



Legislative Fiscal Bureau

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J

May 4, 2001

Joint Committee on Finance

Paper #810

Lottery Sales, Retailer Compensation, Vendor Fees Reestimates and Lottery and Gaming Tax Credit Reestimate (Revenue -- Lottery Administration and Shared Revenue and Tax Relief -- Property Tax Credits)

[LFB 2001-03 Budget Summary: Page 592, #1; Page 594, #2; Page 595, #3; and Page 608, #4]

GOVERNOR

Lottery Sales. Estimate lottery sales at \$412.4 million in 2001-02 and \$414.2 million in 2002-03. The following table shows the 2001-03 projections, as well as 2000-01 estimated lottery sales and 1999-00 actual sales. The 2000-01 estimate was established by DOA and the Joint Committee on Finance in October, 2000, for the purposes of certifying the amount available for the 2000(01) lottery and gaming tax credit.

Lottery Sales Projections
(\$ in Millions)

Game Type	Actual 1999-00	2000-01	2001-02	Percent Change from 2000-01	2002-03	Percent Change from 2001-02
Scratch	\$235.6	\$237.6	\$238.5	0.4%	\$239.5	0.4%
Pull-tab	5.5	6.5	8.1	24.6	8.7	7.4
On-line	165.6	165.0	165.8	0.5	166.0	0.1
Total	\$406.7	\$409.1	\$412.4	0.8%	\$414.2	0.4%

The projected sales directly affect the sum sufficient appropriations for retailer compensation and lottery vendor fees.

Retailer Compensation. Delete \$1,205,000 SEG in 2001-02 and \$1,014,700 SEG in 2002-03 to adjust base level funding for retailer compensation, including payments to retailers under the retailer performance program, to reflect projected lottery sales in the 2001-03 biennium.

Vendor Fees. Provide \$166,000 SEG in 2001-02 and \$384,800 SEG in 2002-03 to adjust funding for vendor fees to reflect projected lottery sales in the 2001-03 biennium.

Lottery Fund Condition. The effects of the Governor's sales and expenditure estimates are shown in the following lottery fund condition statement. The total revenue available for tax relief, minus a statutory reserve (2% of gross revenue) and the amount appropriated for the farmland tax relief credit, determines the amount available for the lottery and gaming tax credit. The bill appropriates \$107,400,000 in 2001-02 and \$108,400,000 in 2002-03 for the lottery and gaming tax credit. However, the available revenue under the bill would support credits of only \$102,735,200 in 2001-02 and \$102,672,100 in 2002-03. These amounts are used in the fund condition statement, rather than the appropriated amounts.

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

Modification

**Lottery Fund Condition Statement
Governor**

	<u>2001-02</u>	<u>2002-03</u>
Fiscal Year Opening Balance	\$8,184,100	\$3,584,700
Operating Revenues		
Ticket Sales	\$412,392,100	\$414,244,300
Retailer Fees and Miscellaneous	<u>84,000</u>	<u>84,000</u>
Gross Revenues	\$412,476,100	\$414,328,300
Expenditures		
Prizes	\$235,854,400	\$236,834,100
Retailer Compensation	29,368,800	29,559,100
Vendor Payments	12,585,000	12,803,800
General Program Operations	21,758,500	22,017,500
Appropriation to DOJ	300,700	310,300
Appropriation to DOR	<u>209,000</u>	<u>214,700</u>
Total Expenditures	\$300,076,400	\$301,739,500
Net Proceeds	\$112,399,700	\$112,588,800
Interest Earnings	\$2,868,700	\$2,814,300
Gaming-Related Revenue	\$2,532,200	\$2,306,100
Total Available for Tax Relief *	\$125,984,700	\$121,293,900
Appropriations for Tax Relief		
Lottery and Gaming Tax Credit	\$102,735,200	\$102,672,100
Farmland Tax Relief Credit	<u>15,000,000</u>	<u>15,000,000</u>
Total Appropriations for Tax Relief	\$117,735,200	\$117,672,100
Gross Closing Balance	\$8,249,500	\$8,286,600
Reserve (2% of Gross Revenues)	\$8,249,500	\$8,286,600
Net Closing Balance	\$0	\$0

* Opening balance, net proceeds, interest earnings and gaming-related revenue.

DISCUSSION POINTS

1. Lottery sales have been declining by an average of 4.8% annually since 1994-95, as shown in the following table. Although sales increased in 1998-99, as compared to 1997-98, this increase was attributable to sales associated with large Powerball jackpots in 1998-99 and did not reflect any turn-around of the overall trend of declining sales.

Lottery Sales History (In Millions)

Fiscal Year	Game Type			Total Sales
	Scratch	Pull-Tab	On-Line	
1994-95	\$310.3	\$10.0	\$198.6	\$518.9
1995-96	302.2	8.2	171.7	482.1
1996-97	266.2	7.2	157.7	431.1
1997-98	246.6	6.3	165.7	418.6
1998-99	224.9	5.9	197.4	428.2
1999-00	235.6	5.4	165.6	406.7
Average Annual Percent Change -- 1994-95 to 1999-00	-5.4%	-11.5%	-3.6%	-4.8%

2. This decline in sales can be attributed to a number of factors. These would include, but are not limited to the following:

a. Lotteries often experience steady sales growth in the initial years of operation that reaches a peak and then drops back to a more modest level. This reflects the novelty nature of lottery play. Large numbers of players are initially attracted to lottery play, but many eventually reduce or end their play. For many years, large, on-line jackpots in Wisconsin received a great deal of publicity and attention with a corresponding dramatic increase in ticket sales. Recent experience is that less attention is paid to large jackpots and the sales increases associated with these drawings are becoming progressively smaller.

b. Other forms of gambling directly compete with the Wisconsin lottery, including: (1) pari-mutuel wagering relating to live greyhound racing and simulcast greyhound and horse racing at three racetracks; and (2) casino-style gambling at 17 tribal gaming facilities.

c. The Wisconsin lottery, unlike other state lotteries, is constitutionally prohibited from conducting promotional advertising. In addition, the lottery's advertising budget (\$4.6 million annually) has not been increased since 1990-91.

3. Another argument that might be made to explain declining sales is that the number of lottery retailers has also been decreasing through this period. In December, 1995, there were 4,442 lottery retailers. This number decreased to 3,721 in December, 2000, a decline of 16.2%. The significance of this decrease for lottery sales is unclear. It is possible that in the initial years of the state lottery the actual number of retailers exceeded the number needed to make lottery tickets widely available in the state. A decrease in the number of lottery retailers in recent years may be an adjustment to the decline in consumer interest in the lottery rather than a cause of declining sales. Given the general availability of lottery tickets throughout the state at this time, the number of lottery retailers may be adequate.

4. A number of lottery initiatives during this period have, however, been approved to provide retailer support. Retailer compensation was 5% of on-line and scratch ticket sales in the initial years of lottery operations. Under 1995 Act 27 (the 1995-97 biennial budget act), retailer compensation was increased to 5.5% of these sales. In 1997 Act 27 (the 1997-99 biennial budget act), the compensation rate was increased for scratch tickets to 6.25% of sales. Also, in 1997 Act 27, 18 additional lottery positions were provided for retailer field support services or customer telemarketing services. Finally, under 1999 Act 9 (the 1999-01 biennial budget act), DOR was provided the authority, effective January 1, 2000, to establish a program for additional compensation for retailers who meet certain performance goals identified by the Department. The additional compensation paid to retailers under the program may not exceed 1.0% of gross lottery sales revenue. Payments to retailers under this program totaled \$2,114,000 in the initial six months of the program in 1999-00 and is expected to total \$4.0 million in 2000-01.

5. All of these initiatives were approved after the peak sales year of 1994-95 and all were intended, directly or indirectly, to support retailers and improve lottery sales. However, sales have continued to decline. It could be argued that the decline in lottery sales is subject to market forces that cannot easily be affected by modifications to retailer compensation, field support or sales incentives. The lottery may be at a point where any additional resources that are provided for operational costs would have no effect on sales performance and, instead, would lower the amount available for the lottery and gaming credit. It should be noted that DOR, in its 2001-03 budget request, did not request funding or positions for any new lottery initiatives.

6. As noted above, the 2000-01 lottery sales estimate established by DOA and the Joint Committee on Finance in October, 2000, for the purposes of certifying the amount available for the 2000(01) lottery and gaming tax credit, was \$409.1 million. Under the bill, sales are projected at \$412.4 million in 2001-02 and \$414.2 million in 2002-03. These sales estimates are the same as the projections by DOR in the Department's 2001-03 biennial budget request submitted on October 6, 2000.

7. Following the introduction of the bill, DOR reestimated 2000-01 and 2001-02 sales in a sales and prize payout report that is required to be submitted to the Joint Committee on Finance no later than March 1st of each year. In its March 1, 2001, report, DOR reestimated 2000-01 sales at \$405.6 million and 2001-02 sales at \$405.5 million. The following table compares: (a) the 2000-01 sales estimate made under the October, 2000, lottery and gaming credit certification and the 2000-

01 estimate made in the March, 2001, prize payout report; and (b) the 2001-02 estimate under the Governor's bill and the 2001-02 estimate under the prize payout report.

**Comparisons of Lottery Sales Estimates
(In Millions)**

<u>Game Type</u>	<u>2000-01</u>			<u>2001-02</u>		
	<u>October 2000</u>	<u>March, 2001 Report</u>	<u>Percent Change</u>	<u>Governor's Budget</u>	<u>March, 2001 Report</u>	<u>Percent Change</u>
Scratch	\$237.6	\$237.2	-0.2%	\$238.5	\$237.2	-0.5%
Pull-Tab	6.5	4.2	-35.4	8.1	4.2	-48.1
On-Line	<u>165.0</u>	<u>164.2</u>	<u>-0.5</u>	<u>165.8</u>	<u>164.1</u>	<u>-1.0</u>
Total	\$409.1	\$405.6	-0.9%	\$412.4	\$405.5	-1.7%

8. According to lottery officials, the Department's modifications of the scratch and on-line estimates for 2000-01 are based primarily on year-to-date sales results. The report projects no growth in scratch ticket sales in 2001-02. Officials indicate that one reason for this is that attempts to recruit additional lottery retailers for scratch ticket sales have not yet been successful. On-line sales in 2000-01 and 2001-02 were reestimated primarily on the basis of a reassessment of sales relating to the Megabucks game.

9. The largest decrease in projected sales made in the report relates to pull-tab sales. In the Governor's 2001-03 biennial budget bill, pull-tab sales were estimated at \$8.1 million in 2001-02. This represented a significant increase from actual sales of \$5.4 million in 1999-00 and the \$6.5 million projection for 2000-01 made in October, 2000. The increase was predicated on planned improvements in pull-tab prize structure, recruitment and contracting procedures affecting nonprofit organizations that sell pull-tab tickets. However, lottery officials now indicate that these changes are not being implemented as quickly as originally expected and that it will take additional time to build the interest of nonprofit organizations in the new pull-tab prize structure. In addition, pull-tab sales by for-profit retailers, primarily taverns, have declined in the last year, according to lottery officials.

10. The Department's rationale for lowering sales estimates appears reasonable. Additional year-to-date data is now available and 2000-01 lottery sales can be reestimated, at this time, to \$404.5 million. Based on the generally declining sales patterns established over the last several years, 2001-02 and 2002-03 sales are reestimated at \$403.6 million and \$402.9 million respectively. The following table shows the 2001-02 and 2002-03 sales reestimates as compared to the bill:

Governor and Reestimated Lottery Sales Estimates
(In Millions)

Game Type	2001-02			2002-03		
	Governor's Budget	Reestimate	Percent Change	Governor's Budget	Reestimate	Percent Change
Scratch	\$238.5	\$232.7	-2.4%	\$239.5	\$233.9	-2.3%
Pull-Tab	8.1	4.2	-47.9	8.7	3.9	-55.0
On-Line	<u>165.8</u>	<u>166.7</u>	<u>0.5</u>	<u>166.0</u>	<u>165.0</u>	<u>-0.6</u>
Total	\$412.4	\$403.6	-2.1%	\$414.2	\$402.9	-2.7%

11. Sum sufficient appropriations for retailer compensation and vendor fees are estimated on the basis of projected sales. Basic retailer compensation rates under current law are 5.5% for online ticket sales and 6.25% for instant ticket sales. In addition, the retailer performance program provides an amount of up to 1% of for-profit sales (estimated at \$4.1 million annually, under the bill) as incentive payments to retailers. Base level funding of \$30,573,800, established under 1999 Act 9, was based on estimated lottery sales of \$427.3 million in 2000-01. Under the bill, lottery sales projections of \$412.4 million in 2001-02 and \$414.2 million in 2002-03, result in reductions to retailer compensation funding.

12. Base level funding for vendor fees is \$12,419,000. Vendor fees are paid on major procurement contracts for the provision of data processing services relating to on-line and scratch ticket lottery games. The fees are calculated on the basis of a formula containing both fixed costs and a percentage of on-line and scratch ticket sales. The fixed-cost component relating to on-line sales increases by 2% each year under the contract. The bill, therefore, assumes a 2% annual increase in the on-line fixed component of the contract in the 2001-03 biennium. Under the bill, vendor fees would total 3.1% of on-line and scratch ticket sales in the 2001-03 biennium.

13. Under the reestimated sales totals, retailer compensation would total \$28,519,700 in 2001-02, and \$28,352,000 in 2002-03, which represent decreases to the bill of \$849,100 in 2001-02 and \$1,207,100 in 2002-03. Vendor fees may be reestimated at \$12,575,400 in 2001-02 and \$12,790,500 in 2002-03. These amounts would reduce vendor fee funding under the bill by \$9,600 in 2001-02 and \$13,300 in 2002-03.

14. In addition to retailer compensation and vendor fees, reestimated sales also result in recalculations of prize payout, interest earnings and the amounts available for lottery and gaming tax relief. Under these reestimates, the lottery and gaming credit amounts would total \$101,159,900 in 2001-02 and \$98,857,400 in 2002-03. These amounts are less than the amounts appropriated under the bill by \$6,240,100 in 2001-02 and \$9,542,600 in 2002-03. [As noted above, the bill appropriates \$107,400,000 in 2001-02 and \$108,400,000 in 2002-03 for the lottery and gaming tax credit, but the available revenue under the bill would not support credits in these amounts.] The reestimated amounts would provide average lottery and gaming credits of \$75 in 2001-02 and \$73

in 2002-03, based on the number of claimants in 2000-01.

15. The following fund condition statement reflects these reestimates:

Reestimated Lottery Fund Condition Statement

	<u>2001-02</u>	<u>2002-03</u>
Fiscal Year Opening Balance	\$9,324,400	\$8,074,400
Operating Revenues		
Ticket Sales	\$403,647,100	\$402,871,000
Retailer Fees and Miscellaneous	<u>72,000</u>	<u>72,000</u>
Gross Revenues	\$403,719,100	\$402,943,000
Expenditures		
Prizes	\$230,258,200	\$229,867,000
Retailer Compensation	28,519,700	28,352,000
Vendor Payments	12,575,400	12,790,500
General Program Operations	21,758,500	22,017,500
Appropriation to DOJ	300,700	310,300
Appropriation to DOR	<u>209,000</u>	<u>214,700</u>
Total Expenditures	\$293,621,500	\$293,552,000
Net Proceeds	\$110,097,600	\$109,391,000
Interest Earnings	\$2,335,000	\$2,455,000
Gaming-Related Revenue	\$2,477,300	\$1,995,900
Total Available for Tax Relief *	\$124,234,300	\$121,916,300
Appropriations for Tax Relief		
Lottery and Gaming Tax Credit	\$101,159,900	\$98,857,400
Farmland Tax Relief Credit	<u>15,000,000</u>	<u>15,000,000</u>
Total Appropriations for Tax Relief	\$116,159,900	\$113,857,400
Gross Closing Balance	\$8,074,400	\$8,058,900
Reserve (2% of Gross Revenues)	\$8,074,400	\$8,058,900
Net Closing Balance	\$0	\$0

*Opening balance, net proceeds, interest earnings and gaming-related revenue

MODIFICATION

Delete the following: (a) \$849,100 in 2001-02 and \$1,207,100 in 2002-03 from the retailer compensation appropriation; (b) \$9,600 in 2001-02 and \$13,300 in 2002-03 from the vendor fees appropriation; and (c) \$6,240,100 in 2001-02 and \$9,542,600 in 2002-03 from the lottery and gaming credit appropriation.

Explanation: The lottery sum sufficient appropriations for retailer compensation, vendor fees and the lottery and gaming credit are estimated, in part, based on lottery sales estimates. Based on reestimated sales, the bill provisions relating to lottery sum sufficient appropriations should be modified to reflect: (a) reestimated retailer compensation of \$28,519,700 in 2001-02 and \$28,352,000 in 2002-03; (b) reestimated vendor fees of \$12,575,400 in 2001-02 and \$12,790,500 in 2002-03; and (c) reestimated lottery and gaming credits of \$101,159,900 in 2001-02 and \$98,857,400 in 2002-03.

Modification	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	- \$17,861,800

Prepared by: Art Zimmerman

MO# modification

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
MOORE	<u>Y</u>	N	A
SHIBILSKI	<u>Y</u>	N	A
PLACHE	<u>Y</u>	N	A
WIRCH	<u>Y</u>	N	A
DARLING	<u>Y</u>	N	A
WELCH	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
KAUFERT	<u>Y</u>	N	A
ALBERS	<u>Y</u>	N	A
DUFF	<u>Y</u>	N	A
WARD	<u>Y</u>	N	A
HUEBSCH	<u>Y</u>	N	A
HUBER	<u>Y</u>	N	A
COGGS	<u>Y</u>	N	A

AYE 16 NO 0 ABS 0



Legislative Fiscal Bureau

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May 4, 2001

Joint Committee on Finance

Paper #811

Repeal GPR Appropriations for Lottery Operations (Revenue -- Lottery Administration)

CURRENT LAW

Three GPR appropriations, created under 1999 Act 9, the 1999-01 biennial budget act, relate to the operations of the state lottery, as follows: (a) an annual appropriation for general program operations, with the provision that no moneys may be encumbered or expended from the appropriation after the day of publication of the 2001-03 biennial budget act; (b) a sum sufficient appropriation for retailer compensation, with the provision that no moneys may be encumbered or expended from the appropriation after the 2000 budget; and (c) a sum sufficient appropriation for vendor fees, with the provision that no moneys may be encumbered or expended from the appropriation after the 2000 budget. No funding for these appropriations is provided in 2000-01.

GOVERNOR

No funding is provided and the appropriations are not shown in the Chapter 20 schedule under the bill.

MODIFICATION

Repeal the GPR appropriations relating to the general program operations of the lottery, retailer compensation and vendor fees.

Explanation: Under Enrolled 1999 AB 133 (the 1999-01 biennial budget bill), GPR appropriations for lottery operations were created and funded in 1999-00 and 2000-01 as a mechanism to increase the amounts available for the lottery and gaming credit. Under partial vetoes by the Governor, the 2000-01 appropriation amounts for the three appropriations were deleted and the appropriation language for the retailer compensation appropriation and the vendor fees appropriation was modified. The effect of the partial vetoes was to limit expenditures from the appropriations to 1999-00 only. The appropriations are now obsolete and may be repealed.

Prepared by: Art Zimmerman

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS

REVENUE -- LOTTERY ADMINISTRATION

Delete Advertising Budget

Motion:

Move to delete \$4,608,000 SEG annually from the general program operations appropriation of the lottery to eliminate funding for advertising costs.

Note:

The base budget for the general program operations of the lottery is \$21,535,800 SEG. Of this amount, \$4,608,000 is allocated for the lottery's advertising budget. The motion would delete this funding.

[Change to Bill: -\$9,216,000 SEG]

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

REVENUE -- LOTTERY ADMINISTRATION

Problem Gambling Awareness Requirements

Motion:

Move to require the state lottery to legibly print the phrase "Gambling Problem?" followed by the toll-free helpline number of the Wisconsin Council on Problem Gambling on all scratch tickets printed on or after the first day of the second month beginning after publication. Require that the same message be printed on all on-line lottery tickets as soon as programming related to the change can be completed, but no later than the first day of the fourth month beginning after publication.

Note:

On April 25, 2001, the lottery announced that the tickets for a new scratch game would include the phrase "Gambling Problem?" followed by the toll-free helpline number of the Wisconsin Council on Problem Gambling. The lottery also announced its plan to begin to print this message on all of its larger-size scratch tickets, which typically sell for \$2, \$3 or \$5, but not on its smaller-size scratch tickets, which typically sell for \$1. Under the motion, the lottery would be required to legibly print the message and the helpline number on all scratch tickets printed on or after the first day of the second month beginning after publication and all on-line tickets as soon as programming related to the change can be completed, but no later than the first day of the fourth month beginning after publication.

MO#	BURKE	DECKER	MOORE	SHIBILSKI	PLACHE	WIRCH	DARLING	WELCH	GARD	KAUFERT	ALBERS	DUFF	WARD	HUEBSCH	HUBER	COGGS	AYE	NO	ABS
	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A			
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N			
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	7	9	

REVENUE -- LOTTERY ADMINISTRATION

Referendum on the Elimination of the Lottery

Motion:

Move to require a binding, statewide referendum on the elimination of the state lottery at the November, 2002, general election. Provide that, if voters affirm the question to eliminate the lottery, lottery sales would terminate, effective January 1, 2003.

If the referendum question to eliminate the lottery is affirmed, require the Governor to propose as part of the 2003-05 biennial budget bill the statutory and budgetary provisions necessary to effectuate the termination of the lottery and to address the legal responsibilities of the state relating to the termination of the lottery.

If the referendum is approved, require the Department of Revenue (DOR) to submit a proposed plan to the Joint Committee on Finance for the phase-out of lottery operations, including: (a) a description and status of the Department's layoff plan relating to lottery-funded employees; (b) the status and termination schedule of outstanding lottery contracts; and (c) the operational structure required to carryout the responsibilities of the Department relating to prize payouts, the administration of the lottery and gaming credit, the recovery of lottery on-line equipment, the disposal of fixed assets and any other matters the Department determines would bear on the legal responsibilities of the state relating to the termination of the lottery. Require that the plan be submitted to the Committee on or before February 1, 2003. Provide that, if, within 14 working days after the date on which the Committee receives the plan, the Co-chairs of the Committee notify the Department that the Committee has scheduled a meeting for the purpose of reviewing the proposed plan, the Department may proceed with its plan only upon approval of the plan by the Committee. Provide that if the Co-chairs of the Committee do not notify the Department within 14 working days after the date on which the Committee receives the proposed plan that the Committee has scheduled a meeting for the purpose of reviewing the proposed plan, the plan would be considered approved by the Committee.

Note:

The motion would require a referendum on the continuing operation of the lottery. If voters affirm the elimination of the lottery, lottery sales would terminate on January 1, 2003, and the Governor would be required to address, in the Governor's 2003-05 biennial budget bill, the statutory and budgetary modifications necessary to terminate the state lottery.

MO# _____

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	Y	<input checked="" type="radio"/> N	A
DARLING	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
WELCH	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
GARD	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
KAUFERT	Y	<input checked="" type="radio"/> N	A
ALBERS	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
DUFF	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
WARD	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
HUEBSCH	<input checked="" type="radio"/> Y	<input type="radio"/> N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 7 NO 9 ABS _____

REVENUE

Lottery Administration

LFB Summary Item for Introduction as Separate Legislation

Item # Title

4 Require a Court Order for Multiple Payees of a Lottery Prize

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____



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May 4, 2001

Joint Committee on Finance

Paper #820

GPR-Earned Reestimate (Secretary of State)

CURRENT LAW

The Office of the Secretary of State is responsible for issuing notary public commissions, registering trademarks and trade names, issuing authentications and apostilles, recording annexations and charter ordinances of municipalities, publishing state laws, filing oaths of office, and filing deeds for state lands and buildings.

The Office is funded by fees for services that are placed in a program revenue appropriation. Any year-end unencumbered amount in excess of 10% of the prior year's expenditures is lapsed to the general fund. The Office has 7.5 permanent positions and ongoing base funding of \$617,900.

GOVERNOR

Estimate the lapse to the general fund from the Office's program fees appropriation to be \$49,000 in 2001-02 and \$31,700 in 2002-03.

MODIFICATION

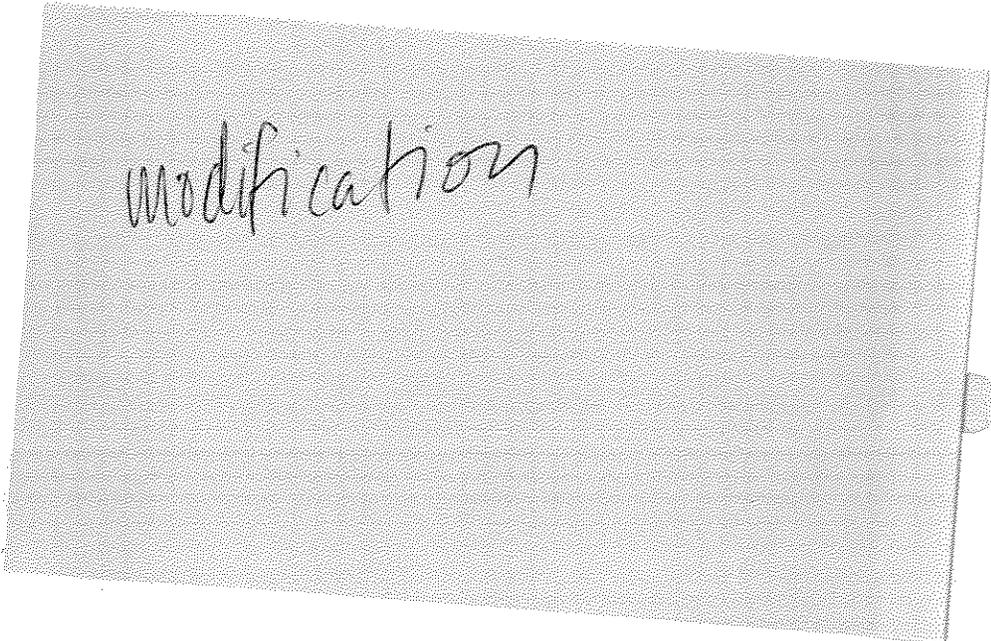
Make the following reestimates:

<u>2001-02</u>			<u>2002-03</u>		
<u>Budget Bill</u>	<u>Revised</u>	<u>Decrease</u>	<u>Budget Bill</u>	<u>Revised</u>	<u>Decrease</u>
\$49,000	\$35,400	-\$13,600	\$31,700	\$19,800	-\$11,900

Explanation: The new GPR-Earned estimate is based on more recent projections of program revenues that will be collected by the Office during the 2001-03 biennium

<u>Modification</u>	<u>GPR</u>
2001-03 REVENUE (Change to Bill)	-\$25,500

Prepared by: Ron Shanovich



MO# modification

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

SECRETARY OF STATE

Delete Funding Increase for LTEs

Motion:

Move to delete \$8,500 annually provided for limited-term employees in the Office of the Secretary of State

Note:

The bill would provide the Office of the Secretary of State with \$8,500 annually for limited-term employees to help the Office address periodic workload increases and staff shortages due to illness and vacations. The motion would increase GPR-Earned by \$9,300 in 2001-02 and \$8,600 in 2002-03.

[Change to Base: \$0]

[Change to Bill: \$17,900 GPR-REV]

MO# _____

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	Y	<input checked="" type="radio"/> N	A
DARLING	<input checked="" type="radio"/> Y	N	A
WELCH	<input checked="" type="radio"/> Y	N	A
GARD	<input checked="" type="radio"/> Y	N	A
KAUFERT	<input checked="" type="radio"/> Y	N	A
ALBERS	<input checked="" type="radio"/> Y	N	A
DUFF	<input checked="" type="radio"/> Y	N	A
WARD	<input checked="" type="radio"/> Y	N	A
HUEBSCH	<input checked="" type="radio"/> Y	N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 8 NO 8 ABS 0

SECRETARY OF STATE

Router/Badger Net Costs

Motion:

Move to provide \$6,200 PR annually for Badgernet costs related to use of a router in the Office of Secretary of State.

Note:

This motion would provide expenditure authority for computer costs in the Office of Secretary of State. The motion would reduce GPR earned by \$6,200 each year.

[Change to Base: -\$13,600 GPR-REV]
[Change to Bill: -\$13,600 GPR-REV]

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS 0

SECRETARY OF STATE

Notaries Public

Motion:

Move to incorporate the provisions of 1999 Assembly Bill 487 (LRB 0709/6) and Assembly Amendment 2 (LRB 0795/1) relating to notaries public including expanding eligibility for appointment, reducing the responsibilities of the clerk of court, reinstatement of attorneys after license suspension or revocation, and notice of change of address.

Note:

This motion would adopt the provisions of 1999 Assembly Bill 487, including Assembly Amendment 1, that would make the following changes to statutory provisions governing notaries public:

- (a) Expand eligibility for appointment as a notary public to include U. S. residents. Current law limits eligibility to Wisconsin residents.
- (b) Eliminate the responsibilities of the clerk of court related to approval of sureties, certification of notaries and stamps, and maintenance of notary records. The Secretary of State would assume some of these responsibilities.
- (c) Provide that if an attorney's license is suspended or revoked, upon reinstatement the person would be reappointed as a notary public for four years. The person could be reappointed for subsequent four-year terms. Under current law, attorneys are entitled to a permanent commission as a notary public upon application and payment of a \$50 fee. If an attorney's license is suspended or revoked, upon reinstatement, the attorney is reappointed permanently as a notary public.
- (d) Extend from five to 10 days, the period within which the Secretary of State must be notified of a change of address by a notary public.

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

SECRETARY OF STATE

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
1	Standard Budget Adjustments
2	Extension of Records Preservation Position
3	SASI Initiative
4	Increased Funding for LTE Staff

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE _____ NO _____ ABS _____

AGENCY: Commerce

PAPER: #280

ISSUE: Forest Product Marketing

RECOMMENDATION: Alternative 1 or 5

SUMMARY:

Either approve the governor's recommendation or maintain current law. Alternatives 2-4 all steal money from the Forestry Education Grant program at Commerce. Normally, this would be ok because that grant program isn't working well. However, you would be stealing education funds to pay for economic development. A better use for the \$\$ will be proposed later in the budget process. It involves an agreement among the Gov.'s Council on Forestry, the DNR and the WEEB. And this Forestry Education Grant \$\$ would go toward developing a balanced K-12 curriculum on Forestry Education that would be use all over the state. It will be modeled after the very successful KEEP program that is a partnership between WEEB, the Energy Center and a number of utilities to run a K-12 curriculum on energy.

BY: Barry

Staff says 5

ok



Legislative Fiscal Bureau

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May 4, 2001

Joint Committee on Finance

Paper #280

Forest Product Marketing (Commerce -- Departmentwide and Economic Development)

[LFB 2001-03 Budget Summary: Page 168, #4]

CURRENT LAW

Commerce promotes its programs and activities and other aspects of economic development in the state through the Division of Marketing, Advocacy and Technology Development. The Division is provided \$120,000 GPR annually to fund general economic development promotion activities.

The Forestry Education Grant program was created by the 1997-99 biennial budget (1997 Wisconsin Act 27) to provide grants to nonprofit organizations for forestry education programs conducted in conjunction with the University of Wisconsin-Stevens Point, College of Natural Resources, Timber Management Program. Annual funding of \$100,000 SEG from the forestry account of the conservation fund is provided in a continuing appropriation.

GOVERNOR

Provide \$250,000 annually from the forestry account of the conservation fund to promote, advertise, publicize and otherwise market products that are made in Wisconsin from timber that is produced in Wisconsin. A separate SEG appropriation would be created to fund the program.

DISCUSSION POINTS

1. Data provided by the Department of Commerce indicates that forestry, forest products and related industries are significant components of the state's economy. Wood, paper, and

furniture and related product manufacturing establishments employ almost 15% of the state's manufacturing workforce and account for over 15% of the value of manufacturing shipments. The forestry and forest products industry account for 20% or more of the manufacturing employment in 24 of the state's 72 counties. The state has led the nation in paper production for the past four decades and is a national leader in recycling by converting an estimated 2.5 million tons of recycled paper into new products each year. The printing business in the state employs over 38,000 and generates over \$12.6 billion in economic activity. However, in recent months, consolidations, downsizing, and plant closing have occurred in the state paper industry. For example, Stora Enso, (Finland) purchased Consolidated Papers and announced that 750 employees would be laid off as part of a cost-reduction program. In November, Riverside Paper in Appleton announced the layoff of 66 workers while Georgia-Pacific announced it would sell plants in Neenah and Menasha that employ 1,200 workers.

2. The administration indicates that the new funding would be used to promote, advertise, publicize and otherwise market products that are made in Wisconsin from timber that is produced in Wisconsin. More specific uses for the funding have not yet been developed. However, the administration indicates that the funding was provided in response to a Commerce request for a position and related funding to establish a forestry and forest products specialist that would have worked with the industry to address current economic conditions and promote growth. The position's projected responsibilities included general activities that could be funded with the monies that are provided in the bill. The proposed activities are: (a) encouraging forestry and forest product businesses, including paper manufacturers, to relocate or expand in the state; (b) provide information on state and federal programs that are available to communities for business retention and expansion; and (c) provide industry-specific economic data, such as public utility rates, transportation infrastructure, land values, resource costs and availability, state and local tax structure, labor force quality, costs and availability, and number and location of potential competitors. Funding would be provided from the forestry account of the conservation fund because the monies would be used to promote economic development in the forestry, forest products and paper industries.

3. The Department currently promotes economic development through the Division of Marketing, Advocacy and Technology Development. The chief promotional activities of the Division are: (1) managing the Department's economic development promotion account; (2) producing departmental publications; and (3) conducting activities intended to disseminate information about economic development generally (Commerce activities specifically) to the public. Commerce has targeted certain industries and areas of the state for economic development promotion.

The following table indicates how the Department allocated its economic development promotion funds in 2000-01. As shown, these funds are used for several purposes, with 75% of the amount utilized for paid advertising. The goal of the advertising program is to inform as many people as possible about Commerce, its programs and the advantages of establishing or expanding a business in Wisconsin. Publications produced by the Division range from booklets providing general information about Wisconsin and its advantages as a place to start, own and operate a

business to brochures detailing specific economic development programs administered by Commerce. Other information activities include issuing press releases, maintaining an inventory of available industrial sites and buildings, developing community profiles, and answering inquiries from state residents and others.

Economic Development Promotion -- 2000-01

<u>Category</u>	<u>Amount</u>	<u>Percent</u>
Advertising	\$89,600	74.6%
Conferences	12,100	10.1
Administration	8,000	6.7
Other*	<u>10,300</u>	<u>8.6</u>
Total	\$120,000	100.0%

*Includes research, advertising production, direct mail and publication expenses.

4. The promotional, advertising and marketing aspects of the forest products marketing proposal may seem to be an appropriate activity to be included in the Department's current economic development promotion activities. Through its economic development promotion account, Commerce already has funding and supporting staff to market and promote Wisconsin's forestry and forest products, if those activities are determined to be a priority. The Department could devote a portion of its current promotional budget to focus on this industry. Conversely, all of Wisconsin's business sectors should benefit from Commerce's general promotional activities including the forestry and forest products industries. From this view, it could be argued that the additional forestry account funding is not necessary to promote economic development in the forestry and forest products industry.

5. However, the Department's economic development promotion budget is typically used to promote and market the state and Department programs to all industries. Advertising and related activities usually provide information about the state's business and tax climates, the quality of the workforce and Commerce programs that provide assistance to businesses in general. From this view, it could be argued that the current economic development promotion budget would be insufficient to target the forestry and forest products industry and, at the same time, continue the Department's general promotional activities. Moreover, if separate funding is provided for the forestry and forest products industry, other industries, such as banking or machinery manufacturing, may also request a separately funded promotional campaign.

6. The Forestry Education Grant program was established to stimulate the development of forestry-related educational services and products targeted towards Wisconsin school children.

The program enables organizations to supplement the state's standard K-12 curriculum with forestry-related educational materials and information. The program provides grants of \$20,000 to \$100,000 to nonprofit organizations. Grants can be used to fund costs associated with the following activities: (a) coordination of existing forestry education efforts; (b) marketing and dissemination of currently available forestry education materials and programs; (c) development of unique forestry education programs and materials suitable for grade and high school students; (d) development of educational materials, programs and activities that stimulate use by educators; (e) development of materials that are easy to use and easily accessible; (f) development of educational materials and programs that allow students and educators to formulate an unbiased understanding of the different aspects of woodland management; and (g) reimbursement for related out-of-pocket expenses. The projects must be easily transferable or accessible on a statewide basis. Grant funds cannot be used to pay salary and benefit costs, general overhead or physical improvements to a specific project.

7. Annual funding of \$100,000 SEG in forestry account funding is provided for the Forestry Education program in a continuing appropriation. As a result, unencumbered and unexpended amounts in the appropriation carry over to the next fiscal year. Through April 22, 2001, a total of \$288,000 in grants had been awarded. This was \$12,000 less than the \$300,000 appropriated for the first three years of the program. As a result, in 2000-01 the program has uncommitted funding of \$112,000 remaining. One application for a grant of \$35,000 is pending. The Department does not expect to make any other awards by the end of the fiscal year. Consequently, it is estimated that the year-end balance in the appropriation would be \$77,000. Commerce indicates that the lower grant total is the result of moving the application date for 2001 grants to a later date than in previous years. (The application date will be moved to an early date in future years.) Since base level funding of \$100,000 will be provided for grants in each year of the 2001-03 biennium, an alternative would be to provide the \$77,000 year-end balance in the Forestry Education grant program as a one-time supplement to the Department's economic development promotion budget. The funding could be specifically used for forest product marketing activities and ongoing funding from the forestry account could be deleted. This would allow Commerce to develop a campaign to promote the state's forestry and forest products industries while eliminating the ongoing commitment of forestry account funding that would be required under the bill's provisions. The \$77,000 would compare to the \$89,600 used for general economic development promotion advertising but would be substantially less than the \$250,000 provided annually under the bill. Another alternative would be to revert the June 30, 2001, balance in the Forestry Education Grant Program to the Conservation Fund.

8. Another alternative would be to require that \$50,000 of the annual funding for Forestry Education grants supplement economic development promotion funding and be used for forest products marketing activities. Again, the \$50,000 would compare to the \$89,600 used for general economic development promotion advertising but would be substantially less than the \$250,000 provided annually under the bill. It could be argued that this would be consistent with the program's focus on developing transferable and accessible forestry educational and informational materials. However, the amount of funding for school-related projects would be reduced. Until the current year, demand for grants has generally exceeded available funding.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to Provide \$250,000 annually from the forestry account of the conservation fund to promote, advertise, publicize and otherwise market products that are made in Wisconsin from timber that is produced in Wisconsin. Create a separate SEG appropriation to fund the program [20.143(1)(qn)].

<u>Alternative 1</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	\$500,000
[Change to Bill]	\$0]

2. Modify the Governor's recommendation to delete the annual funding of \$250,000 SEG and instead provide \$50,000 annually from the Forestry Education Grant program as a supplement to economic development promotion funding. Require that the funds be used for forest products marketing activities.

<u>Alternative 2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$500,000]

3. Modify the Governor's recommendation to delete the annual funding of \$250,000 SEG and instead provide \$77,000 in 2001-02 as a one-time supplement to economic development promotion funding from the balance in the June 30, 2001, Forestry Education Grant program appropriation [20.143(1)(t)]. Require that the funds be used for forest products marketing activities.

<u>Alternative 3</u>	<u>SEG</u>
2001-03 FUNDING (Change to Base)	\$77,000
[Change to Bill]	- \$433,000]

4. In addition to, or in lieu of, Alternative 1 or 2, revert the June 30, 2001, balance in the Forestry Education Grant Program appropriation [20.143(1)(t)] to the Forestry account of the Conservation Fund.

<u>Alternative 4</u>	<u>SEG</u>
2001-03 REVENUE (Change to Base)	\$77,000
[Change to Bill]	\$77,000]

5. Maintain current law.

Alternative 5

SEG

2001-03 FUNDING (Change to Base)
[Change to Bill]

\$0
- \$500,000]

Prepared by: Ron Shanovich

MO# Alt 5

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE ___ NO ___ ABS ___

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE ___ NO ___ ABS ___

AGENCY: Commerce

PAPER: #281

ISSUE: International Liaison Funding

RECOMMENDATION: Alternative A3 & B3
(for B, why no "maintain current law" alt?)

SUMMARY:

Don't care what happens here. However, most other agencies probably don't want some flak from Commerce trying to "coordinate" their events with international contacts. Seems like a waste. No need to create a new position, and deleting the other spots is just good housekeeping since the expenditure authority is eliminated.

BY: Barry

A3, B3

Good A2
B2

ok w/ staff

Decker may have motion
to not give new position.



Legislative Fiscal Bureau

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May 4, 2001

Joint Committee on Finance

Paper #281

International Liaison Funding (Commerce -- Departmentwide and Economic Development)

[LFB 2001-03 Budget Summary: Page 177, #12]

CURRENT LAW

The Division of International and Export Services assists Wisconsin businesses in increasing their sales in the international marketplace. The Division contracts with individuals or agencies in foreign countries for assistance in the growth of Wisconsin exports and the promotion of Wisconsin as an investment location.

GOVERNOR

Provide \$49,200 PR in 2001-02 and \$57,300 PR in 2002-03 to fund an international liaison position in the Division of International and Export Services. The funding would be used for salaries, fringe benefits, and supplies to fill a vacant position that would be converted to the international liaison. Commerce would be authorized to assess any state agency any amount that Commerce determined was required for the services of the international liaison. The Department could assess state agencies on a premium basis and pay all costs incurred on an actual basis. Assessments would be placed in the Department's economic and community development, sale of materials and services appropriation and used to provide funding for the liaison.

DISCUSSION POINTS

1. The Division of International and Export Services has base level funding of \$2,001,900 GPR and \$51,700 PR and 10.0 GPR and 1.0 PR positions. The positions include the Division administrator and two staff support positions. The Division also has four international outreach consultants based in Waukesha, Oshkosh, Eau Claire, and Madison to assist firms that

have been successful in the domestic market to expand their efforts into international markets. Consultant activities include: (a) direct consultation with exporters regarding key elements of marketing and selling overseas; (b) providing marketing information; (c) disseminating export sales leads; (d) introducing private sector service providers; (e) organizing trade missions; (f) speaking at seminars and other events; (g) generating lists of state exporters; and (h) maintaining a website with relevant links. Three additional staff in Madison specialize in specific regions of the world and assist exporters with information about the business culture and market conditions of countries in their regions. A trade show specialist position administers recruitment and logistical services related to trade shows and missions. Division staff arrange itineraries for business delegations visiting Wisconsin. Additional trade promotion activities include organization of Governor-led trade missions and sponsoring group participation in trade events outside the U.S. The Division also administers the Wisconsin Development Fund (WDF) trade show grant program.

The Division contracts with individuals to operate dedicated trade offices in Frankfurt, Germany and Mexico City, Mexico. Under the auspices of the Council of Great Lakes Governors, the Division shares a trade office in Toronto, Canada, with Pennsylvania and Indiana and in Brazil, Chile, Argentina and South Africa with Pennsylvania, Indiana, Ohio and New York. The Division has personal service contracts with companies for export assistance in China (including Hong Kong and Taiwan), Korea, the ASEAN countries of Southeast Asia, and eastern mediterranean/middle east countries (Israel, Jordan, Turkey and UAE). Commerce's foreign trade offices and contracts provide in-country assistance to Wisconsin exporters. They supplement the international business counseling offered by Wisconsin-based staff, conduct market research, viability analyses and mail campaigns, conduct agent/distributor or client/end user searches, arrange appointments for visiting Wisconsin business people, conduct background and credit checks, and assist with trade shows and missions.

2. The expenditure authority provided in the bill would allow Commerce to create an international liaison position that would provide centralized planning and coordination for visits by foreign delegations, business groups, government officials and individuals. Foreign groups and individuals frequently visit state agencies, educational institutions, elected officials and organizations for business, educational, political, cultural and social purposes. Commerce has documented over 60 such visits in 2000. In addition, there are a number of annual events, such as U.S. State Department international visitors tours, through which foreign groups and individuals visit the state. Generally, staff of the state agency, organization, institution or official that is visited work separately with foreign delegations and individuals to plan, coordinate and host such visits. In some cases Commerce provides assistance. The international liaison would serve as single point of contact for all foreign visitors and would be responsible for activities such as making travel arrangements, planning and scheduling meetings, arranging dinners, receptions and other social events, and organizing information exchanges. Creating the liaison position is intended to ensure that visits are well organized, occur with no problems, addresses the visitors' needs and creates a good impression of the state.

3. To fund the international liaison position, the bill would provide additional expenditure authority of \$49,200 PR in 2001-02 and \$57,500 PR in 2002-03 in the Department's

economic development program revenue appropriation for revenues received for providing materials and services to state agencies. The appropriation has base level expenditure authority of \$273,200 PR and 2.8 PR positions. However, 2.3 of the positions are vacant and in compiling the budget, expenditure authority for the vacant positions was removed as a standard budget adjustment. The positions were authorized to administer the vocational rehabilitation economic development (VRED) program which was a joint program of Commerce and the Division of Vocational Rehabilitation (DVR) in the Department of Workforce Development designed to encourage businesses to employ disabled individuals. The program was funded with federal vocational rehabilitation funds received under a contract with DVR and a state GPR match through Commerce financial assistance programs and staff. The contract with DVR and program ended in December, 2000.

4. The appropriation for revenues from the sale of materials or services is a program revenue, continuing appropriation. Dollar amounts in the schedule for such appropriations represent the most reliable estimates of the amounts that will be expended. However, expenditures may be made from the appropriation if revenues are sufficient to fund the costs. Table 1 shows estimated revenues, expenditures and appropriation balances under the bill. The table assumes that a vacant position would be converted to the international liaison and that Commerce would generate sufficient revenues to fund the position from charges assessed against state agencies. The table shows that the appropriation would have a projected deficit in each year of the biennium. However, this is due to a negative appropriation balance carried forward into 2000-01. Ongoing revenue would exceed ongoing expenditures and, over time, the deficit in the appropriation would be gradually reduced.

**Projected Revenues, Expenditures and Appropriation
Balances for Sales of Materials and Service Appropriation**

Opening Balance	-\$127,600	-\$127,300
Revenues	79,400	88,300
Expenditures	<u>-79,100</u>	<u>-88,100</u>
Closing Balance	-\$127,300	-\$127,100

5. As noted, foreign visits are currently planned, organized, coordinated and hosted by the agencies, organizations and individuals that are visited and, in some cases, Commerce provides assistance. It could be argued that the current system of hosting foreign visits has continued for many years without significant problems. From this view, there would be no need to provide additional funding and a position to centralize coordination of foreign visits. Moreover, the 2.3 vacant positions that were authorized for the VRED program could be deleted because the program ended in December. (Expenditure authority for the positions was deleted as a standard budget adjustment.) However, if funding is approved for the international liaison position, the remaining 1.3 vacant positions could be deleted.

6. If the Committee approves the Governor's recommendation to provide funding for the international liaison position, a question may be raised whether any limitations should be placed on Commerce's ability to assess any state agencies any amount the Department determines would be required to fund the position and related activities. The bill would allow Commerce to assess a fee on another agency for the liaison's services even if that agency did not request or agree to use the liaison. Therefore, the Committee may also wish to require that the agency must agree to use the international liaison's services before Commerce can impose an assessment. The bill would allow Commerce to charge agencies on a premium basis and monies assessed would be placed in a PR continuing appropriation for monies received from other state agencies. In addition, the proposed language could be interpreted as allowing the Department to charge agencies for more than actual costs incurred for the liaison. Since monies would be placed in a PR continuing appropriation, the Department could spend any amount of funds collected. As a result, the Committee may wish to delete authority for Commerce to charge agencies on a premium basis and instead require that they charge agencies for actual costs incurred.

ALTERNATIVES TO BASE

A. International Liaison Staffing

1. Approve the Governor's recommendation to provide expenditure authority of \$49,200 PR in 2001-02 and \$57,300 PR in 2002-03 to fund a vacant position as an international liaison in the Division of International and Export Services.

<u>Alternative A1</u>	<u>PR</u>
2001-03 REVENUE (Change to Base) [Change to Bill]	\$106,500 \$0]
2001-03 FUNDING (Change to Base) [Change to Bill]	\$106,500 \$0]

2. Approve the Governor's recommendation to provide expenditure authority of \$49,200 PR in 2001-02 and \$57,300 PR in 2002-03 to fund a vacant position as an international liaison in the Division of International and Export Services. Further, delete 1.3 PR vacant positions funded by the appropriation. (Expenditure authority for the positions was deleted in standard budget adjustments.)

<u>Alternative A2</u>	<u>PR</u>
2001-03 REVENUE (Change to Base) [Change to Bill]	\$106,500 \$0]
2001-03 FUNDING (Change to Base) [Change to Bill]	\$106,500 \$0]
2001-03 POSITIONS (Change to Base) [Change to Bill]	- 1.30 - 1.30]

3. Do not adopt the Governor's recommendation. Further, delete 2.30 PR vacant positions funded by the Department's economic and community development, sale of materials and services appropriation a [20.143(10)(k)]. (Expenditure authority for the positions was deleted in standard budget adjustments.)

Alternative A3	PR
2001-03 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500
2002-03 POSITIONS (Change to Base) <i>[Change to Bill]</i>	- 2.30 - 2.30]

4. Maintain current law.

Alternative A4	PR
2001-03 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500]
2001-03 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 - \$106,500]

B. Commerce Fees

1. Approve the Governor's recommendation to authorize Commerce to assess any state agency any amount that it determined was required for the services of the international liaison. Provide that Commerce assess state agencies on a premium basis and pay all costs incurred on an actual basis. Place assessment revenues in the Department's economic and community development, sale of materials and services appropriation a [20.143 (10 (k))] to provide funding for the liaison.

2. Allow Commerce to charge on a premium basis for costs to be incurred for international liaison services requested by a state agency. In addition, require an agency to agree to the premium for the liaison's services before Commerce can charge the agency for the liaison's services.

3. Allow Commerce to charge agencies only for the costs incurred by Commerce in providing the international liaison services requested by another state agency.

Prepared by: Ron Shanovich

MO#

A-7, B-2

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 9 NO 7 ABS

COMMERCE -- DEPARTMENTWIDE AND ECONOMIC DEVELOPMENT

Eliminate Division of International and Export Services

[LFB Paper #281]

Motion:

Move to delete \$2,001,900 GPR and \$51,700 PR, and 10.0 GPR and 1.0 PR positions annually and eliminate the Division of International and Export Services and its functions from the Department of Commerce.

Note: The Division of International and Export Services in the Department of Commerce assists Wisconsin businesses in increasing their sales in the international marketplace. The Division contracts with individuals or agencies in foreign countries for assistance in the growth of Wisconsin exports and the promotion of Wisconsin as an investment location. The Division contracts with individuals to operate dedicated trade offices, shares trade offices with other states and has personal service contracts with companies for export assistance in countries in Europe, Asia, Africa and North and South America. The Division has international outreach consultants in regional offices to assist businesses in expanding into international markets. Designated staff members specialize in specific regions of the world to help exporters adapt their export activities to targeted countries. Additional staff activities include arranging itineraries of visiting business delegations, organizing Governor-led trade missions and sponsoring participation in trade shows, missions and events. The Division also administers the Wisconsin Development Fund trade show grant program.

This motion would eliminate the funding, positions and functions of the Division of International and Export Services from Commerce.

[Change to Base: -\$4,003,800 GPR, -\$103,400 PR and -10.0 GPR and -1.0 PR positions]

[Change to Bill: -\$4,003,800 GPR, -\$103,400 PR and -10.0 GPR and -1.0 PR positions]

MO# _____

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 7 NO 9 ABS 0

no analysts prepared
modification