Milwaukee County sponsorship obligations, project scope and funding eligibility, environmental requirements or a categorical excursion of Environmental Impact requirements, and possible application of FTA circular requirements to a project of this type. Resolutions of these issues will provide the information and FTA understandings that will permit Milwaukee County staff to develop the final FTA grant application and final terms of Milwaukee County sponsorship for approval, as necessary, by CMC, the State of Wisconsin and the Milwaukee County Board, prior to submittal to FTA.

Time is of the essence in this request to the State of Wisconsin for Transportation Bond Pool funds. While this application to the State will serve as a foundation for approaching FTA, approval of State funding for the entire 50% local match of the ultimate FTA approved project scope, up to \$2,000,000, must be assured by the State in time for FTA to commit to a grant by September 30, 2000, at least the first (FY 1998) of the two Federal earmarks.

As we both are aware, this project is supported at the highest levels of State, County and City government. Milwaukee County, therefore, requests expeditious WisDOT review and affirmative recommendation to the Joint Finance Committee and thereafter the State Building Commission, to establish the availability of a 50%



local project match up to \$2,000,000 for the rehabilitation of the Milwaukee Amtrak Depot.

Milwaukee County pledges its full assistance and staff resources in meeting deadlines in furtherance of this needed and worthwhile project. Please contact Ronald J. Rutkowski, P.E., of my staff at (414) 278-4888 if there are any questions in regard to this request.

Sincerely,



William Heinemann, A.I.A., P.E.  
Director of Public Works

WH:RJR:cmcb\ltr2radams.doc

Attachments

c: F. Thomas Ament, Milwaukee County Executive  
Thomas Kujawa, Milwaukee Co. Transit System  
William Guis, Frieibert, Finerty & St. John, S.C.  
John Finerty, Frieibert, Finerty & St. John, S.C.  
James Righeimer, CMC Heartland Partners  
Joel Ettinger, Federal Transit Administration-Region V  
Ronald Rutkowski, Milwaukee County Department of Public Works

**DOT****FTA**

U.S. Department of Transportation

Federal Transit Administration

## Application for Federal Assistance

### Part 1: Recipient Information

Recipient ID .....: 1260  
 Recipient Name .....: MILWAUKEE COUNTY TRANSIT SYSTEM  
 Address.....: 907 N. 10th Street Room 314, MILWAUKEE, WI 53223 0000  
 Telephone.....: 4142784835  
 Facsimile.....: 0000000000

### Part 2: Project Information

Project Number.....	WI-03-0073	Total Cost.....	\$ 3,978,548
Fed Dom Asst. #.....		Adjustment Amt.....	\$ 0
Project Description...	Milwaukee Amtrak Depot Renovation	Elig. Project Cost....	\$ 3,978,548
State Appl. ID.....		Total FTA Amt.....	\$ 1,989,274
Recvd. by State.....		Total State.....	\$ 1,989,274
STIP Page.....		Total Local.....	\$ 0
STIP Date.....	Sep. 10, 1999	Other Federal.....	\$ 0
FTA Project Mgr.....			
Applicant Type.....			
Application Type.....			
Revision Reason.....	Initial Application		
Start/End Dates.....			
Urbanized Areas.....	550160		
EO 12372 Rev.....			
Review Date.....			

### Project Details

Interior and limited renovation to improve the functional utility and appearance of the Milwaukee Amtrak Depot's public areas by creating a user-friendly environment for intermodal passengers. The project will enhance the convenience of use for passengers and improve accessibility of the terminal for local ground transportation including buses and shuttles operated by MCTS.

CMC Heartland Partners will handle contracting and construction management, subject to Federal Transit Administration circulars on competitive procurement, Brooks Act, Buy America and construction management. Milwaukee County DPW will provide oversight of FTA rules and grant management.

Milwaukee County will have continuing control of public project funds. Agreement drafts are in progress that will assure that Milwaukee County will have continuing bus access within the depot. Perpetuating depot maintenance will be handled by CMC by a written agreement accepting this responsibility from the County and providing County oversight consistent with FTA requirements.

**DOT**



**FTA**

U.S. Department of Transportation

Federal Transit Administration

Milwaukee County has budgeted/bonded 100% of the project cost. CMC will certify payments due contractors, to be paid by Milwaukee County and reimbursed to the County by FTA through ECHO. State of Wisconsin funds will provide the 50% local share of FTA funds.

A comprehensive project description is provided in the "Milwaukee Amtrak Depot Renovation Project" report prepared by CMC Heartland Partners and presented to FTA - Region V on April 20, 2000.

### Part 3: Budget

#### Project Budget

<u>SCOPE</u>	<u>Quantity</u>	<u>FTA Amount</u>	<u>Tot. Elig. Cost</u>
11100 BUS - ROLLING STOCK ACTIVITY	15	\$ 1,989,274	\$ 3,978,548
113402 REHAB/RENOVATE - BUS STATION	3	\$ 1,121,775	\$ 2,243,550
113403 REHAB/RENOVATE - INTERMODAL BUS TERMINAL	3	\$ 400,000	\$ 800,000
113404 REHAB/RENOVATE - BUS PARK & RIDE LOT	1	\$ 97,500	\$ 195,000
117101 PRELIMINARY ENGINEERING - 3RD PARTY	4	\$ 122,850	\$ 245,700
117103 PROJECT MANAGEMENT - 3RD PARTY	1	\$ 30,000	\$ 60,000
117106 LEGAL SERVICES - 3RD PARTY	1	\$ 26,875	\$ 53,750
117300 CONTINGENCIES/PROGRAM RESERVE	1	\$ 185,274	\$ 370,548
117900 PROJECT ADMINISTRATION	1	\$ 5,000	\$ 10,000

#### Extended Budget Descriptions

113402 REHAB/RENOVATE - BUS STATION 3 \$ 1,121,775 \$ 2,243,550

1. Reconfigure electrical/mechanical : \$750,000
2. Interior renovation - Amtrak: \$1,250,000
3. Interior renovation - retail: \$243,550

113403 REHAB/RENOVATE - INTERMODAL BUS  
TERMINAL 3 \$ 400,000 \$ 800,000

1. Bell tower/entrance: \$500,000
2. Exterior arcade: \$ 250,000
3. Exterior painting: \$50,000

113404 REHAB/RENOVATE - BUS PARK & RIDE  
LOT 1 \$ 97,500 \$ 195,000

A parking lot will be constructed to facilitate intermodal passenger use. A seperate parking area, paid for by local businesses, is available for area employees.

DOI



FTA

U.S. Department of Transportation

Federal Transit Administration

117101 PRELIMINARY ENGINEERING - 3RD PARTY 4 \$ 122,850 \$ 245,700

1. Pre-design: \$22,200
2. Schematic design: \$23,000
3. Design development: \$30,500
4. Contract/bidding docs: \$170,000

117106 LEGAL SERVICES - 3RD PARTY 1 \$ 26,875 \$ 53,750

Pre-award eligible consulting fees incurred after 9/10/99.

## Part 4. Milestones

113402 REHAB/RENOVATE - BUS STATION 3 \$ 1,121,775 \$ 2,243,550

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Jun. 1, 2000
2. Contract Award .....	Sep. 1, 2000
3. Contract Complete .....	Jun. 1, 2001

113403 REHAB/RENOVATE - INTERMODAL BUS TERMINAL 3 \$ 400,000 \$ 800,000

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Jun. 1, 2000
2. Contract Award .....	Aug. 1, 2000
3. Contract Complete .....	Nov. 1, 2000

113404 REHAB/RENOVATE - BUS PARK & RIDE LOT 1 \$ 97,500 \$ 195,000

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Jun. 1, 2000
2. Contract Award .....	Aug. 1, 2000
3. Contract Complete .....	Nov. 1, 2000

117101 PRELIMINARY ENGINEERING - 3RD PARTY 4 \$ 122,850 \$ 245,700

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Jan. 1, 2000
2. Contract Award .....	Mar. 1, 2000
3. Contract Complete .....	Jun. 1, 2000

**DOT**



**FTA**

U.S. Department of Transportation

Federal Transit Administration

117103 PROJECT MANAGEMENT - 3RD PARTY 1 \$ 30,000 \$ 60,000

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Jan. 1, 2000
2. Contract Award .....	Mar. 1, 2000
3. Contract Complete .....	Aug. 30, 2001

117106 LEGAL SERVICES - 3RD PARTY 1 \$ 26,875 \$ 53,750

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Sep. 15, 1999
2. Contract Award .....	Oct. 15, 1999
3. Contract Complete .....	May. 1, 2000

117300 CONTINGENCIES/PROGRAM RESERVE 1 \$ 185,274 \$ 370,548

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Jan. 1, 2000
2. Contract Award .....	Mar. 1, 2000
3. Contract Complete .....	Jul. 1, 2001

117900 PROJECT ADMINISTRATION 1 \$ 5,000 \$ 10,000

<u>Milestone Description</u>	<u>Est. Comp. Date</u>
1. RFP/IFB Issued .....	Sep. 10, 1999
2. Contract Award .....	Sep. 10, 1999
3. Contract Complete .....	Jul. 1, 2001

## Part 5. Environmental Findings

11100 BUS - ROLLING STOCK 15 \$ 1,989,274 \$ 3,978,548

### Finding No. 1

Finding Type ..... : Class II(c) \*\*\* CATEGORICAL EXCLUSION \*\*\*  
 Type Code ..... : D09-Reconstruction of rail & bus buildings  
 Rehabilitation or reconstruction of existing rail and bus buildings and ancillary facilities where only minor amounts of additional land are required and there is not a substantial increase in the number of users.

**13.10 Meeting**  
**Wednesday, July 12, 2000**  
**Agenda Item X**

**Issue:**

Revenue – Transfer Funding for the Integrated Tax System Project

**Comments:**

DOR is requesting release of \$6,920,500 (\$5,701,000 GPR and \$1,219,500 PR) in 2000-01 from the JFC supplemental appropriation to continue the integrated tax system (ITS) project.

The budget provided DOR with funds to continue implementation of this system with the understanding that it would be placed in the Committee's appropriation until plans and implementation contracts were more securely identified. Since that time, DOR has submitted a report detailing past and future expenditures for the project.

The implementation schedule appears to be on track (possibly 6 months behind) and DOR has completed the first phase of the project. As required by Act 9 language, the Department submitted a report to JFC and is now ready to begin work on phase two. Their request appears reasonable, and given that the legislature has appropriated money for this project in the past, it seems logical to give DOR access to the resources they need to fully implement the system.

**Staff Recommendation:**

Alternative 1.

**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: Revenue: Section 13.10 Request to Transfer Funding for the Integrated Tax System--  
Agenda Item X

The Department of Revenue (DOR) requests the release of \$6,920,500 (\$5,701,000 GPR and \$1,219,500 PR) in 2000-01 from the reserve in the Joint Committee on Finance's GPR and PR supplemental appropriations to continue the integrated tax system (ITS) project. These monies would be transferred as ongoing base funding to the following appropriations in DOR:

20.566(3)(b)	Integrated tax system technology	\$5,701,000 GPR
20.566(1)(g)	Administration of county sales and use taxes	800,000 PR
20.566(1)(gb)	Business tax registration	269,500 PR
20.566(1)(gd)	Administration of special district taxes	30,000 PR
20.566(1)(gg)	Administration of local taxes	75,000 PR
20.566(1)(ha)	Administration of liquor tax	45,000 PR

### BACKGROUND

The Department has been working with private vendors to develop and implement an integrated tax system for administering state taxes since 1998. The ITS involves the use of technology to comprehensively modernize, upgrade and reorganize the Department's tax administration personnel, activities, processes and systems into functional components.

The 1999-01 biennial budget (1999 Wisconsin Act 9) provided DOR with \$6,920,500 (\$5,736,000 GPR and \$1,184,500 PR) in 1999-00 and \$6,920,500 (\$5,701,000 GPR and \$1,219,500 PR) in 2000-01 to continue implementation of the system. However, because specific

plans and implementation contracts had not been developed at the time the budget was being debated, the funding for 2000-01 was placed in the Committee's supplemental appropriations for release, under s. 13.10, after the Committee approves a report submitted by DOR that details past and future expenditures for the ITS. The Department must also prepare a report to the Committee by January 1, 2002, that identifies the additional revenues generated by the system.

## **ANALYSIS**

As required by the budget act, the Department has submitted a report to the Committee that identifies expenses that have already been incurred for the system and detailed estimates of future costs. The system is being implemented in six phases and is expected to be completed in 2007. Anticipated benefits of the system include more efficient tax processing, around-the-clock customer service, internet tax filing, one-stop shopping to get answers to tax and account questions, faster refunds and additional tax revenues.

### **Functional Components**

The ITS will be comprised of the following functional components:

Data Capture. Capturing all submissions received by the Department in a standard electronic form that can be used in tax processing and customer service activities.

Registration. Single, centralized registration by all taxpayers regardless of tax type. Maintenance of account information about each customer across all tax types in one central source.

Accounting. A centralized process that creates and maintains a single integrated account for each taxpayer and generates bills and assessments. In addition, an automated system that provides disbursements and statistics to internal and external customers for all documents, collections and refunds issued.

Delinquent Tax. Upgrading and incorporating the delinquent tax collection system into an integrated billing and collection system.

Returns and Payment Processing. Integration and simplification of the workflow of processing tax returns, forms, payments and refunds.

Case Management. Administrative support and information needed to manage a tax case throughout the tax process (correspondence, status, exceptions processing, outcomes of actions, and other information about tax cases).

Audit/Decision Support. Information and processing support for the audit process. Includes data warehousing, high-powered query and analytical tools.

Customer Service. Technology support for the services provided by the Department. This



component will use technology to improve responses to customer inquiries, redesign and distribute tax forms and to communicate with taxpayers.

There will also be several initiatives and pilot projects that are not specific components of the core computer system but, when successfully completed, will be (or have been) incorporated into the permanent system. These include upgrading and expanding scanning and imaging, a sales tax internet filing pilot project, a data warehouse pilot project, and tax forms redesign to improve compliance and enhance scanning activities.

### **Implementation Schedule**

The Department has completed the first phase of implementing the system, which included completion of a master plan for system development, process analysis and definition of the business requirements for system processes. In addition, three pilot projects have been initiated. The sales tax internet pilot allows sales and use taxpayers to use the internet to file their returns. The Department has also begun to use scanning technology for data capture and storage of individual income tax returns and has implemented a data warehouse pilot project. The expanded use of scanning technology is expected to reduce processing time. The data warehouse allows stored data to be manipulated to demonstrate relationships and patterns in taxpayer information that can be used to improve audit selection. The Department contracted with IBM for development of the master plan and other activities in the first phase of implementation.

Each component of the ITS will be developed to include all of DOR's tax systems, but each tax will be separately incorporated into the system. The Department intends to begin Phase 2 of the implementation schedule in July, 2000. This will involve the actual design, development and construction of the first release of the system, which will primarily address the sales and use tax. Release 1 is scheduled for implementation in February, 2002. Because many of the functional components of the system will be common to all taxes collected by the Department, DOR believes that about 60% of the system software will be constructed during Phase 2. The Department has contracted with American Management Systems (AMS) as its vendor partner for Phase 2.

Additional functional components will be developed and additional taxes will be introduced to the system during Phases 3 through 6, which are scheduled to be implemented from 2002 through 2007. Phase 3, which is scheduled from 2002 through 2004, will focus on the individual income tax and estate tax. It is anticipated that the income tax system will be operational by January, 2003, for use in processing tax year 2002 returns. Phase 4 will be implemented in 2005 and will focus on withholding taxes, corporate income taxes and other business taxes. Excise taxes will be added to the system in Phase 5 (2006) and the remaining tax systems (property, utility and miscellaneous taxes) will be incorporated in Phase 6 (2007). System upgrades will begin in 2007.

The Department indicates that it is currently about six months behind its original implementation schedule. The Department hopes to close this gap by 2004-05, primarily by beginning work on the individual income tax system before completion of the sales tax system.

More detailed information regarding the implementation schedule can be found in the Department's request.

### **ITS Budget**

The Department is financing the system with a combination of master lease and cash payments. Master leasing of goods and services will be the primary means of financing the remaining phases of the project. Phase 1 of the system cost an estimated \$8.8 million for contract services (\$8.5 million) and DOR expenses (about \$360,000). Contract costs for Phase 2 are anticipated to be \$20.7 million and contract costs for Phase 3 are estimated at \$22.3 million. Much lower contract costs are expected for Phases 4 and 5 (\$1.9 million). The Department expects to implement Phase 6 without an outside vendor. Total contract costs for remaining system development activities are estimated at \$45.0 million. Additional vendor costs will be incurred beginning in 2006-07 for system upgrades.

The Department's request would provide annual base funding of \$6,920,500. However, \$152,500 PR of this funding would be used to support 3.0 positions approved by the Committee in January, 2000, in the business tax registration appropriation to work on the ITS. Therefore, net annual funding for other ITS costs would be \$6,768,000.

Although work on developing the system is scheduled to be completed by 2007, it is expected that the Department will continue to incur master lease costs through the 2010-11 fiscal year, and possibly into 2012-13 for the Phase 5 expenses. In addition, there will be ongoing costs in future years to maintain and operate the system. The ongoing costs will depend upon the ultimate configuration and uses of the system, and are unknown at this time. The Department has developed a payment schedule through 2009-10 that would allow it to cover the costs of the system with the \$6,768,000 annual funding amount. This schedule is reproduced in Attachment 1. As shown in the attachment, the requested funding level is estimated to be sufficient in each year except 2003-04, when a deficit of \$107,200 is projected. However, the Department believes that this deficit will probably not occur due to cost variances. Total costs for the system, including master lease financing charges, are estimated at \$78.1 million from 1997-98 through 2009-10.

### **Increased Revenues Resulting from the ITS**

The Department believes that the integrated tax system will help generate additional tax revenues for the state. The budget bill assumed that an additional \$4.8 million in sales and use and corporate income tax revenue would be generated in 2000-01 by audits related to the implementation of the system. This estimate was developed by IBM based on an analysis of specific cases where the tax gap caused by taxpayer underreporting could be reduced through the ITS. The additional revenue in 2000-01 would be generated primarily by using external data in conjunction with DOR records to identify sales and use tax audit candidates and businesses that are not filing or underreporting sales and use and income and franchise taxes. The Department is confident of its original estimates, which anticipate further increases in future years (\$37.2 million

annually by 2004-05). As noted, the Department is required to prepare a report to the Committee by January 1, 2002, that identifies the additional revenues generated by the system.

## **SUMMARY**

The Legislature has provided funding for the integrated tax system since the 1997-98 fiscal year. The Department has completed the first phase of developing the system and is ready to begin implementing Phase 2 of the project. As required by Act 9, DOR has submitted a report to the Committee that details past and future expenditures for the system. Although many of the future costs are still uncertain, the Department has entered into a contract with a vendor for the implementation of Phase 2, which will necessitate expenditures in the 2000-01 fiscal year. Therefore, it appears reasonable for the Committee to release the funding requested by the Department.

## **ALTERNATIVES**

1. Approve the Department's report and release \$5,701,000 GPR and \$1,219,500 PR in 2000-01 from the reserve in the Committee's GPR and PR supplemental appropriations as ongoing base funding to continue implementation of the integrated tax system. Place these funds in the following appropriations in DOR:

- \$5,701,000 GPR in the appropriation under s. 20.566(3)(b)
- \$800,000 PR in the appropriation under s. 20.566(1)(g)
- \$269,500 PR in the appropriation under s. 20.566(1)(gb)
- \$30,000 PR in the appropriation under s. 20.566(1)(gd)
- \$75,000 PR in the appropriation under s. 20.566(1)(gg)
- \$45,000 PR in the appropriation under s. 20.566(1)(ha)

2. Deny the request.

Prepared by: Rob Reinhardt  
Attachment



MO# A1+2

BURKE	(Y)	N	A
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
MOORE	(Y)	N	A
SHIBILSKI	(Y)	N	A
PLACHE	(Y)	N	A
COWLES	(Y)	N	A
<del>PANZER</del>	(Y)	N	A
<i>Darting</i>			
ZGARD	(Y)	N	A
PORTER	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUBER	(Y)	N	A
RILEY	(Y)	N	A

AYE 16 NO 0 ABS

X. Department of Revenue – Cate Zeuske, Secretary

The department requests the release of \$5,701,000 GPR and \$1,219,500 PR in fiscal year 2000-01 from the reserved portions of the Committee's appropriations under s. 20.865(4)(a) and (g) for the Integrated Tax System project. The department requests the release of this funding in fiscal year 2000-01 as follows: \$5,701,000 GPR to the appropriation under s. 20.566(3)(b), \$30,000 PR to the appropriation under s. 20.566(1)(gd), \$269,500 PR to the appropriation under s. 20.566(1)(gb), \$75,000 PR to the appropriation under s. 20.566(1)(gg), \$800,000 PR to the appropriation under s. 20.566(1)(g) and \$45,000 PR to the appropriation under s. 20.566(1)(ha).

Governor's Recommendation

Approve the 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 Department of Revenue for the Integrated Tax System.

**Request**

The department requests the release of \$5,701,000 GPR and \$1,219,500 PR in fiscal year 2000-01 from the reserved portions of the Committee's appropriations under s. 20.865(4)(a) and (g) for the Integrated Tax System project. The department requests the release of this funding in fiscal year 2000-01 as follows: \$5,701,000 GPR to the appropriation under s. 20.566(3)(b), \$30,000 PR to the appropriation under s. 20.566(1)(gd), \$269,500 PR to the appropriation under s. 20.566(1)(gb), \$75,000 PR to the appropriation under s. 20.566(1)(gg), \$800,000 PR to the appropriation under s. 20.566(1)(g) and \$45,000 PR to the appropriation under s. 20.566(1)(ha).

**Background**

The Department of Revenue (DOR) has over 30 separate computer systems for the administration of the taxes it collects for state and local government -- including individual income, sales, cigarette, county sales and stadium taxes. These systems were developed separately over the last 40 years and do not readily allow the data or programming in one system to be utilized in another. Consequently, these systems have many duplicative functions such as case management and issuance of refunds. The existing structure gives poor service to taxpayers -- one tax system may issue a bill while another issues a refund. Many use outdated computer languages.

To eliminate these problems and take advantage of modern software and hardware, DOR is planning to implement an Integrated Tax System (ITS). The ITS will provide one unified system to replace the existing fragmented structures. The ITS will better serve taxpayers by providing round-the-clock taxpayer assistance, Internet tax filing and faster refunds. It will allow DOR to provide the services that residents and businesses expect. Revenue collections will increase by enhanced targeting of audit activities and by tracking taxpayers across all tax types.

In approving DOR's plans, the Joint Committee on Finance in 1999 Wisconsin Act 9 provided the department with 2000-01 funding of \$6,920,500 for implementation of the ITS. The table below presents the allocation of this funding by appropriation.

	<u>2000-01 Funding</u>
<b>GPR</b>	
Integrated Tax System	\$5,701,000
<b>PR</b>	
Admin. Of Special District Taxes	\$30,000
Business Tax Registration	269,500
Admin. of Local Taxes	75,000
Admin. of County Sales & Use Taxes	800,000
Admin. of Liquor Tax	<u>45,000</u>
Subtotal PR	\$1,219,500
 TOTAL 2000-01 FUNDING	 \$6,920,500

While providing this funding, 1999 Wisconsin Act 9 also placed it in the Joint Committee on Finance's GPR and PR supplemental appropriations to be released under s. 13.10 after the committee approves a report submitted by DOR that details past and future expenditures for the ITS.

This request is to fulfill the Act 9 requirement and have this funding released to the department.

### **Analysis**

The ITS will include data capture, taxpayer registration, return processing, taxpayer accounting, revenue accounting, audit actions and case management. While each of these components will be developed to accommodate all of the tax types that DOR administers, the department will complete the components on a timeline that focuses on the major taxes first.

The ITS will be developed in six phases. Phase 1 of the project is already complete. Phase 1 included process analysis, requirement definition, scanning upgrades and a sales tax Internet filing pilot. Phase 2, expected to be completed in 2002, will produce the first release of the ITS and convert sales tax administration to the new system. Phase 3 will allow the individual income tax forms to be processed through the ITS beginning in January 2003. Phases 4-6 will shift all other taxes administered by the department to the ITS by 2007.



In aggregate, the ITS project is a \$60.7 million investment over nine fiscal years (1997-98 through 2005-06). During three of these fiscal years, annual expenditures will exceed \$10 million. By using the master lease program to manage and extend the payments for this investment, DOR expects that annual funding of \$6,920,500 will be sufficient to fully fund the development of the system. Detail of the projected expenditures and payments by fiscal year is presented in the appendices of the department's request.

In exchange for this investment, service will improve and tax collections are projected to increase. Taxpayers will receive faster processing, unified accounting across tax types and quicker refunds. The state budget already anticipates higher tax collections. 1999 Wisconsin Act 9 included \$4.8 million in higher tax revenues for 2000-01 from the ITS's improved ability to compare information across tax types. In future years, the department projects additional revenues as follows:

<u>Fiscal Year</u>	Projected Revenue Increase <u>(in millions of \$)</u>
2001-02	15.7
2002-03	26.2
2003-04	32.9
2004-05	37.2

A procedure to enhance the analysis of these projections has already been established. 1999 Wisconsin Act 9 requires DOR to submit by January 1, 2002 a report to the Joint Committee on Finance that identifies any additional revenue that has been generated by the implementation of the ITS.

Releasing the funding as requested will allow the ITS to increase revenues for the development of the 2001-03 budget.

**Recommendation**

Approve the request.

Prepared by: Paul Ziegler  
266-5468



# State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718 • <http://www.dor.state.wi.us>

*Tommy G. Thompson*  
Governor

*Cate Zeuske*  
Secretary of Revenue

June 21, 2000

The Honorable Brian Burke, Co-Chair  
The Honorable John Gard, Co-Chair  
Members, Joint Committee on Finance  
115 South Capitol  
Madison, WI 53702

Dear Senator Burke and Representative Gard:

### Summary of Request

The Department of Revenue requests the release of \$5,701,000 GPR FY01 and \$1,219,500 PR FY01 from the committee's appropriations under s. 20.865(4) (a) and (g) to continue the Integrated Tax System (ITS) project. Specifically, the department requests that this funding be provided as on-going base funding in the following appropriations: \$5,701,000 GPR in the appropriation under s. 20.566(3)(b); \$30,000 PR in s. 20.566(1)(gd); \$269,500 PR in s. 20.566(1)(gb); \$75,000 PR in s. 20.566(1)(gg); \$800,000 PR in s. 20.566(1)(g); and \$45,000 PR in s. 20.566(1)(ha). This funding was placed in the committee's appropriation by 1999 Wisconsin Act 9 for subsequent release to the department through the s. 13.10 request process.

### Background of Request

In the 1999-2001 biennial budget, 1999 Wisconsin Act 9, the Legislature authorized \$6,920,500 in fiscal year 2000-01 for the funding of the Integrated Tax System Project and placed the funding in the Joint Committee on Finance's supplemental appropriations. During budget deliberations the Committee directed that this funding be released under s.13.10 upon approval by the Committee of a DOR report detailing past and future expenditures and activities for ITS.

### ITS Report as Required by Joint Committee on Finance

The ITS involves the use of technology to develop and implement a comprehensive modernization, upgrade and reorganization of the department's tax administration personnel, activities, processes and systems into functional components. ITS will provide important benefits for businesses, individuals, the state and DOR. Benefits include around-the-clock customer service, Internet tax filing, one stop shopping to get answers to tax and account questions, faster refunds, and more revenue without raising taxes.

Integrated Tax System Plan

DOR plans to design, develop and implement ITS in six phases, as detailed in the following table:

**DOR Integrated Tax System Components and Schedule**

<i>Projects Complete</i>	<b>PHASE 1 Master Plan, Process Analysis, Requirement Definition 1998-2000</b>	<i>Projects Complete</i>	<b>PHASE 2 System Design and Development  2001-2002</b>	<i>Projects Complete</i>	<b>PHASE 3 System Design and Development  2002-2004</b>
X X X X X X	<b>Components</b> Data Capture Registration Returns Processing Accounting  <b>Projects</b> Sales Internet Filing Scanning Upgrade Work Plan for Phase 2 Business Process Model Requirements Definition Data Warehouse Pilot Design		<b>Components</b> Data Capture Registration Returns Processing Accounting Case Management  <b>Projects</b> Data Warehouse Deployment Forms Redesign ITS Release 1 Work Plan for Phase 3  <b>Specific Tax System Focus</b> Sales and Use		<b>Components</b> Accounting Case Management Audit  <b>Projects</b> Correspondence Pilot ITS Release 2 Work Plan for Phase 4  <b>Specific Tax System Focus</b> Individual Income Estate
<i>Projects Complete</i>	<b>PHASE 4 System Design and Development  2005</b>	<i>Projects Complete</i>	<b>PHASE 5 System Design and Development  2006</b>	<i>Projects Complete</i>	<b>PHASE 6 System Design and Development  2007</b>
	<b>Components</b> Customer Service Audit  <b>Projects</b> ITS Release 3  <b>Specific Tax System Focus</b> Corporation Partnerships Manufacturing Withholding		<b>Components</b> Delinquent Tax  <b>Projects</b> ITS Release 4  <b>Specific Tax System Focus</b> Motor Fuel Cigarette Liquor Beer		<b>Components</b>   <b>Projects</b> ITS Release 5  <b>Specific Tax System Focus</b> Utility Property Other Remaining Tax Types

As the table indicates, Phase 1 has been completed. Each component of ITS will be developed to include all of DOR's tax systems (income, sales, use, etc.) but each tax will be separately incorporated into the ITS components. This phased implementation approach includes phased vendor contracting, and was designed to give DOR maximum control over the ITS project. The

general approach being used by DOR is to focus on the major tax types first and then to schedule the smaller tax types as resources and time allows in future phases. Sales and Individual Income Taxes represent the major tax types administered by DOR. The project management approach being used allows DOR the flexibility to do this. Special caution has been exercised for scheduling the implementation of specific tax types into ITS, such as scheduling individual income tax in 2002 through 2004 because of the annual nature of this tax and the breadth of customers it will impact.

DOR contracted with IBM to develop the ITS master plan and work with the department in Phase 1. DOR uses flexible project management and contracting to enable the department to take advantage of new options, as they become available. It became clear to the department in late 1999 that there were a number of improved technology options available to ITS that were not in existence when the project began. After assessing the project's progress as well as technological, departmental and industry changes to date, DOR is proceeding with design and development of the second phase of the project with American Management Systems (AMS) as its vendor partner.

A detailed ITS Functional Organization Chart is attached as **Appendix A** and provides an overview of workflow and project organization. The chart reflects that ITS is much more than a technology project. Supporting this project includes change management in human resources, training and communications.

#### Major ITS Accomplishments

DOR has made significant progress with the ITS project. To date the department has achieved the following major accomplishments:

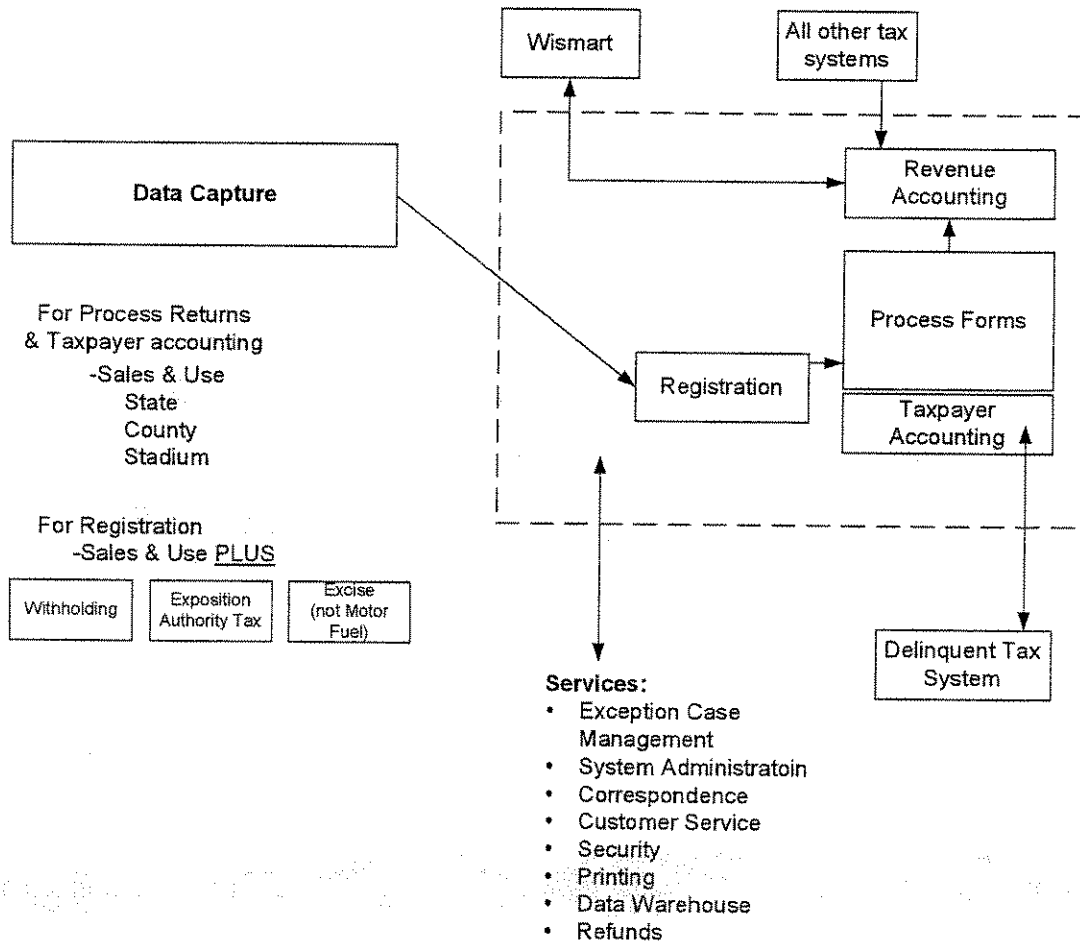
- **Master Plan.** DOR began ITS with the development of a plan which has provided a blue print to follow as the project progresses. This was completed in September 1998. The Master Plan also provided a basis for the Implementation Funding Request prepared by DOR in November 1998. All components, tax types and project pilots were addressed in this plan.
- **Sales Internet Pilot (SIP).** DOR expanded customer service and electronic filing for sales and use taxpayers in October 1999 when SIP was implemented. ITS funding has enabled taxpayers to use the Internet to file their returns and to pay the amount due with electronic funds transfer. DOR has expanded this pilot project to a current level of supporting 473 taxpayers.
- **Scanning/ Imaging Expansion.** DOR has expanded on a small, pilot basis scanning for data capture and image storage of individual income tax returns. Implementation occurred in January 2000 and work continues to improve and expand on our capabilities in this area. Expansion of scanning and imaging has shortened tax return processing time. It also has enabled immediate, on-line access from personal computers to images of tax returns for DOR employees. Clearly this is a technology that has brought significant value to DOR and our customers.

- **Data Warehouse Pilot.** In June, 2000 DOR completed the initial construction of a small pilot data warehouse to improve upon audit selection, thereby potentially increasing tax revenues without raising taxes. (A data warehouse provides a method of storing data that allows manipulation of that data to demonstrate relationships among entities and patterns in the data.) While the technology has just been put in place it remains the goal of our audit staff to generate \$4.8 million in additional revenue in FY2001. We believe that the data warehouse pilot will prove such a success that expansion ahead of schedule may be desired. The results from this fiscal year will assist DOR in determining when the next warehouse expansion should occur.
- **Completion of ITS Analysis and Requirements into the Integrated Model.** A business process model detailing DOR business processes has been developed. This process flow was a foundation for subsequent work which created a detailed logical data model, defined use cases stating individual business requirements and developed an analysis object model showing how process, data and requirements fit together. This model is the completion of the system analysis and requirements which positions DOR to move into design and development in Phase 2.

#### ITS Phase 2 Summary

DOR intends to begin Phase 2 of the ITS in July of 2000. The start of Phase 2 will mark the beginning of actual design, development, and construction of the first release of the system, ITS Release 1. Implementation of Release 1 is scheduled for February 2002, and will primarily address the sales and use tax. Certain integration benefits in registration and accounting, by adding some other selected tax types, are also planned. The following diagram identifies the scope of ITS Release 1. Release 1 can also be defined in terms of the core functional components, i.e. the business processes it will support. It will provide a strong foundation for inclusion of subsequent tax types.

### ITS Release 1 (Phase 2) – Business Process Diagram



The components of ITS that fall within the dotted lines are those pieces that DOR will build for ITS Release 1. Both the data capture piece and the services, listed in the bottom center of the diagram, are the partial ITS components that will be constructed in this release to enable replacement of the present sales tax system. These other components will be fully completed in subsequent ITS releases. The data capture detail also indicates that more tax types will be included in the registration component of Release 1 than in the other components. Process Forms and Taxpayer and Revenue Accounting will focus on sales and use, county and stadium tax types.

Using a number of factors to estimate what this means in relation to all of ITS, we have created the following table. The first column indicates the size of each component expressed as a percentage within Release 1 (Phase 2). The second column indicates the percentage of software for each component completed in Release 1 as compared to the total project. These estimates indicate that even though we are implementing only one tax types, we are in fact constructing about 60% of the integrated tax system in ITS Release 1.

**Progress at Completion of ITS Release 1**

<b>Component</b>	<b>Percent of Release 1 Time &amp; Effort</b>	<b>Percent of Total Component Software Completed with Release 1</b>
Registration	18	80
Process Forms	23	70
Taxpayer Accounting	15	80
Revenue Accounting	6	90
System Administration	13	75
Case Management	5	25
Data Capture	5	75
Customer Services	5	20
Decision Support	1	20
Delinquent Tax	1	20
Other Costs	8	NA
<b>Total</b>	100%	NA

ITS Revenue Generation and Timetable

The ITS project is making good progress, is in conformance with its master plan and is within budget. In addition, DOR is still confident of its original revenue estimates for ITS. Specifically, the department believes ITS will generate the following general fund revenue in the coming years:

FY 2001	\$ 4.8 million
FY 2002	15.7 million
FY 2003	26.2 million
FY 2004	32.9 million
FY 2005	37.2 million (cumulative)

1999 Act 9 requires DOR to report to the Joint Committee on Finance by January 1, 2002 regarding the additional revenue generated by implementation of ITS.

Prior to entering into Phase 2, system design and development, DOR made a comprehensive review of ITS progress and options available. DOR chose to solicit information from three vendors with particular expertise in tax integration systems, eventually choosing American Management Systems (AMS) as the department's vendor partner for Phase 2 of ITS. Providing such checkpoints and opportunities for adjustment is one of DOR's key project management tools and the department believes it will ensure the ultimate success of ITS.

Each ITS system component will be developed to support multiple tax types, however the first tax type to be fully supported by ITS will be sales and use tax. ITS Release 1 will support sales and use tax by February of 2002, with documentation of detailed individual income tax system

requirements scheduled to begin in July 2001. Individual income tax, the department's second largest tax system, will be implemented in Phase 3 (ITS Release 2). DOR plans to have ITS Release 2 operational by January 2003 in time for processing 2002 individual income tax returns.

DOR has made only minor adjustments to the original project timetable presented to the Committee in November of 1998. While the project is currently six months behind its original schedule, the department anticipates closing this gap by FY 2004-05. The following chart provides an overview of the project's timetable into FY2003:

ID	Task Name	Duration	Start	Finish	2001				2002					
					Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	
1	ITS Release 1, Sales and Use Tax	610 days	Mon 7/3/00	Fri 6/14/02	[Gantt bar spanning from Qtr 2 2001 to Qtr 2 2002]									
2	Project Initiation	10 days	Mon 7/3/00	Fri 7/14/00	[Gantt bar in Qtr 2 2001]									
3	Implementation Analysis	169 days	Mon 7/3/00	Thu 2/22/01	[Gantt bar from Qtr 2 2001 to Qtr 4 2001]									
11	EJB Port	246 days	Mon 7/3/00	Mon 6/11/01	[Gantt bar from Qtr 2 2001 to Qtr 4 2001]									
12	ITS-Sales Tax Modifications	131 days	Fri 2/23/01	Fri 8/24/01	[Gantt bar in Qtr 1 2002]									
13	Interfaces	344 days	Wed 10/25/00	Mon 2/18/02	[Gantt bar from Qtr 4 2001 to Qtr 2 2002]									
14	Data Conversion	344 days	Wed 10/25/00	Mon 2/18/02	[Gantt bar from Qtr 4 2001 to Qtr 2 2002]									
15	Transition Management	221 days	Fri 5/4/01	Fri 3/8/02	[Gantt bar from Qtr 1 2002 to Qtr 4 2002]									
19	System Implementation	228 days	Wed 8/1/01	Fri 6/14/02	[Gantt bar from Qtr 3 2002 to Qtr 2 2003]									

It is critical that sales tax be the first tax type implemented into the system for several reasons. First, the sales tax application is one of DOR's largest systems in terms of registrants and filings as well as the most complex in terms of accounting. Second, DOR needs to be in a position to respond quickly and effectively to legislative changes.

ITS Executive Steering Committee

DOR continues to rely heavily on its ITS Executive Steering Committee for advice, direction and support as the project moves through critical phases. The Steering Committee, composed of a variety of high-level managers and experts from both state government and the private sector, provides invaluable insights to ITS managers within DOR. Steering Committee members are:

- Cate Zeuske - DOR Secretary of Revenue
- Shirley Eckes-Meyer - DOR Deputy Secretary of Revenue
- Diane Hardt - DOR Administrator Income Sales & Excise Taxes
- Bruce Reines - DOA Director Bureau of Information Technology
- Mary Anderson - DWD Director Bureau of Tax & Accounting
- Todd Berry - Executive Director Wisconsin Taxpayers Alliance



ITS Budget

1999 Wisconsin Act 9 established a base level of \$6,920,500 for ITS. The following table shows the allocation of the base level between the appropriations in the GPR and PR funding sources.

**Funding for Integrated Tax System by Appropriation**

<u>Appropriation</u>	<u>Base</u>	<u>Act 9</u> <u>1999-00</u>	<u>Total</u> <u>1999-00</u>	<u>Act 9</u> <u>2000-01</u>	<u>Total</u> <u>2000-01</u>
<b>GPR</b>					
Integrated Tax System	\$3,420,500	\$2,315,500	\$5,736,000	\$2,280,500	\$5,701,000
<b>PR</b>					
Admin of Special District Taxes	0	45,000	45,000	30,000	30,000
Business Tax Registration	269,500	0	269,500	0	269,500
Admin of Local Taxes	0	75,000	75,000	75,000	75,000
Admin of County Sales & Use Tax	0	750,000	750,000	800,000	800,000
Admin of Liquor Tax	0	45,000	45,000	45,000	45,000
Total PR	\$269,500	\$915,000	\$1,184,500	\$950,000	\$1,219,500
<b>Total Funding</b>	<b>\$3,690,000</b>	<b>\$3,230,500</b>	<b>\$6,920,500</b>	<b>\$3,230,500</b>	<b>\$6,920,500</b>

Act 9 also moved the total base level funding of \$6,920,500 for 2000-01 to the Joint Committee on Finance's appropriations under s. 20.865(4)(a) and (g) for release by Committee action through the s. 13.10 process.

**Appendix B** is the Master Plan by fiscal year of the projected expenditures for the ITS project. The plan is broken down into its respective phases and DOR costs. As indicated previously, Phase 1 is completed. The cost of this phase through 1999-00 is approximately \$8,815,700 and includes DOR costs during that period. DOR was fortunate to be able to retire the master leases incurred during Phase 1 in 1999-00 thus enabling the department to maximize its master lease financing leverage for Phases 2 and 3. Master lease interest payments for Phase 1 were \$203,686.

The contract costs for Phase 2 are estimated to be \$20,733,400 with the phase covering approximately 24 months. Phase 3 contract costs are estimated to be \$22,345,000 with the phase covering approximately 18 to 24 months. DOR's financing strategy will consist of both cash and master lease payments with master leasing of goods and services purchased being the primary means of financing the remaining phases of the project.

**Appendix C** presents the estimated payment schedule for the costs of the project. The development budget has been reduced by \$152,500 to reflect the estimated funding needed to support the 3.0 FTE unfunded permanent positions provided in Act 9 in the Business Tax Registration appropriation to work on the ITS project. The payment projections indicate that DOR will be able to finance Phases 2 and 3 with the authorized base level of funding. The \$107,200 projected shortfall in FY04 probably will not materialize due to variances between projected and actual expenditures during that three-year time period.

DOR is confident that the authorized annual base level of \$6,920,500 is sufficient to fund ITS development costs. However, the full-authorized level of funding is necessary to ensure the successful completion of the project as originally proposed. Any changes to that level could significantly impact the outcome and success of the project. DOR will also continue to staff and invest in ITS with current internal resource reallocation to ensure the success of the project.

*How Request Meets Legislative Criteria*

1999 Wisconsin Act 9 authorized funding for the Integrated Tax System project in FY01, but placed that funding in the Joint Committee on Finance's appropriation. The Committee directed that this funding be released to DOR under the s. 13.10 process following the Committee's approval of a report from DOR detailing ITS past and proposed expenditures and activities. Approval of this request would provide additional base funding in FY01 for DOR's continued work on the ITS project.

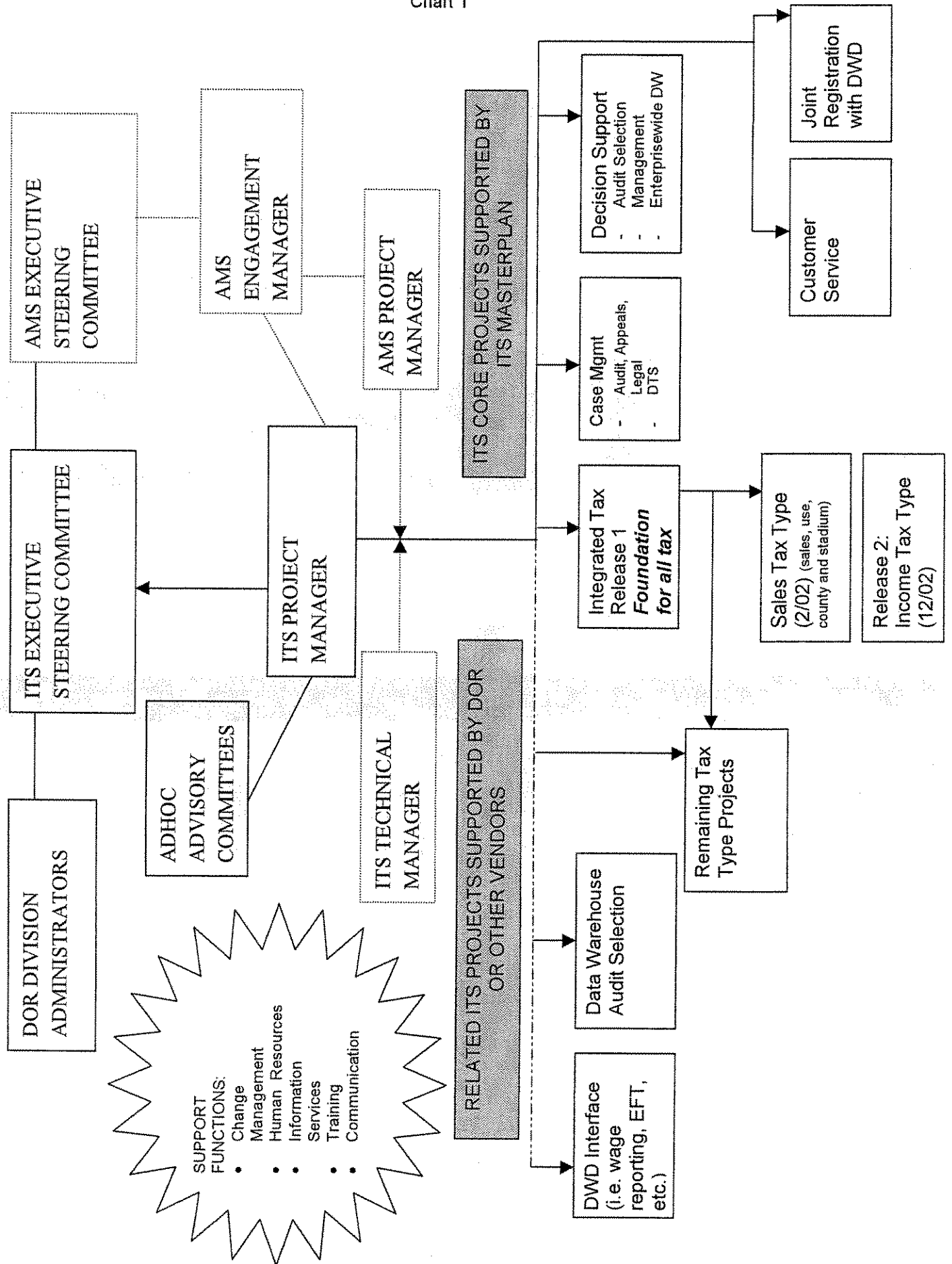
Sincerely,



Cate S. Zenske

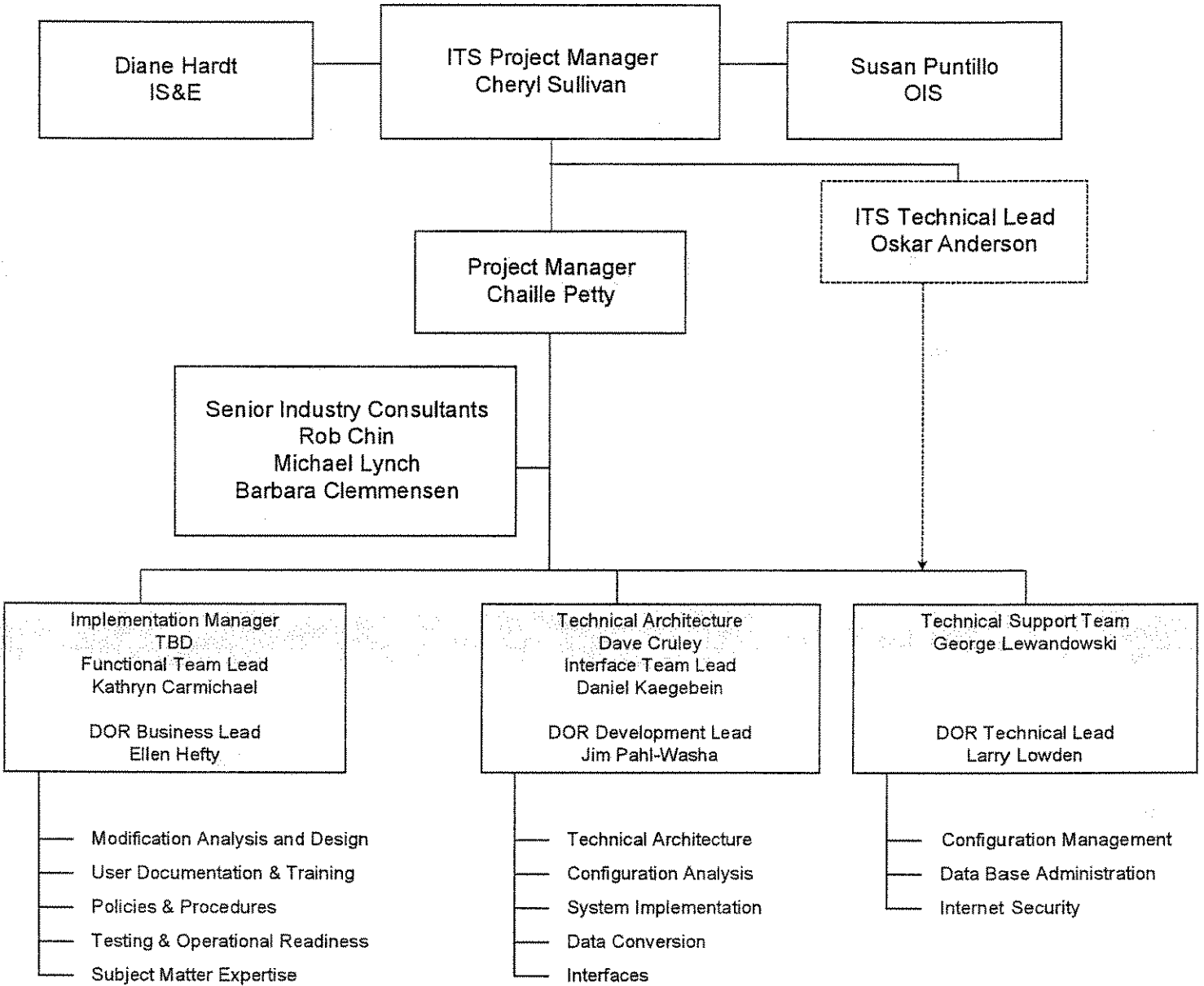
Secretary of Revenue

**INTEGRATED TAX FUNCTIONAL CHART – PHASE 2**



APPENDIX A  
Chart 2

ITS Organization Chart



Appendix B

DEPARTMENT OF REVENUE  
INTEGRATED TAX SYSTEM (ITS) DEVELOPMENT PROJECT  
MASTER PLAN BY FISCAL YEAR

6/21/00

	TOTAL AMOUNT	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
PHASE 1										
Actual	\$ 3,358,900	\$ 45,000	\$ 2,531,400	\$ 782,500						
Estimated	\$ 5,456,800			\$ 5,456,800						
	\$ -									
TOTAL PHASE 1	\$ 8,815,700	\$ 45,000	\$ 2,531,400	\$ 6,239,300	\$ -					
PHASE 2										
AMS Initial Contract	\$ 12,183,400			\$ 1,500,000	\$ 5,093,878	\$ 5,589,522				
AMS T&M	\$ 2,900,000			\$ 500,000	\$ 2,400,000	\$ 2,400,000				
Conversion	\$ 720,000			\$ 240,000	\$ 480,000	\$ 480,000				
Interfaces	\$ 350,000			\$ 116,667	\$ 233,333	\$ 233,333				
Reports	\$ 175,000			\$ 175,000	\$ 175,000	\$ 175,000				
Technical Training	\$ 360,000			\$ 107,556	\$ 136,889	\$ 115,556				
Hardware	\$ 2,240,000			\$ 785,781	\$ 1,072,853	\$ 381,366				
Software	\$ 805,000			\$ 491,600	\$ 243,747	\$ 69,653				
Post Implementation	\$ 1,060,000			\$ 333,333	\$ 666,667	\$ 666,667				
TOTAL PHASE 2	\$ 20,733,400			\$ 1,500,000	\$ 7,335,481	\$ 10,664,677	\$ 1,233,241			
PHASE 3										
Contract	\$ 19,000,000			\$ 1,250,000	\$ 10,720,000	\$ 7,030,000				
Conversion	\$ 720,000			\$ 150,000	\$ 570,000	\$ 570,000				
Interfaces	\$ 200,000			\$ 100,000	\$ 100,000	\$ 100,000				
Reports	\$ 175,000			\$ 175,000	\$ 175,000	\$ 175,000				
Hardware	\$ 1,500,000			\$ 1,000,000	\$ 500,000	\$ 500,000				
Software	\$ 750,000			\$ 250,000	\$ 500,000	\$ 500,000				
TOTAL PHASE 3	\$ 22,345,000			\$ 1,250,000	\$ 12,220,000	\$ 8,875,000	\$ -			
PHASE 4	\$ 655,200					\$ 655,200				
PHASE 5	\$ 1,252,000								\$ 1,252,000	
DOR COSTS										
Support expenses	\$ 144,000			\$ 36,000	\$ 36,000	\$ 36,000				
Development InfoTech	\$ 4,750,000			\$ 1,200,000	\$ 1,800,000	\$ 1,150,000				
Project Mgmt	\$ 1,212,000			\$ 419,500	\$ 332,500	\$ 42,500				
Change Mgmt	\$ 592,500			\$ 207,000	\$ 129,000	\$ 42,500				
Technical Training	\$ 100,000			\$ 25,000	\$ 25,000	\$ 25,000				
Communications	\$ 140,000			\$ 35,000	\$ 35,000	\$ 35,000				
TOTAL DOR COSTS	\$ 6,938,500			\$ 1,322,500	\$ 2,367,500	\$ 1,331,000	\$ 85,000			
ITS DEVELOPMENT TOTAL	\$ 60,739,800	\$ 45,000	\$ 2,531,400	\$ 7,739,300	\$ 8,667,981	\$ 13,672,177	\$ 15,810,741	\$ 10,206,000	\$ 740,200	\$ 1,337,000

**Projection of Integrated Tax System Costs**

Appendix C

21-Jun-00

	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
<b>ITS DEVELOPMENT BUDGET</b>													
<b>1710 ITS DEVELOPMENT</b>													
Phase 1,2	45,000	2,531,400	6,239,300	-	-	-	-	-	-	-	-	-	-
Phase 2	-	-	1,500,000	4,156,900	3,608,000	1,528,200	1,516,600	1,514,200	1,514,200	1,514,200	1,514,200	810,600	57,700
Phase 3	-	-	-	-	1,250,000	2,188,000	2,709,300	3,158,700	3,161,800	3,161,800	3,161,800	3,161,800	1,287,200
Phase 4	-	-	-	-	-	-	-	655,200	-	-	-	-	-
Phase 5	-	-	-	-	-	-	-	-	1,252,000	-	-	-	-
InfoTech Costs	-	-	-	600,000	1,200,000	1,800,000	1,150,000	-	-	-	-	-	-
Equip/Software	-	-	-	1,277,400	132,100	724,400	1,300,100	1,336,700	736,800	200,600	-	-	-
1710 Total	45,000	2,531,400	7,739,300	6,034,300	6,190,100	6,188,600	6,676,000	6,664,900	6,664,800	4,876,600	4,876,000	3,972,400	1,344,900
<b>1720 Special Initiatives</b>													
SIP	-	-	-	-	-	-	-	-	-	-	-	-	-
Scanning/Imaging	-	-	-	-	-	-	-	-	-	-	-	-	-
Data Warehouse	-	-	-	-	-	-	-	-	-	-	-	-	-
ITS ITA	-	-	-	10,500	18,200	18,200	18,200	18,200	18,200	18,200	-	-	-
1720 Total	-	-	-	10,500	18,200	18,200	18,200	18,200	18,200	18,200	-	-	-
<b>1740 ITS Administration</b>													
Project Management	-	-	-	455,500	368,500	368,500	78,500	42,500	42,500	42,500	42,500	42,500	42,500
Change Management	-	-	-	207,000	129,000	129,000	42,500	42,500	42,500	42,500	42,500	42,500	42,500
Technical Training	-	-	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Communications	-	-	-	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
1740 Total	-	-	-	722,500	557,500	557,500	181,000	85,000	85,000	85,000	85,000	85,000	85,000
<b>DEVELOPMENT TOTAL</b>	<b>45,000</b>	<b>2,531,400</b>	<b>7,739,300</b>	<b>6,767,300</b>	<b>6,766,800</b>	<b>6,764,300</b>	<b>6,876,200</b>	<b>6,768,000</b>	<b>6,768,000</b>	<b>4,979,800</b>	<b>4,761,000</b>	<b>4,067,400</b>	<b>1,429,900</b>
<b>UPGRADES</b>													
Funding Available	-	-	-	-	-	-	-	-	-	1,788,200	2,007,000	2,710,600	5,338,100
ITS Funding	45,000	2,531,400	7,634,500	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000
Tax Processing (Scanning)	-	-	40,000	-	-	-	-	-	-	-	-	-	-
OIS (ASDM) - IT Migration Fund	-	-	64,800	-	-	-	-	-	-	-	-	-	-
Total Funding Available	45,000	2,531,400	7,739,300	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000	6,768,000
<b>FY BALANCE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$700</b>	<b>\$2,200</b>	<b>\$3,700</b>	<b>(\$107,200)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



State of Wisconsin ● DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET ● P.O. BOX 8933 ● MADISON, WISCONSIN 53708-8933 ● 608-266-6466 ● FAX 608-266-5718

Tommy G. Thompson  
Governor

Cate S. Zeuske  
Secretary of Revenue

June 15, 2000

The Honorable Brian Burke, Co-Chair  
The Honorable John Gard, Co-Chair  
Members, Joint Committee on Finance  
115 South Capitol  
Madison, WI 53702

Dear Senator Burke and Representative Gard:

The Department of Revenue urges the Co-Chairs to schedule a s. 13.10 meeting as early as possible to approve continued funding for the Integrated Tax System (ITS).

1999 Wisconsin Act 9 placed \$6,920,500 in FY01 base funding for ITS in the Joint Committee on Finance's supplemental appropriations under s. 20.865(4)(a) and (g) for release by Committee action through the s. 13.10 process. This leaves no funding in the supporting appropriations to fund this ongoing project starting July 1, 2000. This will force DOR to postpone securing project goods and services, resulting in system implementation delay.

The Department began planning for the system in 1998 by issuing a request for proposal. The ITS involves the use of technology to develop and implement a comprehensive modernization, upgrade and reorganization of the department's tax administration personnel, activities, processes and systems into functional components. ITS will provide important benefits for businesses, individuals, the state and DOR. Benefits include around-the-clock customer service, Internet tax filing, one stop shopping to get answers to tax and account questions, faster refunds, and more revenue without raising taxes.

Large purchases of goods and services are planned in early FY01. We have entered into a multi-year contract with American Management Systems (AMS) to assist in system design and development. The next phase of the project, scheduled to begin July 1, specifically supports the collection of sales tax. System hardware and software also needs to be purchased within the first three months of FY01.

It is important that we have the earliest opportunity to present and justify this project to the Committee so that its overall success can be achieved in a timely and effective manner. Thank you for your consideration of this request.

Sincerely,

Cate S. Zeuske  
Secretary of Revenue