



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #874

Ameritech Settlement (TEACH)

CURRENT LAW

In the fall of 2000, the Public Service Commission (PSC) conducted an investigation of the quality of phone services provided to Wisconsin customers by Ameritech, which is regulated by the PSC. As a result of this investigation, Ameritech was required to: (1) provide a direct credit totaling \$7.8 million to customers who were without service between January 1 and September 30, 2000; (2) create a \$2 million trust fund for relief sought by customers who claimed harm was caused by the loss of telephone services, such as loss of business; and (3) pay \$500,000 to the Technology for Educational Achievement in Wisconsin Board (TEACH).

Current law requires that unless otherwise provided by law, all gifts, grants, bequests and devises to the state or to any state agency for the benefit or advantage of the state must be approved by the Joint Committee on Finance and must be used according to the provisions of the entity making the gift.

GOVERNOR

No provision.

DISCUSSION POINTS

1. The PSC has hired a vendor to process customer claims, based upon criteria established by the Commission. Claims could be filed through April 30, 2001. The vendor may process these claims through May 18, 2001. Any residual amounts remaining in the \$2,000,000 trust account after May 18 will then be awarded to TEACH, as ordered by the PSC. Currently, it is estimated that the payments to customers will total \$500,000, which would leave a balance in the trust account of \$1.5 million. In February 2001, TEACH received the initial payment of \$500,000

as part of the settlement. That payment was deposited in the Board's appropriation for gifts and grants. TEACH has begun working on a proposal for use of the funds, which would be submitted to the Joint Committee on Finance for approval of the acceptance and use of the funds under s. 20.907(1) of the statutes.

2. The TEACH Board is collaborating with the Department of Public Instruction (DPI) on a grant program that would be funded in part with Ameritech settlement funds. The focus of the grant program would be to assist TEACH-eligible public libraries and public schools that do not have sufficient funds to install high-speed Internet access. Thirty-one percent of the eligible public libraries and 6% of public school districts have not applied for telecommunications access services through TEACH. According to DPI officials, many libraries continue to lag behind in DPI's Internet policy plan, adopted in 1994, due to their small size, inadequate funding for technology costs, and lack of physical infrastructure to acquire access service. The new grant program would provide an additional funding source for libraries' technology needs. DPI has agreed to provide an additional \$100,000 for the program from federal Library Services and Technology Act (LSTA) funds, to pay for TEACH data line costs for one year.

3. Public schools and libraries are currently eligible for a variety of programs through the TEACH Board intended to subsidize, as well as fund installation of necessary hardware for, Internet access. Under the TEACH infrastructure financial assistance program, school districts and public libraries may apply for loans and grants to fund the upgrading of electrical wiring in buildings in existence on October 14, 1997, and installation and upgrading of computer network wiring. Schools and libraries are required to pay the debt service on the loans, which represent 50% of the financial assistance, and the state pays the debt service for the grants, which are the other half of the financial assistance. Under current law, \$100 million of general obligation bonding is authorized for school districts and \$10 million is authorized for libraries for infrastructure loans.

4. The Governor's budget includes a provision to decrease the \$10 million of library bonding to \$5 million, and provide \$5 million of bonding for infrastructure financial assistance for communications hardware for libraries. The budget provision would allow public library boards to purchase communications servers, routers, hubs or switches that enable a computer network in a library building to be directly connected to the Internet, but could not be used to purchase personal computers. Public library boards receiving this assistance would also be required to apply for a federal E-rate discount for any hardware purchased with the assistance.

5. Under the technology block grant program, TEACH distributes \$35 million GPR annually to school districts for any purpose related to educational technology. Some possible uses of these grants include network upgrades, infrastructure financial assistance loan payments, computer lab improvements, purchase of hardware or software, consulting or planning services, professional development and telecommunications access assistance. Public libraries and school districts are also currently eligible for the TEACH educational telecommunications access program. This program, funded with universal service fund monies, provides eligible entities subsidized access to new data lines and video links or grants for data lines and video links in existence on October 14, 1997.

6. Arguably, the grant program proposal being developed by the TEACH Board to expend the Ameritech settlement monies shares its goals with those of existing TEACH programs. The Committee could direct the TEACH Board to use these Ameritech settlement funds to offset spending under the GPR technology block grant program, which under the Governor’s budget would remain at its base level of \$35 million GPR annually. A program revenue appropriation could be created for all Ameritech settlement monies, which would be used dollar-for-dollar to offset the GPR block grant program and allow a corresponding lapse to the general fund. By setting up this type of applied receipts appropriation, the full \$35 million of GPR funding would remain available for expenditure in 2001-02, if for some reason the additional \$1.5 million of Ameritech settlement monies expected to be distributed to TEACH were not received by the state. However, it appears that in total \$2.0 million of these monies will be received in 2000-01 and would be available for expenditure as applied receipts in 2001-02, which would result in an estimated reduction of GPR block grant expenditures (lapse) of \$2.0 million.

7. As an alternative to allow the TEACH Board to proceed with its proposed expenditure of \$500,000 of Ameritech settlement monies, subject to Committee approval under current law governing the receipt of such monies, a separate applied receipts appropriation could be created only for monies received in excess of \$500,000. In this case, a program revenue appropriation could be created for all Ameritech settlement monies received by the state in excess of \$500,000, which would be used dollar-for-dollar to offset the GPR block grant program and allow a corresponding lapse to the general fund. As noted above, by setting up this type of applied receipts appropriation, the full \$35 million of GPR funding would remain available for expenditure in 2001-02, if for some reason an additional \$1.5 million of Ameritech settlement monies were not received by the state.

ALTERNATIVES TO BASE

1. Maintain current law, which would allow the TEACH Board to develop a proposal for a grant program to expend the Ameritech settlement funds in 2000-01 and to submit the proposal to the Committee under the receipt and approval provisions of current law outside of the 2001-03 budget process.

2. Provide \$2,000,000 PR in 2001-02 in a new continuing PR appropriation under TEACH designated for the receipt of all Ameritech settlement monies received by the TEACH Board. Specify that all Ameritech settlement monies received in 2000-01 and thereafter from this source would be transferred or deposited to this appropriation. Treat these monies as applied receipts for the TEACH GPR block grant program, so that an estimated GPR lapse of \$2,000,000 would occur in 2001-02.

<u>Alternative 2</u>	<u>PR</u>	<u>GPR-Lapse</u>
2001-03 FUNDING (Change to Base)	\$2,000,000	\$2,000,000
<i>[Change to Bill</i>	<i>\$2,000,000</i>	<i>\$2,000,000</i>

3. Provide \$1,500,000 PR in 2001-02 in a new continuing PR appropriation under TEACH designated for the receipt of all Ameritech settlement monies in excess of \$500,000. Specify that the first \$500,000 received in 2000-01 would be deposited in the TEACH Board's gifts and grants appropriation and that all monies from this source received in 2000-01 and thereafter in excess of \$500,000 would be transferred or deposited in this new appropriation. Treat these monies as applied receipts for the TEACH GPR block grant program, so that an estimated GPR lapse of \$1,500,000 would occur in 2001-02.

<u>Alternative 3</u>	<u>PR</u>	<u>GPR-Lapse</u>
2001-03 FUNDING (Change to Base)	\$1,500,000	\$1,500,000
<i>[Change to Bill</i>	<i>\$1,500,000</i>	<i>\$1,500,000]</i>

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