

Agriculture, Trade and Consumer Protection

(LFB Summary of the Governor's Budget Reform Bill: Page 13)

LFB Summary Items for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)
2	Dane County Exposition Center Grant (Paper #1110)
4	Program Revenue Lapses (see Paper #1121)
5	Nonpoint Account Budget Reduction (see Paper #1121)

LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
3	Consumer Protection Consolidation

LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
6	Email Solicitation and Chain Letter Regulations
7	Web Site Regulations

AGENCY: DATCP

LFB PAPER #: 1110

ISSUE: Dane County Exposition Center Grant

ALTERNATIVE: Alternatives 4, 5 or 6 are both possibilities

SUMMARY: The Governor has proposed eliminating the annual \$240K grant to Dane County to cover World Dairy Expo. Costs. The state made a 20 year commitment to assist Dane County in paying off the debt accrued while expanding the Expo Center. The Governor's plan would eliminate that commitment.

We probably don't want to stick it to Dane County more than we have to, see attached letter from Kathleen Falk. Three options potentially work.

Alternative 4: Reduces the grant by the 3.5 and 5% respectively required by the Governor over the next 2 years and sunsets the provision in 2014 when the 20 year commitment expires.

Alternative 5: Maintains the full grant amount, but sunsets it in 2014 to ensure that the state is not committed past 20 years.

Alternative 6: Maintain current law. Maintains full commitment to the county and offers no provision to ensure that it terminates by 2014.

None of these alternatives require any cut in Consumer Protection. It is important that no matter what we don't vote for any cut in Consumer Protection anywhere.

BY: KATY



Legislative Fiscal Bureau

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

February 28, 2002

Joint Committee on Finance

Paper #1110

Dane County Exposition Center Grant (DATCP)

[LFB Summary of the Governor's Budget Reform Bill: Page 14, #2]

CURRENT LAW

DATCP provides Dane County a \$240,000 annual grant from GPR for the County's exposition center (the Alliant Energy Center).

GOVERNOR

Eliminate the \$240,000 annual grant for the Alliant Energy Center.

DISCUSSION POINTS

1. Under the bill, eliminating the \$240,000 annual grant to the exposition center is part of the overall 3.5% and 5% budget reductions of DATCP Act 16 GPR appropriations, excluding debt service. Instead of reducing the exposition center grant, the Governor chose to eliminate it in order to reduce other DATCP GPR appropriations by lesser amounts.

2. Since fiscal year 1994-95, DATCP has annually granted Dane County \$240,000 to assist in paying debt service costs for a 1995 expansion related to hosting the annual World Dairy Expo at the exposition center. At the time the new exhibition hall was being considered, World Dairy Expo officials verbally agreed to remain at the site if the County built an exhibition hall of at least 80,000 square feet, while indicating that a 100,000 square-foot facility would better meet their needs. Dane County estimated that the additional 20,000 square feet would add approximately \$3 million to the cost of the facility and indicated that it would be difficult to finance the additional cost without state assistance.

3. The total project cost was \$27.8 million (including \$1 million that was used for

initial planning). To fund the project, the County issued \$27.8 million in 20-year bonds. A 1995 Dane County financing plan called for the County to pay debt service on \$18.8 million, the state to make payments on \$3 million of the debt and gifts and grants to cover the remaining \$6 million of the debt. To date, the state has made seven years of payments totaling \$1,680,000 and private funds have contributed \$1,270,500, with an additional \$6,234,800 in private funds promised through 2019. The total cost (principal and interest) of paying off \$9 million in bonds over 20 years is projected to be \$14.3 million.

4. In 2001, the County funded the \$2.36 million in annual debt service costs through county property tax levies (\$1,314,000), operating revenues associated with the facility (\$494,000), Alliant Energy Corporation naming rights payments (\$265,000), the state payment (\$240,000) and an annual \$50,000 grant from World Dairy Expo. County officials indicate that any amount that revenues fall short of covering debt service expenses will have to be paid for out of increased county property tax levies or reduced county services. As of January 1, 2002, the principle balance remaining on the \$27.8 million debt is \$22.1 million.

5. Alliant Energy Corporation purchased the naming rights for the exposition center in May, 2000. The agreement between the County and the corporation provides total payments of \$6,300,000 over 20 years with annual payments escalating from \$250,000 in 2000 to \$371,500 in 2019.

6. Since its inception in 1967, the World Dairy Expo has been held at the Dane County exposition center. In 2001, World Dairy Expo paid a total rental fee of \$329,700 to the County for use of the facility and other services. In addition, since 1995, the World Dairy Expo has made annual \$50,000 payments to assist in debt service costs and is scheduled to continue to do so through 2014.

7. The County and DATCP entered into an agreement in March, 1995, which states that the Department may grant \$240,000 to Dane County in 1994-95 and the amount appropriated by the state in future fiscal years. The agreement, renewable in January of each year before the grant proceeds are provided, is conditioned upon the use of the grant proceeds for debt service.

8. County officials indicated that based on the actions by the Governor and Legislature, Dane County proceeded with a borrowing and financing plan for the exhibition hall that assumed \$240,000 per year in state funds for 20 years, to be used exclusively for debt service. County officials had indicated that if state assistance were not available in future years, that portion of the debt service planned to be paid for with state funds would have to come from increased property tax levies or reductions in other County services or programs. Alliant Energy Center management also is considering options to further contribute to debt service payments in the short term, such as reducing capital repairs, reducing labor expenses and deferring expansion plans.

9. The Dane County Executive has directed that the sale of naming rights for the exhibition hall (separate from the naming rights of the center itself) also be pursued. In addition, it could be argued that since the proceeds of the sale of naming rights exceed the amounts previously

provided from the state, the County may be able to absorb at least some of the debt service costs. Conversely, even with the naming rights funding from the Alliant Energy Center, the County has not received as much private funding as it anticipated garnering when the exhibition hall was built.

10. Current law does not obligate the Legislature to retain the \$240,000 amount of funding in future years. However, Department of Administration officials indicated at the time that the intent of the Governor's recommendation in 1993 Act 16 was that state support would be ongoing for the 20 years of debt service. Continuing the \$240,000 GPR annual grant through 2014 would provide the County with an amount approximately equal to the annual debt service associated with the additional 20,000 square feet requested by the World Dairy Expo at the time the project was being considered. Had the state issued the bonds rather than Dane County, the state would be obligated to make debt service payments. However, since the bonds were issued by Dane County, the state is not under a legal obligation to make any debt service payments for the exhibition hall.

11. It could be argued that while not statutory, the state has made a 20-year commitment to assist Dane County with a portion of the costs of the exhibition hall. If grant funding is continued, the Committee may wish to sunset the provision on June 30, 2014, after the 20 years of payments have been made. On the other hand, because the expansion of the exposition facility was an economic venture that the County primarily undertook to increase revenues for the facility and the economy of the County, state funding could be discontinued.

12. If funding is retained for the Alliant Energy Center grant, the Committee may wish to reduce the agency's largest appropriation (related to food safety and consumer protection) by \$240,000 annually. If DATCP wanted to reallocate any of the reduction to other sum certain GPR appropriations made to the agency, it could submit a request to the Joint Committee on Finance under s. 13.10. Alternatively, the grant to Dane County could be reduced by 3.5% (\$8,400) and 5% (\$12,000) consistent with overall agency reductions, with the remainder removed from the largest DATCP appropriation. However, it could be argued that the exposition center grant appropriation should not be subject to 3.5% and 5% reductions as it is ultimately for debt service payments. Either of these alternatives would hold DATCP to the same 3.5% and 5% budget reductions generally applied to other agencies under the Governor's proposal.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to eliminate the \$240,000 annual grant for the Alliant Energy Center.

2. Maintain the current \$240,000 annual grant for the Alliant Energy Center, but sunset the provision on June 30, 2014, and delete \$240,000 annually from the Department's food safety and consumer protection GPR appropriation.

3. Provide \$231,600 GPR in 2001-02 and \$228,000 GPR in 2002-03 to reduce the annual grant to Dane County by 3.5% and 5% respectively. Further sunset the provision on June 30, 2014. Finally delete \$231,600 in 2001-02 and \$228,000 in 2002-03 from the Department's food

safety and consumer protection GPR appropriation.

4. Provide \$231,600 GPR in 2001-02 and \$228,000 GPR in 2002-03 to reduce the annual grant to Dane County by 3.5% and 5% respectively. Further sunset the provision on June 30, 2014.

<u>Alternative 4</u>	<u>GPR</u>
2001-03 FUNDING	\$459,600

5. Maintain the current \$240,000 annual grant for the Alliant Energy Center, but sunset the provision on June 30, 2014.

<u>Alternative 5</u>	<u>GPR</u>
2001-03 FUNDING	\$480,000

6. Maintain current law.

<u>Alternative 6</u>	<u>GPR</u>
2001-03 FUNDING	\$480,000

Prepared by: David Schug

MO# 6

① BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
② 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 4 NO 10 ABS _____

AGRICULTURE, TRADE & CONSUMER PROTECTION

Telephone Solicitation Penalties

Motion:

Move to change the penalty for certain telephone solicitation violations from a forfeiture not to exceed \$100 currently to a forfeiture of between \$100 to \$1,000 for each violation by a telephone solicitor of the following prohibitions and requirements: (a) unless a telephone solicitation is made in response to the recipient's express written request for the solicitation or is made to a recipient who is a current client (not including a recipient who is a current client of an affiliate of such a person, but is not a current client of such a person) of the person selling the item or requesting the contribution that is the reason for the telephone solicitation, prohibit a telephone solicitor or their employee or contractor from making a telephone solicitation to a residential customer if the nonsolicitation directory includes a listing for the residential customer or from making a telephone solicitation to a nonresidential customer if the nonresidential customer has provided notice by mail to the telephone solicitor that the nonresidential customer does not wish to receive telephone solicitations; (b) prohibit telephone solicitors (or their contractors) from using an electronically prerecorded message without the consent of the recipient of the telephone call; (c) prohibit a telephone solicitor from requiring an employee or contractor to make a telephone solicitation in violation of these requirements or to make a telephone solicitation to a person in Wisconsin unless the telephone solicitor is registered with DATCP; and (d) upon request by a nonresidential customer, require a telephone solicitor, their employee or contractor, to provide the mailing address for notifying the telephone solicitor that the nonresidential customer does not wish to receive telephone solicitations. Further, require that if the violator knows the customer called in violation of these telephone solicitation regulations is an elderly or disabled person, or if the violation causes economic, emotional or physical damage to one of these persons, a supplemental forfeiture of up to \$10,000 be assessed.

Change the forfeiture amount from \$100 currently to allow a forfeiture of between \$100 to \$500 for each violation of 2001 Act 16 provisions (other than those noted above) related to telephone solicitation requirements.

Note:

The enrolled 2001-03 biennial budget bill would have set forfeitures for violators of telephone solicitation regulations of \$1,000 to \$10,000 or from \$100 to \$500, depending on the violation, and created a supplemental forfeiture for violations against an elderly or disabled person. The Governor's item vetoes reduced these forfeitures to \$100 per violation and deleted the supplemental forfeiture provision. The motion sets forfeitures for violators of telephone solicitation regulations of \$100 to \$1,000 and from \$100 to \$500 respectively per violation, and restores the supplemental forfeiture provision.

MO# 280

② BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
① 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 7 ABS

Note:

The DATCP Consumer Protection Bureau consists of a director and central administrative staff that includes a consumer information center made up of consumer hotline and consumer information staff. The Bureau also operates regional offices in Eau Claire, Green Bay, Madison and Wauwatosa. Staff from DATCP's four regional offices respond to consumer complaints and conduct investigations or other inspection-related work within their geographic areas that may have been received through local consumer complaints or referred from the Department's centrally located toll-free hotline. In addition, regional staff are assigned to certain statewide and national complaint areas. Investigations of complaints that may require further action are initiated by regional staff and then referred to central office staff for formal action. In 2002, the four regional offices have 27.15 staff working on consumer protection issues (62% of DATCP's consumer protection staff).

Under the proposal, DOJ would house 35.3 positions related to consumer protection, as shown in the following table.

Position Titles	Current DATCP	Eliminated DATCP	Transferred to DOJ	Current DOJ	New DOJ	Proposed DOJ
Administrator	0.45	0.45				
Attorney	2.00		2.00	4.80		6.80
Budget Policy Supervisor	0.30	0.30				
Communications Specialist	0.50	0.50				
Consumer Complaint Supervisor	1.00		1.00			1.00
Consumer Protection Bureau Director	0.75	0.75				
Consumer Protection Investigator	13.65	9.65	4.00	2.00		6.00
Consumer Protection Investigator Supervisor	4.00	3.00	1.00			1.00
Consumer Specialist	11.15	5.65	5.50		8.50	14.00
Legal Assistant				0.50		0.50
Legal Secretary	0.50	0.50		1.00		1.00
Paralegal				1.00	2.00	3.00
Program & Planning Analyst	0.80	0.80				
Program Assistant	8.65	6.65	2.00			2.00
Total Consumer Protection Positions	43.75	28.25	15.50	9.30	10.50	35.30

According to DOJ, many of the position reductions would be based on eliminating DATCP's regionalized consumer protection structure. Under the current structure, 27.15 DATCP consumer protection positions (including 7.15 in Madison) are located in regional offices. However, DOJ states they would maintain one investigator each in offices in Eau Claire, Appleton and Milwaukee to conduct regional investigations.

Under the proposal, all DATCP consumer protection positions would be transferred to DOJ

or eliminated. DATCP generally would retain authority and positions related to weights and measures, trade practices (including the minimum mark-up law) and agricultural-related trade provisions. However, the motion also would transfer to DOJ all authority under s. 100.20 of the statutes, which requires business methods of competition and trade practices to be "fair." Under s. 100.20, DATCP currently is provided broad authority to define fair methods and practices, including the authority to: (1) specify, by administrative rule, unfair business methods and practices; and (2) issue special orders enjoining unfair business practices. Under the unfair trade statute, DATCP also regulates many forms of advertising and sales claims. This law is often termed the "Little FTC Act," in reference to its similarity to the Federal Trade Commission Act, on which it was based.

[Change to Bill: -\$1,082,300 GPR and -17.75 GPR positions]

MO# 202

①	BURKE	Y	N	A
②	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 7 ABS _____

AGRICULTURE, TRADE AND CONSUMER PROTECTION AND JUSTICE

Transfer Consumer Protection Functions from DATCP to DOJ

Motion:

Move to delete \$1,524,700 GPR and 28.25 GPR consumer protection positions from DATCP in 2002-03 (0.45 division administrator, 0.30 budget policy supervisor, 0.50 communications specialist, 0.75 bureau director, 9.65 consumer protection investigators, 3.0 investigator supervisors, 5.65 consumer specialists, 0.5 legal secretary, 0.8 program and policy analyst and 6.65 program assistants).

In addition, transfer \$1,057,500 GPR and 15.5 GPR consumer protection positions from DATCP to the Department of Justice (DOJ) in 2002-03 (2.0 attorneys, 1.0 consumer complaint supervisor, 4.0 consumer protection investigators, 1.0 investigator supervisor, 5.5 consumer specialists and 2.0 program assistants).

Further, provide DOJ \$442,400 GPR and 10.5 GPR consumer protection positions in 2002-03. (8.5 consumer specialists and 2.0 paralegals).

On July 1, 2002, transfer all of DATCP's authority and related administrative rules of the following statutory sections to DOJ:

- 100.15 Regulation of trading stamps
- 100.16 Selling with pretense of prize; in-pack chance promotion exception
- 100.17 Guessing contests
- 100.171 Prize notices
- 100.173 Ticket refunds
- 100.174 Mail-order sales regulated
- 100.175 Dating service contracts
- 100.177 Fitness center and weight reduction center contracts
- 100.178 Fitness center staff requirements
- 100.18 Fraudulent representations
- 100.182 Fraudulent drug advertising
- 100.20 Methods of competition and trade practices
- 100.205 Motor vehicle rustproofing warranties
- 100.207 Telecommunications services
- 100.209 Cable television subscriber rights
- 100.2095 Labeling of bedding

100.28	Sale of cleaning agents and water conditioners containing phosphorus
100.31	Unfair discrimination in drug pricing
100.37	Hazardous substances act
100.38	Antifreeze
100.41	Flammable fabrics
100.42	Product safety
100.43	Packaging standards; poison prevention
100.44	Identification and notice of replacement part manufacturer
100.46	Energy consuming products
100.50	Products containing or made with ozone-depleting substances
Chap 136	Future Service Plans
Chap 344	Vehicle Financial Responsibility
Chap 704	Landlord and Tenant
Chap 707	Timeshares
Chap 779	Liens

In addition, transfer DATCP's current authority to file court actions in all other Chapter 100 (Marketing; Trade Practices) sections to DOJ, for example in 100.201 (Unfair Trade Practices in the Dairy Industry), 100.22 (Discrimination in the Purchase of Milk) and 100.235 (Procurement of Vegetable Crops).

Further, beginning July 1, 2002, require that DOJ, instead of DATCP, be awarded consumer protection assessments on all fines and forfeitures for violations under consumer protection sections or corresponding rules proposed to be transferred to DOJ and that any revenue received from these assessments that exceeds \$185,000 in any fiscal year be deposited to the state's general fund. In addition to other allowable penalties, allow the court to award DOJ the reasonable and necessary costs of investigation and an amount reasonably necessary to remedy the harmful effects of the violation from any person who violates the above consumer protection sections. Require DOJ to deposit in the state treasury for deposit in the general fund all of these monies that the court awards and require 10% of the money deposited in the general fund for the costs of investigation and the expenses of prosecution, including attorney fees, to be credited to a current DOJ investigation and prosecution appropriation.

Transfer the 15.5 staff, assets, liabilities and obligations primarily associated with the transferred consumer protection functions from DATCP to DOJ on July 1, 2002. Provide that if the agencies were unable to agree on an equitable division, the Joint Committee on Finance would settle the dispute at a meeting of the Committee under s. 13.10. Provide that the incumbent DATCP employees who would be transferred to DOJ would maintain all their civil service and other employee rights held prior to transfer. Further, transfer all tangible personal property, pending matters, contracts and contract responsibilities relating to transferred consumer protection provisions and specify that all rules and orders relating to the transferred consumer protection provisions remain in effect until their specified expiration date or until modified or rescinded by DOJ.

AGRICULTURE, TRADE & CONSUMER PROTECTION AND NATURAL RESOURCES

Livestock Regulation and Tracking

Motion:

Move to provide \$150,000 SEG in 2002-03 from the fish and wildlife account of the conservation fund for DNR to provide a grant to DATCP for animal health regulations. Further, provide DATCP \$150,000 PR in 2002-03 for this purpose. Sunset these appropriations on June 30, 2003. Direct DATCP to improve its livestock farm location and livestock tracking databases. In addition, require DATCP to study the implementation of an electronic certification of veterinary inspection system.

Require DATCP to impose the same requirements on the intrastate transportation of white-tailed deer that it imposes on the intrastate transportation of other cervids.

Expand the duties of the Department relating to animal health quarantines to allow DATCP to implement a quarantine to protect the health of all animals located in the state (rather than just domestic animals) and to protect the health of Wisconsin residents.

Note:

The current DATCP rule generally prohibits a person from moving any live cervid (except white-tailed deer) between locations in Wisconsin unless it is accompanied by a certificate of veterinary inspection signed by a Wisconsin certified veterinarian that states that the cervid tested negative on an approved tuberculosis test not more than 90 days prior to the intrastate movement.

[Change to Bill: \$150,000 PR and \$150,000 SEG]

MO# 294

	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
BURKE																	
DECKER																	
MOORE																	
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State Fair Park

(LFB Summary of the Governor's Budget Reform Bill: Page 82)

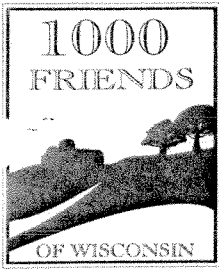
LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #

Title

1

Program Revenue Lapse (see Paper #1121)



February 14, 2002

Sen. Brian Burke, Chair
Joint Committee on Finance
P.O. Box 7882
Madison, WI 53707-7882

Handwritten initials and scribbles.

Board of Directors
Senator Gaylord Nelson,
Emeritus Chair

Dear Sen. Burke:

1000 Friends of Wisconsin, Inc.
Don Last, President
Stevens Point

DWA

- Bev Anderson, Darlington
- Steve Born, Madison
- Walter John Chilsen, Wausau
- Arlen Christenson, Madison
- David Cieslewicz, Madison
- Emily Earley, Madison
- Bob Ellingson, Amherst
- Kristine Euclide, Monona
- Mike Hargarten, Waukesha
- Jim Holperin, Eagle River
- Charles James, Milwaukee
- Bud Jordahl, Madison
- Madelyn Leopold, Madison
- Gaurie Rodman, Milwaukee
- onger Shanks, Merrimac
- eb Stevin, Middleton
- Charles Trainer, Milwaukee
- Jim Van Deurzein, Mazomanie

2

1000 Friends Land Use Institute
Jeanie Sieling, President
Fitchburg

- Jim Arts, Madison
- Juli Aulik, Madison
- Dennis Boyer, Linden
- Andrea Dearlove, Madison
- John Imes, Madison
- Dorothy Lageroos, Ashland
- Bryce Luchterhand, Unity
- Dan Masterpole, Chippewa Falls
- George L.N. Meyer, Milwaukee
- Brian Ohm, Madison
- Dan Olson, Green Bay
- Bryan Pierce, Eagle River
- Karen Raymore, Sturgeon Bay
- Glenn Reynolds, Primrose
- Jay Tappen, Eau Claire
- Kine Torinus, West Bend
- Kim Verhein, Waukesha
- Marcus White, Milwaukee
- Meagan Yost, Poynette

Thank you for taking the time to meet with Lisa MacKinnon and me recently. I wanted to follow up by putting 1000 Friends of Wisconsin's budget priorities in writing for your future reference.

Planning Grants. The governor would cut the planning grants program by \$350,000 GPR over the biennium. This represents an 8.75% cut from the two year GPR funding level of \$4 million. In addition, the governor's cut of the Department of Transportation budget would seem to leave the \$1 million per year for planning grants that come from the Transportation Fund vulnerable. The planning grants program has been enormously successful, but it is highly competitive. In the latest round of grants made this January, funding was available for only 23 of 89 grant applications (26%). Yet, these 23 grants represented planning for 170 communities because the Smart Growth law encourages multi-jurisdictional cooperation. Fully 17 of the 23 grants went to multi-jurisdictional applicants. It could be argued that the Smart Growth law is the only recently passed state law that actually puts some of the Kettl Commission principles into action (even though it was passed before the Kettl recommendations). Moreover, planning saves tax dollars in the long run. When communities grow more efficiently and when that growth is staged properly, taxpayers benefit. **Our position: Restore the \$350,000 GPR cut and protect the planning grants portion of the DOT budget.**

move to delete #8

Stewardship Fund. The governor wisely left the \$60 million in annual bonding authority for Stewardship untouched. Nonetheless, there may be attempts to reduce this investment in natural resource protection. **Our position: Resist attempts to cut the Stewardship Fund.**

Shared Revenues. One of the best ways to reduce sprawl is to make cities great places to live. The governor's budget would hit cities especially hard. A study by the Wisconsin Taxpayers Alliance found that taxes in Milwaukee would go up \$1,306 on a \$100,000 home if the city tried to replace all of this lost state revenue. If the city were forced to make up for the loss with service cuts, it would have a disastrous impact on the quality of city life. Either way, higher taxes or service cuts will force more people into sprawling suburbs, reversing the recent encouraging trend toward urban renaissance. Finally, planning efforts will be among the first things cut when shared revenues disappear.





Legislative Fiscal Bureau

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

February 28, 2002

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Budget Issue Papers

This packet contains the remaining 2001-03 budget issue papers, prepared by this office, on the Governor's budget reform bill (SS AB 1).

- Office of the Lieutenant Governor
- Legislature
- Program Supplements
- Department of Employment Relations
- State Treasurer
- Public Service Commission
- Department of Regulation and Licensing
- Department of Employee Trust Funds
- Employment Relations Commission
- Personnel Commission
- State Investment Board*
- Department of Electronic Government
- General Fund Taxes
- Department of Revenue
- Secretary of State*
- Adolescent Pregnancy Prevention and Pregnancy Services Board
- Underage Tobacco Enforcement*
- Office of the Commissioner of Insurance
- Building Commission

(over)

- Arts Board
- Educational Communications Board
- Higher Educational Aids Board
- Historical Society
- Marquette Dental School
- Medical College of Wisconsin
- Technology for Educational Achievement in Wisconsin Board
- University of Wisconsin System
- Wisconsin Technical College System
- Department of Public Instruction
- Tobacco Control Board
- Tobacco Securitization
- Shared Revenue and Tax Relief
- Transportation

*There are no provisions in Special Session Assembly Bill 1 regarding this agency.

BL/sas
Attachments

BUDGET MODIFICATIONS

Omnibus Budget Package

Motion:

Move to do the following:

A. Shared Revenue and Related Programs. Delete the Governor's recommendations regarding shared revenue and related aid programs and, instead, adopt the following:

1. Establish a sunset after 2002 for distributions under the three non-utility components of the shared revenue program (per capita, aidable revenues and minimum guarantee/maximum growth) and the county mandate relief, expenditure restraint and small municipalities shared revenue programs. Establish a December 31, 2003, sunset for encumbrances and expenditures from the current law appropriations for shared revenue and the other three affected programs. Delete references under current law to distributions under these four programs for 2003 and thereafter. Delete the current law provision establishing each municipality's 2003 shared revenue payment at 101% of the amount received in 2002.

2. Create a new, GPR sum sufficient appropriation for county and municipal shared revenue. Specify that the amount distributed under this appropriation would equal \$750,000,000 in 2003 and \$487,000,000 in 2004 and thereafter, plus any additional amounts determined under Item #3. Distribute 15% of the aid payments made from this appropriation on the fourth Monday in July and 85% of the aid payments on the third Monday in November.

3. Provide additional funding for county and municipal shared revenue in 2004 by multiplying the amount specified for that year by the lesser of the percentage growth in general fund taxes from 2002-03 to 2003-04, as estimated in the 2003-05 biennial budget act, and the percentage change in the consumer price index for the year ending in June, 2003, plus 1%. For distributions in 2005 and thereafter, provide additional funding for county and municipal shared revenue by multiplying the amount distributed in the prior year by the lesser of the percentage growth in general fund taxes from the fiscal year two years prior to the fiscal year of the distribution to the fiscal year prior to the fiscal year of the distribution and the percentage change in the consumer price index for the year ending in June prior to the year of the distribution plus 1%. For the general fund taxes for the fiscal year prior to the fiscal year of the distribution use the amount as estimated in either the biennial budget act (first year of the biennium) or the final version of Chapter 20 of the statutes (second year of the biennium).

4. Specify that each county and municipality would receive a payment from the new county and municipal shared revenue appropriation in 2003 based on the actual amounts received by the county or municipality for the 2002 distribution under the four components of shared revenue and the other three programs. Specify that the 2003 amount for each county and municipality would be determined by reducing the 2002 amount by an amount based on population, as determined by DOR, so that the statewide distribution equals the total amount appropriated for 2003. Provide that the 2003 payment calculated under this procedure could not be less than 35% of a county's or municipality's 2002 total payment. Require DOR, in consultation with DOA, to estimate populations using the results of the 2000 federal decennial census. Require DOR to notify counties and municipalities of estimated payments by September 15 of the year preceding the distribution.

5. Modify the public utility aid distribution as follows:

a. *Appropriations.* Create a separate, sum sufficient appropriation for making utility aid payments, beginning with the distribution for 2004.

b. *Distribution Formula.* Sunset the current law formula for distributing utility aid on the basis of net book value and rates of three mills or six mills, effective following payments for 2002. Create a distributional formula, effective with payments for 2004, based on the capacity of light, heat and power production plants as follows: (1) extend payments to municipalities and counties that contain, within their boundaries, light, heat and power production plants used by a light, heat and power company, a qualified wholesale electric company, a wholesale merchant plant or an electric cooperative subject to state license fees imposed under Chapter 76 of the statutes or by municipal electric companies subject to ad valorem payments in lieu of taxes under s. 66.0825(16) of the statutes; (2) exclude property of municipal light, heat and power companies from the payments unless the production plant is located outside the municipality owning the plant; (3) specify that payments be calculated on the basis of total megawatt capacity of eligible production plants within each municipality, as reported by the plant's owner or operator, but distribute two-thirds of each municipal payment to the county where the municipality is located if the municipality is a town and distribute one-third of each municipal payment to the county where the municipality is located if the municipality is a city or village; (4) set municipal payments equal to \$2,000,000 if capacity is over 3,000 megawatts, \$1,500,000 if capacity is over 2,400, but not more than 3,000, megawatts, \$1,300,000 if capacity is over 1,800, but not more than 2,400, megawatts, \$1,150,000 if capacity is over 1,300, but not more than 1,800, megawatts, \$1,000,000 if capacity is over 800, but not more than 1,300, megawatts, \$800,000 if capacity is over 400, but not more than 800, megawatts, \$700,000 if capacity is over 300, but not more than 400, megawatts, \$500,000 if capacity is over 200, but not more than 300, megawatts, \$300,000 if capacity is over 100, but not more than 200, megawatts, \$150,000 if capacity is over 50, but not more than 100, megawatts, \$50,000 if capacity is over 25, but not more than 50, megawatts, \$25,000 if capacity is over 10, but not more than 25, megawatts, and \$10,000 if capacity is 10 megawatts, or less; (5) specify that if a production plant is located in more than one municipality or county, the capacity associated with that plant shall be attributed to the municipality where the majority of the plant is located; however, provide that the resulting municipal payment be divided between the two municipalities based on the net book value of the plant as of December 31, 2003, or as of the

date the property becomes operational, whichever is later; and finally, specify that only that portion of a municipal payment that is attributable to the plant that is located in two municipalities be divided, if the municipality to which the capacity is attributable contains more than one production plant; (6) specify that the payment division under (5) shall apply to property that is classified as production plant, under the system of accounts established by the PSC, but which is not an electric generating facility if the net book value of the related facility exceeds \$800,000; (7) maintain the current payment structure for substations calculated by multiplying the net book value of the substation by either three or six mills; (8) eliminate aid payments on general structures; (9) retain the per capita payment limits authorized under current law but increase the limits to \$450 for municipalities and \$225 for counties in 2004, to \$650 for municipalities and \$325 for counties in 2005, to \$950 for municipalities and \$475 for counties in 2006 and to \$1,200 for municipalities and \$600 for counties in 2007; (10) retain the distribution for nuclear storage facilities, as authorized under current law; (11) specify that in the case of a facility under construction, the megawatts associated with the facility shall be prorated for inclusion in the municipality's capacity based on the percentage of construction completed on December 31 of the prior year, as determined by DOR; and (12) specify that the combined municipal and county payment cannot be less than the amount that would be paid for the plant in 2004 under the current law distribution formula, provided the plant remains in operation.

c. *Incentive Aid.* Beginning in 2004, extend payments to municipalities and counties where production plants are sited that begin operation on, or after, January 1, 2003, provided the plant meets three conditions: (1) the plant must be built on, or adjacent to, the site of an existing or decommissioned plant or on, or adjacent to, the site of a brownfield, as defined under current law; (2) the plant must be operating at a total production capacity of at least 50 megawatts; and (3) the plant cannot be nuclear-powered. Set payments equal to the following amounts based on the total megawatt capacity of the new plant: (1) if the plant has a capacity over 600 megawatts, \$420,000 each for counties and municipalities; (2) if the plant has a capacity over 400 megawatts, but not more than 600 megawatts, \$300,000 each for counties and municipalities; (3) if the plant has a capacity of more than 200 megawatts, but not more than 400 megawatts, \$180,000 each for counties and municipalities; (4) if the plant has a capacity over 100 megawatts, but not more than 200 megawatts, \$90,000 each for counties and municipalities; and (5) if the plant has a capacity of at least 50 megawatts, but not more than 100 megawatts, \$45,000 each for counties and municipalities. Specify that payments would not be made for construction work-in-progress, as under the current law distribution formula. Double the preceding municipal amounts if the production plant is coal-powered.

d. *Payment Structure.* Retain current law provisions with regard to the statement of estimated payments, dates for making payments and percentages of payments.

6. Create an appropriation from the permanent endowment (tobacco securitization) fund to pay a portion of the November, 2002, distribution under the shared revenue, county mandate relief and small municipalities shared revenue programs, using all available endowment funds, as determined by DOA. Estimate expenditures from this appropriation at \$594,000,000 SEG in 2002-03. Reduce the amounts paid in November, 2002, from the general fund proportionally to reflect the amounts paid from the permanent endowment fund. Establish the percentage of each county's

and municipality's payment in November, 2002, to be made from the permanent endowment fund as follows:

(available endowment funds, as determined by DOA) ÷ \$826,068,930

7. Reduce individual appropriations in 2002-03 as follows to reflect the estimated impact of the use of \$594,000,000 in permanent endowment funds in that year:

Small municipalities shared revenue	-\$6,790,500
Shared revenue account	-574,391,600
County mandate relief	<u>-12,817,900</u>
 TOTAL	 -\$594,000,000

8. Maintain current law regarding Milwaukee County's contribution for child welfare services, which includes a deduction of \$20,101,300 annually from shared revenue payments.

B. County and Municipal Operating Levy Limit. Modify the Governor's recommendation as follows:

1. Change the definition of "inflation" to mean a percentage equal to the average, annual percentage change in the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the U.S. Department of Labor, for the 12 months ending on September 30 of the year of the levy. Modify the date by which DOR would notify political subdivisions from August 15 to November 1. [This is the same measure used for the expenditure restraint program.]

2. Replace the municipal adjustment to the inflation measure based on population with an adjustment set at a percentage equal to 60% of the percentage change in the jurisdiction's equalized value due to new construction, less improvements removed, between the year before the year of the levy and the previous year, but not less than 0% nor greater than 2%. [This is the same measure used for the expenditure restraint program.]

3. Authorize an adjustment to the allowable increase calculated for each county and municipality equal to 50% of the difference between the prior year's allowable and adopted levy.

C. Debt Service Payment from the Permanent Endowment Fund. Delete the Governor's recommendations that would authorize the payment of debt service from the permanent endowment fund, which is estimated at \$200,000,000. Instead, increase the Act 16 transfer from the permanent endowment fund to the general fund in 2001-02 by \$200,000,000, from \$450,000,000 to \$650,000,000.

OK
D. Wisconsin Technical College System. Delete the proposed educational assistance for dislocated workers program and the related funding of \$4,200,000 GPR in 2002-03. Increase funding for WTCS general aid by \$5,328,700 GPR in 2002-03, which would restore the funding reduction proposed by the Governor. Delete the proposed mill rate and levy limit changes in the bill,

but retain the current levy rate limit of 1.5 mills on the levy for all purposes except debt service. Delete the proposed 10% limit on increases in program fees charged students in 2002-03.

E. Wage Claim Liens. Modify the state wage payment and collection law to delete the requirement that a lien of a financial institution that originates before a wage claim lien takes effect takes precedence over the wage claim lien. Require that the change in precedence applies retroactively beginning with wage claim liens filed after February 1, 1998.

F. Earned Income Tax Credit. Utilize TANF funding for the eligible portion of the projected increase in the cost of the EITC in 2002-03 by: (a) providing \$2,960,000 in additional TANF funds in 2002-03; and (b) reducing estimated expenditures from the GPR sum sufficient EITC appropriation by \$2,960,000 in that year. [The TANF funds would be budgeted as FED in DWD and also as PR-S under Shared Revenue and Tax Relief.]

G. Sales Factor of Apportionment Formula. Starting with tax years beginning on or after January 1, 2004, increase the sales factor to represent 55% of the apportionment formula used under the state income and franchise tax to apportion the income of corporations (including insurance companies, financial institutions, and gas, electric and telecommunications utilities), nonresidential individuals, and estate and trusts. Decrease the payroll and property factors to each represent 22.5% of the apportionment formula. [There would be no fiscal effect in the current biennium. However, it is estimated that state income and franchise tax revenues would be reduced by \$4.0 million in 2003-04 and \$8.8 million annually thereafter.]

H. State References to Federal Depreciation Provisions. Delete current law provisions that permit taxpayers to compute amortization or depreciation under the federal Internal Revenue Code in effect for the tax year for which the return is filed and provide that federal amortization and depreciation provisions could be adopted for state tax purposes only after action by the Legislature.

[Change to Bill: \$134,168,700 GPR, \$200,000,000 GPR-REV, -\$200,000,000 GPR-Lapse, \$2,960,000 FED and \$2,960,000 PR]

MO# 344

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

didn't vote

WRAP-UP MOTION AND ADOPTION OF THE SUBSTITUTE AMENDMENT

Motion:

Move to adopt a substitute amendment incorporating all the Committee's changes to Special Session Assembly Bill 1. Direct the Legislative Fiscal Bureau to have the substitute amendment drafted. Provide that the Fiscal Bureau may, in the process of having the substitute amendment drafted, incorporate any necessary corrections in funding, statutory language or cross references required to reconcile the various actions of the Committee and correctly reflect the Committee's intent.

Further, move to recommend the bill for passage as amended.

MO# 339

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
(1) GARD	(Y)	N	A
(2) KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUEBSCH	Y	(N)	A
HUBER	Y	(N)	A
COGGS	Y	(N)	A

AYE 9 NO 7 ABS _____

COURTS, LEGISLATURE, AND OFFICE OF THE GOVERNOR

Budget Reductions

Motion:

Move the following for the Courts, Legislature and Office of the Governor:

Courts

1. Maintain the appropriation levels for the Director of State Courts and Law Library at the levels established in 2001 Act 16 but provide that these appropriations, plus the operational appropriations of the Court of Appeals, Circuit Courts and Supreme Court lapse, in aggregate, to the general fund a total of \$3,742,500 GPR which would in total be equivalent to a 5% reduction in the three courts for 2002-03 and 3.5%/6% across-the-board reductions for the Director of State Courts and Law Library for 2001-03.

Legislature

1. Move to create a biennial appropriation under the Legislature for capitol offices relocation related to the Legislature and legislative agencies and transfer \$2,652,000 GPR to that appropriation from the capitol offices relocation appropriation under miscellaneous appropriations.

2. Maintain the appropriation levels for the Senate and Assembly prior to the 3.5% and 5.0% reductions of the bill but provide that the appropriations for the Senate, Assembly, capitol offices relocation, and the legislative service agencies (Legislative Audit Bureau, Legislative Council, Legislative Fiscal Bureau, Legislative Reference Bureau, Legislative Technology Services Bureau, Retirement Research Committees and the Revisor of Statutes Bureau) at the levels established in 2001 Act 16 but provide that these agencies lapse, in aggregate, to the general fund, the amount specified under the bill (\$4,580,900 GPR) as the 3.5% and 5.0% across-the-board reductions plus an additional 1% in 2002-03 (\$536,000 GPR).

Office of the Governor

Maintain the appropriation levels for the Office of the Governor at the levels established in 2001 Act 16 but provide that the Office lapse, to the general fund, the amount specified under the bill (\$521,700 GPR) as the 5.0% and 10.0% across-the-board reductions.

Note:

This motion would require the Assembly, Senate, a new capitol relocation appropriation, the legislative service agencies, and the retirement committees, as a group, to lapse to the general fund in 2001-03 an amount equivalent to 3.5%/6.0% across-the-board reductions in appropriations. The motion would also require that the Circuit Courts, the Court of Appeals, the Supreme Court, the Director of State Courts and the State Law Library, as a group, lapse to the general fund in 2001-03 an amount equivalent to 3.5%/6% across-the-board reductions for the Director of State Courts and the Library plus a 5% across-the-board reductions in 2002-03 for the three courts. Under this motion, GPR appropriations for these agencies would be increased by a total of \$5,698,800 GPR. However, GPR-lapse amounts would be increased by a total of \$9,381,100. Consequently, the net fiscal effect of this motion would be an increase to the general fund balance of \$3,682,300.

[Change to Bill: \$5,698,800 GPR; \$9,381,100 GPR-Lapse]

MO# 3A

①	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
	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 _____

Lieutenant Governor

(LFB Summary of the Governor's Budget Reform Bill: Page 64)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.3% Budget Reduction (see Paper #1120)