

AGENCY: Public Benefits

LFB PAPER #: 1100

ISSUE: Use of Energy Conservation Public Benefits Funds for State Agency Fuel Costs (DOA, DHFS, Military Affairs and UW System)

ALTERNATIVE: Alt. 4 - also a Shibilski motion for Helbach

SUMMARY:

The governor wants to use public benefits funds to pay a portion of the utility bills of DOA, DHFS, Military Affairs and UW-System.

Alternative 4 deletes the gov's recommendation and keeps the public benefits program whole, and intact for its intended purpose.

LFB points out on page 7, paragraph 14 that utility customers have been paying this fee with the expectation that the funds would be used public benefits energy conservation and related purposes. Not to pay the utility bills of some state agency. Also, using the funds in this way will fund energy usage, rather than energy conservation.

If Alt. 4 fails, back up is Alt. 1 and 2. Alt. 2 says if we're going to give them this money, then at the very least they have to use it for the installation of energy conservation equipment at agency facilities first & then energy cost expenditures.

Alt 3 is an absolute no, no, no. It provides even more money from public benefits to pay for the utility bills of these agencies.

BY: Cindy



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February 27, 2002

Joint Committee on Finance

Paper #1100

Use of Energy Conservation Public Benefits Funds for State Agency Fuel Costs (DOA, DHFS, Military Affairs and UW System)

[LFB Summary of the Governor's Budget Reform Bill: Page 7, Item #1; Page 56, Item #14;
Page 65, Item #3; and Page 103, Item #4]

CURRENT LAW

Under s. 16. 957(2) of the statutes, the Department of Administration (DOA) is required to establish two public benefits programs. One program provides grant assistance to low-income households for weatherization and other energy conservation services, the payment of energy bills and the early identification and prevention of energy crises. The second program awards grants for energy conservation and efficiency services and for renewable resource programs. DOA has promulgated administrative rules governing grant eligibility under each of these programs.

The energy conservation and efficiency services portion of the second program gives priority to proposals directed at: (1) sectors of the energy conservation and efficiency services market that are the least competitive; and (2) promoting environmental protection, electric system reliability or rural economic development. The renewable resources portion of this program focuses specifically on encouraging the development or use of utility customer and electric cooperative member applications of renewable resources, including educating customers about renewable resources, encouraging use of renewable resources by customers or encouraging research technology transfers. The public benefits law requires DOA to expend 4.5% of the public benefits funds allocated for energy conservation activities for the renewable resources portion of the program. DOA is also required to expend 1.75% of the public benefits funds allocated for energy conservation activities for research and development proposals relating to the environmental impacts of the electric industry.

These DOA public benefits programs are funded primarily from a segregated public benefits fund, which derives revenues from a new fee collected by electric utilities from their customers and remitted to DOA. In addition, the public benefits fund receives revenues equal to the amounts that major electric and gas utilities collected from their customers in 1998 for utility-sponsored public benefits programs. Utilities are continuing to collect these amounts and these monies are being transitioned over a three-year period in successively larger annual amounts from the utilities to the state public benefits fund. Federal low-income weatherization assistance funding and federal low-income home energy assistance funding received by the state are figured into an annual formula for setting utility customer fees for the low-income component of the public benefits program. These federal funds, however, are not credited to the public benefits fund but remain a separate program.

Funds to administer DOA's public benefits programs are appropriated under a sum certain general program operations appropriation. This administrative appropriation is funded at \$12,384,200 SEG annually during the current biennium. The low-income assistance public benefits grant program is funded from a sum sufficient appropriation from the public benefits fund. Estimated grant expenditures under this appropriation are \$20,500,000 SEG annually. The energy conservation and efficiency and renewable resource grant program is funded from a second sum sufficient appropriation from the public benefits fund. Estimated grant expenditures under this appropriation are \$16,500,000 SEG annually.

The Departments of Health and Family Services (DHFS) and Military Affairs (DMA) and the University of Wisconsin System all have GPR-funded appropriations that support some or all of each agency's fuel and utility costs. Together, these three agencies are appropriated \$55,966,300 GPR in 2001-02 and \$54,199,900 GPR in 2002-03 for energy costs.

GOVERNOR

Earmark \$4,150,000 SEG in 2001-02 and \$18,150,000 SEG in 2002-03 from that portion of the utility public benefits fund that would otherwise be expended under DOA's energy conservation and efficiency and renewable resource grants sum sufficient appropriation and transfer the following amounts to offset appropriated GPR funds for energy costs for the following agencies:

	<u>2001-02</u>	<u>2002-03</u>
University of Wisconsin System	\$4,150,000	\$17,122,600
Health and Family Services	0	600,000
Military Affairs	<u>0</u>	<u>427,400</u>
Total	\$4,150,000	\$18,150,000

For each of the above agencies, create an annual SEG-funded energy costs appropriation funded from transfers from DOA's public benefits energy conservation and related programs

appropriation. Specify that these three agencies could not encumber or expend an equivalent amount from their GPR-funded energy costs appropriations without the approval of the DOA Secretary. [In the case of the University, only \$1,850,000 GPR of the \$4,150,000 GPR offset amount in 2001-02 could not be expended without the approval of the DOA Secretary. This adjustment reflects a recent s. 13.10 action authorizing the University to utilize up to \$2,505,600 GPR from the amounts appropriated for energy costs in 2001-02 to fund residual 2000-01 GPR-funded energy costs.] The effect of these provisions is to increase GPR lapse amounts by \$20,000,000 over the biennium.

Modify the DOA public benefits energy conservation and related programs grant sum sufficient appropriation to permit these transfers during the 2001-03 fiscal biennium. Effective July 1, 2003, repeal and recreate the DOA appropriation to delete the authority to make any further transfers of public benefits funds to the three state agencies' energy costs appropriations.

DISCUSSION POINTS

1. Historically, a variety of public benefits has been produced by the electric power industry and made available to the public at least, in part, as a result of government regulation. In the general context of recent efforts in Wisconsin to deregulate and restructure electric utilities, "public benefits" have come to refer to certain activities that have been performed by electric and natural gas utilities for the public good under PSC direction or oversight. These activities have included: (a) helping to make energy affordable to low-income households; (b) promoting energy conservation through reducing customer demand, encouraging the use of more energy-efficient products and installing renewable energy equipment; and (c) evaluating and mitigating the environmental impacts of energy production and use.

2. With efforts to restructure the electric utility industry into separate generation, transmission and distribution entities, it has been viewed by some in the industry as desirable from a competitive standpoint to shift responsibility for such functions as public benefits activities from the utilities to another entity. In Wisconsin, with the enactment of 1999 Wisconsin Act 9 containing what was known as "Reliability 2000" legislation, the state and the utilities agreed that these public benefits functions should be transferred to DOA and that the funds being used by utilities for these public benefits programs would be paid instead to the state.

3. The Act 9 provisions also required DOA to contract with community action agencies, nonprofit corporations and local units of government to provide low-income public benefits services. DOA was also required by Act 9 to contract with one or more nonprofit corporations to administer the energy conservation and related grant programs.

4. Revenues credited to the public benefits fund support these contracted public benefits programs and DOA's administrative costs. These revenues derive primarily from the following sources:

- Amounts that each major investor-owned electric or gas utility had been collecting through rates to pay for public benefits programs under PSC oversight or direction. The amounts spent by the utilities in 1998, as determined by the PSC, were established as the base year for this calculation. These base year amounts are being transitioned to the state public benefits fund; however, the utilities continue to collect these amounts through rates. The funds are being phased out of the utilities' public benefits program and into programs administered by DOA over a three-year period. By calendar year 2003, utilities must contribute the entire amount to the DOA public benefits programs.

- New fees collected from customers of investor-owned utilities. The fees are flat fees and do not vary based on electricity usage. For customers of investor-owned utilities, 70% of the fees is collected from residential customers and 30% is collected from nonresidential customers. Through June 30, 2008, monthly fees cannot exceed the lesser of 3% of the customer's electric charges or \$750. The average residential customer charge in 2001-02 is \$1.54 per month.

- A fee that averages \$16 per meter per year collected from municipal utility and retail electric cooperative customers. These fees are also subject to the same 3%/\$750 per month limitations. The fees collected by municipal utilities and retail electric cooperatives remain with the public benefits programs operated by those entities, unless they choose to participate under the DOA-sponsored public benefits program. In such a case, the municipal utility and cooperative-collected fees are then remitted to the state's public benefits fund. Further, if a municipal electric utility or electric cooperative opts into the DOA programs, then their customers become eligible for state public benefits fund support.

5. DOA's Division of Energy estimates that the following revenues will be available in the public benefits fund from the above sources to support energy conservation and efficiency and renewable resource grants during 2001-02 and 2002-03:

Projected Revenues Earmarked for Public Benefits Energy Efficiency Programs

<u>Type of Revenue</u>	<u>2001-02</u>	<u>2002-03</u>
Public Utility Energy Conservation Transition Funds	\$23,171,400	\$36,566,800
Public Utility Customer Fees	16,368,800	16,368,800
Customer Fees from Municipal and Cooperative Utilities	81,600	81,600
Prior Year Carryover Funding	<u>5,723,200</u>	<u>0</u>
 Total	 \$45,345,000	 \$53,017,200

6. Based on this revenue stream, the Division of Energy has budgeted the following amounts for energy conservation and efficiency and renewable resource activities during the current biennium.

Current Public Benefits Energy Efficiency Program Budget

<u>Budgeted Activity</u>	<u>2001-02 Budgeted</u>	<u>2002-03 Budgeted</u>
Major Markets Program	\$18,275,200	\$18,188,400
Residential Program	16,000,000	20,500,000
Renewable Energy Promotion	2,602,200	2,385,700
Environmental Research and Development	1,012,000	927,800
Baseline Research, Evaluation and Marketing	6,602,800	8,593,800
Program Administration	822,800	830,400
Contingencies	30,000	311,500
Unbudgeted	<u>0</u>	<u>1,349,600</u>
Total	\$45,345,000	\$53,017,200

7. With respect to these budgeted activities, the purpose of the major markets program is to provide technical and program support to provide an array of energy efficiency services to major Wisconsin commercial, industrial and agricultural sectors. Programs are being designed to include specific energy savings targets, build markets for energy efficient products and achieve energy savings whose value will exceed the program's cost. The residential program has comparable goals, but is targeted to the residential sector. Projects include rebates for energy efficient appliances, training in the construction of more energy efficient housing, and energy rating and inspection services. DOA's Division of Energy has negotiated multi-year contracts for the operation of the major markets and residential program undertakings. Renewable energy and environmental research initiatives primarily support grants for demonstration projects. Baseline research is focused on gathering current energy use data in order to assess the ultimate impact of various energy conservation interventions funded through public benefits. The evaluation component of the budget provides DOA with an independent evaluation of contract administrators' performance. Marketing activities include public information and promotional efforts associated with the core components of the energy conservation program. Funds budgeted for DOA administration support such staff as an evaluation coordinator, major markets analyst, environmental analyst, residential analyst and policy staff.

8. In order to accommodate the diversion of \$4,150,000 SEG in 2001-02 and \$18,150,000 SEG in 2002-03 of public benefits revenues that would otherwise be allocated for energy conservation activities to instead fund energy costs in three state agencies, DOA's Division of Energy has developed the following proposed reallocation plan for each fiscal year:

Proposed Reallocations of Energy Efficiency Public Benefits Funds

<u>Budgeted Activity</u>	<u>2001-02 Current Allocations</u>	<u>Proposed Reallocations</u>	<u>Revised Allocation</u>
Major Markets Program	\$18,275,200	-\$575,000	\$17,700,200
Residential Program	16,000,000	-1,725,000	14,275,000
Renewable Energy Promotion	2,602,200	0	2,602,200
Environmental Research and Development	1,012,000	0	1,012,000
Baseline Research, Evaluation and Marketing	6,602,800	-1,800,000	4,802,800
Program Administration	822,800	0	822,800
Contingencies	30,000	0	30,000
Unbudgeted	0	0	0
Reallocation To Be Determined	<u>0</u>	<u>-50,000</u>	<u>-50,000</u>
Total	\$45,345,000	-\$4,150,000	\$41,195,000

<u>Budgeted Activity</u>	<u>2002-03 Current Allocations</u>	<u>Proposed Reallocations</u>	<u>Revised</u>
Major Markets Program	18,118,400	-300,000	17,818,400
Residential Program	20,500,000	-5,200,000	15,300,000
Renewable Energy Promotion	2,385,700	0	2,385,700
Environmental Research and Development	927,800	0	927,800
Baseline Research, Evaluation and Marketing	8,593,800	-4,141,000	4,452,800
Program Administration	830,400	-7,600	822,800
Contingencies	311,500	-311,500	0
Unbudgeted	1,349,600	-1,349,600	0
Reallocation To Be Determined	<u>0</u>	<u>-6,840,300</u>	<u>-6,840,300</u>
Total	\$53,017,200	-\$18,150,000	\$34,867,200

9. The proposed reallocations would not be applied to renewable energy or to research and development components because current law directs that a fixed percentage of public benefits funds be expended for these activities.

10. Most of the reallocations would be taken against planned program expansions that would have occurred during the 2002-03 fiscal year, primarily in the residential program and under baseline research, evaluation and marketing. It should be noted that over \$6.8 million in reallocations in 2002-03 must still be identified by the Division. Most of the programs to which reallocations are proposed during the second year are planned activities that would have been funded through an increased flow of utility transitional funding into the public benefits fund.

11. The most likely adverse impact from these reallocations will be delaying of currently

planned expansions to existing energy conservation and related programs.

12. The rationale for proposing the diversion of public benefits monies that would otherwise have gone to support energy conservation and related programs is that the transfer will involve only a portion (\$22.3 million) of the anticipated total revenues for the biennium (\$98.3 million) for these purposes. The diversion will not actually eliminate any existing energy conservation public benefits program, rather it will only delay by one or two years at most the implementation of planned program expansions. Additionally, the diversions are proposed for the 2001-03 biennium only, after which the transfer authority will be repealed. The diverted funds will be used to support state agency energy costs and will allow at least \$20 million GPR to be lapsed at a time the state is confronted by a significant deficit.

13. If the Committee believes that these considerations have merit, it could adopt the Governor's recommendation.

14. Opponents of the proposed diversion would argue that public utility customers have been paying monthly public benefit fees to DOA with the expectation that these funds would be used in the furtherance of the public benefits energy conservation and related purposes. In addition, public utility rate payers who continue to fund additional public benefits program base year costs that are now being transitioned by the utilities to DOA have a similar expectation. Further, beginning in 2004-05, DOA is required to determine whether to continue, discontinue or reduce the energy conservation and related public benefits programs. DOA must determine the amount of funding necessary for the programs that are continued or reduced and to reduce the relevant public benefits fees accordingly. To the extent that the proposed diversion of funds would delay DOA's ability to accurately assess the success (or failure) of operating energy conservation public benefits programs, this determination date could be delayed. Finally, the proposed diversion would tend to fund energy usage rather than energy conservation costs at the three state agencies receiving funds.

*Customer
don't want
to pay for
energy
costs for
Agencies*

15. If the Committee believes that these considerations have merit, it could deny the Governor's recommendation.

16. However, if the Committee adopts the Governor's recommendation it could consider modifying the proposal to specify that any public benefits energy conservation funds transferred to the three agencies first be used to support master lease payments related to the installation of energy conservation equipment at agency facilities. Currently, these types of expenditures are funded from agency energy costs appropriations. For example, DHFS will make energy conservation equipment master lease payments of \$370,700 in 2002-03 and DMA will make payments of \$8,400 in 2002-03. The University of Wisconsin will make payments of \$4,460,400 in 2001-02 and \$5,122,600 in 2002-03. Under this alternative, the transferred public benefits funds could be used first to fund these types of costs, which are at least energy conservation related, and then to fund energy cost expenditures.

17. If the Committee chooses to approve the diversion of \$22.3 million of energy conservation and related public benefits monies, the question may be raised whether additional

funds could be diverted without seriously compromising the on-going operation of basic core elements of the program.

18. The Division of Energy has advised that additional, significant reductions to the program above the levels recommended by the Governor would most likely result in the shutdown of statewide contracted programs for the major markets (industrial, commercial and agricultural) energy conservation initiatives and for the residential energy conservation initiatives. Once the programs were suspended, the Division would have to restart the process in the future of requesting, reviewing and approving vendor proposals, long-term planning would be interrupted and duplicative expenditures would be incurred. Further, the Division believes that it would also have difficulty reestablishing ties to previous vendors and contractors following a suspension.

19. Notwithstanding these concerns, it is the case under the Governor's recommendation that a total of \$604,600 more of new energy conservation-related revenues flow to the program in the 2001-02 fiscal year than flow to the program in the 2002-03 fiscal year following the Governor's proposed cuts. If an additional amount of revenues can be diverted from the program in 2002-03, it would appear reasonable that at least the same amount of revenues can also be diverted from the program in the 2001-02 fiscal year as well. This would suggest that an additional \$604,600 in 2001-02 could be diverted.

20. Furthermore, if the Committee views additional diversions of public benefits monies as desirable, it would appear to be less disruptive to the overall program to include language suspending for the remainder of the biennium the current statutory allocation of 4.5% of public benefits revenues to renewable resource demonstration projects and 1.75% of such revenues for research and development projects. Under this scenario, an additional \$903,500 in 2001-02 and \$3,313,500 in 2002-03 could also be diverted.

21. These additional diversions would yield \$1,508,100 in 2001-02 and \$3,313,500 in 2002-03 that could be credited to the new public benefits-funded energy costs appropriation under the University of Wisconsin System. The amount of GPR funding already appropriated to the University for energy costs that could not be encumbered or expended without the approval of the Secretary of DOA would be increased by an equivalent amount, thereby increasing GPR lapse amounts by a corresponding \$1,508,100 in 2001-02 and \$3,313,500 in 2002-03.

ALTERNATIVES TO BILL

- No*
1. Approve the Governor's recommendation
 2. Modify the Governor's recommendation by specifying that the public benefits funds transferred to the Department of Health and Family Services, the Department of Military Affairs and the University of Wisconsin System be used first to make master lease or similar payments related to the installation of energy conservation equipment at agency facilities and then to fund energy cost expenditures.

if 3 then adopt this also

~~No, No, No~~

3. Modify the Governors recommendation by suspending through June 30, 2003, the current statutory requirements that 1.75% of the energy conservation and efficiency and renewable resource grants appropriation be used for research and development projects and that 4.5% of the appropriation be used for renewable resources projects. Provide an additional \$1,508,100 SEG in 2001-02 and \$3,313,500 SEG in 2002-03 for energy costs at the University of Wisconsin System and increase the amount of GPR-funded energy costs that the University of Wisconsin cannot encumber or expend without the approval of the Secretary of DOA by \$1,508,100 GPR in 2001-02 and \$3,313,500 GPR in 2002-03. Increase GPR lapse amounts by \$1,508,100 in 2001-02 and \$3,313,500 in 2002-03.

Alternative 3	GPR	SEG
2001-03 REVENUE	\$4,821,600	\$0
2001-03 FUNDING	\$0	\$4,821,600

Keep Program whole

4. Delete the Governor's Recommendation

Alternative 4	GPR	SEG
2001-03 REVENUE	-\$20,000,000	\$0
2001-03 FUNDING	\$0	-\$22,300,000

Prepared by: Darin Renner

MO# 4

MO# AH 2

2	BURKE	Y	N	A
1	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	ROSENZWEIG	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

2	BURKE	Y	N	A
1	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	ROSENZWEIG	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 _____

AYE 8 NO 8 ABS _____

AGENCY: Security Initiative (DOA)

Paper #: 1101

ISSUE: Gov. wants to create Terrorism Prep. and Response Grant Program (\$3.6 million GPR) and increase Capitol Police (PR)

ALTERNATIVES:

4 2 3

A2 and 3c: allowing the grant program but moving it to Division of Emergency Mgt. and reduces the funding level by approximately what is expected to come in from the Feds. (\$2 million GPR)

AND

B2: authorizing 2 of the 5 PR Capitol Police officer positions as project positions through June 30, 2003.

SUMMARY: Gov. wants grant program to be administered by Office of Justice Assistance for terrorism preparation and response. Grant program would receive 1 time funding and sunset on July 1, 2003.

\$3.6 million not tied to specific goals, seems to be an arbitrary number. OJA would likely run the program as a pass through (formula for distribution) and not needs based. OJA says a needs based program would require additional staff.

Dept. of Emergency Mgt. has an existing grant program similar to one suggested, in fact they already administer the \$2.6 Federal \$ that has already been distributed to counties. DEM also has more experience in dealing with terrorism preparation. A2 allows the program but transfers it to DEM.

WI is expected to get another \$1.4 in Federal \$ to be distributed by DEM. We could decrease the funding requested by \$1.4 (or so) and achieve the same results. A3c cuts the GPR by \$1.6 million.

Capitol Police: LFB suggests authorizing 2 of the 5 requested as project positions through June 30, 2003 once longer-term post-9/11 data is available.

Tanya



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February 27, 2002

Joint Committee on Finance

Paper #1101

Security Initiative (DOA)

[LFB Summary of the Governor's Budget Reform Bill: Page 8, #3 and Page 12, #13]

CURRENT LAW

Terrorism Preparation and Response. Under current law, the Office of Justice Assistance (OJA), in the Department of Administration (DOA): (a) serves as the state planning agency under the federal Juvenile Justice and Delinquency Prevention Act of 1974 and prepares a state comprehensive juvenile justice improvement plan on behalf of the Governor; (b) recommends appropriate legislation in the criminal and juvenile justice field to the Governor and the Legislature; (c) cooperates with and renders technical assistance to state agencies and units of local government and public or private agencies relating to the criminal and juvenile justice system; (d) administers justice-related grant programs; and (e) maintains a statistical analysis center to serve as a clearing house of justice system data and information and conduct justice system research and data analysis.

The Adjutant General of the Department of Military Affairs must: (a) subject to approval by the Governor, develop and promulgate a state plan of emergency management for the security of persons and property which shall be mandatory during a state of emergency; (b) prescribe and carry out statewide training programs and exercises to develop emergency management proficiency, disseminate information including warnings of enemy action, serve as the principal assistant to the Governor in the direction of emergency management activities and coordinate emergency management programs between counties; (c) furnish guidance and develop and promulgate standards for emergency management programs for counties, towns and municipalities, and prescribe standard terminology for all levels of emergency management; (d) withhold grant funding from any political subdivision of the state that has failed to comply with the requirement to establish and maintain an operating emergency management organization; and (e) provide assistance to the Wisconsin wing of the civil air patrol for the purpose of enabling the patrol to perform its assigned missions and duties as prescribed by U.S. Air Force regulations.

In carrying out the emergency management duties of the Adjutant General, the Division of Emergency Management (DEM) has been created within the Department of Military Affairs. State and local government response to natural or man-made disasters, including the threat of chemical or biological weapons of mass destruction, are guided by the emergency management system developed in Chapter 166 of the statutes. DEM has developed the Wisconsin Emergency Operations Plan, which establishes the responsibilities of various governmental units in the event of a natural or man-made disaster.

A local emergency planning committee is appointed by the county board of supervisors in each county to facilitate the preparation and implementation of an emergency response plan for responding to the release of a hazardous substance. At least annually, county boards submit to DEM a list of the members of the local emergency planning committee appointed by the board, including the agency, organization or profession that each member represents.

State Capitol Police Staffing. DOA's Bureau of Capitol Police is responsible for protecting state buildings and property, providing security for the Governor and other dignitaries and enforcing state parking regulations. The Bureau is budgeted \$5,040,800 PR annually and is authorized 61.5 PR positions (49.0 FTE law enforcement personnel and 12.5 FTE communications and support personnel) in Madison and Milwaukee. Bureau operations are funded from charges assessed against the appropriations that finance the operation of the properties protected by the State Capitol police.

GOVERNOR

Terrorism Preparation and Response Grant Program. Provide \$3,600,000 GPR in 2001-02, in one-time funding in a newly-created biennial appropriation for a terrorism preparation and response grant program administered by OJA. Require OJA to provide grants to local emergency planning committees to purchase materials and services for use in investigating, preventing, or responding to acts of terrorism. Provide that materials and services that could be purchased with these funds would include any of the following: (a) communications equipment; (b) safety or protective equipment for law enforcement officers, fire fighters, emergency medical technicians, first responders, or local emergency response team members who respond to emergencies; (c) training related to investigation or prevention of, or response to, acts of terrorism that pose a threat to the environment; and (d) information systems, software, or computer equipment for investigating acts of terrorism that pose a threat to the environment. Repeal the terrorism preparation and response grant program, effective July 1, 2003.

Define "act of terrorism" as a felony under the criminal penalty chapters, excluding the uniform controlled substances act chapter, that would be committed with an intent to terrorize and would be committed under any of the following circumstances: (a) the person committing the felony caused bodily harm, great bodily harm, or death to another; (b) the person committing the felony caused damage to the property of another and the total property damaged was reduced in value by \$25,000 or more (property would be considered reduced in value by the amount that

it would cost to either repair or replace it, whichever would be less); or (c) the person committing the felony used force or violence, or the threat of force or violence.

State Capitol Police Staffing Increase. Provide \$79,600 PR in 2001-02 and \$238,400 PR in 2002-03 and authorize 5.0 PR police officer positions annually for increased State Capitol police staffing.

DISCUSSION POINTS

Terrorism Preparation and Response Grant Program

1. Under the terrorism grant program, the Office of Justice Assistance (OJA) would be directed to provide local emergency planning committees with grant funds to purchase materials and services for use in investigating, preventing or responding to acts of terrorism. According to DOA, local emergency planning committees were selected as the program grantees as these committees: (a) are required to be created by the county board of supervisors in each county; (b) are responsible for preparing and implementing an emergency response plan for responding to the release of a hazardous substance, and the program targets, in part, terrorist acts that pose a threat to the environment; and (c) have developed relationships with local fire, law enforcement and other departments with whom they could coordinate in making materials and services purchases under the grant program.

2. Materials and services that could be purchased under the grant program would include any of the following: (a) communications equipment; (b) safety or protective equipment for law enforcement officers, fire fighters, emergency medical technicians, first responders, or local emergency response team members who respond to emergencies; (c) training related to investigation or prevention of, or response to, acts of terrorism that pose a threat to the environment; and (d) information systems, software, or computer equipment for investigating acts of terrorism that pose a threat to the environment. A survey of responses provided to the Governor's Terrorism Task Force from both state and local governmental units was used in identifying needs under the terrorism grant program.

3. The bill does not specify how OJA is to distribute the funds. According to DOA, as the budget reform bill was being drafted, there was uncertainty as to what, if any, future federal grant funds might become available for similar purposes and what, if any, conditions the federal government might place on such money. In order to allow the terrorism grant program to coordinate with any federal grant program, the program was drafted to provide flexibility to avoid conflict with a federal grant program.

4. The terrorism grant program would receive one-time funding and would sunset on July 1, 2003. Again, not knowing whether and how much future federal grant funding might become available, the terrorism grant program was developed to provide short-term state help.

5. The terrorism grant program funding of \$3.6 million is not tied to the cost of meeting specified short-term goals. As a result, the Joint Committee on Finance could consider

providing a lesser amount of funding that would allow the program to meet the state's most pressing local terrorism preparation and response needs, as determined by the agency administering the program.

6. The terrorism grant program would provide emergency management resources: (a) to combat terrorism that poses a threat to the environment; and (b) for safety or protective equipment to law enforcement officers, fire fighters, emergency medical technicians, first responders and local emergency response team members. OJA administers a variety of federal and state justice-related grant programs and has indicated that it is able and willing to run the program. Placing the terrorism grant program in OJA could be seen, however, as broadening the mission of OJA beyond its justice assistance function. On the other hand, OJA is an agency experienced in grant administration.

7. OJA has indicated that without additional administrative resources, it would likely operate the program as a pass-through grant program (that is, distributed on some formula basis), and not as a needs-based grant program (under which potential grantees submit proposals demonstrating need, which are ranked and awarded based on specified needs criteria developed by the granting agency). OJA indicates that a needs-based program would likely require 1.5 additional staff positions for fiscal (0.5 fiscal specialist) and program administration (1.0 program specialist/planning analyst).

8. The terrorism grant program could be seen as part of an emergency management effort. The Division of Emergency Management (DEM), in the Department of Military Affairs, has developed the Wisconsin Emergency Operations Plan, which establishes the responsibilities of state and local government in the event of natural or man-made disasters, including terrorism. DEM has participated in terrorism preparedness and response efforts at the state level through the Interagency Working Group on Terrorism and more recently through the Governor's Task Force on Domestic Preparedness.

9. DEM administers two federal grant programs that provide money to the states to assist in planning, training and responding to terrorism. Under the Terrorism Consequence Management Preparedness Assistance (TCMPA) Grant Program, DEM has provided grants to counties to enhance their terrorism preparedness through planning, training and exercises. DEM also administers the State Domestic Preparedness Equipment (SDPE) Grant Program, through which it provides funds to state and local governments to support the purchase of specialized equipment to enhance state and local ability to respond to weapons of mass destruction and terrorist incidents involving the use of chemical or biological agents, radiological explosives and incendiary devices.

10. In order to qualify for SDPE federal funding, states were required to conduct statewide needs, capabilities, and threat and vulnerability assessments to assess risks and capabilities to respond to a terrorist incident, and develop a state strategy. As a part of the state effort to qualify for this funding, 53 Wisconsin counties conducted threat and vulnerability assessments for their jurisdictions. They also assessed their capabilities to meet those threats and identified future equipment needs. For those counties that did not participate, DEM assumed the

responsibility for completing their county analysis. DEM also completed this analysis for the state and forwarded the information to the Office of Justice Programs in the federal Department of Justice. As a result, Wisconsin recently qualified for \$2.6 million in federal funds under this program that were distributed to all 72 Wisconsin counties. While the exact amount of funding is not yet known, it is anticipated that Wisconsin will qualify for \$1.4 million or more under this federal program for federal fiscal year 2001-02.

11. Under current law, DEM administers a state emergency planning grant program for the purpose of assisting local emergency planning committees comply with s. 166.20 (hazardous substances information and emergency planning) and applicable federal law. Under the terrorism grant program, the agency administering the program would work with and issue grants to local emergency planning committees. As DEM has an existing grant program relationship with local emergency planning committees, it could be argued that DEM might be suited to administer a one-time grant program to provide grants to these committees.

12. The terrorism grant program would assist local emergency planning committees to purchase materials and services for use in investigating, preventing, or responding to terrorism. Through the federal SDPE grant program, DEM has a methodology for identifying needs and threats in the context of terrorism grants at the local level, which the grant program would target. Finally, DEM has indicated that they would be willing to, and could, operate a needs-based grant program within existing resources.

13. The Committee could consider placing the state terrorism grant program under DEM, rather than OJA. DEM has more direct experience in terrorism preparation and response than does OJA, and already administers a federal program that distributes funding for a purpose similar to the proposed state program. Placing the program in DEM could allow DEM to coordinate this grant program with the two federal grant programs that DEM currently administers.

14. As the state already receives grant funds under two federal terrorism programs administered by DEM, the Committee may wish to delete the provision to create a one-time state grant program.

State Capitol Police Staffing Increase

15. Currently, State Capitol police personnel provide a wide variety of security-related services (active patrols and monitoring; securing building access; building lock-up and opening; parking patrol and enforcement and responding to complaints) at 20 state-owned, and 23 leased buildings in Madison.

16. Historically, there has always been a certain amount of overtime required for the police assigned to the State Capitol. Additional overtime staffing has been due to the need for increased security or crowd management associated with scheduled public events at the Capitol, scheduled and unscheduled rallies and demonstrations, late-night sessions of the Legislature or of legislative committees and the presence of various national and international dignitaries who visit the building. Funding for this overtime staffing is typically budgeted as a standard budget

adjustment item. Actual base year overtime expenditures are used for budgeting purposes. The 2001-03 biennial budget included \$283,000 PR annually under the appropriation supporting the State Capitol police function for overtime staffing. Most of this budgeted overtime funding is attributable to additional hours associated with Bureau of Capitol Police protective functions.

17. Additional State Capitol police staffing has been recommended by the Governor to address a sharp increase in the amount of overtime that has been required of Bureau personnel since heightened security measures were instituted at state facilities following the September 11 terrorist attacks. DOA indicates that prior to September 11, there was one officer normally assigned to the State Capitol during the workweek. Since September 11, the staffing level at the Capitol has increased to five. There has also been an increase in the amount of staffing during non-business hours and on weekends.

18. The additional positions would all be assigned primarily around the State Capitol and would generally perform the same types of monitoring and security functions undertaken by current State Capitol police officers. It is anticipated that the new staff would receive anti-terrorist response training by the Department of Military Affairs' Division of Emergency Management.

19. DOA has also indicated that there are currently sufficient reserves in the space rental account so that no additional agency charges would be required during the current biennium to fund the recommended new positions.

20. In order to assess the need for 5.0 PR additional police officer positions, the average number of hours of overtime incurred by State Capitol police and the total amount of overtime salaries and fringe benefits paid were examined. This review compared the overtime records for those biweekly pay periods during calendar year 2001 that fell before the September 11 attacks with those of the biweekly pay periods that fell during and after the attacks. The results of this review are summarized below.

<u>Pay Periods</u>	<u>Average Biweekly Hours of Overtime</u>	<u>Average Biweekly Overtime Paid</u>
Prior to September 9 [1 thru 19]	252	\$8,630
September 9 thru December 29 [20 thru 26]	885	30,085
Amount of Increase	633	\$21,455

21. Annualizing the average number of additional overtime hours incurred during the biweekly pay periods since September 11 (633 hours), a total of 16,458 additional overtime hours are indicated for the year. This level of overtime is equivalent to approximately 7.9 FTEs.

22. However, in reviewing the actual number of overtime hours incurred during each of the biweekly pay period since September 11, the number of overtime hours has ranged from a high of 1,313 hours between October 7 and 20, to a low of 293 hours between September 23 and October 6. Since the maximum of 1,313 hours of overtime was incurred in mid-October, there has been a

general downward trend in the total number of overtime hours incurred during the pay period.

23. Based on the amount of overtime hours being incurred by current State Capitol police personnel, additional staffing could be justified, provided the recent overtime workload increase proves to be permanent in nature. The Committee could address this situation in one of two ways.

24. First, the Bureau of Capitol Police appears to have an underlying basic overtime workload requirement averaging at least 252 hours per pay period, or 6,552 hours annually. This need is equivalent to approximately 3.1 FTE positions. The Bureau currently has additional post-September 11 staffing needs, but it is not known how long the current heightened security requirements will continue or whether such mitigating factors as possible changed building entry points, revised building access hours or redeployment of existing staff might serve to reduce the increased need for overtime staffing.

25. The Committee could choose to authorize 3.0 PR officer positions on a permanent basis to address the Bureau's historic overtime hour workload and provide the additional 2.0 PR positions on a project basis through June 30, 2003. At that time the Bureau's overtime workload could be reviewed and the continuing need for these project positions could be reassessed as part of the biennial budget process.

26. Second, the Committee could defer authorizing any additional positions at this time. The Bureau of Capitol Police was able to operate until September 11 at currently authorized staffing levels with an on-going, basic overtime requirement averaging 252 hours per pay period. The Bureau has already budgeted sufficient overtime funding to support this level of additional workload. As discussed above, it is not known how long current increased security needs at the Capitol will continue or whether they can be addressed, in part, through procedural and organizational changes. Consequently, the Committee could deny the Governor's recommended State Capitol police staffing increase at this time and review the matter again in the context of the 2003-05 biennial budget process, once longer term, post-September 11 staffing data is available.

ALTERNATIVES TO BILL

A. Terrorism Preparation and Response Grant Program

1. Approve the Governor's recommendation to provide \$3,600,000 GPR in 2001-02, in a newly-created biennial appropriation, for a terrorism preparation and response grant program administered by the Office of Justice Assistance to provide grants to local emergency planning committees to purchase materials and services for use in investigating, preventing, or responding to acts of terrorism. Provide that the following materials and services that could be purchased with these funds would include any of the following: (a) communications equipment; (b) safety or protective equipment for law enforcement officers, fire fighters, emergency medical technicians, first responders, or local emergency response team members who respond to emergencies; (c) training related to investigation or prevention of, or response to, acts of terrorism that pose a threat to the environment; and (d) information systems, software, or computer equipment for investigating

acts of terrorism that pose a threat to the environment. Repeal the terrorism preparation and response grant program, effective July 1, 2003.

2. Modify alternative A1 to provide that the Division of Emergency Management in the Department of Military Affairs administer the grant program instead of OJA.

3. Modify alternative A1 or A2 to provide the following level of grant funding:

	<u>Level of Funding</u>	<u>Change to Bill</u>
a.	\$3,000,000 GPR	-\$600,000
b.	\$2,500,000 GPR	-\$1,100,000
c.	\$2,000,000 GPR	-\$1,600,000
d.	\$1,500,000 GPR	-\$2,100,000
e.	\$1,000,000 GPR	-\$2,600,000
f.	\$500,000 GPR	-\$3,100,000

4. Delete the Governor's recommendation.

<u>Alternative A4</u>	<u>GPR</u>
2001-03 FUNDING	-\$3,600,000

B. State Capitol Police Staffing Increase

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation by authorizing 2.0 PR of the 5.0 PR police officer positions as project positions through June 30, 2003.

MO# B3

3. Delete the Governor's recommendation.

<u>Alternative B3</u>	<u>PR</u>
2001-03 FUNDING	-\$318,000
2002-03 POSITIONS	- 5.00

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
ROSENZWEIG	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

Prepared by: Paul Onsager and Darin Renner

ADMINISTRATION

Bioterrorism Preparation and Response Grant Program

(LFB Paper #1101)

Motion:

Move to delete \$3,600,000 GPR in 2001-02 and all provisions in the bill that relate to the terrorism preparation and response grant program.

Instead, direct the Department of Health and Family Services to include, in its plan for the use of federal funds available to states under P.L. 107-117, a proposal to allocate up to \$3,600,000 of the state's total allocation to fund the types of activities that would have been funded under the Governor's proposed bioterrorism preparation and response grant program activities, to the extent that these activities are eligible for funding under P.L. 107-117.

Require DHFS to submit the plan required under P.L. 107-117 to the Joint Finance Committee for review and approval prior to submittal to DHHS.

Note:

Wisconsin has been notified that it will receive approximately \$19.3 million for bioterrorism preparedness activities under P.L. 107-117 including: (a) \$16,940,986 to defend against bioterrorism-related events and deal with other public health emergencies; and (b) \$2,327,920 for regional hospital planning and preparedness. According to the U.S. Department of Health and Human Services (DHHS), 20% of the federal funding will be made available to states immediately, and the remainder will be released subject to federal approval of a plan submitted by DHFS, due no later than April 15, 2002. The funds must be spent or encumbered by August 30, 2003.

According to information provided by DHHS, the \$16.9 million must be used for: (a) preparedness, planning and readiness assessment; (b) surveillance and epidemiology capacity; (c) laboratory capacity-biologic agents; (d) communicating health risks and health information dissemination; and (d) education and training of public health officials, infectious disease, emergency department personnel and other health care providers.

At this time, it is not known the extent to which this federal funding may be used to support the activities that would be funded under the Governor's proposed terrorism preparation and response grant program. The federal grant criteria indicates that, once states have achieved some

critical benchmarks, funding can be used for enhanced capacities, including communications systems for local public health officials and law enforcement. In addition, some of the training activities that the Governor proposed to use the new grant program to support may be an eligible use under the federal funding criteria.

However, any use of the federal funding to support these activities would need to be included in the plan DHFS is required to submit to DHHS by April 15, 2002, and approved by DHHS. It is possible that the budget reform bill will not be enacted before that date.

[Change to Bill: -\$3,600,000 GPR]

MO#

189

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
WIRCH	<input checked="" type="radio"/>	N	A
DARLING	<input checked="" type="radio"/>	N	A
② ROSENZWEIG	<input checked="" type="radio"/>	N	A
① GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUEBSCH	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS _____

DEPARTMENT OF ADMINISTRATION

Terrorism Preparation and Response Grant Program

[LFB Paper #1101]

Motion:

Move to expand allowable uses for which grant money under the terrorism preparation and response grant program could be used to include: (a) training for specific special events where heightened security risks exist; (b) hazardous materials response teams or their expansion; and (c) volunteer emergency services entities that are short-staffed or in need of additional training in order to provide services according to standard. ~~Further, provide that priority for grants will go to (a) through (c) above.~~

Note:

The bill would create a terrorism preparation and response grant program, with one-time funding of \$3.6 million, to be distributed through the Office of Justice Assistance to local emergency planning committees to purchase materials and services for use in investigating, preventing or responding to acts of terrorism. Under the bill, materials and services that could be purchased under the grant program would include any of the following: (a) communications equipment; (b) safety or protective equipment for law enforcement officers, fire fighters, emergency medical technicians, first responders, or local emergency response team members who respond to emergencies; (c) training related to investigation or prevention of, or response to, acts of terrorism that pose a threat to the environment; and (d) information systems, software, or computer equipment for investigating acts of terrorism that pose a threat to the environment.

The motion would expand the eligible uses of grant funds to include training for specific special events, hazardous materials response teams, and volunteer emergency services entities that need staff or training to meet standards and would make those uses priorities for funding.

MO# 172

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
ROSENZWEIG	(Y)	N	A

(2)	GARD	(Y)	N	A
	KAUFERT	(Y)	N	A
(1)	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 _____

AGENCY: DOA

LFB PAPER #: 1102

ISSUE: Oil Overcharge Funds

294

ALTERNATIVE: Alt. #3 Delete the Governor's proposal, **also Alt. #4** to get rid of the directive to use unprogrammed funds in dwellings with lead paint hazards.

SUMMARY

Although all funds the state received from the oil overcharge settlement have been allocated, \$1, 000, 000 of those funds remain unspent and are likely never to be spent. The Governor has proposed allowing those funds to lapse into the general fund. Under the terms of the laid out by the federal court, these monies must be used toward energy and conservation expenditures and thus can NOT be lapsed into the general fund. In order to comply with the terms of the settlement the Governor's proposal can't be adopted.

The other alternative is to lapse the oil overcharge money into the Public benefits program and reduce spending on public benefits. This still diverts money away from energy and conservation expenditures and is likely to be unpopular with public benefits supporters, so we should vote to delete the Governor's recommendation altogether.

Additionally, we should include the technical amendment to delete the provision that allowed oil overcharge expenditures in dwellings with lead paint hazards since the Federal DOE disallowed those expenditures in 2000. Current law is unenforceable.

BY: KATY



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February 27, 2002

Joint Committee on Finance

Paper #1102

Lapse of Oil Overcharge Restitution Funds (DOA)

[LFB Summary of the Governor's Budget Reform Bill: Page 10, #7]

CURRENT LAW

Under s. 14.065 of the statutes, whenever oil overcharge restitution funds are disbursed to the state, the Governor must submit an expenditure plan for the use of the funds to the Joint Committee on Finance and to the standing energy committees of the Legislature. The standing energy committees have 30 days in which to recommend to this Committee any changes to the Governor's recommendations. No oil overcharge restitution funds may be expended under a proposed allocation plan until the plan has been approved, or modified and approved, by the Committee. Under s. 14.065(5) of the statutes, the Committee must also approve any reallocations of previously programmed oil overcharge funds.

Under the court orders and federal administrative rulings that govern the distribution of oil overcharge restitution funds, states have reasonably broad latitude in how they may use the funds. The funds may be used in accordance with purposes specified under five separate federal laws governing: (a) the weatherization of buildings and dwellings of low-income or handicapped individuals; (b) the implementation of state energy conservation programs; (c) the reduction of energy usage in schools and hospitals; (d) the promotion of energy conservation by small businesses and by individual; and (e) home heating bill assistance for low-income individuals. Additionally, oil overcharge funds may be used for any restitutionary purpose that has previously been approved in any other state by the federal Department of Energy.

GOVERNOR

Lapse \$1,000,000 FED in 2001-02 to the general fund from DOA's oil overcharge restitution funds appropriation. In addition, modify a nonstatutory provision under 1999 Wisconsin Act 113, which directed the allocation of all future unprogrammed oil overcharge

restitution funds and associated interest to support energy conservation projects in dwellings with lead paint hazards, to provide instead that all future unprogrammed amounts in excess of \$1,000,000 be directed to that purpose.

DISCUSSION POINTS

1. From mid-1984 through December 31, 2001, oil overcharge restitution funds (and accruing interest) totaling \$111,539,100 FED have been received by the state and programmed or subsequently reprogrammed for eligible energy conservation uses.

2. Currently, there are no unprogrammed oil overcharge restitution fund balances. However, as of December 31, 2001, the unexpended cash balances under previously approved allocation actions for all projects amounted to \$4,998,300. Much of this unexpended balance is attributable to recently approved project allocations that are currently being implemented or to projects that have multi-year funding cycles.

3. Nonetheless, DOA has identified approximately \$1 million of the unexpended cash balance that is attributable to inactive projects or to projects that will never be implemented. Under current law procedures, the Governor recommends amendments to previously approved oil allocation plans in order to reprogram these residual balances to other eligible energy conservation activities.

4. Since the oil overcharge funds received by the state must be used only for broadly restitutionary, energy-related purposes, it is highly unlikely that the federal Department of Energy would approve a lapse to the general fund of \$1,000,000 FED of available cash balances from approved oil overcharge projects. Consequently, the Committee may wish to delete the Governor's recommendation.

5. As a possible alternative to the Governor's recommendation, it would appear reasonable that the Committee could choose to direct the use of \$1,000,000 FED of residual balances to an approved energy-related purpose (such as weatherization activities funded from the state public benefits fund). An equivalent amount of state public benefits monies might then be diverted to offset a GPR-funded function, such as state agency fuel and utility costs. The offset GPR funds could then be lapsed to the general fund.

6. However, the federal court's Final Settlement Agreement governing the distribution of oil overcharge funds to the states required each state to file a letter of assurance with the court governing the manner in which the state would use the oil overcharge funds. Most notably for this discussion, states had to certify that "the funds received by each State will be used to *supplement, and not to supplant*, funds otherwise available for such programs under Federal or State law [emphasis added]."

7. This letter of assurance was required as a precondition to the release of oil overcharge funds to the state. On July 18, 1986, Governor Earl filed with the federal court of

jurisdiction a letter stating that "the terms and conditions concerning the uses of the funds to be disbursed pursuant to the [Final] Agreement and Order will be adhered to in the use of any such funds."

8. Consequently, it does not appear that the above possible alternative redirecting residual oil overcharge funds would be permissible under the assurances given by Wisconsin to the federal court.

9. Because of the above limitations on the use of oil overcharge funds, a more viable alternative to lapse an additional \$1,000,000 to the general fund in 2001-02 from amounts budgeted for energy-related functions might be the following. The Committee could chose to earmark additional existing public benefits fund balances for energy conservation programs to an energy conservation activity that is currently GPR-funded. The substitution of public benefits funds would then permit the lapse of an equivalent GPR amount.

10. The Governor has already proposed earmarking \$4,150,000 SEG in 2001-02 and \$18,150,000 SEG in 2002-03 from a portion of the utility public benefits fund that would otherwise be expended under DOA's energy conservation and efficiency and renewable resource grants sum sufficient appropriation and transferring these amounts to offset appropriated GPR funds for fuel and utilities and related costs in three state agencies.

11. One of the affected agencies is the University of Wisconsin System to which \$4,150,000 SEG in 2001-02 and \$17,122,600 SEG in 2002-03 would be transferred. The University would not be permitted to expend the offset GPR funds in either fiscal year without the approval of the DOA Secretary. [An exception is made with respect to \$2,300,000 GPR in 2001-02 to reflect the fact that the University was previously authorized under s. 13.10 action to use \$2,300,000 GPR appropriated in 2001-02 for carryover 2000-01 utility costs.]

12. Under this alternative, an additional \$1,000,000 SEG in 2001-02 could be transferred from the energy conservation public benefits funds to the University of Wisconsin System [for a total of \$5,150,000 SEG in 2001-02] to fund master lease payments related to the installation of energy conservation equipment at University power plants and related facilities. Currently, these types of expenditures are funded from the University's GPR-funded energy costs appropriation. The amount of GPR that the University could not expend without the approval of the DOA Secretary would also be increased by \$1,000,000 in 2001-02, and this additional amount would lapse to the general fund.

13. While this alternative would substitute a \$1,000,000 GPR lapse in 2001-02 from budgeted University of Wisconsin energy costs funds for an equivalent amount of oil overcharge funds (which cannot be lapsed to the general fund), the use of additional energy conservation public benefits funds could result in a possible one-year delay in the implementation of planned energy conservation projects funded from public benefits funds.

14. Regardless of the Committee's actions on the use of oil overcharge funds, a technical

amendment should also be adopted to delete that portion of 1999 Wisconsin Act 113, which directed the allocation of all future unprogrammed oil overcharge restitution funds and associated interest to support energy conservation projects in dwellings with lead paint hazards. On June 15, 2000, the federal Department of Energy disallowed the use of oil overcharge funds for energy conservation projects in dwellings with lead paint hazards. Consequently, the current Act 113 language is unenforceable and could be repealed.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation by deleting the required lapse to the general fund of \$1,000,000 FED in 2001-02 from DOA's oil overcharge restitution funds appropriation. Instead, increase by \$1,000,000 SEG in 2001-02 the amounts transferred from the DOA public benefits fund energy conservation appropriation to a new SEG-funded energy costs appropriation under the University of Wisconsin System to be used to support current master lease payments for energy conservation projects. Increase by \$1,000,000 GPR the amounts in 2001-02 that the University could not encumber or expend under its current GPR-funded energy costs appropriation without the approval of the DOA Secretary.

<u>Alternative 2</u>	<u>FED-Lapse</u>	<u>SEG</u>
2001-03 REVENUE	-\$1,000,000	\$0
2001-03 FUNDING	\$0	\$1,000,000

3. Delete the Governor's recommendation.

<u>Alternative 3</u>	<u>GPR-REV</u>	<u>FED-Lapse</u>
2001-03 REVENUE	-\$1,000,000	-\$1,000,000

4. *In addition to either Alternatives 1, 2 or 3*, include a technical amendment to delete that portion of 1999 Wisconsin Act 113, which directed the allocation of all future unprogrammed oil overcharge restitution funds and associated interest to support energy conservation projects in dwellings with lead paint hazards.

Prepared by: Darin Renner

MO# 24

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

AYE 16 NO 0 ABS

AGENCY: Department of Administration
Department of Justice

LFB PAPER#: 1103

ISSUE: Racing Related Funding in DOA and DOJ

ALTERNATIVE: #4

SUMMARY:

The Governor's proposal would eliminate GPR and PR funding for racing related enforcement. DOA indicated it's able to handle the cut especially in light of the recent closing of several racing tracks.

However, DOJ would like to maintain it's funding if possible. Alternative #4 cuts DOA funding and replaces DOJ's GPR funding with PR funding. The only drawback to maintaining that funding is that PR funds would have to come out of lottery proceeds, thereby reducing somewhat property tax credits.

BY: KATY



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February 27, 2002

Joint Committee on Finance

Paper #1103

Elimination of Racing-Related GPR Funding (DOA) Reduction of Racing-Related GPR Funding (DOJ)

[LFB Summary of the Governor's Budget Reform Bill: Page 11, #9 and Page 60, #1 (part)]

CURRENT LAW

The Division of Gaming in the Department of Administration (DOA) is appropriated \$2,218,300 PR in 2001-02 and \$164,100 GPR and \$2,054,200 PR in 2002-03 for general program operations relating to the regulation of racing and on-track pari-mutuel wagering. The Department of Justice (DOJ) is appropriated \$123,900 PR in 2001-02 and \$9,200 GPR and \$116,100 PR in 2002-03 for the performance of the Department's gaming law enforcement responsibilities relating to racing and on-track pari-mutuel wagering.

GOVERNOR

Delete \$164,100 GPR in 2002-03 provided to the Division of Gaming in DOA for racing-related regulation. The provision would eliminate all 2002-03 GPR funding for this purpose, but would not repeal the appropriation. Delete \$400 GPR in 2002-03 provided to DOJ for gaming-related enforcement, as part of the Department's 5% budget reductions in 2002-03.

DISCUSSION POINTS

1. Under 2001 Act 16, Wisconsin racetrack licensees will be allowed to retain, effective July 1, 2002, 50% of unclaimed winnings currently paid to the state. The provision first applies to prizes that are unclaimed on the 90th day after the effective date. As a result of the provision, state program revenue is estimated to decrease by \$173,300 in 2002-03. Act 16 provided \$173,300 GPR and deleted \$173,300 PR in 2002-03 to reflect this loss in program revenue, as follows: (a) \$164,100 GPR and -\$164,100 PR in DOA for racing-related regulation functions; and

(b) \$9,200 GPR and -\$9,200 PR in DOJ for gaming-related law enforcement activities. The GPR funding provided to both agencies represents about 7.4% of the total respective budgets for oversight of racing and pari-mutuel wagering. In both agencies, the GPR funding is allocated for supplies and services.

2. Although the GPR funding under Act 16, for both DOA and DOJ, was provided in a proportional manner, the provisions in the Governor's bill would make reductions in the two agencies that are inconsistent. In DOA, the GPR regulatory funding would be completely eliminated, while the DOJ GPR enforcement funding would be reduced by approximately 5%. In terms of the total racing-related budgets for the two agencies (which are primarily PR funded), the Governor's reduction would represent a 7.4% decrease for DOA and a 0.3% decrease for DOJ.

3. In 2000-01, DOA expenditures for racing regulation totaled \$2,059,200 PR. If the GPR funding for the Division of Gaming is eliminated, the Division would have expenditure authority of \$2,054,200 PR in 2002-03 for racing regulation. This level of PR funding appears to be adequate, particularly in view of the fact that racing-related regulatory work has decreased with the closing of the St. Croix Meadows racetrack on August 9, 2001. This closing was not a factor in the 2001-03 budget deliberations and no adjustment to funding was made in Act 16 to reflect this change. A DOA gaming official indicates that the elimination of the GPR funding is manageable in view of the current status of the racing industry in Wisconsin (with two racetracks remaining).

4. The Governor's recommendation would delete \$400 GPR from the \$9,200 GPR DOJ racing enforcement appropriation. It could be argued that the entire \$9,200 GPR could be eliminated. This would represent an overall 7.3% reduction and would leave \$116,100 PR in expenditure authority. Again, this may be viewed as manageable in light of the closing of the St. Croix Meadows racetrack. Further, if additional PR expenditure authority was needed at some point, a request by DOJ under s. 16.515 of the statutes could be made.

5. However, expenditures in 2000-01 from the DOJ appropriation totaled \$140,700 PR. This amount included supplemental funding for such items as pay plan and rent. DOJ budget officials indicate that retaining the GPR funding is desirable, given that enforcement costs are still expected to exceed the Department's PR expenditure authority in 2002-03 (\$116,100), despite the closing of one racetrack. An alternative to address these DOJ concerns would be to delete an additional \$8,800 GPR and replace it with additional expenditure authority of \$8,800 PR in 2002-03. Because excess racing revenue is transferred to the lottery fund for distribution of the lottery and gaming property tax credit, this alternative would reduce lottery fund proceeds by \$8,800.

6. The bill would eliminate the GPR funding in the DOA appropriation for racing regulation, but would not repeal the appropriation. It could be argued that, once eliminated, it is unlikely that GPR funds for this purpose would be restored. The Committee may wish, therefore, to repeal the GPR appropriation in DOA and, if the DOJ funding is eliminated, the GPR appropriation in DOJ as well.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to delete: (a) \$164,100 GPR in 2002-03 provided to the Division of Gaming in DOA for racing-related regulation; and (b) \$400 GPR in 2002-03 provided to DOJ for racing-related enforcement.

2. Approve the Governor's recommendation and, in addition, repeal the GPR appropriation in DOA for racing-related regulation.

3. Modify the Governor's recommendation by: (a) deleting an additional \$8,800 GPR in 2002-03 provided to DOJ for racing-related enforcement; and (b) repealing the GPR appropriation in DOA for racing-related regulation and the GPR appropriation in DOJ for racing-related enforcement.

<u>Alternative 3</u>	<u>GPR</u>
2001-03 FUNDING	- \$8,800

4. Modify the Governor's recommendation by: (a) deleting an additional \$8,800 GPR and providing \$8,800 PR and 2002-03 to DOJ for racing-related enforcement; and (b) repealing the GPR appropriation in DOA for racing-related regulation and the GPR appropriation in DOJ for racing-related enforcement.

<u>Alternative 4</u>	<u>GPR</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING	- \$8,800	\$8,800	\$0	\$0
2001-03 REVENUE	\$0	\$0	- \$8,800	- \$8,800

5. Maintain current law.

<u>Alternative 5</u>	<u>GPR</u>
2001-03 FUNDING	\$164,500

MO# 4

BURKE	<input checked="" type="radio"/>	N	A
① DECKER	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
WIRCH	<input checked="" type="radio"/>	N	A
DARLING	<input checked="" type="radio"/>	N	A
ROSENZWEIG	<input checked="" type="radio"/>	N	A
② GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUEBSCH	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

Prepared by: Art Zimmerman

AGENCY: Department of Administration

LFB PAPER #: 1104

ISSUE: Elimination of Annual Grants to the WI Patient Safety Institute, Inc.

ALTERNATIVE: Alt. 3, delete the governor's recommendation

SUMMARY:

board

WI Patient Safety Institute (WPSI) is a private, not-for-profit organization founded in mid-2001 with the purpose of enhancing and promoting patient safety.

Activities to advance this goal

- Sponsor educational forums to exchange information
- Establish central information and research clearinghouse on patient safety matters
- Offer professional development courses
- Develop public policy initiatives

Funding sources

- 2001 Act 16 established a state grant of \$110,000 GPR annually
- \$62,000 annually from contributions by various sponsor organizations

In addition, WPSI believes it may be eligible for patient safety funding being proposed as part of the next federal budget, but in order to capture this federal money the state needs to show its commitment.

DOA has still not released to the WPSI the \$110,000 GPR appropriated for 2001-2002.

Delete the governor's recommendation. Release the \$110,000 GPR appropriated for 2001-2002 and continue to require the DOA to make annual grants to the WPSI and the appropriation from which the grant is funded.

BY: Nicole

McGinnis, Cindy

From: Tom Engels [tome@pswi.org]
nt: Wednesday, February 27, 2002 10:35 AM
To: Undisclosed-Recipient;;
Subject: Wisconsin Patient Safety Institute
To: Members of the Legislature's Joint Finance Committee
From: Tom Engels, PSW Director of Government Affairs
Re: Finance Paper #1104

A study for the University of Arizona College of Pharmacy, released in February 2001, shows that misuse of prescription drugs costs the United States health care system upwards of \$177 billion annually in additional treatments, hospital care, and doctor visits. Similar study from the same university, in 1995, found then that the number was "only" \$76.5 billion. Obviously, there's a growing problem.

When Governor McCallum signed the budget in August of 2001, he approved annual funding of \$110,000 for the Wisconsin Patient Safety Institute. The legislature included this funding with the understanding that members of the Wisconsin Patient Safety Institute would supplemented the state grant with private funds. PSW along with other health care providers have been successful in the solicitation of private revenue sources. But the cut recommended by the Governor will short circuit this program.

PSW is very sympathetic to the current financial constraints faced by the governor and the legislature. However, this is a very real problem that needs immediate attention. We respectfully request that the Joint Finance Committee adopt alternative #3 included in paper #1104. This alternative would delete the Governor's recommendation.

Thank you in advance for your consideration of this request.

Tom Engels
PSW Director of Government Affairs
701 Heartland Trail
Madison, Wisconsin 53717
tome@pswi.org
(608) 827-9200
(608) 827-9292 (fax)

02/28/2002



Legislative Fiscal Bureau

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

February 27, 2002

Joint Committee on Finance

Paper #1104

Elimination of Annual Grants to the Wisconsin Patient Safety Institute, Inc. (DOA)

[LFB Summary of the Governor's Budget Reform Bill: Page 11, #11]

CURRENT LAW

DOA is required to provide annual grants to the Wisconsin Patient Safety Institute, Inc. (WPSI) for the collection, analysis and dissemination of information about patient safety and for the training of health care providers and their employees on matters related to improved patient safety. A separate appropriation funded at \$110,000 GPR annually is provided for this purpose.

GOVERNOR

Effective July 1, 2002, repeal both the requirement that DOA make an annual grant to the WPSI and the appropriation from which the grant is funded. The effect of this repeal is to delete \$110,000 GPR in 2002-03.

DISCUSSION POINTS

1. The WPSI is a private, not-for-profit organization developed through the efforts of a coalition of health care provider organizations, medical professionals, consumers of health care services, government organizations and businesses. The Institute was founded in mid-2001 with the primary purposes of enhancing and promoting patient safety by advocating the adoption of safe practices in health care organizations throughout the state. The organization's principal goal is to decrease the number of healthcare errors in Wisconsin.

2. The WPSI proposes to advance this goal through the following types of activities: (a) sponsoring educational forums to exchange patient safety information and techniques; (b)

establishing a central information and research clearinghouse on patient safety matters, including the identification of best practices; (c) offering professional development courses designed to improve and promote patient safety; (d) developing public policy initiatives relating to patient safety; and (e) working with academic institutions to stimulate research on patient safety and to incorporate training on patient safety procedures in the standard curriculum for health care providers.

3. During the Legislature's deliberations on the 2001-03 biennial budget, the WPSI was successful in securing partial state funding to support these activities. Provisions of 2001 Wisconsin Act 16 established the state grant to the organization at the current funding level of \$110,000 GPR annually. In conjunction with this state funding, the WPSI has also received funding or commitments for funding in the amount of \$62,000 annually from contributions made by its various founding sponsor organizations. Based on these funding commitments, the WPSI has developed a budget of \$172,000 annually for both the 2001-02 and 2002-03 fiscal years. In the future, additional funding is anticipated from contributions, grants and fees for services.

4. The WPSI believes that it may be eligible for patient safety funding being proposed as part of the next federal budget. Under the proposed FFY 2003 federal budget, the Agency for Healthcare Research and Quality (AHRQ) in the U.S. Department of Health and Human Services would be budgeted \$60 million for patient safety initiatives. This proposed funding level would include a new funding initiative of \$5 million for challenge grants to the states to encourage the adoption of proven but underused techniques to reduce medical errors. Funding could also be used to train on-site patient safety experts in hospitals and clinics. These federal funding priorities appear to be consistent with many of the activities the WPSI has been established to pursue. However, AHRQ will not accept applications for these funds before the federal budget is approved. If the WPSI was a successful applicant for these funds, the earliest any federal monies could be made available to the organization would be late in the 2002 calendar year.

5. Currently, the WPSI is engaged in organizational development activities. It has hired an interim chief executive and has secured office space. Efforts are also underway to recruit a permanent director and to organize some initial statewide patient safety initiatives, but these latter activities are largely dependent on the organization's funding status.

6. The rationale for proposing the deletion of the WPSI's second year funding is that while the goals of organization are important, they do not represent an essential state activity for which GPR funding should be committed at a time when the state is confronted by a significant deficit. Other nonstate funding sources are available to the WPSI, such as the insurance companies, health care facilities and organizations representing health care professionals that have been instrumental in organizing the WPSI. As noted, future federal grant funding is also a possibility. To the extent that the state has any funding role, it should be to provide only limited seed monies.

7. The WPSI argues that its success is dependent on the receipt of the state funds appropriated under Act 16 to support the organization's activities during its first two years of operation. Reducing the organization's state funding at this stage of the Institute's development could seriously compromise its efforts. The WPSI also states that the \$62,000 secured or

committed from sponsoring organizations was raised with the "understanding that [there] was a public-private partnership to help get the organization off the ground." The ultimate success in establishing the organization is seen essential for obtaining other funding support. These arguments could be advanced in support of denying the Governor's recommendation.

8. If the 2002-03 state grant funding is eliminated for the WPSI, the organization would likely commit the \$110,000 GPR appropriated for 2001-02 to fund essential start-up activities and then use the \$62,000 contributed from sponsoring organizations as seed money for 2002-03 activities. The WPSI has advised that its "organizational members are (and were) counting on this state support and are unlikely to contribute in the future without it."

9. However, at this writing, DOA has still not released to the WPSI the \$110,000 GPR of grant funding appropriated for 2001-02. Consequently, in addition to the Governor's recommendation, the Committee could choose to delete these current year funds.

10. Opponents of this additional funding reduction could argue that the Institute has already made current year funding commitments based on the expected receipt of these state funds. The WPSI has also advised that without the state support, "the organization will not continue," since it would have only \$62,000 in contributed funds for its 2001-02 operations.

11. On the other hand, it could be argued that the state's financial commitment to the WPSI was viewed as only one of many sources of funding available to the organization. Further, it was never intended that the organization's continued existence be contingent on state subsidization. A question can be raised whether the state should bear the responsibility for the ultimate success of the WPSI in the absence of sufficient financial commitments from private sector stakeholders with an interest in patient safety matters.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.

2. Modify the Governor's recommendation by deleting \$110,000 GPR in 2001-02 and repealing both the requirement that DOA make an annual grant to the WPSI and the appropriation from which the grant is funded on the general effective date of the bill, rather than on July 1, 2002.

<u>Alternative 2</u>	<u>GPR</u>
2001-03 FUNDING	- \$110,000

3. Delete the Governor's recommendation.

<u>Alternative 3</u>	<u>GPR</u>
2001-03 FUNDING	\$110,000

Prepared by: Darin Renner

MO# A143

MO# A143

① BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
② WIRCH	Y	N	A
DARLING	Y	N	A
ROSENZWEIG	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

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
ROSENZWEIG	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 _____

AYE _____ NO _____ ABS _____

ADMINISTRATION
HEALTH AND FAMILY SERVICES
WORKFORCE DEVELOPMENT

Office of Federal-State Relations in Washington D.C. Funding and Position Reductions

Motion:

Move to delete funding and position authorizations in 2002-03 under the following agencies for staff assigned to the Office of Federal-State Relations in Washington, D. C. (1) \$205,600 GPR and 2.0 GPR unclassified positions in the Department of Administration; (2) \$74,500 GPR and 1.0 GPR position and \$45,800 FED and 1.0 FED position in the Department of Health and Family Services; and (3) \$61,500 PR and 1.0 PR project position in the Department of Workforce Development.

Note:

Under current law, the DOA may maintain an Office of Federal-State Relations in Washington, D.C., for the purpose of promoting federal-state cooperation. The Governor may appoint an unclassified Director and staff assistant for the Office, subject to the concurrence of the Joint Committee on Legislative Organization. The DOA staff for the Office serves at the pleasure of the Governor. The Departments of Health and Family Services (DHFS), Transportation (DOT), and Workforce Development (DWD) also maintain classified staff at the Office.

This motion deletes funding and position authority for DOA, DHFS and DWD staff at the Office. Base level funding is retained under DOA for space rental and associated costs, since DOT staff would continue to use the Washington space during 2002-03 fiscal year.

[Change to Bill: -\$280,100 GPR, -\$45,800 FED and -\$61,500 PR and -3.0 GPR, -1.0 FED and -1.0 PR positions]

MO# 218

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

AYE 12 NO 4 ABS _____

Governor

(LFB Summary of the Governor's Budget Reform Bill: Page 48)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)
2	Domestic Security Coordinator Position (Paper #1160)