



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #465

Penalty Surcharge (DOA -- Office of Justice Assistance, Corrections -- Adult Corrections, Justice, Public Defender, and Public Instruction)

[LFB 2005-07 Budget Summary: Page 47, #6; Page 130, #16; Page 323, #11; Page 394, #4; Page 407, #20; and Page 410, #2]

CURRENT LAW

Whenever a court imposes a fine or forfeiture for a violation of state law or municipal or county ordinance (except for violations involving smoking in restricted areas, failing to properly designate smoking or nonsmoking areas, nonmoving traffic violations or violations of safety belt use), the court also imposes a penalty surcharge of 24% of the total fine or forfeiture.

Currently, 48% of all penalty surcharge revenues is credited to the Department of Justice (DOJ) penalty surcharge receipts appropriation and the remaining 52% of all penalty surcharge revenues is credited to the Office of Justice Assistance (OJA) penalty surcharge receipts appropriation. Revenues credited to these appropriations are then transferred to a variety of other appropriation accounts to support specific program activities.

GOVERNOR

Include the following statutory and funding changes to address a projected shortfall in the penalty surcharge receipts appropriations under OJA and DOJ.

Increase the Amount of the Penalty Surcharge. Increase the penalty surcharge from 24% to 25% of the total fine or forfeiture imposed for most violations of state law or municipal or county ordinance. It is estimated that this increase would result in additional penalty surcharge revenues of \$370,900 PR-REV in 2005-06 and \$752,900 PR-REV in 2006-07.

Reallocate Penalty Surcharge Revenues. Provide that 49.5% of penalty surcharge revenues, rather than the current 48%, would be credited to DOJ's penalty surcharge receipts appropriation and the remaining 50.5% of penalty surcharge revenues, rather than the current 52%, would be credited to OJA's penalty surcharge receipts appropriation.

Reduce Penalty Surcharge-Funded Expenditure Authority. Reduce penalty surcharge-funded appropriations by \$699,200 PR in 2005-06 and by \$699,700 PR in 2006-07. This would generally involve reducing these appropriations by 3% annually (after standard budget adjustments).

DISCUSSION POINTS

1. Under Chapter 29, Laws of 1977, the Legislature created a penalty surcharge in the amount of 10% of a fine or forfeiture imposed for the violation of state law, or a municipal or county ordinance (except for nonmoving traffic violations). The penalty surcharge served as the funding source for the law enforcement training fund under DOJ.

2. Over time, both the penalty surcharge percentage and the number of uses of the revenues have increased. Penalty surcharge revenues credited to DOJ are used to: (a) finance training for state and local law enforcement personnel under the law enforcement training fund; (b) support the administration costs of the law enforcement training fund; and (c) provide funding to cover certain supplies and laboratory equipment costs of the state crime laboratories.

3. Under the 1999-01 biennial budget act, a second penalty surcharge receipts appropriation was created under OJA. DOJ had a preexisting penalty surcharge receipts appropriation to receive penalty surcharge revenues deposited to the Department. Penalty surcharge revenues credited to OJA are used for: (a) alcohol and other drug abuse (AODA) programs under the Department of Public Instruction (DPI); (b) the Department of Corrections (DOC) victim services and programs appropriation; (c) correctional officer training under DOC; (d) DOJ's drug enforcement intelligence operations appropriation; (e) DOJ's reimbursement to counties for victim and witness services; (f) matching funds for federal anti-drug programs under OJA; (g) youth diversion programs under OJA; and (h) training and conferences under the State Public Defender (SPD).

4. The following summary shows the increases in the penalty surcharge and the uses of penalty surcharge revenue since the inception of the surcharge in 1977.

**Changes to the Penalty Surcharge and the Distribution of Revenues
(1977-79 through 2003-05)**

<u>Year</u>	<u>Penalty Surcharge (% of Fine or Forfeiture)</u>	<u>Distribution of Revenues/Programs Supported</u>
1977	10%	100% DOJ law enforcement training fund.
1979	12%	83.3% DOJ law enforcement training fund; 16.7% DPI AODA program.
1981	12%	83.3% DOJ law enforcement training fund; DOJ authorized to transfer some of its funding to DHSS for correctional officer training; 16.7% DPI AODA program.
1983	15%	73.3% DOJ law enforcement training fund; 13.3% DHSS for correctional officer training; 13.4% DPI AODA programs.
1987	20%	55% DOJ law enforcement training fund and crime lab equipment; 10% DHSS for correctional officer training; 15% OJA for anti-drug enforcement (state and local) and DHSS for youth diversion; 5% DOJ county-tribal programs; 15% DPI AODA programs.
1993	22%	49.09% DOJ law enforcement training fund and crime lab and identification system equipment; 9.09% DOC correctional officer training; 22.7% OJA anti-drug enforcement and DHSS youth diversion; 4.54% DOJ county-tribal programs; 0.91% SPD conferences and training; 13.67% DPI AODA programs.
1995	23%	49.09% DOJ law enforcement training fund and crime lab equipment; 9.09% DOC correctional officer training; 22.7% OJA anti-drug enforcement and DHSS youth diversion; 4.54% DOJ county-tribal programs; 0.91% SPD conferences and training; 13.67% DPI AODA programs.
1999	23%	49.09% DOJ (law enforcement training fund and crime laboratory equipment and supplies); and 50.91% OJA (various programs as outlined above).
2001	24%	45.83% DOJ (law enforcement training fund and crime laboratory equipment and supplies); and 54.17% OJA (various programs as outlined above).
2003	24%	48% DOJ (law enforcement training fund and crime laboratory equipment and supplies); and 52% OJA (various programs as outlined above).

5. Under AB 100, three steps would be taken to address an anticipated shortfall in penalty surcharge funding. First, penalty surcharge-funded appropriations would generally be reduced by 3% annually (after standard budget adjustments). Second, the penalty surcharge would be increased from 24% to 25% of the total fine or forfeiture imposed for most violations of state law

or municipal or county ordinance. Third, the allocation of penalty surcharge revenues between the DOJ and OJA penalty surcharge receipts appropriations would be changed. Table 1 identifies the reductions to penalty surcharge-funded appropriations under the provisions of the bill.

TABLE 1
Reductions to Penalty Surcharge-Funded Appropriations
(AB 100)

<u>Agency/Appropriation</u>	<u>2005-06</u>	<u>2006-07</u>
Public Instruction		
Alcohol and other drug abuse program	\$200,000	\$200,000
Aid for alcohol and other drug abuse programs	47,000	47,000
Corrections		
Victim services and programs	7,600	7,600
Correctional officer training	70,600	70,900
Justice		
Law enforcement training fund, local assistance	159,600	159,600
Law enforcement training fund, state operations	106,100	106,100
Crime laboratory equipment and supplies	11,300	11,300
Drug enforcement intelligence operations	48,300	48,500
Reimbursement to counties for victim-witness services	23,100	23,100
Justice Assistance		
Law enforcement programs and youth diversion-administration*	0	0
Youth diversion program	21,500	21,500
Anti-drug enforcement program, penalty assessment-local*	0	0
Anti-drug enforcement program, penalty assessment-state*	0	0
Public Defender		
Conference and training	<u>4,100</u>	<u>4,100</u>
Total Reduced Expenditure Authority	\$699,200	\$699,700

*In the past, these funds have been utilized to match federal Byrne funding. Federal funding for federal fiscal year 2005 has been reduced by approximately 52%.

6. Table 2 identifies the amounts provided to the various penalty surcharge-supported appropriations in the current year (2004-05) and in each fiscal year of the next biennium under AB 100. Included in the amounts provided in 2005-06 and 2006-07 are the reductions summarized in Table 1.

TABLE 2

**Appropriations Supported by the Penalty Surcharge
(Current Law and AB 100)**

<u>Agency/Appropriation</u>	<u>Current Law</u> <u>2004-05</u>	<u>AB 100</u>	
		<u>2005-06</u>	<u>2006-07</u>
Public Instruction			
Alcohol and other drug abuse program	\$796,000	\$579,100	\$579,100
Aid for alcohol and other drug abuse programs	1,565,600	1,518,600	1,518,600
Corrections			
Victim services and programs	226,600	243,800	243,800
Correctional officer training	1,815,400	2,324,300	2,332,800
Justice			
Law enforcement training fund, local assistance	5,319,000	5,159,400	5,159,400
Law enforcement training fund, state operations	3,356,800	3,409,900	3,409,900
Crime laboratory equipment and supplies	375,400	364,100	364,100
Drug enforcement intelligence operations	1,496,400	1,561,900	1,567,200
Reimbursement to counties for victim-witness services	769,100	746,000	746,000
Justice Assistance			
Law enforcement programs and youth diversion-administration	161,000	181,500	181,500
Youth diversion program	716,400	694,900	694,900
Anti-drug enforcement program, penalty assessment-local	1,607,600	907,100	907,100
Anti-drug enforcement program, penalty assessment-state	466,800	359,500	359,500
Public Defender			
Conference and training	<u>122,100</u>	<u>133,900</u>	<u>133,900</u>
Total Expenditures	\$18,794,200	\$18,184,000	\$18,197,800

7. Despite the 3% annual reduction (after standard budget adjustments) to most penalty surcharge-funded appropriations during 2005-06 and 2006-07, some appropriations would still receive significant funding increases over the current law levels. Other appropriations, however, would experience significant adjustments in excess of this general reduction of 3%. For example, DPI's alcohol and other drug abuse program appropriation would be reduced by more than 27.2% (as part of a state operations reduction) and two OJA anti-drug enforcement program (Byrne) appropriations would experience 43.6% and 23.0% reductions (as a result of a 52% reduction in the state's federal fiscal year 2005 Byrne grant award).

8. Further, the youth diversion program appropriation provides grant funding totaling \$720,000 PR annually in penalty surcharge funds to five organizations which provide gang diversion services. The statutes specify how much must annually be distributed to these organizations. Because the penalty surcharge-funded youth diversion program appropriation would be reduced under the bill to \$694,900 PR annually, nonstatutory language will be required to direct the administering agency to proportionately reduce the mandated grant award amounts to these

organizations funded from penalty surcharge revenues during the 2005-07 biennium.

Adequacy of Penalty Surcharge Revenues

9. Penalty surcharge funding allocations during the 2005-07 biennium will be significantly affected by penalty surcharge revenue collections during the period. Table 3 shows for the period 1996-97 through 2004-05: (a) annual penalty surcharge collections; (b) the annual percentage growth in penalty surcharge revenues; (c) penalty surcharge revenues collected through the first nine months of each fiscal year; and (d) the percentage of total annual penalty surcharge revenues collected through the first nine months of each fiscal year. During this period there has been one increase in the penalty surcharge. The 2001-03 biennial budget act increased the surcharge from 23% to 24%. Approximately half of the revenue growth during each year of the 2001-03 biennium is likely attributable to this surcharge increase.

TABLE 3
Penalty Surcharge
(1996-97 through 2004-05)

<u>Fiscal Year</u>	<u>12-Months</u>	<u>% Increase</u>	<u>9-Months</u>	<u>9 Months as % of Yearly</u>
1996-97	\$13,446,600		\$10,002,200	74%
1997-98	15,265,500	13.53%	11,364,900	74
1998-99	15,294,500	0.19	11,016,000	72
1999-00	16,497,400	7.86	12,074,000	73
2000-01	16,519,500	0.13	12,371,200	75
2001-02	17,197,500	4.10	12,804,700	74
2002-03	17,932,100	4.27	13,457,000	75
2003-04	17,280,000	-3.64	12,912,400	75
2004-05	18,425,400*	6.63 *	13,819,000 (actual)	--

*Projected.

10. Based on prior penalty surcharge revenue collections trends, the first nine months of actual collections in 2004-05 (\$13,819,000) represent an estimated 75% of total annual collection. Thus, it is estimated that the state will collect \$18,425,400 in penalty surcharge revenues during the current fiscal year, an increase of 6.6% over prior year collections. Under the provisions of AB 100, it was estimated that there would only be \$17,539,200 in penalty surcharge revenues collected during the current fiscal year.

11. Further, based on average revenue growth from 2000-01 through 2003-04, DOA estimated that penalty surcharge revenues would increase by approximately 1.5% annually during the 2005-07 biennium. This revenue growth factor was applied to DOA's 2004-05 estimate of penalty surcharge collections of \$17,539,200 to develop the revenue projections under AB 100.

12. This office has reviewed average penalty surcharge revenue growth from 1997-98 through 2003-04 (discounting the high year and the low year and factoring out revenue growth associated with increasing the penalty surcharge from 23% to 24% during 2001-03). Based on this analysis, it is estimated that penalty surcharge revenues will grow approximately 2.4% annually during the 2005-07 biennium.

13. Applying this 2.4% revenue growth factor to the revised estimate of 2004-05 penalty surcharge collections (\$18,425,400) to project revenue for the upcoming biennium, it is estimated that \$19,272,500 in 2005-06 and \$19,944,600 in 2006-07 would be collected under a 25% penalty surcharge. These estimates compare to the administration's estimates of \$18,173,200 in 2005-06 and \$18,822,200 in 2006-07, representing increases of \$1,099,300 in 2005-06 and \$1,122,400 in 2006-07.

14. However, if the amount of the penalty surcharge is retained at 24%, it is estimated that \$18,688,500 in 2005-06 and \$19,146,900 in 2006-07 would be collected. These estimates compare to the administration's revenue projections under a 24% penalty surcharge of \$17,802,300 in 2005-06 and \$18,069,300 in 2006-07, representing increases of \$886,200 in 2005-06 and \$1,077,600 in 2006-07.

15. Under a 25% penalty surcharge scenario, AB 100 would allocate 49.5% of the penalty surcharge revenues (\$9,539,900 in 2005-06 and \$9,872,600 in 2006-07 under the revised revenue projections) to DOJ's penalty surcharge receipts appropriation and 50.5% of the penalty surcharge revenues (\$9,732,600 in 2005-06 and \$10,072,000 in 2006-07 under the revised revenue projections) to OJA's penalty surcharge receipts appropriation.

16. Tables 4 and 5 summarize the revised fund condition for each of the DOJ and OJA penalty surcharge receipts appropriations. Under AB 100, it is estimated that the penalty surcharge receipts appropriations will end the current biennium without a deficit.

TABLE 4

**Revised DOJ Penalty Surcharge Receipts Appropriation Fund Condition
(25% Penalty Surcharge and 49.5% Allocation)**

	<u>2005-06</u>	<u>2006-07</u>
Revenues		
Opening balance	\$0	\$453,900
Revenues	<u>9,539,900</u>	<u>9,872,600</u>
Total	\$9,539,900	\$10,326,500
Appropriations and Reserves		
Appropriations	\$8,933,400	\$8,933,400
Program reserves	<u>152,600</u>	<u>152,600</u>
Total	\$9,086,000	\$9,086,000
Balance	\$453,900	\$1,240,500

TABLE 5

**Revised OJA Penalty Surcharge Receipts Appropriation Fund Condition
(25% Penalty Surcharge and 50.5% Allocation)**

	<u>2005-06</u>	<u>2006-07</u>
Revenues		
Opening balance	\$0	\$374,300
Revenues	<u>9,732,600</u>	<u>10,072,000</u>
Total	\$9,732,600	\$10,446,300
Appropriations and Reserves		
Appropriations	\$9,250,600	\$9,264,400
Program reserves	<u>107,700</u>	<u>132,900</u>
Total	\$9,358,300	\$9,397,300
Balance	\$374,300	\$1,049,000

17. Under a 25% penalty surcharge scenario, it is estimated that the combined receipts under both appropriations will exceed expenditures by \$828,200 PR in 2005-06 and \$1,461,300 PR in 2006-07.

18. With no penalty surcharge increase from 24% to 25%, it is estimated that revenues of \$9,250,800 in 2005-06 and \$9,477,700 in 2006-07 would be allocated to DOJ's penalty surcharge receipts appropriation and that \$9,437,700 in 2005-06 and \$9,669,200 in 2006-07 would be allocated to OJA's penalty surcharge receipts appropriation.

19. Tables 6 and 7 summarize the revised fund condition for the two penalty surcharge

receipt appropriations, if the surcharge increase is not approved by the Committee.

TABLE 6

**DOJ Penalty Surcharge Receipts Fund Condition if Surcharge is not Increased
(24% Penalty Surcharge and 49.5% Allocation)**

	<u>2005-06</u>	<u>2006-07</u>
Revenues		
Opening balance	\$0	\$164,800
Revenues	<u>9,250,800</u>	<u>9,477,700</u>
Total	\$9,250,800	\$9,642,500
Appropriations and Reserves		
Appropriations	\$8,933,400	\$8,933,400
Program reserves	<u>152,600</u>	<u>152,600</u>
Total	\$9,086,000	\$9,086,000
Balance	\$164,800	\$556,500

TABLE 7

**OJA Penalty Surcharge Receipts Fund Condition if Surcharge is not Increased
(24% Penalty Surcharge and 50.5% Allocation)**

	<u>2005-06</u>	<u>2006-07</u>
Revenues		
Opening balance	\$0	\$79,400
Revenues	<u>9,437,700</u>	<u>9,669,200</u>
Total	\$9,437,700	\$9,748,600
Appropriations and Reserves		
Appropriations	\$9,250,600	\$9,264,400
Program reserves	<u>107,700</u>	<u>132,900</u>
Total	\$9,358,300	\$9,397,300
Balance	\$79,400	\$351,300

20. If the penalty surcharge is maintained at the current law 24%, it is estimated that the combined receipts under both appropriations will exceed expenditures by \$244,200 PR in 2005-06 and \$663,600 PR in 2006-07.

21. It could be argued that the penalty surcharge should not be increased because: (a) all

budgeted expenditures for the surcharge under AB 100 may be funded without the increase; and (b) concerns have periodically been expressed regarding the series of previous surcharge increases from the initial 10% to the current 24%. On the other hand, the increase recommended under the bill would be a relatively modest 4.2%. Further, the additional funds could assist the state in balancing the current budget.

Possible Alternative Uses of Available Penalty Surcharge Balances

22. If the Committee were to increase the penalty surcharge from 24% to 25% of the total fine or forfeiture imposed for most violations of state law or municipal or county ordinance, estimated receipts would exceed expenditures by \$828,200 PR in 2005-06 and \$1,461,300 PR in 2006-07. The Committee could consider applying these balances to: (a) address the handgun hotline deficit that has accrued through 2004-05 (estimated at \$1,055,000); (b) partially converting the TIME System appropriation to penalty surcharge funding; or (c) restoring the reductions made to penalty surcharge-funded appropriations by AB 100.

23. *Handgun Hotline Deficit.* Under current law, DOJ operates both the handgun purchaser record check program and the Transaction Information for the Management of Enforcement (TIME) System. Currently, a firearms dealer in Wisconsin may generally not sell and transfer possession of a handgun until DOJ conducts a background search, which finds that the transfer would not be a violation of state or federal law. The Department's handgun purchaser record check program operates a handgun hotline between the hours of 9:00 a.m. and 9:00 p.m. on weekdays, and between the hours of 9:00 a.m. and 5:00 p.m. on weekends, so as to be available to receive firearms dealer inquiries during regular retail hours.

24. The handgun purchaser record check program has been operating with an increasing deficit. The program was intended to be supported by an \$8 fee assessed on dealers (who may pass the charge on to the purchaser) for each background check. However, since 1991, the program has ended each state fiscal year in deficit and is projected to close the 2004-05 fiscal year with a deficit of \$1,055,000. Under AB 100, the Governor has recommended under DOJ's budget transferring \$647,400 PR in TIME System terminal charge balances paid by local law enforcement agencies for the TIME System to the handgun hotline appropriation account to address a portion of this deficit. As an alternative to addressing this deficit with TIME System fees paid by local law enforcement agencies to support the TIME System, the Committee could consider the use of some of the available penalty surcharge revenues.

25. *TIME System Funding Conversion.* DOJ also operates the TIME System which gives Wisconsin law enforcement agencies access to information on state and national wanted, missing and unidentified persons; national criminal history record information; stolen motor vehicle records; driver and vehicle registration data; and identifiable stolen property listings. Provisions of AB 100 as introduced, would convert \$1,009,900 and 3.0 positions annually from GPR to SEG funding under DOJ's budget to reflect the conversion of the TIME System's funding support to the transportation fund.

26. As an alternative non-GPR funding source that could be utilized instead of

transportation fund revenues, the Committee could consider converting part of the funding support for the TIME System to penalty surcharge funding.

27. Under this alternative, the Committee could: (a) create a TIME System annual appropriation under DOJ funded by penalty surcharge revenues and provide \$828,200 PR in 2005-06, \$1,009,900 PR in 2006-07 and 3.0 PR positions annually to this appropriation; (b) delete \$828,200 SEG in 2005-06 and \$1,009,900 SEG in 2006-07 and 3.0 SEG positions annually from DOJ's SEG TIME System appropriation and delete the SEG TIME System appropriation in 2006-07 to reflect this funding conversion to penalty surcharge revenues; and (c) transfer \$451,400 PR in 2006-07 from DOJ's penalty surcharge receipts appropriation to DOJ's PR handgun purchaser record check appropriation to reduce the projected deficit in this account.

28. The Committee could also: (a) transfer \$414,100 PR in 2005-06 and \$640,900 PR in 2006-07 from DOJ's penalty surcharge receipts appropriation to DOJ's PR handgun purchaser record check appropriation to eliminate the projected deficit in this account; (b) create a TIME System annual appropriation under DOJ funded by penalty surcharge revenues and provide \$414,100 PR in 2005-06, \$820,400 PR in 2006-07 and 3.0 PR positions annually to this appropriation; and (c) delete \$414,100 SEG in 2005-06 and \$820,400 SEG in 2006-07 and 3.0 SEG positions annually from DOJ's SEG TIME System appropriation to reflect this partial funding conversion to penalty surcharge revenues.

29. Further, the Committee could consider providing \$699,200 PR in 2005-06 and \$699,700 PR in 2006-07 to restore the funding reductions applied to penalty surcharge-funded appropriations under AB 100. With the remaining penalty surcharge balances of \$129,000 PR in 2005-06 and \$761,600 PR in 2006-07, the Committee could consider either: (a) partially converting SEG-funding and position authority for the TIME System to the penalty surcharge; or (b) eliminating most of the projected cumulative deficit under the handgun hotline program.

30. Alternatively, if the penalty surcharge is maintained at the current 24%, estimated receipts would exceed expenditures by \$244,200 PR in 2005-06 and \$663,600 PR in 2006-07. The Committee could consider applying these balances either to: (a) partially convert SEG-funding and position authority for the TIME System to the penalty surcharge; or (b) eliminate most of the projected deficit under the handgun hotline program.

Structuring of Penalty Surcharge Receipts Appropriations

31. Since the passage of the 1999-01 biennial budget act, there have been two penalty surcharge receipts appropriations. In managing the changing funding requirements of each of the appropriations supported from each of the two receipts appropriations, both the 2001-03 and 2003-05 biennial budgets have had to adjust the percentage of revenues received by each receipts appropriation. AB 100 would continue this trend by providing that: (a) 49.5% of penalty surcharge revenues, rather than the current 48%, would be credited to DOJ's penalty surcharge, receipts appropriation; and (b) the remaining 50.5% of penalty surcharge revenues, rather than the current 52%, would be credited to OJA's penalty surcharge receipts appropriation.

32. In order to simplify the administration of penalty surcharge revenues, the Committee could consider deleting the penalty surcharge receipts appropriation under OJA. This could also simplify the allocation of available surcharge revenues under the bill. Under AB 100 action, the unallocated penalty surcharge revenues are also credited proportionately to each agency's penalty surcharge receipts appropriation.

ALTERNATIVES

A. Penalty Surcharge Fee Change and Funding Reductions

1. Approve the Governor's recommendations to: (a) increase the penalty surcharge from 24% to 25% of the total fine or forfeiture imposed for most violations of state law or municipal or county ordinance; and (b) reduce penalty surcharge-funded appropriations by \$699,200 PR in 2005-06 and by \$699,700 PR in 2006-07 (reductions of generally 3% annually after standard budget adjustments).

2. Adopt Alternative 1. In addition: (a) create a TIME System annual appropriation under DOJ funded by penalty surcharge revenues and provide \$828,200 PR in 2005-06, \$1,009,900 PR in 2006-07 and 3.0 PR positions annually to this appropriation; (b) delete \$828,200 SEG in 2005-06 and \$1,009,900 SEG in 2006-07 and 3.0 SEG positions annually from DOJ's SEG TIME System appropriation and delete the SEG TIME System appropriation in 2006-07 to reflect this funding conversion to penalty surcharge revenues; and (c) transfer \$451,400 PR in 2006-07 of penalty surcharge balances to DOJ's PR handgun purchaser record check appropriation to reduce the projected deficit in this account. *[Under this alternative, available penalty surcharge funding would be utilized to convert TIME System expenditures from SEG to PR, but this alternative would also provide \$451,400 PR in 2006-07 to reduce the projected deficit accruing through 2004-05 under the handgun hotline program.]*

Alternative 2	SEG	PR	TOTAL
2005-07 FUNDING (Change to Bill)	- \$1,838,100	\$1,838,100	\$0
2006-07 POSITIONS (Change to Bill)	- 3.00	3.00	0.00

3. Adopt Alternative 1. In addition: (a) create a TIME System annual appropriation under DOJ funded by penalty surcharge revenues and provide \$414,100 PR in 2005-06, \$820,400 PR in 2006-07, and 3.0 PR positions annually to this appropriation; (b) delete \$414,100 SEG in 2005-06, \$820,400 SEG in 2006-07, and 3.0 SEG positions annually from DOJ's SEG-funded TIME System appropriation to reflect the transfer of this funding and position authority from SEG to penalty surcharge revenues; and (c) transfer \$414,100 PR in 2005-06 and \$640,900 PR in 2006-07 of penalty surcharge balances to DOJ's PR handgun purchaser record check appropriation to eliminate the projected deficit in this account. *[Under this alternative, the majority of the available penalty surcharge funding would be utilized to convert TIME System expenditures from SEG to PR, but this alternative would also provide sufficient funding to eliminate the projected deficit accruing through 2004-05 under the handgun hotline program.]*

<u>Alternative 3</u>	<u>SEG</u>	<u>PR</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$1,234,500	\$1,234,500	\$0
2006-07 POSITIONS (Change to Bill)	- 3.00	3.00	0.00

4. Modify Alternative 1 by providing \$699,200 PR in 2005-06 and \$699,700 PR in 2006-07 and restoring the funding reductions applied to penalty surcharge-funded appropriations under AB 100. In addition: (a) create a TIME System annual appropriation under DOJ funded by penalty surcharge revenues and provide \$129,000 PR in 2005-06 and \$761,600 PR in 2006-07 and 3.0 PR positions in 2006-07 to this appropriation; and (b) delete \$129,000 SEG in 2005-06, \$761,600 SEG in 2006-07, and 3.0 SEG positions in 2006-07 from DOJ's SEG-funded TIME System appropriation to reflect the transfer of this funding and position authority from SEG to penalty surcharge revenues.

<u>Alternative 4</u>	<u>SEG</u>	<u>PR</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$890,600	\$2,289,500	\$1,398,900
2006-07 POSITIONS (Change to Bill)	- 3.00	3.00	0.00

5. Modify Alternative 1 by providing \$699,200 PR in 2005-06 and \$699,700 PR in 2006-07 and restoring the funding reductions applied to penalty surcharge-funded appropriations under AB 100. In addition, transfer \$129,000 PR in 2005-06 and \$761,600 PR in 2006-07 of penalty surcharge balances to DOJ's PR handgun purchaser record check appropriation to reduce the projected deficit in this account. *[This appropriation is projected to close 2004-05 with a deficit of \$1,055,000. This alternative would provide \$890,600 PR in funding over the biennium to reduce this deficit.]*

<u>Alternative 5</u>	<u>PR</u>
2005-07 FUNDING (Change to Bill)	\$1,398,900

6. Modify Alternative 1 by deleting the increase to the penalty surcharge. In addition: (a) create a TIME System annual appropriation under DOJ funded by penalty surcharge revenues and provide \$244,200 PR in 2005-06, \$663,600 PR in 2006-07, and 3.0 PR positions annually to this appropriation; and (b) delete \$244,200 SEG in 2005-06, \$663,600 SEG in 2006-07, and 3.0 SEG positions annually from DOJ's SEG TIME System appropriation to reflect the transfer of this funding and position authority from SEG to penalty surcharge revenues.

<u>Alternative 6</u>	<u>SEG</u>	<u>PR</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	- \$907,800	\$907,800	\$0
2006-07 POSITIONS (Change to Bill)	- 3.00	3.00	0.00

7. Modify Alternative 1 by deleting the increase to the penalty surcharge. In addition,

transfer \$244,200 PR in 2005-06 and \$663,600 PR in 2006-07 of penalty surcharge balances to DOJ's PR handgun purchaser record check appropriation to reduce the projected deficit in this account. *[This appropriation is projected to close 2004-05 with a deficit of \$1,055,000. This alternative would provide \$907,800 PR in funding over the biennium to reduce this deficit.]*

8. *In addition to any of the above alternatives*, direct the administering agency to reduce the grant awards provided under the youth diversion program appropriation by the percentage reduction applied to the appropriation.

B. Penalty Surcharge Receipts Appropriations

1. Approve the Governor's recommendation to alter the allocation of penalty surcharge revenues between the DOJ and OJA penalty surcharge receipts appropriations.

2. Delete the penalty surcharge receipts appropriation under OJA and provide that all penalty surcharge receipts would be credited to and distributed from the existing DOJ penalty surcharge receipts appropriation.

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