

1993-94 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

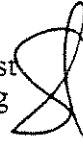
➤ **

➤ Miscellaneous ... Misc

➤ 93hrJC-Fi_Misc_pt50

➤ Record of Comm. Proceedings ... RCP

➤ **

CORRESPONDENCE/MEMORANDUMSTATE OF WISCONSIN
Department of Administration*Date:* May 3, 1994*To:* James R. Klauser, Secretary
Department of Administration*From:* Steven C. Little, Executive Policy Analyst
Division of Executive Budget & Planning*Subject:* s. 16.505/515 Request by the Department of Industry, Labor and Human Relations**REQUEST:**

The Department of Industry, Labor and Human Relations (DILHR), requests an increase of \$46,100 PRO in FY94, \$61,600 PRO in FY95 and 1.0 FTE project position in each fiscal year under appropriation s. 20.445 (1)(ha) (Worker's Compensation (WC) Operations).

BACKGROUND:

As part of their 1993-95 biennial budget request, DILHR submitted a decision item (DIN 3002) to remove a project position and the associated expenditure authority from appropriation s. 20.445 (1)(m) (Federal Funds). The intended effect of the decision item was to eliminate a federal attorney project position from DILHR's Equal Rights Division which was scheduled to expire on October 1, 1993. When DILHR's DINs were being keyed into the B-2 system, the decision item to remove the project position was inadvertently removed from the WC Operations appropriation instead of appropriation s. 20.445 (1)(m) (Federal Funds). The effect of the keying error has resulted in an inappropriate reduction of a project position in the WC Operations appropriation and no reduction in the Federal Funds appropriation. Approval of this s. 16.505/515 request will restore project position authority and the associated expenditure authority for that project position to the WC Operations appropriation.

DILHR has also submitted a request to the Department of Administration to reduce the position and expenditure authority of the Federal Funds appropriation by 1.0 FED project position in FY94 and FY95 and \$46,100 FED in FY94, \$61,600 FED in FY95 under s. 16.54 (8).

ANALYSIS:

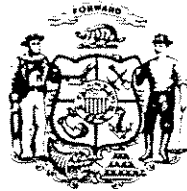
This request makes a technical correction for a keying error which was made in 1993-95 Biennial Budget (Act 16). The technical correction will restore a project position which is needed by the WC program division to carry out the mission of the division. DOA has deleted the federal project position under s. 16.54 (8) to be consistent with the intent of Act 16. Given the fact that this request restores a project position to DILHR's WC Operations appropriation which was inadvertently deleted in the budget process, the request should be approved.

RECOMMENDATION:

Approve DILHR's request for \$46,100 PRO in FY94, \$61,600 PRO in FY95 and 1.0 FTE project position in each fiscal year to appropriation s. 20.445 (1)(ha) (Worker's Compensation (WC) Operations).

Tommy G. Thompson
Governor

Carol Skornicka
Secretary



Mailing Address:
201 East Washington Avenue
Post Office Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-7552
Fax: (608) 266-1784

State of Wisconsin Department of Industry, Labor and Human Relations

March 18, 1994

James R. Klauser, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, Wisconsin 53707

Dear Mr. Klauser:

The Department of Industry, Labor and Human Relations (DILHR) requests approval by the Joint Finance Committee, under s.16.505 and s.16.515, of a technical correction to the 1993-95 biennial budget to add a project position (1.00 FTE) and \$46,100 in SFY94 and 1.00 FTE project position and \$61,600 in SFY95 to Appropriation 129 (Worker's Compensation Operations - Program Revenue).

DILHR submitted the appropriate decision item in the agency's biennial budget request to eliminate the project position and associated expenditure authority from Appropriation 141. The B-2 to effect the reduction was inadvertently entered into the biennial budget system under Appropriation 129 instead of Appropriation 141. The net effect was an inappropriate reduction in Appropriation 129 and no reduction in Appropriation 141.

DILHR is requesting a reversal of the Appropriation 129 entry to reinstate the intended budget authority for WC Operations. DILHR is also submitting a s.16.548 request to DOA (copy attached) to effect a corresponding reduction in Appropriation 141; approval of this request will not increase DILHR's FTE level or total expenditure authority.

If you have any questions concerning this request, please contact Gay Spink (266-5746) of our Bureau of Strategic Planning, Budget and Policy Analysis.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Carol Skornicka'.

Carol Skornicka
Secretary

Attachments

Department of Industry, Labor and Human Relations

Request for Technical Correction under s.16.505/15
Worker's Compensation Operations - Program Revenue

REQUEST

Under s.16.505 and s.16.515, the Department of Industry, Labor and Human Relations (DILHR) requests a technical correction to the 1993-95 biennial budget. The action requested will increase Appropriation 129(1)(ha), Worker's Compensation Operations - Program Revenue, as follows:

Appropriation:	FTEs:	Expenditure Authority:
129	1.00	\$34,100 in SFY94
129	1.00	\$45,500 in SFY95

BACKGROUND AND PROBLEM

Under Appropriation 141(1)(m), project position #318942 in the Equal Rights Division was scheduled to end 10/01/93. DILHR submitted the appropriate decision item #3002 (copy attached) in the agency's biennial budget to eliminate the project position and the associated expenditure authority. The B-2 data to effect the reduction was inadvertently entered into the biennial budget system under Appropriation 129, Worker's Compensation Operations - Program Revenue, instead of Appropriation 141 (Federal Funds). The net effect was an inappropriate reduction in Appropriation 129 and no reduction in Appropriation 141.

RATIONALE FOR REQUEST

The inadvertent reduction of Appropriation 129 resources will unduely impact the Worker's Compensation program during both years of the biennium. The resources need to be restored to assure effective ongoing service delivery.

DILHR is resubmitting the original request to DOA to reduce DILHR's Appropriation 141 resources through a s.16.548 request.

SUMMARY

DILHR is requesting a reversal of the Appropriation 129 entry to reinstate the intended budget authority for WC Operations. The action requested will restore 1.00 project FTE and \$34,100 in SFY94 and 1.00 project FTE and 45,500 in SFY95. Since DILHR is also submitting a s.16.548 request to effect a corresponding reduction in Appropriation 141, approval of this request will not increase DILHR's FTE level or total expenditure authority.

Department of Industry, Labor and Human Relations

Request for Reduction of Positions and Authority under s.16.548
Federal Funds

REQUEST

Under s.16.548, the Department of Industry, Labor and Human Relations(DILHR) requests a technical correction to the 1993-95 biennial budget. The action is requested in Appropriation 141(1)(m), Federal Funds, in the Equal Rights Division as follows:

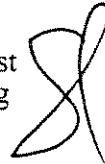
Appropriation:	FTEs:	Expenditure Authority:
141	-1.00	-\$34,100 in SFY94
141	-1.00	-\$45,500 in SFY95

BACKGROUND AND PROBLEM

Under Appropriation 141(1)(m), project position #318942 in the Equal Rights Division was scheduled to end 10/01/93. DILHR submitted the appropriate decision item #3002 (copy attached) in the agency's biennial budget to eliminate the project position and the associated expenditure authority. The B-2 data to effect the reduction was inadvertently entered into the biennial budget system under Appropriation 129(1)(ha), Worker's Compensation Operations - Program Revenue, instead of Appropriation 141. The net effect was an inappropriate reduction in Appropriation 129 and no reduction in Appropriation 141.

SUMMARY

DILHR is requesting a reduction in Appropriation 141 of 1.00 project FTE and \$34,100 in SFY94 and 1.00 project FTE and \$45,500 in SFY95. Since DILHR is also submitting a s.16.505/15 request to effect a corresponding increase in Appropriation 129, approval of this request will not decrease DILHR's FTE level or total expenditure authority.

CORRESPONDENCE/MEMORANDUMSTATE OF WISCONSIN
Department of Administration*Date:* May 3, 1994*To:* James R. Klauser, Secretary
Department of Administration*From:* Steven C. Little, Executive Policy Analyst
Division of Executive Budget & Planning*Subject:* s. 16.505/515 Request From the Department of Industry, Labor and Human Relations**REQUEST:**

The Department of Industry, Labor and Human Relations (DILHR) requests approval from the Joint Committee on Finance under s. 16.505/515 to implement a restructuring of the Program Revenue-Service (PR-S) operations in the Administrative Services Division (ASD). This restructuring will consolidate the financial operations of the following program divisions: Unemployment Compensation (UC); Jobs, Employment and Training Services (JETS); and Safety and Buildings (S&B) into DILHR's ASD.

DILHR requests the following to implement the restructuring of the ASD:

- A transfer of 19.70 PR-S FTE positions annually to appropriation s. 20.445(1)(kc), (Administrative Services) from the UC, JETS, and S&B appropriations;
- An increase of \$1,109,000 PR-S expenditure authority annually in s. 20.445(1)(kc). This increase is needed to provide the ASD with sufficient expenditure authority to charge the respective program divisions for the financial services performed by the ASD; and
- A transfer of \$980,900 PRO/FED expenditure authority from the permanent salary and fringe benefit lines to the supplies and services lines of the program divisions affected by the restructuring.

BACKGROUND:

DILHR currently has a decentralized budgeting function which gives program divisions responsibility for developing and monitoring their own annual operating budgets, with the ASD providing general oversight of the program division's administrative activities. The primary justification for the decentralized budgeting function in DILHR is that the diverse activities of the program divisions can best be managed by a decentralized decision-making organizational process. Given the changing financial circumstances of the department, DILHR began to question whether the decentralized budgeting process was the most effective way to manage the various divisional budgets and agency resources.

In the fall of 1993, the Legislative Audit Bureau (LAB) conducted a review of selected DILHR financial management issues and found serious weaknesses in the current decentralized budgeting functions. The LAB found that the annual budgets in some program divisions were being prepared with incomplete knowledge of basic budgeting facts; that annual budgets were being completed too late to be fully useful; as well as frustration among staff in dealing with conflicting budget figures and other problems. The LAB recommended

that the department consolidate the budgeting functions for more efficient, effective budget development and control. The proposed DILHR restructuring addresses many of the weaknesses found by the LAB in the existing decentralized budgeting process.

The proposed restructuring of DILHR's budgeting functions is intended to have the following outcomes:

- Improve accountability, analysis, communication and timeliness;
- Streamline procedures and training; and
- Reduce duplication of fiscal and budgeting functions.

ANALYSIS:

BENEFITS OF BUDGET CENTRALIZATION

The proposed restructuring will address the following issues:

- **IMPROVING UC CLAIMS PROJECTIONS.** The UC division relies on short-term and long-range projections of the volume of UC claims processed by the state. Because the UC division receives a large part of its funding from the federal government based on the volume of processed UC claims, accurate and creditable claims projections are needed to ensure that the division has sufficient funds to cover their operational costs. Over the past year, DILHR's management team found that the projections were not adequate for their uses in projecting claims volume. This resulted in inaccurate funding projections being made for the UC division.

The primary reason for the inadequacies of the claims projections stem from the lack of time and available resources devoted to the projections by the ASD and UC budget staffs. In addition, communication problems and duplication of efforts between the ASD and UC budget staff resulted in the UC Division spending up to \$500,000 more per month than was being received in funding from the federal government. Even though the department was able to address the spending shortfall through a reduction in expenditures, precautions should be taken to ensure that a similar situation does not arise again.

By centralizing the budgeting functions of the department in the ASD, DILHR will be better able to provide more creditable claims projections by eliminating duplicative efforts at the ASD and program division levels; improving communications between the budget staff and the DILHR management team; and improving the analytical quality of the projections.

- **IMPROVING JETS BUDGETING FUNCTIONS.** Currently, budgeting control in the JETS division is split between two bureaus with the ASD providing oversight for the budget at the program division level. Splitting the budget responsibilities between bureaus has resulted in the uneven development of the division's budget. This process also results in the constant and continual monitoring of expenditures and consequently budgetary delays

and errors. The LAB reported that under the current decentralized system, the JETS Division did not perform detailed monitoring of bureau-level budgets in a comprehensive manner unless the division as a whole was potentially over-budget.

Centralizing JETS' budgeting functions in the ASD will improve the department's monitoring of bureau-level expenditures as well as improve the quality and timeliness of the fiscal analyses prepared by the ASD and JETS. DILHR also plans to transfer the oversight of the JETS payment processing system, cash management system, and the employment and training contract monitoring function to the ASD. Consolidating these functions will improve cooperation, administrative oversight and agency fiscal accountability.

- **IMPROVING SAFETY & BUILDING BUDGETING FUNCTIONS.** The LAB report found the budget development and guidance for S&B under the current system to be inadequate. The LAB found that in FY92, while division-level budgets were prepared by S&B, bureau-level budgets were never implemented. However, when a bureau-level budget was prepared by the S&B budget staff in FY93, the various S&B bureaus and the DILHR management team had serious concerns regarding the accuracy and usefulness of the analysis. In FY94, the S&B Division operated for more than a quarter of the fiscal year without an operating budget. Despite efforts by DILHR to improve S&B's budgeting functions, the LAB questioned whether the effective budget control was performed at the bureau level.

The restructuring of DILHR's budgeting functions will improve S&B's budgeting function by increasing the amount of oversight the ASD has on the development and monitoring of S&B's bureau-level operations.

- **OTHER BUDGETING IMPROVEMENTS.** Centralizing the budgeting functions for the program divisions in the ASD will allow the department to improve its budgeting, accounting, and monitoring expertise by consolidating the budgeting staffs of the UC, JETS, and S&B divisions into the ASD. Currently the skill level of the budgeting staff of the various program divisions varies greatly, with some persons attempting to perform budgeting functions without the necessary background and training. Consolidation will allow more experienced budget staff to train the less experienced staff as well as allow for the pooling of resources on difficult budgetary issues.

Centralizing these divisions' budgeting functions will also provide for a more efficient process for preparing biennial budget requests. By having the same individual or individuals in ASD to coordinate the entire process for a fund source, that person or small group of people will understand all the decisions regarding the appropriation.

CENTRALIZED BUDGETING FUNCTION DESCRIPTION

As mentioned before, this request will not result in a net increase in the total position authority of the department. The following positions, categorized by fund source, will be changed to PR-S positions and transferred to the ASD:

- **5.0 PRO FTEs:** (2.0 FTEs from appropriation s. 20.445 (1)(ka) (Interagency Agreements); (1.0 FTE from appropriation s. 20.445 (1)(j) (Safety and Buildings Operations); and (2.0 FTEs from appropriation s. 20.445 (1) (gb) (Local Agreements).
- **14.70 FED FTEs:** (3.0 FTEs from appropriation s. 20.445 (1)(ma) (Federal Aid-Program Administration); and (11.70 FTEs from appropriation s. 20.445 (1)(n) (Unemployment Administration-Federal).

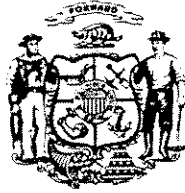
A total of \$252,700 PRO and \$728,200 FED expenditure authority will be transferred from the salary and fringe benefits lines to the supplies and services lines of the various program division appropriations so that the program divisions can pay the ASD administrative charges. Additionally, an increase of \$1,109,000 PR-S is needed to provide the ASD with sufficient expenditure authority to charge the respective program divisions for the financial services performed by the ASD. Included in the \$1,109,000 PR-S is an increase of \$128,100 PR-S budgeted in the base of the program division budgets to cover supplies, travel and training costs for each position. The \$128,100 PR-S increase on the ASD supplies and services line is needed to enable the ASD to charge back to the program divisions the supply costs related to the positions being transferred.

This request represents a timely response to the concerns raised by the LAB report and will improve the fiscal management of the DILHR's budgetary operations. The timing of this request requires that action be taken prior to the beginning of FY95 so that DILHR can prepare their FY95 operating for the program divisions affected by this request. Based on the potential administrative efficiencies to be gained from centralizing the budgeting functions of the UC, JETS, and S&B divisions in the Administrative Services Division, DILHR's request should be approved.

RECOMMENDATION:

Approve DILHR's request. This approval is being recommended with the understanding that this request will not result in increased position authority for DILHR and the 19.70 PRO/FED FTEs currently divided by fund source will be reduced upon increasing the PR-S appropriation s. 20.445 (1)(kc) by 19.70 FTEs.

Tommy G. Thompson
Governor
Carol Skornicka
Secretary



Mailing Address:
201 E. Washington Avenue
Post Office Box 7946
Madison, WI 53707-7946
Telephone (608) 266-7552

State of Wisconsin Department of Industry, Labor and Human Relations

March 17, 1994

James R. Klauser, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, Wisconsin 53707

Dear Secretary Klauser:

The Department of Industry, Labor and Human Relations (DILHR) requests approval by the Joint Finance Committee, under s.16.606 and s. 16.515, to increase its Administrative Services Division (ASD) Program Revenue-Service (PR-S) operations for the purpose of consolidating the department's financial operations and local area network (LAN) management.

The department requires the following to implement the change:

1. An increase of 19.70 FTE annually in the PR-S Appropriation 20.445(1)(kc) and a reduction of 19.70 FTE in various program appropriations;
2. An increase of \$1,109,000 annually in Appropriation 20.445(1)(kc); and
3. A transfer of spending authority from salary and fringe benefits to supplies and services in various program appropriations.

This request supports DILHR's goal of strengthening the agency's financial management by consolidating financial services in the ASD which will 1) improve accountability, analysis, communication and timeliness; 2) streamline procedures and training; and 3) reduce duplication .

March 17, 1994

Page 2

The DILHR ASD has been providing services to program divisions in a PR-S environment since July 1, 1992. The above noted changes are required to adjust DILHR's budget to reflect the fact that additional services will be provided to program divisions through the PR-S process. Under PR-S, this request produces no net increase in the department's position or spending authority.

Information supporting the department's request is enclosed with this letter.

Please refer questions concerning this request to Robin Gates, Administrator, ASD, or Mike Mahoney, Director, Bureau of Strategic Planning, Budget and Policy Analysis.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carol Skomicka".

Carol Skomicka
Secretary

Enclosures

Department of Industry, Labor and Human Relations
Request to Increase Program Revenue-Service Operations
Administrative Services Division

REQUEST

Under s.16.606 and s. 16.515, the Department of Industry, Labor and Human Relations (DILHR) requests authority to increase its Program Revenue-Service (PR-S) operations for the purpose of consolidating the department's financial operations and local area network (LAN) management. This request will not result in increased spending or position authority.

To implement this request, effective July 1, 1994, DILHR requests:

1. Position transfers. An increase of 19.70 FTE annually in the PR-S Appropriation s.20.445(1)(kc), Administrative Services and a corresponding reduction in various program appropriations is required.
2. Increased spending authority in the PR-S appropriation. An increase of \$1,109,000 annually in Appropriation, s.20.445(1)(kc) is required.
3. Transfers between lines in various program appropriations. The salary and fringe benefit dollars, in the program appropriations associated with the transferred positions, must be transferred to the Supplies and Services category.

Note that increased PR-S funding does not have an impact on total expenditure authority for the agency.

BACKGROUND AND PURPOSE

DILHR's administration has a priority of strengthening the agency's financial management. Toward the goal of achieving this priority, the agency contracted with the Legislative Audit Bureau (LAB) to conduct a thorough, department wide review of financial processes and their organizational placement. The review was completed in the fall of 1993. The review pointed out several basic problems such as duplication of effort, inadequate communication, lack of uniform procedures and lack of attention to some important budget issues.

As a result of the LAB review and analysis by internal workgroups, DILHR has determined that it should consolidate a number of the functions that are currently being performed in

both the Administrative Services Division (ASD) and the program divisions. These functions include but are not limited to:

- Division and bureau operating budget development and monitoring
- Contract development, monitoring and close-out
- Selected accounting and reporting services
- Biennial budget development
- Fiscal Notes
- Federal grants development
- Financial modeling

By placing the majority of these functions in the ASD rather than in units through-out the agency, accountability, analysis, communication and timeliness will be improved, duplication will be reduced, staff training will be easier to achieve and procedures will be simplified and standardized.

CHANGES REQUIRED

The ASD provides services to the program divisions in a PR-S environment. The PR-S system, which was implemented on July 1, 1992, provides DILHR, DOA and the Legislature with the tools to understand, budget for, and control DILHR's administrative support services.

As summarized in the request section, three types of changes are required to implement the consolidation changes in the PR-S environment. The changes are:

1. Position transfers from program appropriations to the PR-S appropriation;
2. Increased spending authority in the PR-S appropriation; and
3. Transfers from Salaries and Benefits to Supplies and Services in various program appropriations; the divisions will be billed for the services in the S&S cost category.

Each of these are discussed below. Attachment A summarizes the position and dollar changes required by appropriation.

1. Position Transfers

In the consolidation, 14.70 FTE will be added to the Strategic Planning, Budget and Policy Analysis Bureau in the ASD. These

positions will be transferred from the Jobs, Employment and Training Division (3.00 FTE), Unemployment Compensation Division (6.70 FTE), Safety and Buildings Division (1.00 FTE), the ASD Bureau of Information Technology Services (BITS) (3.00 FTE) and the ASD Finance Bureau (1.00 FTE).

Eight FTE will be added to the ASD Finance Bureau. All of these FTE will be transferred from the Jobs, Employment and Training Division.

One FTE will be added to BITS for LAN Management.

Of the 23.70 affected FTEs, 19.70 FTE will be transferred from various program appropriations to the PR-S appropriation; 4.00 FTE are already in the PR-S appropriation.

As Table 1 indicates, this request transfers positions from various program appropriations to the PR-S appropriation without changing the department's total position authority.

Table 1
Requested Position Changes by Fund Source

GPR	(0.00)
PRO	(5.00)
FED	(14.70)
SEG	(0.00)
PR-S	19.70
Total	0.00

2. Spending Authority Adjustments

Table 2 summarizes the funding level adjustments required by fund source and cost category.

Table 2
Adjustments in Expenditure Authority
By Fund Source and Cost Category

	PRO	FED	PR-S
Salaries	(\$186,800)	(\$538,300)	\$725,100
Benefits	(65,900)	(189,900)	255,800
S&S	<u>252,700</u>	<u>728,200</u>	<u>128,100</u>
Total	\$ 0	\$ 0	\$1,109,000

CONCLUSION

The consolidation of financial activities and LAN management into the ASD will assist the agency in achieving its goal of strengthening its financial operations by improving accountability and services and eliminating duplication.

03/04/94

Attachment A

Request to Increase PR-S Operations
 Summary of Adjustments Required
 For July 1, 1994
 DILHR

	120	121	127	145	151	185
	ka	j	gb	ma	n	kc
Funding Source	PRO	PRO	PRO	FED	FED	PRO
Numeric Appropriation						
Alpha Appropriation						
Perm Salaries	(\$67,800)	(\$49,900)	(\$69,100)	(\$101,800)	(\$436,500)	\$725,100
Fringe Benefits	(23,900)	(17,600)	(24,400)	(35,900)	(154,000)	255,800
Supplies and Services	91,700	67,500	93,500	137,700	590,500	128,100
Total	\$0	\$0	\$0	\$0	\$0	\$1,109,000
Classified Positions	(2.00)	(1.00)	(2.00)	(3.00)	(11.70)	19.70
WISMART Appropriation	D2	D3	D9	EU	E1	F3