

# THE STATE OF WISCONSIN

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ASSEMBLY CHAIR  
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## JOINT COMMITTEE ON FINANCE

February 5, 1999

Secretary Mark Bugher  
Department of Administration  
101 E. Wilson Street, 10<sup>th</sup> Floor  
Madison, WI 53702

Dear Secretary Bugher:

We are writing to inform you that the Joint Committee on Finance has reviewed your request, dated January 14, 1999, pursuant to s. 16.515/16.505(2), Stats., pertaining to Department of Administration air fleet replacements.

No objections have been raised to this request. Therefore, the request is approved.

Sincerely,

Handwritten signature of Brian Burke in black ink.

BRIAN BURKE  
Senate Chair

Handwritten signature of John G. Gard in black ink.

JOHN G. GARD  
Assembly Chair

BB:JG:dh

cc: Members, Joint Committee on Finance  
Robert Lang, Legislative Fiscal Bureau  
Vicky LaBelle, Department of Administration



## Legislative Fiscal Bureau

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

February 1, 1999

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Section 16.515 Request for Funds to Purchase Replacement Aircraft

### OVERVIEW

On January 15, 1999, the Committee received a request from Department of Administration (DOA) for a one-time increase in 1998-99 expenditure authority of \$3,900,000 PR to replace two transportation aircraft owned by the DOA Wisconsin Air Services (WAS). In addition, DOA requests that any unencumbered amounts of this additional expenditure authority carry forward into 1999-00 if procurement delays are experienced. This request consists of:

- A requested increase of \$200,000 PR to purchase a used Beechcraft Queen Air piston engine plane to replace a DOA Beechcraft Baron aircraft that crashed September 16, 1998.
- A requested increase of \$3,700,000 PR to purchase a used Beechcraft King Air 350 turboprop engine aircraft to replace the Beechcraft King Air 200 aircraft. The current King Air 200 turboprop engine aircraft would be sold.

The WAS is operated as a program revenue operation and charges state agencies using its aircraft on a rate schedule to recoup the costs of operation. The aircraft operation and depreciation costs associated with these two replacement planes would thus be recovered through program revenues generated from billing the individual agencies which use the aircraft.

This memorandum provides summary information regarding DOA's request. The request will be considered approved on February 8, 1999, unless it is scheduled for consideration by the Committee at a meeting under s. 13.10 of the statutes.

## BACKGROUND

The Division of State Agency Services within DOA maintains a fleet of automobiles and planes to be used by state agencies for travel of their employees and other operational purposes. The WAS unit is responsible for managing the aviation fleet of the state (excluding military aircraft). Wisconsin Air Services was formed in 1987 when aircraft then owned separately by DNR and DOT were consolidated into a central fleet to be managed by DOA. Subsequent to that consolidation, some aircraft were replaced and additional aircraft were added. The WAS aircraft fleet (a total of 30 planes counting the crashed aircraft) can be divided into two groups of aircraft -- those assigned to certain agencies for specific purposes and those operated by DOA for general transportation purposes.

*Assigned Aircraft.* Of the 30 aircraft owned by WAS, 24 are assigned to two agencies full time. Currently, 17 aircraft are assigned to DNR and seven are assigned to DOT. These planes are smaller aircraft consisting primarily of single engine Cessnas. They are used on an on-going basis as part of agency program operations. For example, DNR uses its assigned aircraft for such purposes as deer herd and other wildlife information, forest fire watch activities and air pollution monitoring. DOT uses its assigned aircraft for such purposes as traffic and other law enforcement activities, aerial mapping and highway construction supervision. The assigned planes are leased to the agencies on a monthly rental charge basis plus additional charges that are assessed based on an hourly flight charge. Operating costs included in the rates are engine depreciation, aircraft operating and maintenance expenses, and general administrative costs. Unlike the general transportation planes, the individual agencies provide the pilots for the assigned aircraft.

*General Transportation Aircraft.* The remaining six planes, (currently five operating aircraft because of the crashed aircraft), are operated as a central fleet pool by DOA to be used for transportation of state agency employees. The transportation aircraft are generally larger than the assigned aircraft, are capable of faster airspeeds and seat five to eight passengers. For use of general transportation aircraft, agencies are billed an hourly rate based upon type of aircraft, flying time, and pilot waiting time spent at a destination. The hourly rates set by WAS also include the costs of operation. This calculation includes engine depreciation, pilot costs, aircraft operating and maintenance expenses, and general administrative costs. The calculation does not include the hull of the aircraft, the value of which is expected to be recouped when the aircraft is sold. The requested funds would be to acquire two upgraded replacement aircraft to maintain the transportation fleet at a total of six airplanes, one to replace the crashed aircraft and one to replace the fleet's current largest aircraft, the King Air 200.

## SUMMARY OF REQUEST

The requested \$3,900,000 PR would be for a one-time increase in expenditure authority for DOA's transportation services appropriation [s. 20.505(1)(kb)] which is used to fund vehicle (automobile) fleet services, aviation services, transportation procurement and the state surplus

property program. In 1998-99, \$14,081,200 PR is appropriated for transportation services and \$1,211,800 was carried forward for a total of \$15,293,000 of budget authority for these programs. Of this total, \$13,508,000 was available for vehicle fleet services, \$1,292,000 for air services, \$162,000 for transportation procurement and \$331,000 for the surplus property program.

The request has two distinct parts. The first part would be to replace the Beechcraft Baron aircraft that crashed to bring the WAS general transportation fleet back to a full complement of six planes. The second part would be the request for funding to replace the current largest aircraft in the fleet, the King Air 200, with an upgraded version of that same plane. Each component of the request is discussed below.

### **Replacement of the Beechcraft Baron**

Of the total requested increased expenditure authority of \$3,900,000 PR, \$200,000 PR is requested to replace the crashed Beechcraft Baron aircraft that was used for general transportation purposes. Instead of purchasing another Beechcraft Baron, the Department plans to use the \$200,000 to acquire an additional used twin-engine Queen Air which would then provide a total of four such aircraft in the fleet. A Queen Air can seat up to eight passengers, compared to five in a Beechcraft Baron, and has a greater maximum airspeed.

The Department justifies the need and emergency nature of the request for funds to purchase a replacement aircraft for the crashed Beechcraft Baron on the grounds it is unable to meet the current demand for services with the reduced aircraft complement. DOA further indicates that the replacement of the Beechcraft Baron by the purchase of an upgraded replacement aircraft is warranted based on considerations of passenger capacity, economy and safety. In terms of aircraft usage, the Department points to recent increased rental of planes to show it is operating at near capacity and requires a replacement aircraft for the one that crashed. Since the loss of the one aircraft, WAS has expended \$50,400 PR to rent aircraft to transport agency personnel, compared to \$16,000 for all of 1997-98. WAS believes greater usage of the Queen Air will occur because it is faster and can accommodate more passengers than the Beechcraft Baron. Lastly, DOA argues that the purchase will increase safety by adding a more reliable aircraft to the fleet and increasing uniformity of aircraft within the WAS fleet. Greater uniformity is felt to aid both pilots and mechanics in performing their respective responsibilities.

### **Replacement of the King Air 200**

The second aspect of the request is for \$3,700,000 PR in increased expenditure authority to purchase a used King Air 350 to replace the existing King Air 200 aircraft. Both aircraft are turbo-prop aircraft (propellers are driven by turbine engines) and have pressurized cabins. The King Air 350 is a faster plane with a cruising speed of 350 mph compared to 280 mph for the King Air 200. In addition, the new plane can fly at higher altitudes, up to 37,000 feet compared to the current limit of 25,000 feet for the King Air 200. Lastly, maximum seating capacity on the plane would be increased from eight to ten (in addition to a crew of two). The currently owned King Air 200

would be sold for an estimated \$1.1 million, with the proceeds being credited to the appropriation balance.

In contrast to the situation surrounding the replacement of the crashed Beechcraft Baron, the need for expenditure of funds relative to the King Air 200 is not a sudden development. DOA's 1999-01 budget request includes a request for increased funding in this appropriation of \$27,000 PR for aircraft repainting of the aircraft and of \$660,000 PR in 2000-01 for overhaul of the aircraft's engines. The engine overhauls would be in accord with the required replacement of these engines when 2500 hours of engine operation has been reached. Absent damage, the hull or fuselage of an aircraft is quite long-lived, but periodic engine overhaul is required. Despite its earlier budget request, after an additional review of all fleet aircraft following the crash, DOA has indicated it now believes that replacement of the King Air 200 is the preferable course of action.

The Department justifies the purchase of a King Air 350 based upon lower long-term operating costs, increased safety, and improved marketability of the WAS program. In terms of operating costs, DOA now believes that the costs of upcoming maintenance on the King Air 200 make it more efficient to purchase a new plane with more capacity and speed. Of the expected \$3.7 million purchase price for a King Air 350, \$600,000 would be attributable to the engines which become a cost that must be depreciated and recovered as a part of the rates charged. The remaining \$3.1 million would be assigned to the value of the fuselage and is an amount that is assumed will be recouped when the aircraft is sold. Therefore, in terms of calculating usage rates charged to agencies, DOA believes that the purchase of a used King Air 350 is more cost effective than overhauling the engine of the current King Air 200 because the King Air 350 engine can fly for about 500 more hours before having to be replaced. However, the Department estimates that current operating costs will increase by approximately \$45,000 annually.

In terms of safety, DOA states that a newer model King Air 350 has greater maneuverability because it has greater flight speed and can fly at higher altitudes than the King Air 200 which would increase safety because the plane would be better able to avoid bad weather. Lastly, the Department argues that a newer aircraft, that is faster, has increased seating capacity and greater cabin space, will allow WAS to better meet the needs of their customers and thereby increase the usage of the aircraft.

### **Carryover Expenditure Authority**

Although the request is for increased expenditure authority in the current fiscal year of \$3,900,000 PR, DOA requests authority to carry-over any unencumbered amount of this increased expenditure authority into the first fiscal year (1999-00) of the next biennium if delays in procurement are experienced. The Department justifies that part of its request on the basis that the type of replacement aircraft being sought are in relatively short supply and DOA is unable to reliably predict how long it will take to find and acquire the desired replacement aircraft.

## **FUNDING OF REQUEST**

The appropriation for which the increased expenditure authority is requested is a program revenue appropriation for transportation services. The indicated purposes of the appropriation are to allow DOA to provide state vehicle and aircraft services and related inventory items to state agencies. Revenues to support the expenditures from the appropriation come primarily from fees charged state agencies for the use of DOA's fleet aircraft and vehicles, plus monies that are received when transportation vehicles and aircraft are sold. Rates charged agencies are established to recover projected operating costs of the DOA transportation services operation plus depreciation costs and administrative overhead.

Because the vehicle and aircraft fleets owned by DOA represent a significant capital investment, this appropriation is one which statutorily is allowed to include the value of its assets (the owned planes and vehicles in this case) in calculating the balance of the appropriation. This treatment is similar to accrual accounting procedures used in the private sector. Further, for purposes of the balance for the appropriation, it is calculated based on the assets and liabilities of all the programs financed from this appropriation, so that this includes not only the Wisconsin Air Services operation and its assets, but also the DOA vehicle fleet operation and its assets and the transportation procurement and surplus property programs.

The July 1, 1998, balance for the transportation services appropriation was \$1,173,500. If the requested \$3,900,000 of increased expenditure authority for 1998-99 is approved and the King Air 200 is sold for the \$1,100,000 estimated to be received by DOA (which would result in a net gain to the appropriation balance of \$275,000 when the book asset value for the King Air of \$825,000 is deducted), then the estimated July 1, 1999, balance for the appropriation would be \$1,448,500.

Net operating costs for the two requested replacement aircraft are estimated to be \$55,500 higher annually than for the planes being replaced. However, DOA expects to recover these increased costs through its rate charges.

## **CRITERIA FOR s. 16.515 REQUEST**

Under s. 16.515, the DOA Secretary may propose to supplement a program revenue appropriation if the Secretary finds that: (1) an emergency exists; (2) no funds are available for such purposes; and (3) the purposes for which the supplement is requested have been authorized or directed by the Legislature. The Department's proposed expenditures are consistent with the agency's mission and sufficient expenditure authority does not appear to exist to allow purchase of the desired replacement planes.

In terms of replacing the aircraft that crashed last year, the crash could not be anticipated and therefore, the request for funding to take action in this fiscal year to replace the lost fleet aircraft

could reasonably be considered an emergency and the upgrade could be viewed as a desirable choice once a replacement aircraft must be purchased.

The second part of the request is for funding to allow the potential acquisition in this fiscal year of a King Air 350 to replace the existing King Air 200. Since the Department's budget request anticipated a plan to replace the engines of the King Air 200 in 2000-01, the argument could be made that action on this part of the request is not of an emergency nature and instead could be appropriately addressed in the 1999-01 biennial budget. The Governor could include in his budget recommendations increased funding to allow the purchase of the desired replacement aircraft in 1999-00 or 2000-01.

The Department argues that this second part of the request constitutes an urgent situation for two reasons: (1) based on its recent safety review of all fleet aircraft, it feels the availability of a King Air 350 would provide an increased safety factor, particularly in poor weather conditions; and (2) that much of the same aircraft market being evaluated in searching for a used Queen Air to purchase as a replacement for the crashed Beechcraft Baron will also be searched to find a used King Air 350 and therefore, purchase opportunities will be maximized and staff time saved if both aircraft are replaced at the same time.

#### **APPROVAL DATE**

The Department's request for increased expenditure authority will be approved on February 8, 1999, unless the Co-Chairs notify DOA that the Committee wishes to meet under s. 13.10 of the statutes to review the request.

Prepared by: David Worzala

# THE STATE OF WISCONSIN

SENATE CHAIR  
**BRIAN BURKE**

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ASSEMBLY CHAIR  
**JOHN GARD**

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## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Brian Burke  
Representative John Gard  
Co-Chairs, Joint Committee on Finance

Date: January 15, 1999

Re: s. 16.515/16.505, Stats. Request

*Due date  
is really  
Feb. 8*

Attached is a copy of a request from the Department of Administration, dated January 14, 1999, pursuant to s. 16.515/16.505(2), Stats., pertaining to air fleet replacements.

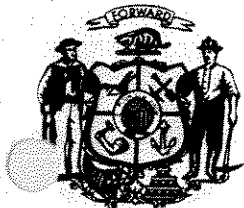
Please review the material and notify **Senator Burke** or **Representative Gard** no later than **Wednesday, February 3, 1999**, if you have any concerns about the request or if you would like to meet formally to consider it.

Also, please contact us if you need further information.

Attachment

BB:JG:dh





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

Mailing Address:  
 Post Office Box 7864  
 Madison, WI 53707-7864



TOMMY G. THOMPSON  
 GOVERNOR  
 MARK D. BUGHER  
 SECRETARY

**Date:** January 14, 1999

**To:** The Honorable Brian Burke, Co-Chair  
 Joint Committee on Finance

The Honorable John Gard, Co-Chair  
 Joint Committee on Finance

**From:** Mark D. Bugher, Secretary  
 Department of Administration *[Signature]*

**Subject:** S. 16.515/16.505(2) Requests

Enclosed are requests that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

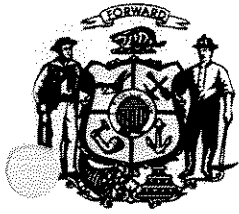
AGENCY	DESCRIPTION	1997-98		1998-99	
		AMOUNT	FTE	AMOUNT	FTE
DOA 20.505(1)(kb)	Transportation Services			\$ 3,900,000*	

\* One-time expenditure authority.

As provided in s. 16.515, the requests will be approved on February 5, 1999, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Vicky LaBelle at 266-1072, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments



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


Mailing Address:  
Post Office Box 7864  
Madison, WI 53707-7864



TOMMY G. THOMPSON  
GOVERNOR  
MARK D. BUGHER  
SECRETARY

**Date:** January 14, 1999

**To:** Mark D. Bugher, Secretary  
Department of Administration

**From:** Dan Cautt   
State Budget Office

**Subject:** Request Under s. 16.515 From Department of Administration For Air Fleet Replacements

**REQUEST:**

Provide \$3,900,000 PR one-time spending authority in the appropriation under s.20.505(1)(kb) in 1998-99 to replace two transportation aircraft operated by the Department of Administration, Wisconsin Air Services (WAS), plus the authority to carry forward any unencumbered portion of the funds to 1999-00 if delays in procurement are experienced.

**REVENUE SOURCES FOR APPROPRIATION(S):**

The s.20.505(1)(kb), transportation services, appropriation obtains its revenues from fees charged to state agencies which use land and air vehicles. Rates charged cover operating costs and total billings are based on distance traveled.

**BACKGROUND:**

The Department of Administration maintains a fleet of vehicles for air transportation, pursuant to s.16.04, Wis. Stat. The fleet was formed in 1987 when the aircraft operated by the Departments of Natural Resources and Transportation were consolidated into DOA in order to utilize resources more efficiently. An executive turbo-jet aircraft was acquired for use by the Governor, Legislature and Board of Regents, and the WAS has upgraded the fleet by replacing two storm damaged planes, one crashed aircraft, four surplus federal General Services Administration planes and one plane too old to upgrade to current standards. As of July 1, 1998 the fleet consisted of 6 transportation aircraft and 24 assigned aircraft.

On September 16, 1998 a Beechcraft Baron crashed, leading the Department to reevaluate all WAS aircraft with respect to age, condition and expected use. Based on that evaluation, one-time funding has been requested to replace two airplanes.

**ANALYSIS:**

The replacement of a fully utilized destroyed aircraft is justified at face value. The demand which was being met by this vehicle now strains remaining aircraft in the fleet. Incremental spending authority of \$200,000 of the amount requested would be used to purchase a used Queen Air with new engines and standard avionics.

The second aircraft to be replaced is the executive turbo-jet, which is now 17 years old. Regulations require that its existing engines be replaced in 2001 at an estimated cost of \$660,000; other refurbishing will also be required, bringing the estimated costs up to \$700,000. The King Air 350 replacement at a cost of \$3.7 million would carry more passengers and provide faster transportation than the current King Air 200.

The appropriation from which the purchases would be made operates under the provisions of s.20.903(2)(b), which authorizes fixed assets (the value of the purchased planes) to be used to offset cash deficits in the appropriation. The aircraft purchases will, according to the agency, should have not appreciable effect on billing rates. While annual operating costs should increase, higher utilization and resulting revenues should offset these costs, leaving bottom-line billing rates unchanged.

While it could be argued that vehicle replacement should be addressed in the biennial budget process [and will be in a DOA budget decision item], the unexpected loss of a major passenger plane through accident adds urgency to a more timely disposition. In addition, the near-replacement status of major components in the aircraft used by the Governor, legislators and other top executives of the state suggests that for safety's sake, and for benefit cost reasons outlined in the agency's request, the second vehicle also be replaced at this time.

The request to carry over any unencumbered spending authority that may remain on June 30, 1999 recognizes the unpredictability of the market for used aircraft. If the additional funding is approved for this purpose, it should be available to complete the transactions intended. Toward this end, appropriation authority approved in this s.16.515 should be one time in nature and placed in unallotted reserve, for release by the State Budget Office when procurements have been completed.

**RECOMMENDATION:**

Approve the request.

Prepared by: Dan Caucutt 266-0777



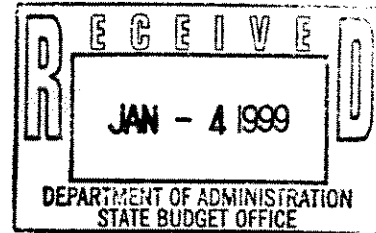
STATE OF WISCONSIN  
 DEPARTMENT OF ADMINISTRATION  
 101 East Wilson Street, Madison, Wisconsin

Mailing Address:  
 Post Office Box 7864  
 Madison, WI 53707-7864



TOMMY G. THOMPSON  
 GOVERNOR  
 MARK D. BUGHER  
 SECRETARY

Date: December 29, 1998  
 To: Richard Chandler, Director  
 State Budget Office  
 Department of Administration



CC DC  
 CD

From: Mark D. Bugher, Secretary  
 Department of Administration

Subject: Request for Appropriation Authority Under s.16.515

REQUEST:

Under the provisions of s.16.515 Wis. Stats, the Department requests \$3.9 million one-time authority in FY99 to replace two transportation aircraft operated by Wisconsin Air Services. This request will increase authority in the appropriation under s. 20.505(1) (kb), *Transportation Services*. Given possible delays in locating suitable aircraft, the department further requests approval to carry forward any unencumbered portion of these funds to FY00 with State Budget Office approval.

BACKGROUND

Section 16.04 Wis. Stat. assigns DOA significant responsibility for managing and coordinating the state's vehicle and aircraft fleets. DOA's Wisconsin Air Services (WAS) provides air transportation for state agency employes (including the UW) and provides assigned aircraft for DOT and DNR. The fleet was formed in 1987 when the aircraft operated by DNR and DOT were consolidated in DOA to better utilize aircraft and increase operating efficiency. In conjunction with the consolidation, an executive turbo-jet aircraft was purchased for use by the Governor, Legislature, and Board of Regents. Since its creation, WAS has continued to upgrade the fleet by replacing two storm damaged planes, one crashed aircraft, four surplus federal General Service Administration planes, and one plane too old to upgrade to current passenger aircraft standards. As of July 1, 1998 the fleet consisted of 6 transportation aircraft and 24 assigned aircraft. Attachment A provides additional detail on these aircraft.

JUSTIFICATION

On September 16, 1998 a Beechcraft Baron crashed. The department has since re-evaluated all WAS owned aircraft with respect to age, condition, and expected use.

**ANALYSIS:**

The replacement of a fully utilized destroyed aircraft is justified at face value. The demand which was being met by this vehicle now strains remaining aircraft in the fleet. Incremental spending authority of \$200,000 of the amount requested would be used to purchase a used Queen Air with new engines and standard avionics.

The second aircraft to be replaced is the executive turbo-jet, which is now 17 years old. Regulations require that its existing engines be replaced in 2001 at an estimated cost of \$660,000; other refurbishing will also be required, bringing the estimated costs up to \$700,000. The King Air 350 replacement at a cost of \$3.7 million would carry more passengers and provide faster transportation than the current King Air 200.

The appropriation from which the purchases would be made operates under the provisions of s.20.903(2)(b), which authorizes fixed assets (the value of the purchased planes) to be used to offset cash deficits in the appropriation. The aircraft purchases will, according to the agency, should have not appreciable effect on billing rates. While annual operating costs should increase, higher utilization and resulting revenues should offset these costs, leaving bottom-line billing rates unchanged.

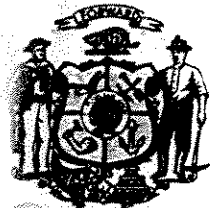
While it could be argued that vehicle replacement should be addressed in the biennial budget process [and will be in a DOA budget decision item], the unexpected loss of a major passenger plane through accident adds urgency to a more timely disposition. In addition, the near-replacement status of major components in the aircraft used by the Governor, legislators and other top executives of the state suggests that for safety's sake, and for benefit cost reasons outlined in the agency's request, the second vehicle also be replaced at this time.

The request to carry over any unencumbered spending authority that may remain on June 30, 1999 recognizes the unpredictability of the market for used aircraft. If the additional funding is approved for this purpose, it should be available to complete the transactions intended. Toward this end, appropriation authority approved in this s.16.515 should be one time in nature and placed in unallotted reserve, for release by the State Budget Office when procurements have been completed.

**RECOMMENDATION:**

Approve the request.

Prepared by: Dan Caucutt 266-0777



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

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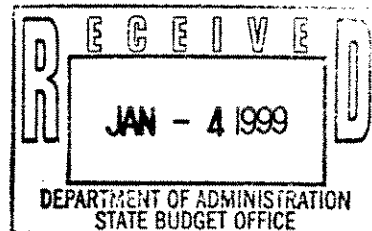


TOMMY G. THOMPSON  
 GOVERNOR  
 MARK D. BUGHER  
 SECRETARY

Date: December 29, 1998  
 To: Richard Chandler, Director  
 State Budget Office  
 Department of Administration

From: Mark D. Bugher, Secretary  
 Department of Administration

Subject: Request for Appropriation Authority Under s.16.515



CC: DC  
 CD

REQUEST:

Under the provisions of s.16.515 Wis. Stats, the Department requests \$3.9 million one-time authority in FY99 to replace two transportation aircraft operated by Wisconsin Air Services. This request will increase authority in the appropriation under s. 20.505(1) (kb), *Transportation Services*. Given possible delays in locating suitable aircraft, the department further requests approval to carry forward any unencumbered portion of these funds to FY00 with State Budget Office approval.

BACKGROUND

Section 16.04 Wis. Stat. assigns DOA significant responsibility for managing and coordinating the state's vehicle and aircraft fleets. DOA's Wisconsin Air Services (WAS) provides air transportation for state agency employees (including the UW) and provides assigned aircraft for DOT and DNR. The fleet was formed in 1987 when the aircraft operated by DNR and DOT were consolidated in DOA to better utilize aircraft and increase operating efficiency. In conjunction with the consolidation, an executive turbo-jet aircraft was purchased for use by the Governor, Legislature, and Board of Regents. Since its creation, WAS has continued to upgrade the fleet by replacing two storm damaged planes, one crashed aircraft, four surplus federal General Service Administration planes, and one plane too old to upgrade to current passenger aircraft standards. As of July 1, 1998 the fleet consisted of 6 transportation aircraft and 24 assigned aircraft. Attachment A provides additional detail on these aircraft.

JUSTIFICATION

On September 16, 1998 a Beechcraft Baron crashed. The department has since re-evaluated all WAS owned aircraft with respect to age, condition, and expected use.

Based on this evaluation the department requests one-time funding to replace the following transportation aircraft, for the reasons given:

1. Beechcraft Baron (#N4574Q). This plane was destroyed in the crash leaving WAS with too few aircraft to meet current transportation demand. Given that WAS already operates three Beechcraft Queen Air, replacing the Baron with another Queen Air will reduce maintenance cost while increasing the flexibility offered by its larger seating capacity and greater airspeed. The estimated cost is \$200,000 which will cover a used aircraft with new engines and standard avionics. Depending on the condition, a portion of these funds may be used to paint, refurbish, and install additional equipment.
2. King Air 200 (#N14TF). This executive aircraft was purchased in 1987 and is currently 17 years old. Engines that were new when the aircraft was purchased will require mandatory replacement in fiscal year 2001 at an estimated cost of \$660,000. Furthermore, the general condition of the aircraft will require complete refurbishing sometime within the next two years. Rather than invest \$700,000 to upgrade an aircraft that has a current depreciated book value of only \$825,000, the department recommends replacing it with a newer King Air 350. This aircraft carries more passengers at faster airspeed while operating at a similar cost to the King Air 200. The estimated cost is \$3.7 million. The King Air 200 will be surplus and sold.

In addition, the department may opt to surplus or trade a second Beechcraft Baron (#N17979) which is similar to the aircraft in #1. This decision will require further evaluation of customer demand once the aircraft described above have been acquired.

#### FINANCIAL INFORMATION

Appropriation. This request increases the FY99 expenditure authority for the appropriation under s.20.505(1)(kb), *Transportation Services*, from \$13,074,900 to \$16,974,900. This one-time increase will be used to procure two transportation aircraft for Wisconsin Air Services. Past experience has shown that only a few used aircraft of any given type are available on the market. These are generally located throughout the country making evaluation, inspection, and price negotiation a time consuming process. Consequently, the department further requests that any unencumbered portion of this authority be carried forward to FY00.

Program Position. Wisconsin Air Services is one of four program revenue service (PRS) operations funded within DOA's *Transportation Services* appropriation s.20.505(1)(kb). This appropriation operates under the provisions of s.20.903(2)(b) which authorizes accounts receivable and assets to be included for calculating appropriation balances. This treatment of accounts receivable and assets is similar to accrual accounting used by the private sector. As of July 1, 1998 the *Transportation Services* appropriation balance was \$1,173,500. Aircraft purchases have no affect on the appropriation balance as one asset (cash) is exchanged for another asset (equipment). However, the department expects the King Air 200 to sell for more than its current book value resulting in an increase to the appropriation balance. The following table summarizes the anticipated changes.

**TRANSPORTATION SERVICES**

(Includes Air Services, Central Fleet, Surplus Property, and Travel)

**Appropriation Balance**

Item	Cash	Accounts Receivable	Equipment Book Value[1]	Total Balance
As of July 1, 1998	(\$21,949,200)	\$930,500	\$22,192,200	\$1,173,500
Purchase: 2 aircraft	(3,900,000)	-	3,900,000	-
Sale: King Air [2]	1,100,000	-	(825,000)	275,000
Estimated as of July 1 1999	(\$24,749,200)	\$930,500	\$25,267,200	\$1,448,500

[1] Equipment book value is the purchase price less accumulated depreciation. Of the \$22,192,200, \$2.1 million reflects the book value of depreciated WAS aircraft (including \$825,000 for the King Air 200). The remainder is the book value of Central Fleet vehicles.

[2] The King Air 200 is expected to sell for \$1.1 million, which will increase cash by that amount. This is offset by a reduction of \$825,000 in equipment book value with a resulting \$275,000 appropriation gain.

Rate Impact. Wisconsin Air Services charges state agencies based on the aircraft type and flight duration. For assigned aircraft, DOT and DNR are charged a flat rate per month plus a variable rate based on hours flown. Rates cover operating costs including staff (other than pilots), space, maintenance, depreciation, and miscellaneous administrative expenses. Transportation aircraft rates are based on flight distance and include pilot salaries and fuel in addition to the above costs.

Replacing the Beechcraft Baron will increase operating costs by approximately \$10,500, or 1.9%. This increase is primarily due to higher engine depreciation. However, DOA expects this increase to be largely offset by higher utilization.

Based on a \$3.7 million King Air 350 purchase price, \$600,000 will be attributable to engines and the \$3.1 million to the hull. For rate recovery purposes the engines will be depreciated over the expected number of flight hours before mandated replacement at 3,000 hours<sup>1</sup> (i.e., \$200 per flight hour). The hull is not depreciated, as its value will be recovered when the aircraft is sold. In comparison, the King Air 200 engines are depreciated at \$143 per flight hour. Because of this difference in depreciation cost and additional training and insurance, the King Air 350 will increase operating costs by approximately \$45,000 annually.

It is notable however that the existing King Air 200 will require engine replacement in FY01 at an estimated cost of \$660,000. These engines are depreciated over 2,500 flight hours before mandated replacement or \$264 per hour. Consequently over time, the King Air 350 will be less expensive to operate.

<sup>1</sup> Since the executive aircraft is flown less than 300 flight hours per year, the engine life expectancy is approximately 10 years.



SUMMARY

The department requests a one-time increase in FY99 expenditure authority of \$3,900,000 to the appropriation under s.20.505(1)(kb). This will increase authorized expenditures from the current Act 27 level of \$13,074,900 to \$16,974,900. The department also requests approval to transfer any unencumbered balance of one-time funding to FY00 with State Budget Office approval. This funding will enable the department to replace two aircraft, one of which was destroyed in a recent accident. These purchases will enable the department to meet its customer needs as follows:

- meet current air transportation demand,
- increase seating,
- increase scheduling flexibility to better serve the needs of state agencies including the Governor's Office.

cc: George Lightbourn  
Linda Seemeyer  
Jim Johnson  
Paul McMahan

## WISCONSIN AIR SERVICES

FAA #	DESCRIPTION	ASSIGNMENT	MODEL YEAR	ENGINES	SEATING (not incl. pilot)	RATE
N182NR	CESSNA 182	DNR - Eau Claire	1980	1	3	\$830/mo + \$54/hr
N1050V	CESSNA 180H	DNR - Oshkosh	1968	1	3	"
N59DW	CESSNA 180J	DNR - Oshkosh	1976	1	3	"
N185NR	CESSNA 185	DNR - Rhineland	1973	1	3	"
N7084F	CESSNA 180J	DNR - Rhineland	1976	1	3	"
N4654K	CESSNA 182P	DNR - Siren	1975	1	3	"
N735UY	CESSNA 182Q	DNR - Siren	1977	1	3	"
N5921E	CESSNA 182	DOT - Aeronautics	1980	1	3	"
N4723N	CESSNA 182Q	DOT - Aeronautics	1980	1	3	"
N7775S	SCOUT	DNR - Eau Claire	1976	1	1	\$700/mo + \$35/hr
N6991H	CESSNA 172	DNR - Oshkosh	1975	1	2	"
N4174Y	SCOUT	DNR - Oshkosh	1977	1	1	"
N9472H	CESSNA 172	DNR - Rhineland	1976	1	2	"
N17UP	CESSNA 172	DNR - Rhineland	1974	1	2	"
N64313	CESSNA 172	DNR - Siren	1975	1	2	"
N64157	CESSNA 172	DNR/DOT as needed	1975	1	2	"
N733HU	CESSNA 172	DOT - St. Patrol	1977	1	2	"
N733MU	CESSNA 172	DOT - St. Patrol	1977	1	2	"
N733DZ	CESSNA 172	DOT - St. Patrol	1977	1	2	"
N2364S	CESSNA 337	DNR - Madison	1967	2	4	\$775/mo + \$85/hr
N2397S	CESSNA 337	DNR - Oshkosh	1967	2	4	"
N5442S	CESSNA 337	DNR - Siren	1968	2	4	"
N100DB	CESSNA T-210	DOT - Aeronautics	1980	1	3	\$1,125/mo + \$99/hr
N5130Y	CESSNA T210	DOT - Aeronautics	1980	1	3	"
N4574Q	BARON	Crashed	1973	2	5	\$352/hr
N17979	BARON	DOA - Transportation	1977	2	5	\$352/hr
N15TF	QUEEN AIR	DOA - Transportation	1960	2	8	\$442/hr
N19TF	QUEEN AIR	DOA - Transportation	1960	2	8	\$442/hr
N115HF	QUEEN AIR	DOA - Transportation	1962	2	8	\$442/hr
N14TF	KING AIR 200	DOA - Transportation	1981	2	8	\$905/hr