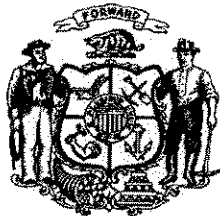


PT22

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

317-E Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

308-E Capitol
P.O. Box 8952
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Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

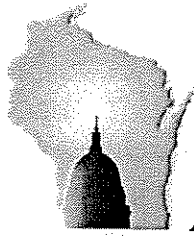
Date: November 26, 2001

Attached is a letter from the Department of Administration, which fulfills the requirements set forth under s. 9101 (26n) of Wisconsin Act 16. It provides information concerning the lapse funding plan for vacant positions in state government.

No formal action is required by the Committee. Please feel free to contact us if you have any questions.

Attachment

BB:JG:dh



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

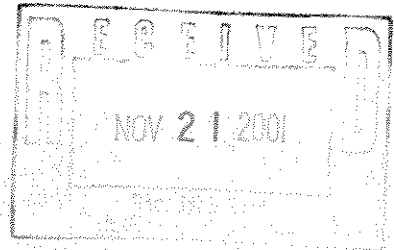
SCOTT McCALLUM
GOVERNOR
GEORGE LIGHTBOURN
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

November 15, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
The Joint Committee on Finance
308 East, State Capitol
Madison, WI 53702




Dear Senator Burke and Representative Gard:

In fulfillment of the requirements set forth under s. 9101(26n), I am notifying the Joint Committee on Finance of the Department of Administration's (DOA) action taken to lapse funding related to vacant positions in state government. This lapse plan totals \$7,948,300 in each fiscal year. The nonstatutory provision gives the DOA secretary the latitude to determine each agency's lapse amount and requires each agency to lapse the amount identified. I have apportioned the reduction on the same basis as the five percent state operations reductions were determined, with certain exclusions.

Agencies were informed of the amounts that they were required to lapse in my September 24, 2001, memorandum relating to the implementation of budget cuts and lapses. The reduction for the vacancy lapse amounts to a 1.47% state operations reduction for most state agencies. Positions in the Division of Care and Treatment Facilities in the Department of Health and Family Services, small agencies and the Circuit Courts have been exempted from this reduction. The lapse amount for each agency is listed in the attachment.

Sincerely,

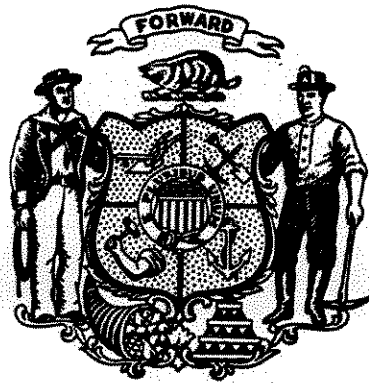

George Lightbourn
Secretary

cc: Bob Lang, Legislative Fiscal Bureau

Additional GPR Lapses (related to vacant positions)

Department	Additional Vac FTE Cut 1.47%
115 Agriculture	297,300
143 Commerce	120,800
215 Arts Board	0
225 Educational Communications Board	83,300
235 Higher Educational Aids Board	0
245 Historical Society	154,300
255 Public Instruction	212,100
275 TEACH Board	0
285 University of Wisconsin System	0
292 Wisconsin Technical College System	50,700
370 Natural Resources	725,900
380 Tourism	175,400
410 Corrections	515,300
425 Employment Relations Commission	40,800
432 Board on Aging	0
434 Adolescent Pregnancy Prev	0
435 Health and Family Services	1,179,000
445 Workforce Development	147,500
455 Justice	519,300
465 Military Affairs	90,200
485 Veteran Affairs	0
505 Administration	211,000
510 Elections Board	0
512 Employment Relations Department	89,500
521 Ethics Board	0
525 Office of the Governor	49,900
540 Office of the Lieutenant Governor	0
547 Personnel Commission	0
550 Public Defender Board	949,800
566 Revenue	1,237,100
585 State Treasurer	0
625 Circuit Courts	0
660 Court of Appeals	92,600
665 Judicial Commission	0
680 Supreme Court	121,400
765 Legislature	885,100
TOTALS	7,948,300

END



END

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

317-E Capitol
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Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

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Phone: 266-2343

JOINT COMMITTEE ON FINANCE

November 28, 2001

Mr. George Lightbourn, Secretary
Department of Administration
101 E. Wilson Street, 10th Floor
Madison, WI 53703

Dear Secretary Lightbourn:

We are writing to inform you that the members of the Joint Committee on Finance have reviewed your recommendations for lapses or transfers from state operations from program and segregated revenue sources, dated November 21, 2001, pursuant to s. 9101(23r) Stats.

A meeting will be scheduled to further discuss these recommendations. Therefore, the recommendations are not approved at this time.

Sincerely,

Handwritten signature of Brian Burke in cursive.

BRIAN BURKE
Senate Chair

Handwritten signature of John Gard in cursive.

JOHN GARD
Assembly Chair

BB:JG:dh

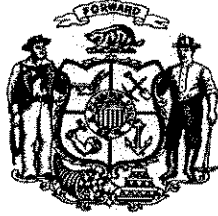
cc: Members, Joint Committee on Finance
Vicky LaBelle, Department of Administration

Approved at 12/18/01 13.10 meeting

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard

Re: 14-Day Passive Review Approval

Date: November 26, 2001

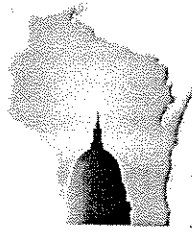
Attached is a copy of a letter from the Department of Administration, received November 21, 2001, which notifies the Committee of the recommendations for lapses or transfers from state operations appropriations from program and segregated revenue sources. The notice fulfills the requirements set forth under s. 9101(23r) of Wisconsin Act 16, which requires 14-day passive review and approval by the Joint Committee on Finance.

Please review the material and notify **Senator Burke** or **Representative Gard** no later than **Monday, December 10, 2001**, if you have any concerns about the recommendations or if you would like the Committee to meet formally to review them.

Also, please contact us if you need further information.

Attachment

BB:JG:dh



WISCONSIN DEPARTMENT OF
ADMINISTRATION

SCOTT McCALLUM
GOVERNOR

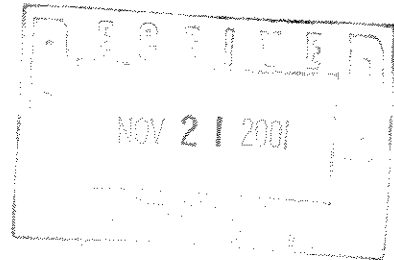
GEORGE LIGHTBOURN
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
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TTY (608) 267-9629

November 21, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
The Joint Committee on Finance
308 East, State Capitol
Madison, WI 53702



Dear Senator Burke and Representative Gard:

In fulfillment of the requirements set forth under s. 9101(23r), I am notifying the Joint Committee on Finance of the Department of Administration's (DOA) fiscal year 2002 recommendations for lapses or transfers from state operations appropriations from program and segregated revenue sources. These lapse plans total \$18,799,985 in fiscal year 2002. The nonstatutory provision gave the DOA secretary the latitude to determine which agencies and appropriations would be affected by the reduction and the flexibility to develop the reduction within certain restrictions.

Agencies were informed of the amounts that they were required to lapse and were asked to propose the specific funds and appropriations from which they wanted the lapse the required cash balances. The agency proposals along with the DOA recommendations are attached. In most cases, I am recommending approval of the agency proposals. In a few cases I am recommending a modification to the plans submitted by the agencies. These exceptions are explained under the respective agency proposals and indicate the DOA recommendation for these agencies.

Under law, if the chairpersons of the Committee have not notified the DOA secretary that a meeting under s. 13.10 has been scheduled to review these determinations within 14 working days, or by December 12, 2001, the recommendations will be approved.

Sincerely,


George Lightbourn
Secretary

cc: Bob Lang, Legislative Fiscal Bureau

Department of Administration

Department's Required Lapse: \$3,934,800 in each year

Department's Proposal: Lapse the following amounts as indicated:

Department of Administration		
Appropriation		
1kj (139)	Financial services	\$200,000
2ki (227)	Risk management administration	200,000
4k (424)	Waste facility siting board; general program operations	100,000
5ka (531)	Facility operations and maintenance; police and protection functions	1,000,000
5kb (532)	Parking	60,000
8j (835)	General program operations; raffles and crane games	125,000
		<u>\$1,685,000</u>
Department of Electronic Government		
Appropriation		
1g (131)		\$1,000,000
1ke (137)	Telecommunications services; state agencies; veterans services	1,250,000
		<u>\$2,250,000</u>
		\$3,935,000

Analysis

The department has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses can be implemented without having to increase user fees.

None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Agriculture, Trade and Consumer Protection

Department's Required Lapse: \$195,200 in each year

Department's Proposal: Lapse the following amounts as indicated:

Appropriation	
1gb (129) Food regulation	\$118,100
1hm (128) Ozone-depleting refrigerants and products regulation	31,600
7ja (725) Plant protection	34,700
8ha (836) General laboratory related services	<u>10,800</u>
	\$195,200

Analysis

The department has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses can be implemented without having to increase user fees. None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Child Abuse Neglect Prevention Board

Department's Required Lapse: \$16,000 in each year

Department's Proposal: Lapse the following amount as indicated:

Appropriation	
1g (180) General program operations	\$16,000

Analysis

The department has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses can be implemented without having to increase user fees.

None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Commerce

Department's Required Lapse: \$1,344,300 in each year

Department's Proposal: Lapse the following amounts in FY02 as indicated:

Appropriation		
3j	(321) Safety and buildings operations	\$439,300
3ga	(323) Auxiliary services	50,000
3r	(361) Safety and buildings operations; petroleum inspection fund	665,000
3w	(363) Petroleum storage environmental remedial action; administration	90,000
4k	(421) Sale of materials or services	100,000
		<u>\$1,344,300</u>

Analysis

Lapses for FY02 only have been provided. The department plans to monitor changes in the economy and the effects of this year's lapses before making decisions for FY03.

The department has identified the correct total amount from state operations PR-O and SEG appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The proposed lapses will not interfere with the department's ability to maintain a basic level of program services. To the extent possible, the department has allocated the lapses to minimize the impact on program operations and the burden on individual programs.

Recommendation

Approve the request.

Department of Financial Institutions

Department's Required Lapse: \$759,100 in each year

Department's Proposal: Lapse the following amount as indicated:

Appropriation	
1g (131) General program operations	\$759,100

Analysis

The department has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The department believes that this lapse can be implemented without having to increase user fees, but will closely monitor its revenue situation. If fee increases are needed, the department will move to adjust fees to ensure collection of the lapse amount.

This lapse will not prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Wisconsin Historical Society

Department's Required Lapse: \$174,200 in each year

Department's Proposal: Lapse the following amounts as indicated:

Appropriation	
1g (131) Admissions, sales and other receipts	\$124,200
1q (161) Endowment principal	<u>50,000</u>
	\$174,200

Analysis

The department has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The goal of the Society is to implement the lapse without having to increase user fees, such as admission fees to historic sites, but if a fee increase is necessary, the department has authority to set this fee administratively. The Society's proposed lapse of endowment income, however, would use funds given to the Society in the form of gifts and grants. Since 2001 Wisconsin Act 16 prohibits an agency from using gifts and grants to meet its lapse target, the Society's request to use endowment income for is not allowable under state law.

Recommendation

Modify the request. Require the Society to take the full \$174,200 lapse from the appropriation under s. 20.245(1)(g).

Department of Health and Family Services

Department's Required Lapse: \$475,285

Department's Proposal: Lapse the following amounts as indicated in FY02 and submit a separate plan for lapses in FY03:

Appropriation	
6jm (624) Licensing and support services	\$152,976
6jb (631) Fees for administrative services	127,309
4gm (635) Health services regulation and vital statistics	<u>195,000</u>
	\$475,285

Analysis

The department has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses can be implemented without having to increase user fees.

None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Office of the Commissioner of Insurance

Office's Required Lapse: \$653,500 in each year

Commissioner's Proposal: Lapse the following amount as indicated:

Appropriation	
1g (131) General program operations	\$653,500

Analysis

The instructions from the Department of Administration (DOA) to agencies regarding the 5% PR and SEG lapses identified lapses in the following appropriations:

- 1g, the PR general program operations appropriation;
- 2u, the SEG administrative appropriation for the patients compensation fund;
- 3u, the SEG administrative appropriation for the local government property insurance fund; and
- 4u, the SEG administrative appropriation for the state life insurance fund.

The agency has requested that rather than take reductions in these four appropriations, the entire reduction be taken from its PR general program operations appropriation. DOA permitted agencies the flexibility to suggest alternative reduction proposals.

The agency has identified the correct total amount from its state operations PR-O appropriation that meets the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The source of revenue for this appropriation is fees charged for a variety of activities, such as issuing agent licenses, and assessments on insurance companies for conducting financial examinations. OCI staff indicate that the assessments will increase to reflect increases in the cost of the services provided. However, they note that they would have implemented the increase regardless of whether this lapse was taken.

None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Justice

Department's Required Lapse: \$132,300 in each year

Department's Proposal: Lapse the following amount as indicated:

Appropriation	
2ja (232) Law enforcement training fund, state operations	\$132,300

Analysis

The department has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses can be implemented without having to increase user fees and the proposed lapse will not prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Natural Resources

Department's Required Lapse: \$659,600 in each year

Department's Proposal: Lapse the following amounts as indicated:

Appropriation

2dv (272)	Solid waste management – environmental repair; spills; abandoned containers	\$218,600
3mq (371)	General program operations – environmental fund	56,900
4mq (461)	General program operations – environmental fund	122,200
4mt (474)	General program operations – environmental improvement programs; state funds	25,700
8iw (867)	Statewide recycling administration	4,200
8mq (884)	General program operations – mobile sources	2,500
8mr (869)	General program operations – environmental improvement fund	1,200
8mv (863)	General program operations – environmental fund	190,700
9mv (963)	General program operations – environmental fund	30,300
9mw(978)	Aids administration – snowmobile recreation	7,300
		<u>\$659,600</u>

Analysis

The department has identified the correct total amount from state operations SEG appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses and reductions will come from FY02 and FY03 warden mileage spending and other support for warden station budgets, supplies and services spending across the divisions, support for DNR regional offices, travel, training and delays in computer purchases. In addition, land use services to regional planning commissions will be reduced, and the DNR Digest will be eliminated. Brownfield site cleanup will be eliminated or reductions will occur in investigation and response of contaminated sites. One position in the Bureau of Communication and Education, one position on the Water Integration Team, and positions in watershed management and drinking and groundwater management will be held vacant in FY02.

None of the proposed lapses will prevent the agency from accomplishing its program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Public Instruction

Department's Required Lapse: \$135,500 in each year

Department's Proposal: Lapse the following amounts as indicated:

Appropriation	
1hg (122) Personnel certification, teacher supply, information and analysis and teacher improvement	\$67,800
1kd (133) Alcohol and other drug abuse program	<u>67,700</u>
	\$135,500

Analysis

The department has identified the correct total amount from state operations PR appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Public Service Commission

Department's Required Lapse: \$666,300 in each year

Department's Proposal: Lapse the following amounts as indicated:

Appropriation		
1g	(131) Utility regulation	\$416,300
1q	(189) Universal telecommunications service	200,000
2g	(231) Railroad regulation and general program operations	<u>50,000</u>
		\$666,300

Analysis

The commission has identified the correct total amount from state operations PR-O appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The appropriations are funded by direct industry assessments. Increases in these direct assessments should not be required.

None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Regulation and Licensing

Department's Required Lapse: \$497,800 in each year

Department's Proposal: Lapse the following amount as indicated:

Appropriation	
1g (121) General program operations	\$497,800

Analysis

The department has identified the correct total amount from a PR-O appropriation, which meets the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses can be implemented without having to increase user fees.

None of the proposed lapses will prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Revenue

Department's Required Lapse: \$1,081,800 in each year

Department's Proposal: Lapse the following amount as indicated:

Appropriation	
8q (860) General program operations	\$1,081,800

Analysis

The indicated lapse meets the criteria specified under s. 9101(23r). This lapse will not affect the amount of the lottery and gaming credit under s. 79.10 (5). Also, this lapse can be accomplished without creating a cash deficit as described under s. 16.513.

The proposed lapses will not prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Wisconsin State Fair Park Board

Department's Required Lapse: \$638,600 in each year

Board's Proposal: Lapse the following amount as indicated:

Appropriation	
1h (132) State fair operations	\$638,600

Analysis

The department has identified the correct total amount from state operations PR appropriations that meet the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapses and reductions will come from the elimination of 1.0 FTE position in the area of space sales, delays in hiring summer LTE staff by two weeks, and the implementation of a pre-authorization requirement for overtime for all staff. In addition, reductions will be made in the area of ground operations by limiting equipment rentals, repairs and maintenance supplies, as well as in the use of professional services (e.g., event talent, agricultural event judges, etc.), Wisconsin State Fair entertainment costs and office supplies (e.g., telephones, equipment purchases and rentals, supplies, etc.).

None of the proposed lapses will prevent the agency from accomplishing its program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

Department of Transportation

Department's Required Lapse: \$7,211,700 in each year

Department's Proposal: Lapse the following amounts for FY02 as indicated:

Appropriation		
3iq (369)	Administration and planning, state funds	\$519,500
4aq (461)	Departmental management and operations, state funds	3,877,600
5cq (563)	Vehicle registration, inspection and maintenance, driver licensing and aircraft registration, state funds	<u>2,814,600</u>
		\$7,211,700

Analysis

The department has identified the correct total amount for state operations SEG appropriations that meet the criteria specified under s. 9101(23r). The department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513. The lapses can be implemented without having to increase user fees.

The department's plan addresses only the FY02 lapse. A plan for the FY03 lapse will be submitted at a later date to allow the department to more thoroughly review its operations and make determinations regarding more permanent changes.

A portion of the proposed lapse would relate to a reduction in the number of customer service locations and elimination of LTE staff and interns in most divisions. These proposed reductions would result in increased wait and travel times for customers. Closing customer service locations and eliminating LTE staff which serve customers would prevent the agency from accomplishing its program responsibilities. The department should carefully review its LTE reductions to ensure that wait times and timeliness of responses to customers are not adversely impacted.

Recommendation

Approve the request.

Department of Veterans Affairs

Department's Required Lapse: \$223,800 in each year

Department's Proposal: Lapse the following amount as indicated:

Appropriation	
3q (361) Foreclosure loss payments	\$223,800

Analysis

The department has identified the correct total amount from a SEG state operations appropriation (Foreclosure Loss Payments) which meets the criteria specified under s. 9101(23r). In addition, the department has certified that the lapses can be accomplished without creating a cash deficit as described under s. 16.513.

The lapse can be implemented without jeopardizing the minimum cash balance required for this appropriation.

The proposed lapse will not prevent the agency from accomplishing agency program responsibilities or carrying out budget intent.

Recommendation

Approve the request.

ADMINISTRATION

Agenda Item II

Motion:

Move the following alternatives under the Fiscal Bureau's paper for the following agencies:

<u>Agency</u>	<u>Alternative</u>
Administration	1
Agriculture, Trade and Consumer Protection	1
Child Abuse and Neglect Prevention board	1
Commerce	1
Electronic Government	1
Financial Institutions	2
Health and Family Services	1
Historical Society	1
Insurance	1
Justice	2
Natural Resources	2i
Public Service Commission	1
Regulation and Licensing	1
State Fair Park	1
Veterans Affairs	1

Further, deny the request to transfer \$1,081,800 SEG in 2001-02 from the Department of Revenue's (DOR) general program operations appropriation for the state lottery to the general fund. Direct DOA to submit an alternative plan, subject to a Joint Committee on Finance 14-day passive review process. Require that the alternative plan would not include any transfer from the lottery fund to the general fund.

In addition, to provide that no state agency which receives approval for any program revenue or segregated revenue lapses or transfers to the general fund under this item (Agenda Item II) may increase any fees, chargebacks or assessments for any appropriation associated with those lapses or transfers without first receiving the approval of the Joint Committee on Finance under a 14-day passive review process.

Motion #1901

Representative Gard
Senator Burke

TRANSPORTATION

Exclude Transportation Project Delivery Functions from 2002-03 Reduction

Motion:

Move to prohibit DOA, in submitting its plan for lapsing \$18,800,000 from the 2002-03 appropriations for SEG and PR agencies, from including expenditure reductions in DOT appropriations related to the planning, design or construction oversight of transportation construction projects. Specify that the 2002-03 plan submitted by DOA may not include the transfer of more than \$6,190,900 from DOT.

and Alternative

*A 1 &
B 2*

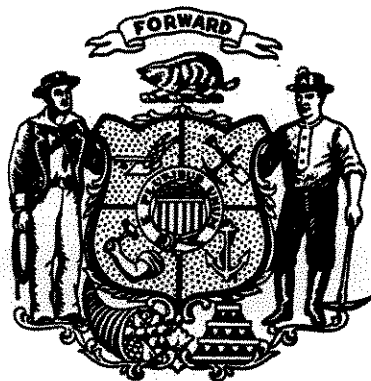
under DOT

MO# B/0

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
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MOORE	<input checked="" type="radio"/>	N	A
<i>Baum</i> SHIBLSKI	<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
<i>Fitz</i> ROSENZWEIG	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS _____

END



END

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

317-E Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



ASSEMBLY CHAIR
JOHN GARD

308-E Capitol
P.O. Box 8952
Madison, WI 53708-8952
Phone: 266-2343

JOINT COMMITTEE ON FINANCE

November 28, 2001

Mr. George Lightbourn, Secretary
Department of Administration
101 E. Wilson Street, 10th Floor
Madison, WI 53703

Dear Secretary Lightbourn:

We are writing to inform you that the members of the Joint Committee on Finance have reviewed your request, dated November 16, 2001, pursuant to s. 16.515 Stats., pertaining to the Department of Financial Institutions.

A meeting will be scheduled to further discuss this request. Therefore, the request is not approved at this time.

Sincerely,

Handwritten signature of Brian Burke in cursive.

BRIAN BURKE
Senate Chair

Handwritten signature of John Gard in cursive.

JOHN GARD
Assembly Chair

BB:JG:dh

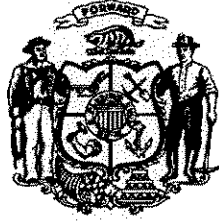
cc: Members, Joint Committee on Finance
Secretary John F. Kundert, Department of Financial Institutions
Vicky LaBelle, Department of Administration

Approved at 12/18/01 13.10 meeting

THE STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

317-E Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-8535



ASSEMBLY CHAIR
JOHN GARD

308-E Capitol
P.O. Box 8952
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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Brian Burke
Representative John Gard
Co-Chairs, Joint Committee on Finance

Date: November 16, 2001

Re: s. 16.515/16.505(2), Stats. Request

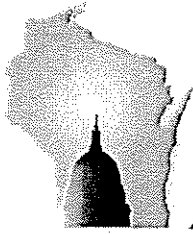
Attached is a copy of a request from the Department of Administration, received on June 19, 2001, pursuant to s. 16.515/16.505(2), Stats., pertaining to a request from the Department of Financial Institutions.

Please review the material and notify **Senator Burke** or **Representative Gard**, no later than **Tuesday, December 4, 2001**, if you have any concerns about the request or if you would like to meet formally to consider it.

Also, please contact us if you need further information.

Attachment

BB/JG/js



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT McCALLUM
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: November 16, 2001

To: The Honorable Brian Burke, Co-Chair
Joint Committee on Finance

The Honorable John Gard, Co-Chair
Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration *George Lightbourn*

Subject: S. 16.515/16.505(2) Request(s)

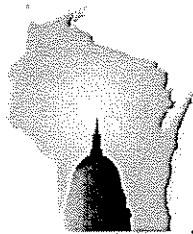
Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2001-2002</u>		<u>2002-03</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DFI 20.144(1)(g)	General program operations	\$ 1,191,200		\$ 89,000	

As provided in s. 16.515, the request(s) will be approved on December 10, 2001, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Vicky LaBelle at 266-1072, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT McCALLUM
GOVERNOR

GEORGE LIGHTBOURN
SECRETARY

Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

Date: November 14, 2001

To: George Lightbourn, Secretary
Department of Administration

From: Jeffrey A. Geisler 

Subject: Request Under s. 16.515 from the Department of Financial Institutions for Funding to Address Unanticipated Workload Increases in Completing Uniform Commercial Code Filings

REQUEST:

The Department of Financial Institutions (DFI) requests \$1,191,200 PR in fiscal year 2001-02 and \$89,000 in on-going spending authority to significantly revise the Uniform Commercial Code (UCC) lien filing system.

REVENUE SOURCES FOR APPROPRIATION:

DFI requests increased expenditure authority in appropriation 20.144(1)(g) - General Program Operations - to implement the project. The source of revenue for this appropriation is deposits from the county register of deeds offices and from state UCC filings.

It should be noted that the unexpended revenue in this appropriation becomes GPR-Earned at the end of each fiscal year.

BACKGROUND:

Wisconsin Statutes have long required DFI to maintain a statewide database of all UCC lien filings, whether filed in the state UCC office or filed in one of the 72 Register of Deeds offices. The UCC lien filing system contains filings of financing statements submitted by banks, credit unions, small businesses, service companies, and other lending institutions to perfect their interest in secured transactions.

2001 Act 10 streamlined and modernized the statutory framework for establishing, perfecting and prioritizing liens on property. One of the Act 10 changes required a simplified, unified and centralized system of filing these financing statements. This system was to replace the original filing system that allowed certain local filings. Prior

to Act 10 the DFI and the various counties' Register of Deeds offices cooperatively provided a central index system.

Act 10 provided \$442,600 PR to DFI to implement the filing system changes mandated by the Act. This amount was in addition to the \$60,000 PR already in the DFI unallotted reserve for UCC system changes.

Originally, DFI planned that this centralized filing system would permit counties to shift a significant portion their filing workload to DFI. Prior to Act 10, DFI processed approximately 50% of all filings and requests for certified searches. DFI projected that Act 10 would shift approximately 50% of the counties' UCC workload to DFI.

The effects of Act 10 on the UCC workload exceeded DFI's expectations. Instead of a 50% increase, the department has seen a 100% increase in filings. Further, the DFI hoped that its new electronic filing system would shift filings from a paper to an electronic format. This has not happened. Customers continue to prefer paper filings. DFI has had to manually process these filings at a cost of 712 overtime hours in July and August 2001. The current time to process a filing is 7 weeks. This delay affects the ability of businesses and individuals to obtain financing.

ANALYSIS:

DFI requests the following increased program revenue funding.

	FY02	Ongoing
IT Hardware	\$246,700	
Contract Development Staff	882,100	
Ongoing Support		\$89,200
Overtime for Processing of Backlog	62,400	
Total	\$1,191,200	\$89,200

UCC filing revenues will be sufficient to support this increased funding level. DFI estimates that the UCC filings and ancillary revenue will generate \$3.4 million in revenue in FY02 compared to only \$1.3 million in FY01 revenue.

The \$62,400 PR requested for overtime processing of the backlog and to address the unforeseen volume of paper filings appears reasonable under current conditions. The department's unallotted reserve includes \$86,400 PR in contingency funding for various UCC costs (mainly for training county register of deeds staff in using the pre-Act 10 UCC system) that may no longer occur. This funding was not spent in FY01 and could be used to fund these emergency overtime costs to the extent that actual cost data becomes available.

The IT hardware and development costs were reviewed by the Department of Electronic Government (DEG) and this analysis is attached.

The DEG recommends approving the entire DFI IT request subject to the following conditions:

- DEG will manage the project.
- DEG will work with DFI to reduce project costs.
- Any IT work will take full advantage of existing systems or, if new systems are needed, develop new systems that will have an enterprise utility.
- DEG will regularly report to the DOA State Budget Office on the progress and actual costs of the project.

Given these conditions and the authority DEG has to manage the project under Chapter 22, Wis. Stats., it is reasonable to approve the request and allow DEG to oversee the project.

RECOMMENDATION:

Approve the use of up to \$62,400 PR in current DFI unallotted reserve funding for the UCC overtime costs. Approve the \$1,128,800 PR in IT related funding.

CC JG
JK

SCOTT McCALLUM
GOVERNOR

REBECCA HEIDEPRIEM
SECRETARY



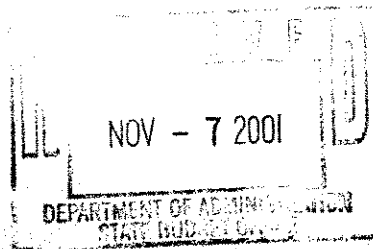
DEPARTMENT OF ELECTRONIC
GOVERNMENT

Email: rebecca.heidepriem@doa.state.wi.us
Phone (608) 264-9502

www.wisconsin.gov

November 5, 2001

George Lightbourn
Secretary
Department of Administration
101 East Wilson Street
Madison, Wi 53707



Dear Secretary Lightbourn:

Our department has reviewed the s.16.515 request submitted to the State Budget Office by the Department of Financial Institutions. The request seeks additional expenditure authority for DFI to clear up a backlog of Uniform Commercial Code filings and improve their on-line UCC filing system to increase customer acceptance and use of the system. This letter provides our recommendation on the request.

After reviewing the request and meeting with DFI management and staff, I recommend that DOA quickly seek Joint Committee on Finance approval of the request. Naturally, our review was confined to the portion of the request looking to enhance the current automated filing system. The additional funding requested for manual efforts to reduce the existing backlog did not fall under our authority.

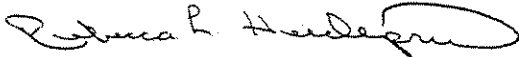
In making the recommendation to approve the IT portion of the request, I must also must also make the following stipulations:

- DEG is responsible for the project. We will assign a project manager from DEG to work with DFI on the project.
- DEG will work with DFI to explore avenues to reduce costs, specifically in the use of directory services for authentication currently provided by DEG.
- DEG will work with DFI and other interested agencies to first ascertain if an Internet interface to the Automated Clearing House already exists and if so, its possible use in the UCC application. If not, the ACH work done for the DFI application will be tailored to meet the needs of other agencies for future applications to eliminate duplication of effort.

- DEG will continue to work with DFI to improve the Return on Investment analysis provided by the DFI to us. That effort will include post-production reports to the State Budget Office on the actual return on investment.
- During the project, we will report to the State Budget Office progress and use of budget to date. Upon completion of the project, we will issue a report indicating actual cost of the system. We anticipate it will be less than projected in the request, in which case the State Budget Office would work with your staff on final disposition.

This project is an excellent opportunity for our department to show the value of our creation to state agencies, DOA and the Legislature. I appreciate your providing us the opportunity to review the DFI proposal. If your staff has any questions regarding our recommendations or our work with DFI, they should contact Bruce Reines in the Bureau of Technology of Policy and Planning.

Sincerely,



Rebecca L. Heidepriem
Secretary

Cc: ~~David Schmiedicke, State Budget Office~~
John Kundert, Secretary, DFI
Terry Grosenheider, Deputy Secretary, DFI

CC JG
JK



State of Wisconsin
Department of Financial Institutions

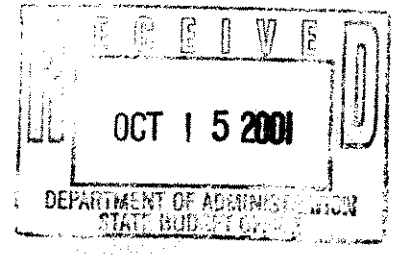
Scott McCallum, Governor

John F. Kundert, Secretary

DATE: October 15, 2001

TO: David P. Schmiedicke
State Budget Director

FROM: John F. Kundert
Secretary



SUBJECT: Request to increase program revenue appropriation authority under s. 16.515

The attached documents present the Department of Financial Institutions' request to increase program revenue funding under s. 16.515 funding. The change in program revenue funding is necessitated by a critical need to develop and deploy additional functionality to enhance the WEB based system for completing UCC filings.

The addition of new functionality is critical because of the need for the current WEB application to attract larger numbers of UCC filings to balance agency staffing and current workloads. The UCC filings being submitted to the Department have dramatically increased because of the reduced role of the counties. Work that was previously performed at the county level has now shifted to the Department and is creating a significant backlog of filings. The backlog is now impacting the ability of businesses and individuals to obtain needed financing.

The request prepared by the Department will resolve the current emergency and will complete a platform that will allow the Department to substitute WEB based functionality for current staff overtime and LTE hours.

I appreciate your review of our request and will be happy to respond to any questions that you might have.

Office of the Secretary

Mail: PO Box 8861 Madison, WI 53708-8861

Courier: 345 W. Washington Ave. 5th Floor Madison, WI 53703

Phone: (608) 261-7900

Fax: (608) 261-4051

TTY: (608) 266-8818

Internet: www.wdfi.org

Request

Under the provisions of s. 16.515, the Department of Financial Institutions (DFI) requests an increase in funding in appropriation 20.144(1)(g). This funding is needed to enable the Department to implement additional functionality for the revised Uniform Commercial Code (UCC) filing process.

Background

Major revisions to the Uniform Commercial Code took place in the last legislative session (Act 10). Although passage of the legislation was significantly delayed, an implementation date of July 1, 2001 was required nation wide. The Department was provided \$442,600 in additional funding for the current fiscal year to develop and deploy the new system. The funding provided was less than the fiscal estimate associated with the new legislation.

The revised UCC legislation sets specific performance standards for the state and mandates it to use standard forms and processes. In order for the Department to meet the workloads and time constraints imposed by the revised UCC process, **the majority of UCC filings must be processed by the Department's WEB application.** Paper filings must be a small part of the total number of UCC transactions if the agency is to handle the workload with existing staff and within the requirements of the statute.

Unforeseen Emergency

The Department currently is offering customers the ability to do WEB based filings (using a credit card for payment) and paper-filings using checks or credit payments. Although general improvements are still needed and being made, a major issue has emerged that will require immediate development efforts. The immediate addition of new functionality is critical because of the need for the WEB application to attract the number of filings necessary to balance agency staffing and workloads. A price differential was instituted to draw filings to the WEB application. The price differential, however, has not accomplished the required shift in workload or compensated for the reduced role of the counties in UCC filings. The factors impacting user shifts to the Internet application are:

- Reluctance to use credit cards as a method of payment
- Difficulty in using credit cards when customers have multiple submitter locations
- A need for the WEB application to provide for all UCC transactions
- Degree of comfort with the Internet as a means of transacting business
- Short time frame prior to implementation to build understanding and acceptance of the WEB filing system

Because of the shift of county workloads to the state level (filings at the state level have doubled) and the continuing customer preference for paper filings, the Department must take emergency steps. This is critical because there is currently a 7-week backlog of

filings waiting processing. This is true even though staff disposed of 13,717 filings in July and 10,825 in August at a cost of 712 overtime hours. Even with this level of effort, a filing received today will not be processed for 7 weeks. **The delay is impacting the ability of businesses, farmers and individuals to obtain financing, an impact that can not be allowed to continue given the current economy.**

To resolve the current emergency and prevent a reoccurrence, the following actions must be taken:

- An ACH payment process must be implemented for large volume filers to address their concerns regarding the use of credit cards.
- A single customer sign on must be implemented to respond to lenders with multiple user locations.
- A bulk filing process (XML) must be developed.
- Accounting controls must be created that will mesh with ACH, XML and state accounting processes.
- Improvements in functionality must be continued to make both Internet and paper processing faster.
- Additional parts of the UCC lien process must be automated to direct more work to the WEB.
- Overtime for staff must be continued (until completion of additional WEB functionality).

Revenue Source for Appropriation

UCC revenue is adequate to support the additional funding request. Current year to year comparisons provide the following:

UCC Revenue Deposited in WiSMART FY's 2001 & 2002								
	FY 2001				FY 2002			
	July	August	Sept.	Total	July	August	Sept.	Total
Paper Filings & Searches	13,259	117,730	63,471	194,459	151,727	259,735	212,200	623,662
Electronic Filings				0	0	8,600	17,130	25,730
\$3 Lien System Charge	46,160	19,671	39,657	105,488	23,283	2,028	0	25,311
	59,419	137,401	103,128	299,947	175,010	270,363	229,330	674,703

Projected UCC Revenue SFY 2002	Totals
Paper filings & Searches	2,760,700
Electronic Filings	464,000
\$3 Lien System Charges	25,300
On-Line Searches	135,000
Total for Fiscal Year	3,385,000

Project Costs

Since initial proposal of the revised UCC legislation, there has been a series of cost estimates on the UCC development effort, all of these were done in the absence of real development experience, however. Since early summer, actual development work has been underway and allowed for a better measurement of system scope and additional functional needs. Based upon the work that has been completed, we have the following cost estimate:

Equipment	\$246,700	
Single sign on	\$136,800	
Accounting	\$200,400	
ACH	\$106,800	
XML	\$ 54,800	
Features	\$297,360	(searches, multiple continuations, fixes, etc.)
Amendments	\$ 85,920	
Total Development	\$1,128,780	

UCC Overtime	\$ 62,400
Total Effort	\$1,191,180

On-going costs \$ 89,200 (based upon 7.9% historic rate for license costs, hardware repairs, technical consulting, etc.)

The Project Costs identified are based upon the following Information Technology cost detail.

Project Cost Estimate for UCC						
Equipment and Software						
NDS Server						\$15,000
NDS Software						\$5,000
This equipment will provide a directory service compatible with the DOA standard and capable of supporting the Ichains single signon software						
Ichains Server						\$25,000
Ichains Software						\$50,000
Ichains Consulting						\$48,000
This equipment and software will provide the ability to give users a single signon and includes the ability to remotely administer multiple logins for a single account via internet and to enroll via internet						
SQL Server						\$15,000
SQL Software						\$50,000

SQL Server is the database software that will hold sensitive account information for the applications. We need a separate hardware server for the account information to provide physical security for the data.						
Tape backup for SQL Servers						\$15,000
Software and tapes						\$2,000
Permits separate backup sequence for secure account information. Retrieval and storage will be isolated from other systems.						
UPS and electrical work for servers						\$2,700
Consulting for network routing and configuration						\$12,000
1 Gigabit switch						\$3,000
1 Gigabit cards for servers						\$4,000
Improves network speed and reliability to cope with increased demand for network services from this project						
Subtotal Hardware and Equipment						\$246,700
Application Development						
Single signon for TruNet						
Integrate ichains functionality for single signon features.						
			Rate	%time	Months	
	Project Lead		100	0.4	6	\$38,400
	Web Developer		60	0.5	6	\$28,800
	DBA		85	0.5	6	\$40,800
	Tester/Post Deployment Support		60	0.5	6	\$28,800
UCC Accounting						
Develop accounting module to integrate with the agency receipting system (IRS)						
			Rate	%time	Months	
	Project Lead		100	0.75	3	\$36,000
	Web Developer		60	3	3	\$86,400
	DBA		85	0.5	3	\$20,400
	Tester/Post Deployment Support		60	2	3	\$57,600
ACH (depends on single signon project)						
Develop and integrate a secure SQL database solution for using Automated Clearing House (ACH) payments in conjunction with ichains						
			Rate	%time	Months	
	Project Lead		100	0.75	4	\$48,000
	Web Developer		60	1	3	\$28,800

	DBA			85	0.5	3	\$20,400
	Tester/Post Deployment Support			60	0.5	2	\$9,600
XML Bulk Filing							
Develop software and specifications to allow bulk transfer of UCC filing data direct from customers							
				Rate	%time	Months	
	Project Lead			100	0.75	2	\$24,000
	Web Developer			60	0.75	2	\$14,400
	DBA			85	0.5	1	\$6,800
	Tester/Post Deployment Support			60	0.5	2	\$9,600
Update TruNet with new features							
Develop software to enhance capabilities of TruNet including searches, multiple continuations. Fix a variety of known problems as well.							
				Rate	%time	Months	
	Project Lead			100	0.75	6	\$72,000
	Web Developer			60	2.5	6	\$144,000
	DBA			85	0.75	6	\$61,200
	Tester/Post Deployment Support			60	0.35	6	\$20,160
Amendments for UCC Instantfile							
Develop software to add amendments handling to UCC Instantfile							
				Rate	%time	Months	
	Project Lead			100	1	2	\$32,000
	Web Developer			60	1.5	2	\$28,800
	DBA			85	0.5	2	\$13,600
	Tester/Post Deployment Support			60	0.6	2	\$11,520
Subtotal for Software							\$ 882,080
Total request for funding							\$1,128,780



Legislative Fiscal Bureau

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

December 18, 2001

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Financial Institutions: Section 16.515 Request for Supplemental Program Revenue Funding to Address Unanticipated Workload Increases Related to Uniform Commercial Code Article 9 Filings -- Agenda Item III

BACKGROUND

The Department of Financial Institutions (DFI) requests increased expenditure authority in its general program operations appropriation [20.144(1)(g)] of \$1,191,200 PR in 2001-02 and \$89,000 PR in 2002-03 and thereafter to enhance its internet-based system for completing Article 9 Uniform Commercial Code (UCC) filings. Of the \$1,191,200 in one-time funding in 2001-02, \$1,128,800 would be for information technology-related purposes, while \$62,400 would be dedicated to staff overtime to relieve a significant filing backlog that has developed. The \$89,000 in ongoing funding would be for hardware repairs, technical consulting, and license costs.

After reviewing this request, the Department of Administration (DOA) recommends increasing DFI's expenditure authority by \$1,128,800 on a one-time basis in 2001-02 and approving the use of up to \$62,400 PR in current DFI unallotted reserve funding to address the overtime costs. In effect, DOA's recommendation removes \$62,400 from DFI's original request in 2001-02 and funds it from an alternative source. No ongoing funding would be provided in 2002-03. It is this proposal that is before the Committee for its consideration.

Revenue in this appropriation is derived from a variety sources, including fees for bank examinations, various financial and securities institution licenses and fees, corporate registration fees, and UCC filings. At the end of each fiscal year, any balances remaining in the appropriation lapse to the general fund. Therefore, any changes that affect the revenues credited to the appropriation or expenditures from the appropriation also have an impact on the general fund. While revenue from these filings is adequate to support the additional funding request, approval of

the request would impact the amount of funding that will lapse to the general fund at the close of 2001-02.

Article 9 of the UCC governs any transaction, with the exception of a finance lease, that involves the granting of credit that is secured by personal property of a debtor. If the debtor defaults, the creditor can then seize the property (collateral).

Wisconsin statutes require DFI to maintain a statewide database of all UCC lien filings. Housed within DFI, this database is linked to the 72 county register of deeds offices. UCC lien filings generally consist of financing statements submitted by banks, credit unions, small businesses, service companies, and other lending institutions. These public records are used to help establish the priority of liens against property.

Modernization of the System for Filing Liens

Within the context of a national effort, 2001 Wisconsin Act 10 modernized the state's statutory framework for establishing and administering all liens with the exception of real estate-related liens by incorporating the provisions of a national "model" version of Article 9. One of the changes the new system requires is the creation of a centralized filing location in each state--one place in every state at which financing statements are filed. On July 1, 2001, DFI formally became this location. Historically, business and personal-property lien records have been filed with DFI or at county register of deeds offices. Register-of-deeds offices continue to serve as the filing locations for real-property lien records.

A second important aspect of the revised UCC Article 9 is the shorter processing deadlines for filing and indexing of documents imposed by the Article. Initially, a five-day turnaround is required; on July 1, 2003, this deadline becomes two days. In order to meet the shorter turnaround deadlines, DFI indicates that the majority of filings must be processed electronically. Electronic filings are faster and more efficient than paper filings because they immediately become part of DFI's database once submitted, assuming all required informational items have been completed on the electronic form. In contrast, the paper filing process involves staff hand-entering filings into the Department's database.

DFI began offering electronic filing of original lien documents via the agency's internet site in early August, 2001, with payment required to be billed to a credit card. To encourage filers to utilize the electronic option, DFI established the fee for filing electronically at \$10, half the \$20 fee for a paper-based filing.

Act 10 provided DFI with \$442,600 in additional budget authority in 2001-02 to develop and deploy the revised filing system. Major activities the agency indicated would be needed to accomplish this include redesigning the database that houses the record filings and developing electronic filing capabilities.

The Department of Administration has recommended that the \$1,128,800 information technology-related funding be approved, in addition to the use of up to \$62,400 PR for staff overtime from the agency's unallotted reserve balance. The Department of Electronic Government (DEG) has requested that it be responsible for the information technology portion of the initiative. Under the Department of Administration's recommendation, DEG would oversee the project and work with DFI to reduce the associated costs.

ANALYSIS

DFI indicates that unforeseen circumstances have resulted in a seven-week backlog of filings awaiting processing, with two factors primarily responsible: (1) a greater-than-anticipated shift of filings from the county level to the state level; and (2) a continued preference among filers for the paper format over the on-line format. The agency states that the backlog is having a negative impact on the ability of businesses, farmers and other individuals to obtain financing.

Shift of UCC Filing Workload from the Counties

Last February, DFI projected that the new filing system would bring about an approximate 50% increase in filings; today, DFI believes the actual workload will increase by 100% -- in effect, double. Therefore, instead of the approximate 93,000 filings it anticipated processing in 2001-02 under the new system, it now believes the figure will be closer to 180,000 filings.

Importance of Electronic Filings to the New System

In its request for additional budget authority, DFI notes that paper UCC filings must constitute only a small part of total UCC transactions in order for the agency to accommodate the workload with existing staff and within the time constraints imposed by the new federal law. In the amount of time since electronic-filing has been offered, however, DFI indicates that the level of electronic filings has come in well below that expected. In its request for the supplemental PR expenditure authority, DFI indicates that the price differential between electronic and paper filings has not created the shift to on-line filings necessary to compensate for the added workload that has resulted from the reduced role of counties in processing UCC filings without creating a backlog.

The Department cites several factors that impact the extent to which filers utilize the new internet filing option: (1) reluctance to use credit cards as a method of payment; (2) difficulty using credit cards when multiple submitter locations are involved; (3) a need for the internet-based application to be able to accommodate all UCC transactions; (4) degree of comfort with the internet as a means of transacting business; and (5) the short time frame prior to the suggested implementation date of July 1, 2001, to build understanding and acceptance of the internet-based filing system.

In addition, DFI representatives have indicated that, overall, large institutions with multiple locations from which filings are submitted have been more reluctant than have smaller institutions to utilize the web-based filing option. Because these institutions tend to be high-volume filers, DFI indicates the reluctance to use electronic filing is a significant problem. Part of the reluctance of large institutions to use on-line filing stems from a hesitancy to have filings submitted from multiple locations with credit cards used for payment at each site. Instead, large filers prefer an automated clearinghouse (ACH) payment option. ACH technologies provide a medium of paperless exchange of debit and credit transactions between the accounts of the firms or institutions involved.

In its comments on the s. 16.515 request, the Department of Electronic Government indicates that it will work with DFI to ascertain if an internet interface to the automated clearing house already exists and, if so, how the interface might be used in UCC filings.

Functional Enhancements for Which DFI Requests Additional Budget Authority

DFI indicates that the following steps need to be taken in order to address the current filing backlog and to make on-line filing a more attractive option to a wider audience: (1) continuation of staff overtime to reduce the backlog; (2) development and implementation of an ACH payment process for large volume filers; (3) development and implementation of single-sign-on capability for submitters with multiple user locations; (4) development of bulk-filing-process (XML) capability; (5) establishment of accounting controls that will interact properly with ACH, bulk-filing and state accounting processes; and (6) automation of additional components of the UCC lien-filing process to direct more work to the internet.

To bring about the additional functionality and address the backlog, DFI intends to allocate the additional dollars as follows. As noted, the \$62,400 for staff overtime would be funded with unallotted reserve currently appropriated to DFI.

<u>Item</u>	<u>Amount</u>	<u>Pct. of Grand Total</u>
General Functional Features	\$297,360	25.0%
Equipment	246,700	20.7
Accounting	200,400	16.8
Single-Sign-On Capability	136,800	11.5
ACH Capability	106,800	9.0
On-line Amendments Capability	85,920	7.2
XML (Bulk Filing)	<u>54,800</u>	<u>4.6</u>
Total, Information Technology	\$1,128,780	94.8%
UCC Overtime	<u>62,400</u>	<u>5.2</u>
Grand Total, One-Time Request	\$1,191,180	100.0%

If this proposal is adopted, DFI believes it would realize additional revenue from filing fees and UCC lien searches of \$565,000 in 2001-02. With these additional fee revenues and \$1,128,800 in additional expenditure authority, the net impact on GPR-earned would be a reduction of \$563,800 in 2001-02.

Scaled-Back Proposal for Technology Enhancements to the UCC Lien Filing System

DFI has raised the possibility of modifying its original proposal by deleting the development of single-sign-on capability (\$136,800) and on-line ACH capability (\$106,800) from the proposal. In addition, \$143,000 less in equipment funding would be required. If the overtime costs were funded from unallotted reserve as recommended by DOA, the net cost of this proposal would be \$742,200, which is \$386,600 lower than DOA's recommendation. DFI indicates that it may be able to implement a form of manual ACH technology in place of the on-line form contained in the original request. In addition, this option incorporates a more abbreviated accounting process for accumulating and collecting monthly charges from large users.

If this proposal is adopted, DFI believes it would realize additional fee revenues of \$565,000 in 2001-02. With these additional revenues and \$742,200 in additional expenditure authority, the net impact on GPR-earned would be a decrease of \$177,200 in 2001-02.

Option of Hiring Additional Staff as a Substitute for Technology Enhancements

DFI currently has 10.0 FTE positions dedicated to processing UCC filings and 3.0 program assistant positions funded by Act 10 through the current fiscal year to help the Department implement the revised filing system the act incorporates. An alternative to using technology enhancements to resolve the current filing backlog and accommodate the workload previously processed by the counties would be to add staff. Under this option, the Department would move forward with the system it currently has in place with the additional staff.

To process the filings previously handled at the county level without the requested system upgrades, DFI estimates that it would need 10.0 additional FTEs at a total cost of \$360,000 for the last half of 2001-02 and about \$560,000 on an annual ongoing basis thereafter. These estimates include salaries and fringe benefits, additional telephones, ten additional personal computers, rent for additional office space, and additional overhead costs associated with the new positions.

Compared to DOA's original recommendation, this option would reduce costs in the current biennium by \$208,800, but would entail increased costs in future years because the additional positions would be needed on an ongoing basis. This option would be more costly than DFI's scaled-back proposal over the remainder of the 2001-03 biennium and in future years. A potential advantage of this approach is that it would be workable even if the number of paper filings remains high.

Under this scenario, DFI believes it would receive \$556,600 in additional fee revenues in 2001-02. With these revenues and \$360,000 in additional expenditure authority, the net impact on GPR-earned would be an increase of \$196,000 in 2001-02. Compared to the other alternatives, GPR-earned would likely be reduced in future years due to the ongoing staff costs.

Across-the-Board Agency Cuts

Because it is funded with program revenue, DFI was not subject to the 5% budget reductions most GPR-funded agencies absorbed under Act 16. Nor was the agency subject to the 3.5% reductions that were recently announced by the Governor. In order to improve the condition of the general fund, the Committee may wish to approve a reduction in DFI's general program operations appropriation by placing an amount of its choosing into unallotted reserve. A separate paper before the Committee (Agenda Item II) includes an option to implement a 5% reduction in 2001-02. If it wishes, the Committee could adopt the alternative in that paper and, in addition, impose a 5% reduction in 2002-03. The Committee may additionally consider imposing a 3.5% reduction, either independently of or in addition to a 5% reduction. A 3.5% reduction against the agency's 2001-02 budget would amount to \$531,400 and a 5% reduction would amount to \$759,100.

Since all balances remaining in the general program operations appropriation lapse to the general fund at the close of the fiscal year, placing dollars into unallotted reserve would ensure that the general fund would receive the amount placed in reserve over and above the amount that would be transferred at the close of the year under current law, which DFI now estimates at approximately \$23,400,000.

ALTERNATIVES

UCC Lien Filing Request

1. Approve DOA's recommendation to provide \$1,128,800 PR in 2001-02 in additional expenditure authority in DFI's general program operations appropriation [20.144(1)(g)] for information technology-related enhancements to the UCC lien filing system and to address overtime costs related to the current filing backlog. Under this alternative, DFI estimates that revenues from filing fees and on-line lien searches would increase by \$565,000 in 2001-02. With these additional fee revenues and \$1,128,800 in additional expenditure authority in 2001-02, the net impact on GPR-earned would be a reduction of \$563,800 in that year.

2. Approve the Department's revised proposal to provide \$742,200 PR in 2001-02 in additional expenditure authority in DFI's general program operations appropriation [20.144(1)(g)] for information technology-related enhancements to the UCC lien filing system and to address overtime costs related to the current filing backlog. Under this alternative, DFI estimates that revenues from filing fees and on-line lien searches would increase by \$565,000 in 2001-02. With

*\$1
\$2.41
generated
\$20 million*

*notes differentiated
set by
stake*

these additional fee revenues and \$742,200 in additional expenditure authority in 2001-02, the net impact on GPR-earned would be a reduction of \$177,200 in that year.

3. Deny DFI's request for technology enhancements. Instead, provide \$360,000 PR in 2001-02 and \$560,000 PR in 2002-03 for 10.0 FTE positions to resolve the current filing backlog and accommodate the workload previously processed by the counties. Under this alternative, DFI estimates that revenues from filing fees and on-line lien searches would increase by \$556,000 in 2001-02. With these additional fee revenues and \$360,000 in additional expenditure authority in 2001-02, the net impact on GPR-earned would be an increase of \$196,000 in that year. GPR-earned would likely be reduced in future years because the positions would be ongoing.

4. Deny the request.

Across-the-Board Reduction

5. In addition to any of the above-identified alternatives, reduce the agency's baseline budget by:

a. Placing \$759,100 PR into unallotted reserve in 2002-03 (5% reduction in the second year).

b. Placing \$531,400 PR into unallotted reserve in 2001-02 and in 2002-03 (3.5% reduction in each year).

Prepared by: Drew B. Larson

MO#				MO#			
GARD	Y	N	A	GARD	Y	N	A
KAUFERT	Y	N	A	KAUFERT	Y	N	A
ALBERS	Y	N	A	ALBERS	Y	N	A
DUFF	Y	N	A	DUFF	Y	N	A
WARD	Y	N	A	WARD	Y	N	A
HUEBSCH	Y	N	A	HUEBSCH	Y	N	A
HUBER	Y	N	A	HUBER	Y	N	A
COGGS	Y	N	A	COGGS	Y	N	A
BURKE	Y	N	A	BURKE	Y	N	A
DECKER	Y	N	A	DECKER	Y	N	A
MOORE	Y	N	A	MOORE	Y	N	A
SHIBILSKI	Y	N	A	SHIBILSKI	Y	N	A
PLACHE	Y	N	A	PLACHE	Y	N	A
WIRCH	Y	N	A	WIRCH	Y	N	A
DARLING	Y	N	A	DARLING	Y	N	A
ROSENZWEIG	Y	N	A	ROSENZWEIG	Y	N	A
AYE	NO	ABS		AYE	NO	ABS	

FINANCIAL INSTITUTIONS

Section 16.515 Request for Supplemental Program Revenue Funding for
Enhancements to Agency's Uniform Commercial Code Lien-Filing System

Motion:

Move to approve Alternative 2 and, in addition, reduce the agency's baseline budget in 2001-02 by \$177,200 PR by placing this amount into unallotted reserve.

Note:

This motion would adopt DFI's scaled-back proposal for technology enhancements to its Uniform Commercial Code lien-filing system. It would provide DFI with \$742,200 PR in 2001-02 in additional expenditure authority in the Department's general program operations appropriation [s. 20.144(1)(g)].

Under Alternative 2, DFI estimates that revenues from filing fees and on-line lien searches with the filing system would increase by \$565,000 in 2001-02. With these additional fee revenues, \$742,200 in additional expenditure authority and the requirement that \$177,200 PR be placed into unallotted reserve, no loss or gain to GPR-earned would result in 2001-02.

MO# Duff/Burke

GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
DUFF	<input checked="" type="checkbox"/>	N	A
WARD	<input checked="" type="checkbox"/>	N	A
HUEBSCH	<input checked="" type="checkbox"/>	N	A
HUBER	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
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

Baum

Fitz

AYE 16 NO 0 ABS _____