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Study of State-Local Fringe Benefit Partnerships

Item #128

GOVERNOR: The Governor's budget requires DER and the Wisconsin Employment Relations Commission (WERC), and DETF if it elects to participate, to organize committees to study and make recommendations on a variety of issues affecting local government compensation and fringe benefits costs. A report of the recommendations must be submitted to the governor, the secretary of administration and to the legislature no later than January 1, 2003.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Resolution of Administrative Errors

Item #129

GOVERNOR: The Governor's budget authorizes the secretary of employee trust funds to settle any dispute of an appeal of a determination made by DETF that is a subject to review by the employee trust funds board, the group insurance board, the teachers retirement board, the Wisconsin retirement board, and the deferred compensation board, but only with the approval of the board having authority to accept the appeal. In deciding whether to resolve such a dispute, the secretary must consider the cost of litigation, the likelihood of success on the merits, the cost of delay in resolving the dispute, the actual impact on the public employee trust fund, and any other relevant factor the secretary considers appropriate.

In addition, the Governor's budget authorizes the secretary, if the secretary determines that an otherwise eligible participant has unintentionally forfeited or otherwise involuntarily ceased to be eligible for any benefit administered by DETF because of an error in administration by DETF, to order the correction to prevent inequity.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Selection of Health Insurer by School Districts and Subjects of Collective Bargaining

Item #130

GOVERNOR: Under the municipal employment relations act (MERA), the selection of any group health care benefits provider for municipal employees, including school district employees, is treated as a mandatory subject of collective bargaining if the selection of the provider primarily relates to the wages, hours, and working conditions of the employees. Generally, the selection of the provider is a mandatory subject of collective bargaining whenever the provider offers health care benefits coverage that differs in any way from that offered by other providers.

The Governor's budget provides that the selection of any group health care benefits provider for school district professional employees is treated as a permissive subject of collective bargaining under MERA (which means that the employer is not required to bargain with respect to the subject) if the provider offers health care benefits

coverage that is "substantially similar" to that offered by other providers in bids submitted to school districts. Under the Governor's budget, OCI must promulgate rules that set out a standardized summary of health care benefits for use in determining whether coverage offered by different providers that submit bids to school districts is "substantially similar".

Under MERA, in local government employment other than law enforcement and fire fighting employment, if a dispute relating to the terms of a proposed collective bargaining agreement has not been settled after a reasonable period of negotiation and after mediation by the Wisconsin employment relations commission (WERC), either party, or the parties jointly, may petition WERC to initiate compulsory, final, and binding arbitration with respect to any dispute relating to wages, hours, and conditions of employment. If WERC determines that an impasse exists and that arbitration is required, WERC must submit to the parties a list of seven arbitrators, from which the parties alternatively strike names until one arbitrator is left. As an alternative to a single arbitrator, WERC may provide for an arbitration panel that consists of one person selected by each party and one person selected by WERC. As a further alternative, WERC may also provide a process that allows for a random selection of a single arbitrator from a list of seven names submitted by WERC. Under current law, an arbitrator or arbitration panel must adopt the final offer of one of the parties on all disputed issues, which is then incorporated into the collective bargaining agreement.

This process, however, does not apply to a dispute over economic issues involving a collective bargaining unit consisting of

school district professional employees if WERC determines that the employer has submitted a qualified economic offer (QEO). Under current law, a QEO consists of a proposal to maintain the percentage contribution by the employer to the employees' existing fringe benefit costs and to maintain all of the employees' existing fringe benefits and to provide for an annual average salary increase having a cost to the employer at least equal to 2.1% of the existing total compensation and fringe benefit costs for the employees in the collective bargaining unit plus any fringe benefit savings.

The Governor's budget provides that a QEO need only provide substantially similar health care benefits, not all of the health care benefits.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

**WCA Taxation and Finance
Steering Committee**

Use of County Shared Revenue Payments

Item #131

GOVERNOR: The Governor's budget requires counties to spend shared revenue payments and mandate relief payments first for probation and parole hold costs in county jails, for circuit court expenses, and for youth services expenses, and then for other costs for which the county would otherwise levy property taxes.

RECOMMENDATION: Oppose.

BOARD ACTION: March 23, 2001
Board of Directors:

Sale of Tax Delinquent Brownfield Properties

Item #132

GOVERNOR: Under current law, a county may commence an action in court to foreclose a tax lien on property for which taxes are delinquent. If the county prevails in the action, the court enters a judgement, which grants the county ownership of the property. The county may then sell the property by using a competitive bidding process by which the county may accept the best bid, but must reject any bid that is less than the property's appraised value. Under current law, rather than take possession of the property the county may assign to a person the right to the foreclosure judgement related to the property, if the county provides written notice of the assignment to the municipality in which the property is located at least 15 days before the governing body of the county meets to consider approving the assignment; the property is a brownfield; and

environmental assessment is conducted on the property and the DNR is given the results of the assessment; and, if the property is contaminated by a hazardous substance, the person to whom the judgement is assigned agrees to clean up, maintain and monitor the property according to the rules promulgated by DNR.

Under the Governor's budget, a county that acquires tax delinquent property may sell the property without using a competitive bidding process, if the county provides written notice of the sale to the municipality in which the property is located at least 15 days before the sales; the property is contaminated by a hazardous substance; the property is a brownfield; an environmental assessment has been conducted on the property and the DNR is given the results of that assessment; and the purchaser of the property agrees to investigate, clean up, maintain, and monitor the property according to the rules that are promulgated by DNR.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Environmental Remediation Tax Incremental Financing Program

Item #133

GOVERNOR: Under current law, the environmental remediation tax incremental financing program permits a city, village, town, or county to defray the costs of remediating contaminated property that is owned by the political subdivision. The mechanism for financing costs that are eligible for

remediation is very similar to the mechanism under the tax incremental financing (TIF) program. If the remediated property is transferred to another person and is then subject to property taxation, environmental remediation tax incremental financing may be used to allocate some of the property taxes that are levied on the property to the political subdivision to pay for costs of remediation.

A political subdivision that has incurred "eligible costs" to remediate environmental pollution on a parcel of property may apply to DOR to certify the "environmental remediation tax incremental base" of a parcel. DOR is required to certify the environmental remediation tax incremental base if the political subdivision submits to DOR all of the following: 1) a statement that the political subdivision has incurred some eligible costs, together with a detailed proposed remedial action plan approved by DNR that contains cost estimates for anticipated eligible costs, a schedule and implementation that is needed to complete the remediation, and certification from DNR that the department has approved the site investigation report that relates to the parcel; 2) a statement that all taxing jurisdictions with authority to levy general property taxes on the parcel of property have been notified that the political subdivision intends to recover its environmental remediation costs by using an environmental remediation tax increment"; and 3) a statement that the political subdivision has attempted to recover its environmental remediation costs from the person who is responsible for the environmental pollution that is being remediated.

The Governor's Budget makes technical changes to the environmental remediation tax incremental program. These changes include creating a definition of "project expenditures" and a definition of "environmental remediation tax incremental district" (ERTID) that is somewhat similar to the definition of "tax incremental district" under the TIF program; making changes to the definitions of "environmental remediation tax increment," "environmental remediation tax incremental base," and "taxable property"; creating procedures for the termination of an ERTID that are similar to the termination procedures of a tax incremental district under a TIF program; requiring that the final report under the program include an independent certified financial audit; requiring that DOR be provided with a final accounting of the ERTID's project expenditures and the final amount of eligible costs that have been paid for an ERTID; and modifying certain provisions of the property to apply to contiguous parcels of property and land, as well as a parcel of property or land.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Tax Deed Assignment

Item #134

GOVERNOR: Under current law, if a person does not pay the tax that is due on the person's real property before September 1, the county treasurer must issue a tax certificate to the county that relates to the property. The issuance of a tax certificate begins the redemption period during which the person may

retain the person's property by paying the delinquent taxes. In most cases, the redemption period is two years. If the property owner does not pay the delinquent taxes before the redemption period expires, the county may acquire the property by taking a tax deed on the property, by commencing an action to foreclose the tax certificate, or by commencing an action to foreclose a tax lien on the property.

Under current law, a county may also assign to a person its right to a foreclosure judgement related to tax delinquent property, if the county provides written notice of the assignment to the municipality in which the property is located at least 15 days before the governing body of the county meets to consider approving the assignment; the property is a brownfield; an environmental assessment is conducted on the property and DNR is given the results of that assessment; and, if the property is contaminated by a hazardous substance, the person to whom the judgement is assigned agrees to clean up, maintain, and monitor the property according to rules that are promulgated by DNR.

Under the Governor's budget, after the redemption period on tax delinquent property expires, the county may transfer the property to a person by executing a tax deed to that person, if the county provides written notice of the transfer to the municipality in which the property is located at least 15 days before the governing body of the county meets to consider approving executing the tax deed; the property is a brownfield; and environmental assessment has been conducted on the property and DNR is given the results of that assessment; and,

if the property is contaminated by a hazardous substance, the person to whom the tax deed is executed agrees to investigate, clean up, maintain, and monitor the property according to rules that are promulgated by DNR.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

**Property Tax Exemption for
Regional Planning Commissions;
Allow Regional Planning
Commissions to Own Property**
Item #135

GOVERNOR: Under current law, regional planning commissions (RPCs) may be created by the governor, or by a state agency or official that the governor designates, upon the submission of a petition in the form of a resolution by the governing body of a city, village, town, or county) local governmental unit (LGU)). Currently, there are eight multicounty RPCs in the state, one RPC that consists only of Dane County, and five counties that are adjacent to Dane County and are not in a RPC. An RPC may conduct research studies; collect and analyze data; prepare maps; make plans for the physical, social, and economic development of the region; provide advisory services to LGUs and other public and private agencies on regional planning problems; and coordinate local programs that relate to the RPC's objectives. Projects developed or assisted by RPCs include air, rail, and highway transportation; waste disposal and recycling; and outdoor recreation.

The Governor's budget authorizes RPCs to acquire and hold real property for public use. The Governor's budget also authorizes RPCs to convey and dispose of such property.

Under current law, property owned by municipalities or by certain districts, such as school districts, technical college districts, and metropolitan sewerage districts, is exempt from the property tax. Under the Governor's budget, property owned by a regional planning commission is also exempt from the property tax.

RECOMMENDATION: Oppose.

BOARD ACTION: March 23, 2001
Board of Directors:

**Property Tax Exemptions and
Income Tax Deductions for
Treatment Plant and Pollution
Abatement Equipment**

Item #136

GOVERNOR: Under current law, all owners of treatment plant and pollution abatement equipment must apply for property tax exemptions and income tax deductions related to the treatment plant and pollution abatement equipment.

Under the Governor's budget, only utilities and certain insurers must apply for those exemptions and deductions.

RECOMMENDATION: Oppose.

BOARD ACTION: March 23, 2001
Board of Directors:

**Property Tax Exemption for Air
Carrier's Hub Facility**

Item #137

GOVERNOR: The Governor's budget creates a property tax exemption for a hub facility operated by an air carrier. The Governor's budget defines "hub facility" as: a facility at an airport from which an air carrier company operated at least 45 common carrier departing flights each weekday in the prior year and from which it transported to at least 15 nonstop destinations; or an airport or any combination of airports in this state from which an air carrier company cumulatively operated at least 20 common carrier departing flights each weekday in the prior year, if the air carrier company's headquarters are in this state. The Governor's budget defines "air carrier" as any person engaged in the business of transportation in aircraft of persons or property for hire on regularly scheduled flights.

Under current law, revenues derived from aeronautics activities in this state, including moneys received from taxes on air carrier companies, from aircraft registration fees, and from general aviation fuel taxes, are deposited in the segregated transportation fund. Aeronautics activities are funded from a sum certain appropriation in the segregated transportation fund.

Beginning on July 1, 2004, this Governor's budget directs all revenues derived from aeronautics activities that are currently deposited in the transportation fund to a new appropriation. Aeronautics activities are funded from these receipts, instead of from a sum certain appropriation. However, if the amounts received for

aeronautics activities under the new appropriation are less than \$11,800,000, the aeronautics activities may be funded with equal amounts from the general fund and the transportation fund not exceeding \$650,000 from each fund.

Finally, the Governor's budget creates an airport financing committee consisting of members appointed by the governor. The Governor's budget requires the committee to review and evaluate this state's airport system needs and the current system of funding those needs and to recommend changes, if any, to better meet those needs. The Governor's budget requires the committee to submit a report not later than December 31, 2002, to the legislature and to the governor containing the committee's evaluation, findings, and generate revenue in amounts equal to or greater than the sum of moneys appropriated for aeronautical activities in fiscal year 2002.

RECOMMENDATION:

^{SUPPORT}
~~Oppose~~

BOARD ACTION: March 23, 2001
Board of Directors:

Corrections to Municipal Lottery Credit Payments

Item #138

GOVERNOR: Under current law, a municipality must notify DOR, by March 1, of the total amount of the lottery and gaming property tax credits that the municipality has allocated to property owners in the municipality. DOA then distributes that amount to the municipality to compensate the municipality for the credits.

Under current law, DOA or DOR may correct any overpayment or underpayment of the lottery and gaming property tax credit amount that is made to a municipality, if DOA or DOR discovers the error by October 1 of the year of such payment. DOA or DOR corrects the error by increasing or decreasing, as appropriate, the subsequent year's payment of the property tax credit amount to the municipality. All such corrections are made without interest.

Under the Governor's budget, if, after March 1 of the year that a municipality receives a lottery and gaming property tax credit payment, the municipality, DOA, or DOR discovers an error in the notice that resulted in an underpayment to the municipality, the municipality shall correct the error. DOR either pays the underpayment, without interest or increases the subsequent year's payment to the municipality

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Reciprocal Tax Refund Offsetting With Other States

Item #139

GOVERNOR: Under current law, DOR may offset tax refunds against debts owed by a taxpayer to another state agency or to a municipality or county. Current law also authorizes DOR to enter into agreements with the Internal Revenue Service to offset state tax refunds against federal tax obligations and federal tax refunds against state tax obligations.

The Governor's budget authorizes DOR to enter into agreements with other states to offset tax refunds against another state's tax obligations if the other state agrees to implement an offset program for Wisconsin residents' tax refunds from that other state against tax obligations of this state.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Local Exposition District Taxes Administration

Item #140

GOVERNOR: Under current law, a local exposition center district may impose a sales tax on all retailers that are located in the district at the rate of 0.25% of the gross receipts from the sale of food and beverages, and 3% of the gross receipts from car rentals and motel or hotel room rentals. DOR administers and collects the tax. DOR retains 2.55% of the collected tax for administrative purposes and distributes the rest of the collected tax to the district.

Under the Governor's budget, the amount of the local exposition center taxes retained by DOR for administrative purposes that remains unencumbered at the end of the state fiscal year and that exceeds 10% of the amount expended for administrative purposes during the fiscal year is distributed to the local exposition center district.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Correcting Palpable Errors in the Property Tax Assessment Roll

Item #141

GOVERNOR: Under current law, a municipal board of review reviews the municipality's property tax assessment roll, hears any objections to property tax assessments, and orders the municipal clerk to correct or change the roll, as appropriate. After the board of review adjourns, the property tax that is due from property owners in the municipality is calculated and the resulting tax roll is transferred to the municipal treasurer.

Under the Governor's budget, after a municipality's property tax roll is transferred to the municipal treasurer, the municipal governing body may refund or rescind any property taxes that the municipality assessed as a result of palpable errors. Under current law, "palpable error" means: 1.) a clerical error in a property's description or tax calculation; 2.) including real property improvements in a property's assessment even though the improvements did not exist on January 1 of the year in which the property is assessed; 3.) imposing property taxes on property that is exempt from property taxation; 4.) assessing property that is not located in the municipality; 5.) assessing the same property twice in one year; and 6.) an arithmetic, transpositional, or similar error. The governing body must notify DOR of any taxes that the body rescinded or refunded because of a palpable error.

Under the Governor's budget, if a municipal clerk or treasurer discovers a palpable error in the assessment roll after

the board of review has adjourned for the year, the clerk or treasurer must correct the assessment roll before calculating the property tax that is due on the property related to the error and notify DOR of the correction.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Gross Receipts Tax on Wholesale Merchant Plant

Item #142

GOVERNOR: Under current law, in lieu of paying local property taxes, a private light, heat, and power company and an electric cooperative pay a license fee to the state based on a percentage of the company's or cooperative's gross revenues that are attributable to this state. A private, light, heat, and power company pays a license fee based, in part, on multiplying its other gross revenues from the sale of gas services by 0.97% and multiplying its other gross revenues by 3.19%. An electric cooperative pays a license fee based, in part on multiplying its gross revenues by 3.19%.

Under the Governor's budget, a private light, heat, and power company and an electric cooperative pay a license fee to the state based, in part, on multiplying the company's or cooperative's gross revenues from the sale of wholesale electricity by 1.59%. The license fee applies to gross revenues from the sale of wholesale electricity that are earned during tax periods beginning on January 1, 2003, and ending on December 31, 2008. A private light, heat, and power company will continue to pay a license

fee under current law based on multiplying its gross revenues from the sale of gas services by 0.97% and multiplying its other gross revenues, except revenues from the sale of wholesale electricity, by 3.19%. An electric cooperative will continue to pay a license fee under current law based on multiplying its gross revenues, except revenues from the sale of wholesale electricity, by 3.19%.

Under current law, the property of a qualified wholesale electric company located in a municipality is included in the calculation of the municipality's shared revenue payments from the state. Under the Governor's budget, the property of a wholesale merchant plant located in a municipality is also included in the calculation of the municipality's shared revenue payments. If Shared Revenue payments remain frozen, counties with a wholesale merchant plant will receive higher utility payments at the expense of other counties.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

DOR Study on Prompting Economic Growth

Item #143

GOVERNOR: The Governor's budget directs DOR to study options for restructuring shared revenue and tax incremental financing to encourage high-growth sectors of the economy and the creation of high-quality jobs in this state. DOR must report the results of its study to the secretary of administration no later than January 1, 2003.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Sales Tax on Custom Computer Software

Item #144

GOVERNOR: Under current law, the sales of tangible personal property that are subject to a sales tax or a use tax include sales of computer programs, except custom computer programs. Under the Governor's budget, the sales of custom computer programs are also subject to a sales tax or a use tax.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Taxation of Public Utility Holding Company

Item #145

GOVERNOR: Under current law, in lieu of paying local property taxes, a light, heat, and power company pays a license fee to the state based on a percentage of the company's gross revenue that is attributable to this state. However, if a light, heat, and power company structure is used in part for the company's business operation and in part for purposes that are related to the company's business operation, the part of the structure that is used for purposes that are not related to the company's business operation is subject to local property taxes.

Under the Governor's budget, property, including land, that is owned or leased by a public utilities holding company

that provides services to a light, heat, and power company affiliated with the holding company is assessed for local property taxes on the portion of the fair market value of the property that is not used for providing services to the light, heat, and power company. The result would be a minor reduction in property taxes collected.

RECOMMENDATION: Oppose.

BOARD ACTION: March 23, 2001
Board of Directors:

The Repair of Tangible Personal Property for Sales and Use Tax Purposes

Item #146

GOVERNOR: Under current law, generally, the repair, service, or maintenance of tangible personal property is subject to the sales tax or the use tax. Installing or applying tangible personal property is also subject to the sales tax or the use tax, unless installing or applying the tangible personal property is an addition or improvement to real property.

Under current law, certain items of tangible personal property remain tangible personal property, for sales tax and use tax purposes, regardless of the extent to which those items are attached to real property. Such items include office, restaurant, and tavern equipment.

Under the Governor's budget, installing or applying tangible personal property is subject to the sales tax or the use tax, regardless of whether installing or applying the tangible personal property is an addition or improvement to real property. Under the Governor's budget,

items that remain tangible personal property, regardless of the extent to which those items are attached to real property, include equipment in offices, business facilities, schools, and hospitals.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Property Tax Assessment of Telephone Company Property

Item #147

GOVERNOR: Under current law, property that is used in the operation of a utility company, electric cooperative association, car line company, or telephone company is exempt from local property taxation. Such companies are, generally, subject to a state-imposed tax, in lieu of the local property tax, that is based on the value of the property owned by the companies. The property that is owned by the companies and used in the operation of the companies is assessed by DOR. However, if property is used in part in the operation of the company and in part for other purposes, the portion of the property that is used for other purposes is subject to the local property tax and, therefore, subject to a property tax assessment by the local taxation district. The portion of the property that is used in the operation of the company is subject to an assessment by DOR.

Under the Governor's budget, if property is used more than 50% in the operation of a telephone company that is subject to the state-imposed tax in lieu of the local property tax, DOR assesses all of the property. If property is used less than

50% in the operation of a telephone company that is subject to the state tax in lieu of the local property tax, the local taxation district assesses all of the property. The fiscal result will be some counties would gain and some will lose under this budget provision. There would be an approximate \$22,000 statewide gain for local governments.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Property Tax Assessment of Manufacturing Property

Item #148

GOVERNOR: Under current law, DOR assesses manufacturing property, and determines what property is classified as manufacturing property, for property tax purposes. If a reviewing authority for property tax assessments reduces a manufacturing property's assessed value or determines that manufacturing property is exempt from property tax, the property owner may file a claim for a property tax refund with the municipality in which the property is located. The municipality pays the refund in one sum that includes interest on the refund amount, paid at the rate of 0.8% a month.

Under current law, a property owner may file an objection to a property tax assessment of the owner's manufacturing property with the state board of assessors within 60 days of receiving notice from DOR of the property's assessment.

Under the Governor's budget, property may be classified as manufacturing

property in any year only if on or before March 1 of that year either DOR has classified it as manufacturing property or the property owner has requested that classification and DOR complies with the request. Under the Governor's budget, a municipality may pay a property tax refund to an owner of manufacturing property in five annual installments rather than all at once, if the refund is more than \$10,000, the refund amount represents at least 0.0025% of the municipality's tax levy, and the municipality's tax levy is less than \$100,000,000. The interest on the refund amount is paid either at a rate of 10% a year or at a rate determined by the last auction of six-month U.S. treasury bills, whichever is less. In addition, the state compensates the municipality for the interest on any such refund that is paid by the municipality.

Under the Governor's budget, a property owner who files an objection to a property tax assessment of the owner's manufacturing property must include in the objection the reasons for the objection, an estimate of the correct assessment, and the basis for that estimate. In addition, the property owner may file supplemental information to support the objection within 60 days from the date that the objection is filed.

Under current law, an owner of manufacturing property must submit annually by March 1 a report to DOR that contains certain information about the property that DOR considers necessary for property tax assessment purposes. However, DOR may grant an extension to April 1 for filing the report. An owner of manufacturing property who fails to submit the report by the date

that it is due must pay a penalty equal to the greater of \$10 or 0.05% of the property's assessment for the previous year, but not more than \$1,000. If the property owner does not submit the report within 30 days from the date that it is due, the property owner must pay a second penalty that is equal to the first.

Under the Governor's budget, an owner of manufacturing property who fails to submit the report by the date that it is due is subject to the following penalties: if the report is one to ten days late, \$25; if the report is 11 to 30 days late, the greater of \$50 or 0.05% of the previous year's assessment, but not more than \$250; and if the report is more than 30 days late, the greater of \$100 or 0.1% of the previous year's assessment, but not more than \$750.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

**WCA Transportation and Public Works
Steering Committee**

General Transportation Aids

Item #149

GOVERNOR: Under current law, the Department of Transportation (DOT) administers a General Transportation Aids (GTA) program that makes payments to a county based on a share-of-costs formula.

The Governor's budget increases the amount of aid that may be paid under the GTA program from the current limit of \$84,059,500 to \$86,329,100 in FY 02 and to \$91,188,600 in FY 03 for counties. This represents a 2.7% increase in FY 2002, and an additional 3% increase in FY 2003.

RECOMMENDATION: Amend to seek a 5% increase in GTA in FY 2002 and a 5% increase in FY 2003.

BOARD ACTION: March 23, 2001
Board of Directors:

Local Road Improvement Program

Item #150

GOVERNOR: The Local Road Improvement Program (LRIP) was established in the 1991-1993 biennium to assist local governments in improving *seriously deteriorating* local roads. Each local unit of government receives funding through a different component of the program.

In the Governor's budget, counties receive a 2.7% increase in FY 02 and a 3% increase in FY 03 in the CHIP program, which is currently funded at \$12,998,073.

In addition to initial LRIP funding, counties receive \$10,000,000 for projects with total costs of at least \$250,000 through the CHIP-D program. In the Governor's budget, there is no increase in Chip-D program.

RECOMMENDATION: Amend to seek a 5% increase in LRIP and in CHIP-D in FY 2002 and a 5% increase in FY 2003.

BOARD ACTION: March 23, 2001
Board of Directors:

Local Bridge Improvement Program and Transportation Facility Improvement Assistance

Item #151

GOVERNOR: Under current law, DOT maintains separate continuing appropriations for local bridge improvement assistance and for local transportation facility improvement assistance (STP- Urban and STP-Rural). The separate appropriation for local bridge improvement assistance is exempt from reduction by JFC as an emergency matter.

The Governor's budget consolidates these continuing appropriations and transfers the unencumbered balances into the consolidated appropriations. The Governor's budget also exempts these consolidated appropriations from reduction by JCF as an emergency measure.

The Governor's budget does not include any increases for the combined Local Bridge Improvement Program and Transportation Facility Improvement Assistance program.

RECOMMENDATION: Amend to seek a 5% increase in the Local Bridge Improvement program and in the STP-Urban and STP-Rural in FY 2002 and a 5% increase in FY 2003.

BOARD ACTION: March 23, 2001
Board of Directors:

Mass Transit Aid Funding

Item #152

GOVERNOR: The Governor's budget provides \$2,325,100 annually to fully fund CY01 obligations and provides a 2.5% increase in CY02 for the urban mass transit assistance program.

The Governor's budget increases the total amount of state aid payments to each class of mass transit systems, as follows:

- 1) For a mass transit system having annual an operating expenses in excess of \$80,000,000, from \$53,555,600 in calendar year 2000 to \$54,894,500 in calendar year 2001 and thereafter.
- 2) For a mass transit system having annual operating expenses at least \$20,000,000 but less than \$80,000,000, from \$14,297,600 in calendar year 2000 to \$14,655,000 in calendar year 2001 and thereafter.
- 3) For mass transit systems serving urban areas having a population of at least 50,000 but having annual operating expenses of less than \$20,000,000 from \$19,804,200 in calendar year 2000 to \$20,299,300 in

calendar year 2001 and there after.

- 4) For mass transit systems serving urban areas having a population of less than 50,000, from \$5,349,100 in calendar year 2000 to \$5,482,800 in calendar year 2001 and thereafter.

RECOMMENDATION: Amend to seek a 5% increase in Mass Transit Aids in FY 2002 and a 5% increase in FY 2003.

BOARD ACTION: March 23, 2001
Board of Directors:

Supplemental Mass Transit Aids

Item #153

GOVERNOR: Under current law, DOT administers an urban mass transit operating assistance program that funds a portion of the annual operating expenses of eligible urban mass transit systems. The Governor's budget requires DOT to make supplemental mass transit aid payments in any calendar year for any eligible urban mass transit system for whom the percentage increase in the consumer price index for that calendar year. DOT shall distribute the \$3,237,500 supplemental mass transit aid payments for similar urban mass transit systems on a proportional basis according to annual ridership on each urban mass transit system during the preceding calendar year. These supplemental mass transit aid payments are in addition to any other funding under the program.

RECOMMENDATION: Amend to place the \$3,237,500 in supplemental mass transit operating assistance aid into the mass transit assistance program.

BOARD ACTION: March 23, 2001
Board of Directors:

Mass Transit Aid Based on Projected Expenses

Item #154

GOVERNOR: Under current law, DOT provides state aid payments to local public bodies in urban areas served by mass transit systems to assist the local public bodies with the expenses of operating those systems. Aid paid for mass transit systems having annual operating expenses of \$20,000,000 or more (Tier A systems) is paid in a sum certain, while aid payable for smaller transit systems is determined under a formula. Under the formula, DOT makes state aid payments in amounts sufficient to ensure that combination of state and federal aids contributed toward the operating expenses of an urban mass transit system equals the uniform percentage established by DOT for each of the two smaller classes of mass transit systems. The two smaller classes are: 1) mass transit systems serving urban areas having a population of 50,000 or more but having annual operating expenses of less than \$20,000,000 (Tier B systems); and 2) mass transit systems serving urban areas having a population of less than 50,000 (Tier C systems). "Operating expenses" used in this aid formula are based on actual operating costs from the second preceding year, with adjustments for the projected expenses of new service, for which historical data is not available.

The Governor's budget deletes the requirement that annual transit aid payments for Tier B and Tier C systems be made based on actual operating costs from the second preceding year. The budget requires that annual state transit

aid payments for Tier B and Tier C systems be based on estimated operating costs for that year, effective with calendar year 2001 payments. The governor's budget also removes DOT's authority to modify and adjust projected expenses of new services.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Oversize/Overweight Permit Fees
Item #155

GOVERNOR: Under current law, no person may operate upon a highway any vehicle or combination of vehicles that exceeds certain statutory limits on size, weight, or load unless that person possesses a permit issued by DOT. The fees for certain single trip, annual, consecutive month, and multiple trip permits issued by DOT are 10% higher than the usual rates for the period beginning on January 1, 2000, and ending on June 30, 2003 after which time the fees revert to their previous amounts.

The Governor's budget delays the sunset date of the permit fee increases from June 30, 2003 to December 31, 2007.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Vehicle Environmental Impact Fee

Item #156

GOVERNOR: Under current law, a registrant is required to pay an environmental impact fee of \$6 upon

registering a new motor vehicle with DOT or upon applying for a new certificate of title following a transfer of a vehicle. The environmental impact fees are credited to the environmental fund and are earmarked for environmental management activities. The fee expires on June 30, 2001. This bill extends that expiration date to September 30, 2003.

RECOMMENDATION: Oppose.

BOARD ACTION: March 23, 2001
Board of Directors:

Appropriation for Telecommunications Right-of- Way

Item #157

GOVERNOR: The Governor's budget permits DOT to negotiate and enter into agreements to accept telecommunications services or any plant or equipment used for telecommunications services as payment for the accommodation of a utility facility within a highway right-of-way. The Governor's budget also creates two new appropriations: 1) a program revenue appropriation for activities related to locating, accommodating, operating, or maintaining utility facilities within a highway right-of-way; and 2) within the segregated transportation fund, a service fund appropriation for moneys received from other state agencies related to telecommunications services, except for moneys related to the statewide public safety radio management program.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Transportation Planning Grants

Item #158

GOVERNOR: Under current law, DOA awards transportation planning grants to cities, villages, towns, counties, and regional planning commissions to pay for planning activities related to the transportation element of a comprehensive land use and development plan. Grants are funded with federal moneys, provided to this state for transportation-related planning activities, which are in a specific appropriation account with DOT then transferred to an appropriate account in DOA.

The Governor's budget changes the specific appropriation account in DOT from which moneys in this appropriation account are then transferred to an appropriate account in DOA to fund these grants.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Park East Freeway Demolition Funding

Item #159

GOVERNOR: The Governor's budget provides that the maximum state share of costs for the project involving demolition of the abandoned Park East Freeway corridor in Milwaukee County is \$8,000,000, as provided in an agreement between the city of Milwaukee, Milwaukee County, and the state, of which \$6,800,000 are required to be federal interstate cost estimate (ICE) funds received by the state. The local share of costs for the project may not be less than \$17,000,000, the amount

specified in the agreement between the parties, of which \$14,500,000 is required to be federal ICE funds received by the city or county.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Marquette Interchange Bonding Authority
Item #160

GOVERNOR: Under current law, the building Commission may issue revenue bonds for major highway projects and transportation administration facilities in a principal amount that may not exceed \$1,447,085,500. A major highway project is a project having a total cost of more than \$5,000,000 and involving construction of a new highway that relocates at least 2.5 miles of the highway or adds one or more lanes at least five miles in length to the highway; or improvement of an existing multilane divided highway to freeway standards.

The Governor's budget increases the revenue bond limit from \$1,447,085,500 to \$1,743,570,900. Additionally, the bill provides that revenue bond proceeds may be expended for reconstruction of the Marquette interchange, lying at or near the junction of I 94, I 43, and I 794, in Milwaukee County. In addition to the revenue bond limit of \$1,743,570,900 specified above, the building commission may issue revenue bonds for the Marquette interchange reconstruction project in a principal amount that may not exceed \$6,996,600.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Transportation Economic Assistance (TEA) Program
Item #161

GOVERNOR: Under current law, DOT administers a transportation facilities economic assistance and development program. Under the program, DOT may improve a highway, airport, or harbor, or provide other assistance for the improvement of those transportation facilities or certain rail property or railroad tracks, as part of a major economic development project. DOT may also make loans for the improvement of any transportation facilities. The state share of costs for the improvement of any transportation facility may not exceed 50% of the cost of the improvement.

The Governor's budget renames the program the "Tommy G. Thompson Transportation Economic Development Assistance Program."

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Driver Improvement Surcharge
Item #162

GOVERNOR: Under current law, a person who is ordered to pay a fine or forfeiture for operating a motor vehicle while under the influence of an intoxicant, controlled substance, or other drug (OWI) is required to pay a driver improvement surcharge of \$345. A majority (61.5%) of the funds collected from the driver improvement surcharge is

used by the county where the OWI violation occurred to provide alcohol and other drug abuse services to drivers who are referred for alcohol or other drug abuse assessment. The remainder of the funds collected is transmitted to the state treasurer and used to provide chemical-testing training to law enforcement officers and to fund various state agencies for services related to OWI offenses.

The Governor's budget increases the driver surcharge from \$345 to \$355.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Safe-Ride Grant Program

Item #163

GOVERNOR: Under current law, DOT administers their safe-ride grant program, under which DOT provides grants to municipalities and nonprofit corporations to cover the costs of transporting persons who have a prohibited alcohol concentration from the premises that are licensed to sell alcohol beverages to their places of residence. The safe-ride grant program is funded with moneys from the driver improvement surcharge. The driver improvement surcharge is collected from each person who is ordered to pay a fine or forfeiture for operating a motor vehicle under the influence of an intoxicant, controlled substance, or other drug. A portion of the surcharge is forwarded to the state and credited to an appropriation to DHFS for services related to drivers. Current law requires the secretary of administration to transfer 3.76% of the state's portion of the surcharge from DHFS appropriation

to an appropriation to DOT for the safe-ride grant program.

The Governor's budget eliminates the requirement that the secretary of administration transfer 3.76% of the state's portion of the driver improvement surcharge to fund the safe-ride grant program. Under the bill, the secretary of administration may transfer unencumbered driver improvement surcharge moneys to fund the safe-ride grant program after consulting with the secretaries of health and family services and transportation, the superintendent of public instruction, the attorney general, and the president of the UW System.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

State Patrol Special Event Fees

Item #164

GOVERNOR: Under current law, the state traffic patrol in DOT enforces and assists in the administration of traffic and parking laws. DOT may impose a fee for security and traffic enforcement services provided by the state traffic patrol at any public event that charges spectators an administration fee if the event is organized by a private organization.

This Governor's budget allows DOT to charge a fee for such services at any such event that is publicly or privately organized. The budget also allows DOT to charge a fee for security and traffic enforcement services requested by a person who is installing, inspecting, removing, relocating, or repairing a utility facility that lies within a highway right-of-way. All fees received from

providing security and traffic enforcement services may be expanding only to provide these services.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Suspending Juveniles' Operating Privileges

Item #165

GOVERNOR: Under current law, circuit courts and municipal courts may suspend a person's motor vehicle operating privilege for a variety of reasons including failure to pay an amount ordered by the court. Suspension for failure to pay generally last until the person pays the amount owed. The suspension orders are forwarded to DOT, which updates the person's driving record to reflect the suspension. However, under current law, circuit courts and municipal courts are not permitted to suspend a person's operating privilege solely because of the person's failure to pay a forfeiture imposed for ordinance violation unrelated to the operation of a motor vehicle.

The Governor's budget permits circuit courts and municipal courts to suspend the operating privilege of a juvenile (a person 17 years of age who is alleged to have committed a crime, if no crime is alleged, a person 18 years of age) solely because the juvenile has not paid a forfeiture imposed for an ordinance violation unrelated to the operation of a motor vehicle.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Aquatic Plants

Item #166

GOVERNOR: The Governor's budget authorizes DNR to establish a program that protects aquatic plants that are native to this state and that regulates the introduction, cultivation and control (management) of aquatic plants. The governor's budget defines controlling aquatic plants to mean cutting, removing, destroying, or suppressing aquatic plants.

Under current law, the only specific authority DNR has regarding aquatic plant management is the authority to develop a statewide program to control purple loosestrife. Under the new program, the types of aquatic plants that will be regulated include Eurasian water milfoil, curly leaf pondweed, and purple loosestrife. Under this program, DNR is required to issue aquatic plant management permits and to promulgate rules to regulate the conditions under which aquatic plants may be managed. These conditions include restriction on the quantity and species of aquatic plants that are subject to the permit and the area in which the aquatic plants may be managed. The budget prohibits any person from cultivating or introducing aquatic plants that are not native to this state, from manually removing any type of aquatic plants that are not native to this state, from manually removing any type of aquatic plant from navigable waters, and from controlling any type of aquatic plants by the use of chemicals, without such a permit. DNR may establish a fee for this permit. This bill exempts from the permitting requirements any person who manually removes aquatic plants

from privately owned streambeds with the permission of the landowner and any person harvesting wild rice or operating a fish farm, as authorized by law. The budget repeals the current law that makes the cutting of weeds in navigable water a nuisance if such weeds are not removed. District attorneys, DNR, and private individuals may file suit to have a nuisance removed from navigable bodies of water.

RECOMMENDATION: Oppose.

BOARD ACTION: March 23, 2001
Board of Directors:

Scenic Byways Program

Item #167

GOVERNOR: Under current law, DOT administers a scenic byways program, under which this state nominates its highways that have outstanding scenic, historic, cultural, natural, recreation, or archaeological qualities for federal designation as a scenic byway. Projects undertaken on federally designated scenic byways are eligible for increased federal grants and technical assistance.

The Governor's budget eliminates explicit expenditure authority for the scenic byways program administered by DOT.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Demand Management, Ride Sharing

Item #168

GOVERNOR: Under current law, DOT administers a demand management and ride-sharing program to reduce the number of automobile trips, especially during peak hours of traffic, and to encourage the shared use of motor vehicles by two or more individuals to or from their places of work or postsecondary school. Under the program, DOT awards grants from an annual appropriation for the development and implementation of demand management or ride-sharing programs.

The Governor's budget substitutes a continuing appropriation for the annual appropriation for the award of grants. The budget also makes job access and employment transportation assistance eligible under the program and adds to the program a stated purpose of enhancing the success of welfare-to-work programs. The budget also renames the demand management and ride-sharing program to the transportation employment and mobility program.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

WCA Agriculture Steering Committee

Milk Contractors

Item #169

GOVERNOR: Under current law, there is no licensing requirement for milk contractors that do not also operate a dairy plant. Currently, dairy plant operators are required to submit quarterly financial reports with DATCP and if they do not meet minimum standards they are required to file a bond with DATCP.

The Governor's budget creates a license for milk contractors. Further, any milk contractor that procures more than \$1,500,000 in milk annually must file annual financial statements with DATCP. Any milk contractor that does not file statements, or who does not meet minimum financial standards, must contribute to a fund that can be used to reimburse farmers in the event that the contractor defaults on their payments. To create the fund, \$2,000,000 will be transferred from the agricultural management fund to the new fund on January 1, 2002. The Governor's budget requires that DATCP repay the loan, plus interest, no later than July 1, 2006.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Civil Forfeitures for Product Safety

Item #170

GOVERNOR: Under current law, a person is subject to a fine or imprisonment if the person violates laws enforced by DATCP including laws related to the manufacture and distribution of commercial feed, laws related to certain consumer products, and

laws constituting the Federal Hazardous Substances Act.

The Governor's budget provides that the Department of Justice must furnish legal services required by DATCP in the enforcement of the Hazardous Substances Act and laws relating to the safety of certain consumer products, and enhances the forfeiture or fine that must be paid for breaking the laws.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Federal Agriculture Policy Reform

Item #171

GOVERNOR: The Governor's budget permits the Department of Agriculture, Trade and Consumer Protection to provide assistance to seek the reform of federal agricultural policy. This authority will expire on July 1, 2005.

RECOMMENDATION: Support.

BOARD ACTION: March 23, 2001
Board of Directors:

Recycling Surcharge on Non-corporate Farms

Item #172

GOVERNOR: Under current law, a corporation or insurer that has less than \$4,000,000 in gross receipts pays a recycling surcharge to the state in an amount that is equal to 3% of their gross tax liability, up to a maximum of \$9,800, or \$25, whichever is greater. A business that is not a corporation or insurer and has less than \$4,000,000 in gross receipts

pays a recycling surcharge of 2% on its net income, up to a maximum of \$9,800, or \$25, whichever is greater. A farm that is not a corporation and has more than \$1,000,000 in gross receipts pays a recycling surcharge of \$25.

The Governor's budget would treat farms the same as businesses that are not corporations. A farm that is not a corporation and has more than \$4,000,000 in gross receipts would pay a recycling surcharge of 2% of its net income, up to a maximum of \$9,800, or \$25, whichever is greater.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors:

Tobacco Settlement Revenues

Tobacco Securitization

Item #173

GOVERNOR: On November 23, 1998, Wisconsin and other states agreed to a settlement of lawsuits brought against the major U.S. tobacco product manufacturers (the tobacco settlement agreement). Under the tobacco settlement agreement, the state is to receive annual payments from the U.S. tobacco product manufacturers in perpetuity.

The Governor's budget authorizes the secretary of administration to sell the state's right to receive payments under the tobacco settlement agreement and provides that the proceeds from this sale are to be deposited in the permanent endowment, a nonlapsible trust fund created in the budget.

Under the Governor's budget, annually, the secretary of administration must transfer a certain amount of moneys in the permanent endowment fund to the general fund according to a calculation made by the investment board. The amount available for transfer in each year, as calculated by the investment board, beginning in 2004, must equal the sum of the following:

1. An amount that equals 8.5% of the market value of the investments in the permanent endowment fund on June 1.
2. All proceeds of, and investment earnings on, investments of the permanent endowment fund made at the discretion of the secretary of administration that are received in the fiscal year.
3. All other amounts identified by the secretary of administration as payments of residual interests to

the state from the sale of the state's right to receive moneys under the tobacco settlement agreement that are received in the fiscal year.

The Governor's budget provides that the investment board may invest the assets of the permanent endowment fund in any investment that is an authorized investment for assets in the fixed retirement investment trust and the variable retirement trust. In addition, the Governor's budget requires the investment board to invest certain of the assets in the permanent endowment fund according to the terms and conditions specified by the secretary of administration; the Governor's budget specifically provides that the investment board is not subject to its statutory standard of responsibility when it makes such an investment.

For 2002 and 2003, the amount that is required to be transferred from the permanent endowment fund to the general fund is the amount that the state would have received as payments under the tobacco settlement agreement had the state's right to receive the payments not been sold.

The Governor's budget also requires that, in fiscal years 2001-02 and 2002-03, the first \$12,006,400 and \$21,169,200, respectively, in payments from the tobacco settlement agreement are deposited in the tobacco control fund and are appropriated to the tobacco control board for distribution to specific smoking cessation and prevention programs and for grants for smoking cessation education, research, and enforcement programs. In the event that the state's right to receive payments under the

tobacco settlement agreement is sold before the required amounts are received in fiscal years 2001-03, the Governor's budget requires that a necessary amount be transferred from the general fund to the tobacco control fund to make up any shortfall.

The Governor's budget also authorizes the secretary of administration to organize one or more nonstock corporations or limited liability companies for any purpose related to the sale of the state's right to receive payments under the tobacco settlement agreement and appropriates moneys for the organization and initial capitalization of any such corporation or company.

The Governor's budget establishes the legal characteristics of any sale, assignment, or transfer of payments under the tobacco settlement agreement.

In addition, the Governor's budget provides that, with certain exceptions, this state's version of Article 9 of the Uniform Commercial Code governs the granting and enforcing of security interests in those payments. Article 9 generally governs similar transactions.

Under the Governor's budget, if a person obtains, evidences, and provides notice of an interest in the tobacco settlement agreement payments under the procedure specified in the Governor's budget, that interest is enforceable against the debtor, any assignee or grantee, and all third parties, including creditors under any lien obtained by judicial proceedings. In addition, the interest is superior to all other liens against the tobacco settlement agreement payments that arise after the date on which the interest attaches to those payments.

Currently, DOA is required, subject to numerous exceptions, to make purchases

by solicitation of bids or competitive sealed proposals preceded by public notice. DOA must prepare written justification of contractual service procurements and must comply with rules regarding conflicts of interest between contractors and DOA employees. DOA must also attempt to ensure that a specified portion of its procurement business is awarded to minority-owned businesses. The Governor's budget exempts contracts entered into by DOA to provide financial services in relation to this state's interest in the tobacco settlement agreement payments from compliance with these requirements.

Currently, with certain exceptions, no person may commence a legal action against the state unless the person presents a claim to the claims board for a recommendation and the legislature denies the claim. The Governor's budget exempts claims presented in relation to this state's interest in the tobacco settlement agreement payments from compliance with this requirement.

Under current law, the Wisconsin Health and Educational Facilities Authority (WHEFA) may issue bonds to finance certain projects of health or educational facilities, such as the construction or remodeling of a health or educational facility or related structure, and to refinance outstanding debt of health or educational facilities. Under the Governor's budget, WHEFA is authorized to purchase the state's right to receive payments under the tobacco settlement agreement, to make a loan that is secured by the state's right to receive those payments, and to issue bonds to finance the purchase or make the loan. Any bonds issued to finance the purchase

or to make the loan must be payable from, or secured by interests in, the payments under the tobacco settlement agreement. In addition, WHEFA is authorized to organize one or more nonstock corporations or limited liability companies for any purpose related to the purchase or sale of the state's right to receive payments under the tobacco settlement agreement.

The Governor's budget affirms the state's participation in the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998. In addition, the Governor's budget states that the payments received under that agreement are the property of the state, to be used as the state decides by law. The Governor's budget also provides that no political subdivision of the state, or officer or agent of a political subdivision, may maintain a claim related to the tobacco settlement agreement or any claim against any party that was released from liability by the state under the tobacco settlement agreement.

RECOMMENDATION: Oppose.

BOARD ACTION: March 23, 2001
Board of Directors:

Tobacco Control Fund

Item #174

GOVERNOR: Under current law, the tobacco control fund consists of a portion of the moneys that the state receives as part of the Attorneys General Master Tobacco Settlement of November 23, 1998 (settlement) with the tobacco industry. The settlement requires tobacco companies to make payments to the states in perpetuity. A portion of the settlement moneys in the tobacco control fund are

appropriated to the tobacco control board for distribution to specific smoking cessation and prevention programs and for grants for smoking cessation, education, research and enforcement programs. Currently, the tobacco control board is required to distribute not less than \$1,000,000 in each fiscal year to the Thomas T. Melvin youth tobacco prevention and education program. Under this program, DHFS awards grants for programs to reduce the use of cigarettes and tobacco products by minors.

The Governor's budget requires that the first \$12,006,400 of the settlement moneys received in fiscal year 2001-02 and the first \$21,169,200 of the settlement moneys received in fiscal year 2002-03 be deposited in the tobacco control fund. The Governor's budget also increases the amount that the tobacco control board is required to distribute to the Thomas T. Melvin youth tobacco prevention and education program to \$1,500,000 in fiscal year 2001-02 and \$2,000,000 in each fiscal year and thereafter.

RECOMMENDATION: Monitor.

BOARD ACTION: March 23, 2001
Board of Directors: