

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

316-S Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

315-N Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

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: March 20, 2001

Re: Environmental Improvement Fund Biennial Finance Plan Revisions

Attached is a copy of information regarding the Wisconsin Environmental Improvement Fund (EIF) Biennial Finance Plan. The plan was submitted pursuant to s. 281.59(3)(bm) last October. Pursuant to s. 281.59(3)(bm)2, this information reflects amendments that update the plan to reflect material approved by the Governor for inclusion in the biennial budget.

This information is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

BB:JG:js



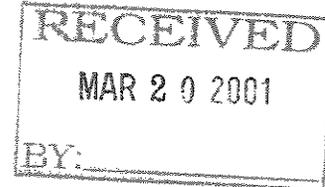
GEORGE LIGHTBOURN, SECRETARY



DARRELL BAZZELL, SECRETARY

March 15, 2001

The Honorable Brian Burke
Co-Chairperson Joint Committee on Finance
Room 316 South
State Capitol



SUBJECT: Wisconsin Environmental Improvement Fund Biennial Finance Plan Revisions

Dear Senator Burke:

Below is information regarding the Wisconsin Environmental Improvement Fund (EIF) Biennial Finance Plan, submitted in accordance with subsection 281.59(3)(bm) of the Wisconsin statutes. That subsection requires the Department of Natural Resources and the Department of Administration to submit to the legislature and the Building Commission any amendments to the Biennial Finance Plan which are necessary to reflect material approved by the Governor for inclusion in the biennial budget. The amendments are as follows:

- A. The Governor recommends an increase in the EIF segregated revenues for the payment of principal and interest on state general obligation bonds from \$4.0 million to \$6.0 million for each fiscal year of the biennium.
- B. The agency request and the Governor's recommendation for Clean Water Fund Program (CWFP) bonding authority and Present Value Subsidy Limit is as follows (in millions of \$s):

	Agency Request	Governor's Proposal	Cumulative
General Obligation Bonding	110.1	85.0 ¹	637.7
Present Value Subsidy	108.0	90.0	n/a

¹The Governor's proposed \$85.0 million in new GO Bond authority is comprised of \$65.0 million effective upon passage and \$20.0 million effective July 1, 2003. If interest rates remain favorable, it is expected this amount would allow funding for all expected needs (\$487.3 million) during the biennium.

C. Current law requires that, if the Governor's proposal for general obligation bonding, revenue bonding, or present value subsidy authority for the CWFP is 85% or less than requested in the Biennial Finance Plan submitted by DNR and DOA, DNR must notify municipalities that, if the Governor's recommendations are approved, the program funding would be distributed according to a project priority list established and administered by DNR. If the Governor's request exceeds this level, the project priority list is considered unnecessary since substantially all projects that request financing will receive it. The statute further states that if the final budget bill approves amounts for general obligation bonding, revenue bonding, or present value subsidy authority which is 85% or less than the amount requested in the biennial finance plan, program funding shall be distributed according to the project priority list.

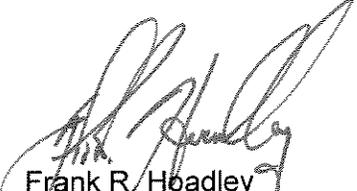
The Governor's 2001-2003 budget proposal, along with a submittal requesting minor revisions to that proposal, changes the threshold for implementing the project priority list requirement to 75%. This change reflects projections by DOA that, even if the amounts originally requested in the biennial finance plan are reduced to the levels requested in the budget, all projects that apply during the biennium should be able to receive funding, thus obviating the need for the project priority list. Avoiding the project priority listing allows municipalities to apply for and receive funding at any time during the biennium; that will simplify program administration and is viewed as a convenience by the municipal participants.

After the biennial budget bill is enacted a revised version of the Biennial Finance Plan will be distributed with changes that reflect actions taken in the budget.

If you have any questions regarding the Biennial Finance Plan, please contact Kathryn A. Curtner at 266-0860 or Frank Hoadley at 266-2305.

Sincerely,


Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources


Frank R. Hoadley
Capital Finance Director
Department of Administration

cc: Darrell Bazzell - AD/5
George Lightbourn - DOA

Senate 11/004



State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

Scott McCallum, Governor
Darrell Bazzell, Secretary

101 S. Webster St.
Box 7921
Madison, Wisconsin 53707-7921
Telephone 608-266-2621
FAX 608-267-3579
TTY 608-267-6897

May 30, 2002

Honorable Brian Burke, Senate Chair
Joint Committee on Finance
Room 317 East
State Capitol

Honorable John Gard, Assembly Chair
Joint Committee on Finance
Room 308 East
State Capitol

Attn: Committee Secretary, Daniel Caucutt
Division of Executive Budget and Finance, 10th Floor
Administration Building
101 East Wilson Street

Dear Senator Burke and Representative Gard: (with handwritten signatures)

Funding for the Forestry program will end on June 30, 2002. I am pleased that Forestry funding restoration is included in the current budget reform bill as a component agreed to by both houses. However, in this particular instance timing may still be a problem. Given the requirements of the layoff process (union contracts and civil service rules), we need to act soon to avoid troubling situations for these employees and their families. Action is needed by June 1, to avoid triggering the official layoff procedure; that is the day unions must be notified of impending action. While June 1 is almost upon us, the second "trigger" date will be June 15. That is the day layoff notices must be given to specific employees. Our current goal is to avoid that action and the resulting employee anxiety it would create.

If action on the budget reform bill is not imminent, I urge you to call a special Joint Committee on Finance s. 13.10 meeting prior to June 15 to resolve this issue. Given the nature of the original Governor's veto, all of the necessary DNR Forestry chapter 20 appropriations remain intact. Therefore the Committee need only supplement the Conservation Fund SEG appropriations and authorize SEG FTE under its s. 13.10 authority.

Request

The Department requests \$66,894,900 SEG for the restoration of funding for Forestry purposes within DNR. It is equivalent to the amount of Forestry SEG vetoed by the Governor in the 2001-03 biennial budget bill. The request would also restore 655.82 SEG FTE and 5.50 Federal positions to the Department that had been transferred to the Department of Forestry, and subsequently vetoed. Following is a table describing the activities funded by this request:

Table with 4 columns: Activity, Alpha Apprn. s. 20.370, Dollars, FTE. Rows include Forestry, Reforestation, Forestry Education Curriculum, Public Education, Snowmobile Trails, ATV Trails, and Federal.



Forestry Subtotal		\$36,046,800	
Southern Forestry	(1)(mu)	4,245,500	44.75
Southern Forestry—Federal	(1)(my)		2.0
Forestry Wildlife Management	(1)(lt)	153,400	2.50
Forestry Supervision	(1)(mu)	2,617,000	31.41
Land Management	(1)(mu)	2,549,500	31.16
Taxes and Assessments	(1)(kq)	99,000	
Research	(3)(mu)	901,100	10.03
Forestry Grants			
Forestry Recreation Aids	(5)(as)	234,500	
Nonprofit Conservation Organizations	(5)(aw)	80,000	
Ice Age Trail Area Grants	(5)(at)	75,000	
Private Forest Grants	(5)(av)	1,250,000	
Urban Land Conservation	(5)(ay)	75,000	
Forest Crop and Managed Forest Aids	(5)(br)	1,250,000	
County Forest Loans	(5)(bs)	622,400	
County Forest Loans Severance Share	(5)(bt)	400,000	
Urban Forest Grants	(5)(bw)	1,724,900	
Fire Equipment Grants	(5)(by)	448,000	
Debt Service and Development			
Debt Service	(7)(au)	\$4,000,000	
Acquisition and Development	(7)(fs)	222,600	
Facilities Development & Maintenance	(7)(hq)	154,000	
Support Services	(8)(mu)	7,066,100	80.67
Customer Assistance & External Relations	(9)(mu)	2,680,100	30.36
		\$66,894,900	661.32

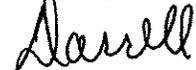
Background

This request would restore Conservation Fund funding for forestry purposes within the Department of Natural Resources that was vetoed from the 2001-03 biennial budget bill. The 2001-03 budget bill enacted by the State Legislature created a Department of Forestry and transferred the Division of Forestry from the Department of Natural Resources (DNR) and all of its related programs, operations, and employee positions to the new Department. The effective date of the transfer was July 1, 2002. The governor vetoed these provisions. The veto included the elimination of the appropriations for the new Department for fiscal year 2002-03:

This request restores the funding to the corresponding SEG appropriations within DNR, and restores the corresponding FTE employee positions under DNR that relate to the Division of Forestry operations for fiscal year 2002-03. This request does not include the restoration of GPR funding that is included in the agreed upon Conference Committee package. That funding is for facilities and road maintenance activities. Given limitations on the Committee's ability to supplement GPR appropriations and the fact that neither of these two appropriations support Department FTE, the timing of this restoration is less critical. Therefore, I would request that funding restoration for these two elements remain as part of the Budget Reform Bill.

Thank you for your consideration of this request. I am eager to work with you and your colleagues to resolve this issue quickly and get on with the important Forestry work that needs to be done in Wisconsin.

Sincerely,



Darrell Bazzell
Secretary



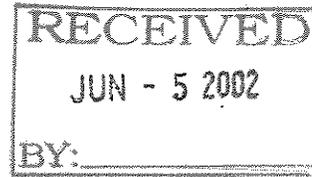
**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT McCALLUM
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

June 3, 2002



Honorable Brian Burke, Senate Chair
Joint Committee on Finance
Room 317 East
State Capitol
Madison, WI 53702

Honorable John Gard, Assembly Chair
Joint Committee on Finance
Room 308 East
State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

As you are well aware, the funding for the State's forestry programs is due to end at the end of this fiscal year on June 30, 2002. This will occur as a matter of law and in spite of a bipartisan agreement by the Budget Conference Committee to fund these functions through the coming fiscal year.

Due to this situation, the Department of Natural Resources (DNR) will soon be required to send layoff notices to specific employees and program functions will be jeopardized because the DNR will not be authorized to spend the amount that conferees have agreed to. This will have a deleterious effect on a program that, by all indications, is doing its work well and will needlessly affect the morale of the 661 employees and their families.

Therefore, I urge you to call a special Joint Committee on Finance Meeting under s.13.10 to remedy this situation by supplementing the Conservation Fund SEG appropriation. The appropriation lines for the current fiscal year were not altered by the Governor's vetoes in the Biennial Budget last summer - Act 16.

It is clear that expeditious action is needed to spare the employees and their families unwarranted concern. Please let me know when the committee will meet to address this problem.

Sincerely,


George Lightbourn
Secretary

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

317-E Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

308-E Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-2343

JOINT COMMITTEE ON FINANCE

June 4, 2002

Secretary Darrell Bazzell
Department of Natural Resources
101 S. Webster Street, 5th Floor
Madison, WI 53707

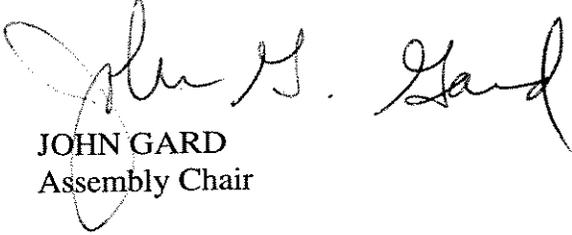
Dear Secretary Bazzell:

Under s. 23.0917 (6) of the statutes, a stewardship 2000 project or activity of more than \$250,000 requires the review of the Joint Committee on Finance. DNR must notify the Co-chairpersons of the Committee in writing of the proposed project. If the Co-chairpersons of the Committee do not notify DNR within 14 working days after the Department's notification that a meeting has been scheduled to review the request, then DNR may obligate funding for the project. If an objection to the project is made, then the Co-chairpersons must schedule a meeting to review the request. The Department may then obligate funding for the project only with Committee approval. This language applies to all stewardship 2000 projects or activities (an identical provision also applies to the original stewardship program). Therefore, the Joint Finance review provision clearly applies to any stewardship funded project or activity of more than \$250,000.

While DNR submits its land acquisition and local assistance grants for review, DNR has not been submitting property development projects of over \$250,000 (such as construction of new state park or forest entrance facilities) to Joint Finance for review. In addition, several major property development projects are earmarked in the biennial budget act and are not exempted from the Joint Finance review requirement (such as \$3 million for Milwaukee Lakeshore State Park, \$2.37 million for a visitor center at the Kickapoo Valley Reserve and \$2 million for improvements at State Fair Park).

Based upon a clear reading of the Wisconsin Statutes and the attached legal opinion by staff of the Legislative Council, the Joint Committee on Finance review provision applies to all stewardship projects or activities in excess of \$250,000 and not just those dealing with the purchase of land or local assistance grants. Accordingly, please ensure that the Department of Natural Resources submits all required stewardship projects for review by the Committee.

Sincerely,

A handwritten signature in cursive script, appearing to read "John H. Gard". The signature is written in dark ink and is positioned above the typed name and title.

JOHN GARD
Assembly Chair

JG:dh

cc: Members, Joint Committee on Finance

Attachment



WISCONSIN LEGISLATIVE COUNCIL

Terry C. Anderson, Director
Laura D. Rose, Deputy Director

TO: REPRESENTATIVE JOHN GARD

FROM: Mark C. Patrosky, Senior Staff Attorney *MCP*

RE: Joint Committee on Finance Review of Certain Projects Under the Stewardship Program

DATE: June 3, 2002

This memorandum is in response to your request for an analysis of the applicability of current s. 23.0917 (6), Stats., which relates to Joint Committee on Finance review of certain projects under the Stewardship Program.

Section 23.0917, Stats., comprises the Warren Knowles-Gaylord Nelson Stewardship 2000 Program. This is the new stewardship program that was created in the 1999 Budget Act. This statute includes a provision that requires review by the Joint Committee on Finance, as follows:

23.0917 (6) REVIEW BY JOINT COMMITTEE ON FINANCE. (a) The department may not obligate from the appropriation under s. 20.866 (2) (ta) [Stewardship Program bonding authority] for a given project or activity any moneys unless it first notifies the joint committee on finance in writing of the proposal. If the cochairpersons of the committee do not notify the department within 14 working days after the date of the department's notification that the committee has scheduled a meeting to review the proposal, the department may obligate the moneys. If, within 14 working days after the date of the notification by the department, the cochairpersons of the committee notify the department that the committee has scheduled a meeting to review the proposal, the department may obligate the moneys only upon approval of the committee.

(b) Paragraph (a) applies only to an amount for a project or activity that exceeds \$250,000, except as provided in par. (c).

(c) Paragraph (a) applies to any land acquisition under sub. (5m).

This statute is direct and clear. The Department of Natural Resources (DNR) "may not obligate" funds from the bonding authorization from the Stewardship Program "for a given project or activity" if

the amount for the project or activity exceeds \$250,000 unless it "first notifies the Joint Committee on Finance in writing of the proposal" and the Joint Committee on Finance has an opportunity to review the proposal. I cannot find any vagueness or ambiguity in the intent or effect of this statute. Further, the phrase "project or activity" is sufficiently broad to encompass anything for which the expenditure of bonding revenue from the Stewardship Program could be anticipated.

However, you have discovered that the DNR has not submitted for Joint Committee on Finance review certain property development projects that require review under the directive of this statute. The explanation provided by the DNR is that statutes applicable to Building Commission decision-making under ss. 13.48 (7) and 13.488 (4), Stats., prevail, and render the clear mandate of s. 23.0917 (6), Stats., a nullity. I have reviewed the Building Commission statutes carefully and cannot find any argument to support the DNR position. Sections 13.48 and 13.488, Stats., describe the authority of the Building Commission to supervise the state building program. It is clear that certain projects or activities that require review under s. 29.0917 (6), Stats., will also require review by the Building Commission. Neither statute contains express provisions that supersede the other statute. Review by both the Building Commission and the Joint Committee on Finance may occur, but nothing in the statutes indicates that this should not occur. You call attention specifically to s. 13.488 (4), Stats., which provides, with respect to the powers and duties of the Building Commission, as follows:

13.488 (4) All laws, conflicting with this section are, insofar as they conflict with this section and no further, superseded by this section.

Section 29.0917, Stats., contains nothing that conflicts with Building Commission powers and duties, so this statute is inapplicable to Joint Committee on Finance review of stewardship fund projects.

The prior stewardship program contains an identical provision regarding Joint Committee on Finance review. [s. 23.0915 (4), Stats.] This provision was created by 1995 Wisconsin Act 27. The legislative history of this provision is especially significant in the understanding of the current statute. The first stewardship program had already existed for approximately five years when this provision was adopted. When it was adopted, the provisions that you noted in ss. 13.48 and 13.488, Stats., already existed, but those latter statutes were not amended by 1995 Act 27, concurrent with the creation of s. 23.0915 (4), Stats. This evidence is clear legislative intent that, whatever authority the Building Commission may have, the review by the Joint Committee on Finance was also meant to apply to the Stewardship Program.

If you have further questions, please feel free to contact me.

MCP:wu:jal:tlu;ksm



WISCONSIN DEPARTMENT OF
ADMINISTRATION

Informational
(is it even
finance related?)

May 20, 2002

The Honorable Donald J. Schneider
Senate Chief Clerk
1 East Main Street, Suite 402
Madison, WI 53707



The Honorable Patrick Fuller
Assembly Deputy Chief Clerk
1 East Main Street, Suite 402
Madison, WI 53708

Dear Chief Clerk Schneider and Deputy Chief Clerk Fuller:

This report is transmitted as required by s. 20.002(11)(f), Wisconsin Statutes (for distribution to the appropriate standing committees under s. 13.172(3), Wisconsin Statutes), and confirms that the Department of Administration has found it necessary to exercise the "temporary reallocation of balances" authority provided by this section in order to meet payment responsibilities and cover resulting negative balances during the month of April 2002.

On April 1, 2002 the **General Fund** balance was -\$231.1 million. This shortfall continued until April 19, 2002 when the balance reached a positive \$78.0 million. During this period, the **General Fund** balance reached a low of -\$359.8 million on April 10, 2002. The shortfall was due to the difference in the timing of revenues and expenditures, in combination with the overall budget shortfall.

On April 1, 2002 the **Wisconsin Health Education Loan Repayment Fund** balance was -\$3 thousand. This shortfall continued until April 12, 2002 when the balance reached a positive \$5 thousand. The shortfall was due to the difference in the timing of revenues and expenditures.

The General Fund and the Wisconsin Health Education Loan Repayment Fund shortfalls were not in excess of the statutory interfund borrowing limitation and did not exceed the balances of the Funds available for interfund borrowing.

The distribution of interest earnings to investment pool participants is based on the average daily balance in the pool and each fund's share. Therefore, the monthly calculation by the State Controller's Office will automatically reflect the use of these temporary reallocations of balance authority.

Sincerely,


George Lightbourn
Secretary



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT McCALLUM
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

July 12, 2002

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

Dear Senator Burke, Representative Gard and Members:

This report is required by subsection (7) of 18.16 of the Wisconsin Statutes and specifies the reason for not complying with subsections (2) to (5) of the same section for a specific issuance of debt.

On November 28, 2001, the Building Commission authorized the issuance of State of Wisconsin General Obligation Bonds, Clean Water Fund Program [the "Bonds"] in an aggregate amount not to exceed \$25,000,000. The Bonds will be held by the Environmental Improvement Fund as investments to provide cash flow to the State of Wisconsin Clean Water Revenue Bonds.

On July 23, 2002, \$12,000,000 State of Wisconsin General Obligation Bonds of 2002, Clean Water Fund Program Series A, will be sold privately to the Environmental Improvement Fund pursuant to 18.06 (9) of the statutes.

Since the Bonds will be sold directly to the Environmental Improvement Fund, and without the participation of underwriters, compliance with subsections (2) to (5) of s. 18.16 is not possible.

Sincerely,


George Lightbourn
Secretary

Legislative Fiscal Bureau

Robert Wm. Lang, Director



State of Wisconsin

One East Main, Suite 301 • Madison, WI 53703
Email: Fiscal.Bureau@legis.state.wi.us
Telephone: (608) 266-3847 • Fax: (608) 267-6873

July 24, 2002

Mr. John Hagman
Capital Budget & Facilities Management Chief
Department of Natural Resources
101 S. Webster St.
Madison, WI 53707

Mr. Hagman:

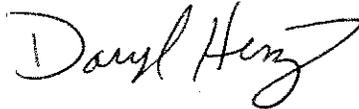
I understand you had a question regarding the June 4, 2002, letter from Representative John Gard to DNR Secretary Bazzell, and the associated June 3, 2002, legal opinion of Legislative Council staff attorney Mark Patrosky, regarding the statutory requirement for a Joint Committee on Finance passive review procedure of all stewardship funded projects that exceed \$250,000. You had indicated to Rebecca Hotynski of our staff that you thought the \$690,000 project for a nature and conference center at Lapham Peak (design report and authority to bid approved by the Building Commission on June 19, 2002) may not be covered by the requirement since you would be using funds from the original stewardship program. However, the second to last paragraph of Mr. Patrosky's opinion states that an identical provision regarding Joint Finance review applies to the original program. Therefore, this project would clearly fall under the passive review requirement since it involves a commitment of stewardship funds in excess of \$250,000.

Further, you had indicated that you believed that certain projects that have been enumerated by the Legislature (when a building program is adopted in the biennial budget) may not be subject to the passive review requirements under s.23.0917 (6) or 23.0915 (4). Again, Mr. Patrosky's opinion deals with this issue directly in the first two full paragraphs on page 2. Further, DNR has interpreted this statute to apply to Joint Finance passive review of stewardship land purchases and grants that were enumerated by the Legislature (for example, the Grandfather Falls purchase on the Wisconsin River and a grant to Racine for the Root River Parkway, both of which were submitted by DNR for Joint Finance review). You raised a question regarding whether biennial budget review by Joint Finance and the Legislature could be considered adequate oversight of these stewardship funded projects (making the additional review by Joint Finance after final Building Commission approval of the budget, plans and specifications unwarranted). To do so would require a statutory change to current law. Additionally, it may be argued that the general building program review undertaken during biennial budget deliberations, and prior to final budget and design standards

being approved by the Building Commission, is not the equivalent review afforded for other stewardship expenditures of over \$250,000 (land purchases are reviewed after final DNR Board approval and grants after projects have completed DNR evaluation, been scored and an award has been made--subject to Joint Finance Committee review).

I hope this clarifies the questions you have raised regarding the applicability of the Joint Finance passive review requirements under current law.

Sincerely,

A handwritten signature in cursive script that reads "Daryl Hinz". The signature is written in black ink and is positioned above the printed name and title.

Daryl Hinz
Program Supervisor

DH/lah

cc: Representative John Gard
Senator Brian Burke
Senator Carol Roessler
Darrell Bazzell, Secretary, Department of Natural Resources
Robert Cramer, Administrator, DOA Division of Facilities Development



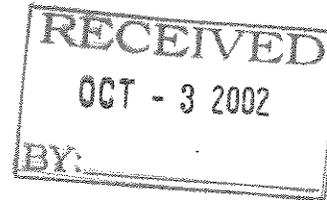
GEORGE LIGHTBOURN, SECRETARY



DARRELL BAZZELL, SECRETARY

October 1, 2002

The Honorable Brian Burke
Co-Chairperson Joint Committee on Finance
Room 317 East
State Capitol



SUBJECT: Wisconsin Environmental Improvement Fund Biennial Finance Plan for 2003-2005

Dear Senator Burke:

Attached to this letter is the Environmental Improvement Fund Biennial Finance Plan for the 2003-2005 biennium.

Environmental Improvement Fund program legislation (s. 281.59(3), Wis. Stats.) requires the Department of Natural Resources and the Department of Administration to submit the first version of the Biennial Finance Plan to the Legislature and to the State Building Commission. The purpose of the plan is to provide information on loan, loan subsidy, and bonding levels for program operations in the 2003-2005 biennium.

If you have any questions regarding the Biennial Finance Plan or the Biennial Report, please contact Kathryn A. Curtner at 266-0860 or Frank R. Hoadley at 266-2305.

Sincerely,

Kathryn A. Curtner

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Frank R. Hoadley
Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: Darrell Bazzell - AD/5
George Lightbourn - DOA



GEORGE LIGHTBOURN, SECRETARY



DARRELL BAZZELL, SECRETARY

October 1, 2002

Mr. Robert Cramer, Administrator
Division of Facilities Development, DOA
101 E Wilson St, 7th Floor
Madison WI 53707-7864

SUBJECT: Wisconsin Environmental Improvement Fund Biennial Finance Plan for 2003-2005

Dear Mr. Cramer:

Attached to this letter is the Environmental Improvement Fund Biennial Finance Plan for the 2003-2005 biennium.

Environmental Improvement Fund program legislation (s. 281.59(3), Wis. Stats.) requires the Department of Natural Resources and the Department of Administration to submit the first version of the Biennial Finance Plan to the Legislature and to the State Building Commission. The purpose of the plan is to provide information on loan, loan subsidy, and bonding levels for program operations in the 2003-2005 biennium.

If you have any questions regarding the Biennial Finance Plan or the Biennial Report, please contact Kathryn A. Curtner at 266-0860 or Frank R. Hoadley at 266-2305.

Sincerely,

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: Darrell Bazzell - AD/5
George Lightbourn - DOA



WISCONSIN DEPARTMENT OF
ADMINISTRATION

GEORGE LIGHTBOURN, SECRETARY



DARRELL BAZZELL, SECRETARY

October 1, 2002

Mr. Donald J. Schneider
Senate Chief Clerk
119 MLK Blvd, Ste 501, PO Box 7882
Madison WI 53707-7882

SUBJECT: Wisconsin Environmental Improvement Fund Biennial Finance Plan for 2003-2005

Dear Mr. Schneider:

Attached to this letter is the Environmental Improvement Fund Biennial Finance Plan for the 2003-2005 biennium.

Environmental Improvement Fund program legislation (s. 281.59(3), Wis. Stats.) requires the Department of Natural Resources and the Department of Administration to submit the first version of the Biennial Finance Plan to the Legislature and to the State Building Commission. The purpose of the plan is to provide information on loan, loan subsidy, and bonding levels for program operations in the 2003-2005 biennium.

If you have any questions regarding the Biennial Finance Plan or the Biennial Report, please contact Kathryn A. Curtner at 266-0860 or Frank R. Hoadley at 266-2305.

Sincerely,

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

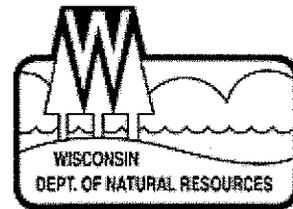
Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: Darrell Bazzell - AD/5
George Lightbourn - DOA



GEORGE LIGHTBOURN, SECRETARY



DARRELL BAZZELL, SECRETARY

October 1, 2002

Assembly Chief Clerk
1 E Main St, Ste 501, PO Box 8952
Madison WI 53707-8952

SUBJECT: Wisconsin Environmental Improvement Fund Biennial Finance Plan for 2003-2005

Dear Assembly Chief Clerk:

Attached to this letter is the Environmental Improvement Fund Biennial Finance Plan for the 2003-2005 biennium.

Environmental Improvement Fund program legislation (s. 281.59(3), Wis. Stats.) requires the Department of Natural Resources and the Department of Administration to submit the first version of the Biennial Finance Plan to the Legislature and to the State Building Commission. The purpose of the plan is to provide information on loan, loan subsidy, and bonding levels for program operations in the 2003-2005 biennium.

If you have any questions regarding the Biennial Finance Plan or the Biennial Report, please contact Kathryn A. Curtner at 266-0860 or Frank R. Hoadley at 266-2305.

Sincerely,

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: Darrell Bazzell - AD/5
George Lightbourn - DOA

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

317-E Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

308-E Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Date: October 4, 2002

Re: Environmental Improvement Fund Biennial Finance Plan

Attached is a copy of the Environmental Improvement Fund Biennial Finance Plan for the 2003-2005 biennium from the Department of Natural Resources and the Department of Administration, pursuant to s. 281.59(3), Stats. The plan provides information on loan, loan subsidy and bonding levels for program operations.

The report is being provided for your information only. No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh



WISCONSIN DEPARTMENT OF
ADMINISTRATION

GEORGE LIGHTBOURN, SECRETARY



DARRELL BAZZELL, SECRETARY

October 1, 2002

The Honorable Brian Burke
Co-Chairperson Joint Committee on Finance
Room 317 East
State Capitol

SUBJECT: Wisconsin Environmental Improvement Fund Biennial Finance Plan for 2003-2005

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Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Frank R. Hoadley
Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

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WISCONSIN DEPARTMENT OF
ADMINISTRATION

GEORGE LIGHTBOURN, SECRETARY



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October 1, 2002

The Honorable John Gard
Co-Chairperson Joint Committee on Finance
Room 308 East
State Capitol

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Dear Representative Gard:

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Sincerely,

Kathryn A. Curtner, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Frank R. Hoadley
Capital Finance Director
Department of Administration

Attach.

cc: Darrell Bazzell - AD/5
George Lightbourn - DOA

**BIENNIAL FINANCE PLAN
ENVIRONMENTAL IMPROVEMENT FUND
OCTOBER 2002**

Prepared by:

Department of Natural Resources
Bureau of Community Financial Assistance

Department of Administration
Capital Finance Office

**ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
OCTOBER 2002**

EXECUTIVE SUMMARY

PROPOSED FUNDING LEVELS FOR THE ENVIRONMENTAL IMPROVEMENT FUND

BONDING AUTHORITY AND PRESENT VALUE SUBSIDY LIMIT
(in millions of \$s)

	CHANGE IN AMOUNT	CUMULATIVE
A. CLEAN WATER FUND PROGRAM		
General Obligation Bonding	0	637.7
Revenue Bonding	259.7	1658.0
Present Value Subsidy	92.4	n/a
 Bonding and present value subsidy levels are expected to be sufficient to meet all of the estimated non-hardship requests.		
B. SAFE DRINKING WATER LOAN PROGRAM		
General Obligation Bonding	0	26.2
Present Value Subsidy	12.8	n/a
C. LAND RECYCLING LOAN PROGRAM		
Present Value Subsidy	12.0	n/a

Notes:

- No new general obligation bonding authority is requested. Favorable revenue bond rates, refinancing of previously issued bonds, increasing levels of repayments, continued federal grants, and reduced demand for hardship funds will allow the program to operate through the 2003-05 biennium without increasing the general obligation levels.
- The funding levels shown for the CWFP would allow funding for all expected needs (\$463.7 million) during the biennium.

PV subsidy requested for LRLP will be reduced to the extent 2001-03 loans are closed before 7/1/03.

**ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
OCTOBER 2002**

INTRODUCTION:

Section 281.59(3), Wis. Stats., requires the submission of a Biennial Finance Plan to the Building Commission, the Joint Finance Committee and to the Chief Clerk of each house of the legislature. The law requires that the Department of Natural Resources and the Department of Administration provide information on the following topics:

1. An estimate of the wastewater treatment, safe drinking water, and land recycling project needs and the total amount of financial assistance planned to be provided or committed for projects during the four fiscal years of the next two biennia.
2. The extent to which the environmental improvement fund will be maintained in perpetuity.
3. Financial statements, charts, and other financial information regarding the Environmental Improvement Fund.
4. The estimated present value of subsidies for program loans and grants listed in the biennial needs list with a discussion of the assumptions made in these subsidy calculations.
5. The amount and description of service fees to be charged.
6. The impact of the Biennial Finance Plan on the guideline stated in s. 281.59(3)(b), Wis. Stats.

A summary of program authority levels and financial assumptions is presented as Attachment A. A chart showing projected sources and uses of funds for the next biennium is presented as Attachment B.

1. NEEDS AND FINANCIAL ASSISTANCE PLANNED TO BE PROVIDED

A. Clean Water Fund Program

Table 1 shows DNR's projections of the total amount of all wastewater funding needs and the financial assistance planned to be provided over the next four fiscal years. Because these projections represent DNR's best estimates as of September 1, 2002, based on both file materials and a comprehensive survey of municipalities and DNR field staff it was determined that the needs and the assistance likely to be provided are best represented as the same numbers. A 10% contingency was added to the estimated as-bid construction costs to derive the figures in Table 1.

**TABLE 1
PROJECTED WASTEWATER NEEDS AND ASSISTANCE
PLANNED TO BE PROVIDED
(in millions of \$s)**

% of Market Interest Rate	FY04	FY05	FY06	FY07
55%	206.5	135.6	57.8	47.5
65%	13.6	5.1	-	-
70%	59.2	20.6	4.2	76.8
Market Rate	19.9	8.5	3.3	2.9
TOTAL	294.0	169.7	65.3	57.1

B. Safe Drinking Water Loan Program

Data from preliminary needs surveys indicate that drinking water needs will exceed the amount of capitalization grants available in the next two biennia; therefore, the financial assistance planned to be provided is the more meaningful set of numbers to show here. For the purposes of calculating assistance planned to be provided, it is assumed that the state receives \$15,946,500 in capitalization grants in each year. Table 2 shows the amount of funds expected to be available during the biennium. The amounts include state match contributions (20% of capitalization grants), transfers from the Clean Water Fund Program, unused funds from previous years, repayments, and recovery of amounts withheld in previous years under EPA accounting rules.

TABLE 2
PROJECTED DRINKING WATER FINANCIAL ASSISTANCE PLANNED
TO BE PROVIDED

(in millions of \$s)

% of Market Interest Rate	FY04	FY05	FY06	FY07
33%	3.3	3.0	1.6	1.6
55%	30.3	27.2	14.9	14.9
TOTAL	33.6	30.2	16.5	16.5

C. Land Recycling Loan Program

Although it is expected that all of the \$20 million earmarked for the Land Recycling Loan Program in the 1997-99 budget will be obligated by the end of the 2001-03 biennium, it is possible that up to \$9.8 million will remain unobligated. Therefore, it is assumed this amount will carry forward into the 2003-05 biennium. Additional future needs for the Land Recycling Loan Program are difficult to project since there is no established methodology for surveying potential needs. Based on an analysis of past activity in the program, it is estimated that additional future need for the LRLP will be \$10 million per year for the next two years.

TABLE 3
PROJECTED LAND RECYCLING FINANCIAL ASSISTANCE
PLANNED TO BE PROVIDED

(in millions of \$s)

	FY04	FY05	FY06	FY07
TOTAL	14.9	14.9	0	0

2. FUND MAINTAINED IN PERPETUITY:

The Clean Water Fund Program consists of three loan portfolios: the leveraged portfolio which uses the proceeds from state revenue bonds to make loans, the direct portfolio which uses capitalization grants from the US Environmental Protection Agency (EPA) and state matching funds (it is from this portfolio that the Land Recycling Loan Program will be funded), and a "proprietary" portfolio for loans that do not fit under the leveraged or direct programs. Some loans can only be funded in the proprietary portfolio because of questionable credit quality, non-conformity with EPA regulations, or federal tax requirements. The number and amount of loans maintained in the proprietary portfolio is kept to a minimum. The revenue bond based loan portfolio is designed so that loan repayments plus state subsidies are used to retire revenue bonds issued. The EPA-funded programs for the Clean Water Fund Program, the Safe Drinking Water Loan Program, and the Land Recycling Loan Program are self-perpetuating portfolios which will continue to grow as principal and interest payments are recycled into new loans. EPA regulations require that the EPA-funded programs be maintained in a way that guarantees that they will continue in perpetuity. The only way that the EPA-funded programs would diminish in size would be for a substantial number of loan defaults to occur.

3. FINANCIAL REPORTS:

Section 281.59(3)(a)5, Wis. Stats., requires the presentation of audited financial statements for the Clean Water Fund Program, the Safe Drinking Water Program, and the Land Recycling Loan Program. Financial statements covering those programs, including the balance sheet and statement of revenues and expenses, are part of the overall program financial statements prepared by the Department of Administration and audited by Arthur Anderson LLP. These statements must be considered in their entirety and may not be presented without accompanying statements and notes. Copies of the audited financial statements, together with the report of the accountants, are available from the Department of Administration Capital Finance office (608-267-6925) or the Department of Natural Resources Bureau of Community Financial Assistance (608-266-3915). Attachment B is a chart showing the estimated sources and uses of funds for the 2003-05 biennium. Attachment C is a table showing the estimated fund capital available for commitments in each of the next four fiscal years based on projected repayment of financial assistance. The data necessary to produce the table that in previous versions of the Biennial Finance Plan contained 20-year projections of fund balances was not available for this version.

4. PRESENT VALUE OF SUBSIDIES:

Table 4 provides estimates of the present value of long term subsidy amounts that will be provided assuming the levels of assistance proposed in previous section of this report. Present value subsidy is the control mechanism that is employed under the Environmental Improvement Fund and the loan and grant programs operating within the Fund to measure the fiscal impact on the state. The stream of payments over the life (20 years) of all loans to municipalities that the state would have to make to finance the difference between the actual subsidized loan and a market rate loan is the total subsidy. The total subsidy over time is discounted to produce a present value equivalent figure. Projects are identified in priority order for a year's funding list and if there is insufficient present value subsidy to provide subsidized loans to all municipalities on the list, only those projects with the highest priority would be funded with subsidized loans.

TABLE 4
PRESENT VALUE SUBSIDY LEVEL
ENVIRONMENTAL IMPROVEMENT FUND
(in millions of 2002 \$s)

CLEAN WATER FUND PROGRAM	
Loans at 55% of market rate	65.7
Loans at 65% of market rate	2.8
Loans at 70% of market rate	10.4
Loans at market rate	0.0
Hardship loans & grants	13.9
Rounding adjustment	(0.4)
TOTAL	92.4
 SAFE DRINKING WATER LOAN PROGRAM	
Loans at 33% of market rate	1.8
Loans at 55% of market rate	11.0
TOTAL	12.8
 LAND RECYCLING LOAN PROGRAM	
Loans at 0%	12.0
TOTAL	12.0

5. SERVICE FEE

Section 281.60(11m) specifies that the Department of Natural Resources and the Department of Administration shall jointly charge and collect an annual service fee for reviewing and acting upon Land Recycling Loan Program applications and servicing financial assistance agreements. The statute also specifies the fee for the biennium shall be described in the Biennial Finance Plan. The service fee for the 2003-05 biennium is 0.5% of the outstanding balance on land recycling loans.

6. IMPACT ON S. 281.59(3)(b), WIS. STATS., GUIDELINES:

The Clean Water Fund Program authorizing legislation rules that, in preparation of the Biennial Finance Plan, DNR and DOA shall consider as a guideline that all state water pollution general obligation debt service should not exceed 50% of all general obligation debt service costs of the state. The debt service costs for all state water pollution abatement programs were approximately 29.2% of all state debt service in fiscal 2002 and are expected to total 26.4% of all state debt service in fiscal 2003. As a percentage of total GPR debt service, these figures would be 37.8% and 35.8% respectively. Accordingly, the pollution abatement debt service costs are well within the 50% guideline. The composition of the debt service costs will change over time as the debt service expense of the Clean Water Fund Loan Program replaces debt service for the expenses incurred under the Wisconsin Fund grant program. It will be necessary to issue previously authorized general obligation bonds in order to fully fund the Clean Water Fund Program financial assistance levels shown in Table 1. It is important to note that, although the program will continue to require additional general obligation bond authorizations in the future, the level of these authorizations will steadily decrease as the program matures. The state cost of assisting municipalities in the construction of pollution control facilities will continue to be significantly less than that which was previously incurred to offer state grants for similar facilities.

STATE OF WISCONSIN
 ENVIRONMENTAL IMPROVEMENT FUND
 SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
 ATTACHMENT A to 2001-2003 BIENNIAL FINANCE PLAN VERSION 1

Clean Water Fund Program Authority

GENERAL OBLIGATION BONDS

Subsidy Reserve Requirements	\$ 69,800,000
Capitalization Grant Match	14,000,000
Credit Reserve	31,900,000
Direct Loans Net of Repayments	3,000,000
Hardship Grants	13,900,000
Subtotal:	\$ 132,600,000
Less: Carryover General Obligation Bond Authority (from '89 to '03)	(132,600,000)
New General Obligation Bond Authority Needed to Fund '03-'05 needs	0.00
New General Obligation Bond Authority Recommended	0.00
Existing General Obligation Bond Authority	637,743,200
Cumulative General Obligation Bond Authority including '03-'05 request	\$ 637,743,200

REVENUE BONDS

Projects to be Funded	\$ 351,400,000
Allowance for Project Cost Increases	17,570,000
Total:	368,970,000
Less: Carryover Projected from '89-'03	(109,300,000)
Total needed to Fund '03-'05 Needs	259,670,000
New Revenue Bond Authority Recommended	259,670,000
Existing Revenue Bond Authority	1,398,355,000
Cumulative Revenue Bond Authority including '03-'05 request	1,658,025,000

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 92,400,000
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Financial Assumptions

PROJECTS TO BE FUNDED (from August, 2002 DNR estimates)

Compliance Maintenance + New and Changed Limits	342,121,005
Nonpoint + Urban Stormwater Pollution Abatement	18,645,376
Unsewered	79,787,262
Market Rate	23,187,034
 Total Project Costs	 \$ 463,740,677

CAPITALIZATION GRANT FROM THE US EPA (estimated) \$ 70,000,000

INTEREST RATES (at 6.0% estimated market rate)

Compliance Maint. and New/Changed Limits (55% of market)	3.300%
Urban Storm and Nonpoint Source (65% of market)	3.900%
Unsewered (70% of market)	4.200%

STATE OF WISCONSIN
 ENVIRONMENTAL IMPROVEMENT FUND
 SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
 PAGE 2 of ATTACHMENT A to 2003-2005 BIENNIAL FINANCE PLAN VERSION 1

Safe Drinking Water Loan Program Authority

GENERAL OBLIGATION BONDS

Previously Authorized But Uncommitted Authority	6,631,300
Capitalization Grant Match for 2003-2005 Grants	6,378,600
Remaining Authorized Uncommitted	252,700
New Authority Needed	0

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 12,800,000
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Financial Assumptions

PROJECTS TO BE FUNDED

Projects for communities receiving 55% of market rate	57,473,838
Projects for communities receiving 33% of market rate	6,336,352
Total Project Costs	\$ 63,810,190

EPA CAP. GRANT + MATCH AVAILABLE FOR LOANS \$ 33,168,720

OTHER FUNDS POTENTIALLY AVAILABLE \$ 30,641,470

INTEREST RATES (at 6.0% estimated market rate)

55% of market	3.300%
33% of market	1.980%

Land Recycling Loan Program Authority

GENERAL OBLIGATION BONDS

None authorized nor recommended

PRESENT VALUE SUBSIDY

Recommended Present Value Subsidy Biennial Limit	\$ 12,000,000
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Financial Assumptions

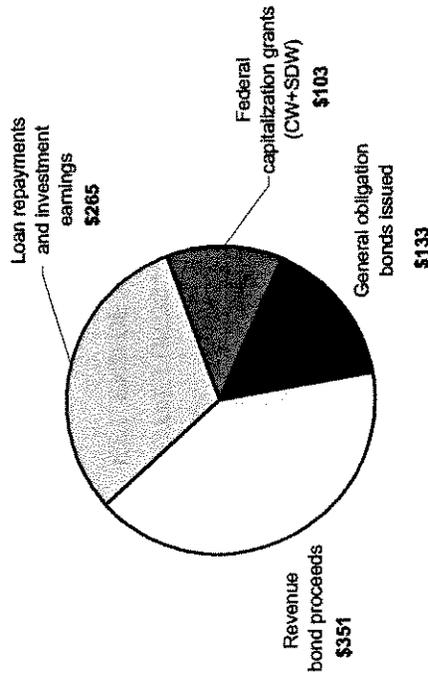
PROJECTS TO BE FUNDED

Total Project Costs	29,857,970
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INTEREST RATE 0%

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
ESTIMATED SOURCES AND USES FOR 2003-2005 BIENNIUM
ATTACHMENT B TO THE 2003-2005 BIENNIAL FINANCE PLAN VERSION 1**

Sources of Funds



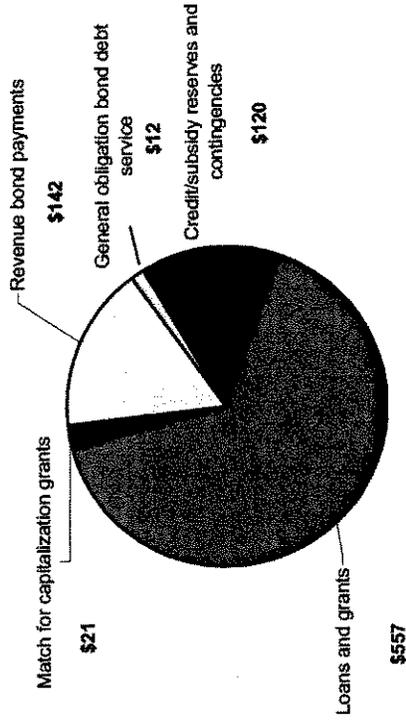
SOURCES OF FUNDS

Federal capitalization grants (CW+SDW)	\$103
General obligation bonds issued	\$133
Revenue bond net proceeds	\$351
Loan repayments and investment earnings	\$265
TOTAL SOURCES	\$852

Notes:

Chart was prepared in September 2002 for version 1 of the '03-'05 Biennial Finance Plan
 All numbers rounded to millions of dollars
 Loans and grants include projects originated during period indicated to end of funding cycle
 Assumptions regarding future interest rates for tax exempt bonds affect projections
 Does not include accruals or unapplied fund balances

Uses of Funds



USES OF FUNDS

Loans and grants	\$557
Match for capitalization grants	\$21
Revenue bond payments	\$142
General obligation bond debt service	\$12
Credit/subsidy reserves and contingencies	\$120
TOTAL USES	\$852

493.6

**STATE OF WISCONSIN ENVIRONMENTAL IMPROVEMENT FUND
 FUND CAPITAL REPORT FOR FISCAL YEARS 2004-2007
 ATTACHMENT C TO 2003-2005 BIENNIAL FINANCE PLAN - VERSION 1**

FUNDS RECEIVED

	FY '04	FY '05	FY '06	FY '07
BEGINNING BALANCE (NET)	\$50,000,000	\$49,508,470	\$48,784,863	\$38,786,401
CWFP Revenue Bonds (see notes)	\$248,925,826	\$117,733,878	\$43,197,145	\$35,400,586
Net Operating Investment Income	\$31,747,068	\$35,199,602	\$38,645,173	\$38,345,219
Fed Cap Grant Proceeds	\$51,584,360	\$51,584,360	\$0	\$0
G.O. Bond Proceeds	\$84,939,691	\$50,960,434	\$12,307,063	\$10,085,788
TOTALS	\$467,196,945	\$304,986,744	\$142,934,245	\$122,617,994

FUNDS APPLIED

Administrative Expenses	\$4,641,530	\$4,873,607	\$5,117,287	\$5,373,151
Loan Credit Reserve Fund	\$22,155,428	\$10,478,802	\$3,844,725	\$3,150,799
EIF Loans and Grants	\$342,574,126	\$214,834,712	\$81,842,318	\$73,745,805
EIF Subsidy Reserve Fund	\$42,317,390	\$20,014,759	\$7,343,515	\$6,018,100
GO Bonds Debt Service	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
TOTAL FUNDS APPLIED	\$417,688,475	\$256,201,880	\$104,147,844	\$94,287,854
EST. END OF YEAR BALANCE	\$49,508,470	\$48,784,863	\$38,786,401	\$28,330,139

Notes:

Chart was prepared in September 2002 for version one of the '03-'05 Biennial Finance Plan
 Beginning balances will vary significantly depending on timing of general obligation and revenue bond issuance
 Report shows estimated sources and uses of capital for loans and operations; not assets and equity
 Revenue bond cash flows are not included and assumed to be self supporting, i.e., income offsets debt service
 Operating Investment Income represents estimated loan repayments and interest earned
 Administrative expenses assume a 5% annual inflation factor
 For additional information refer to audited financial statements