

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_pt60

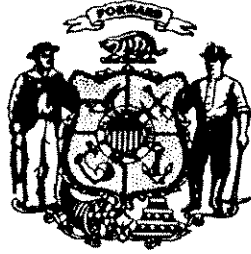
➤ Record of Comm. Proceedings ... RCP

➤ **

State of Wisconsin

SENATE CHAIR
JOE LEEAN

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P.O. Box 7882
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ASSEMBLY CHAIR
BARBARA J. LINTON

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JOINT COMMITTEE ON FINANCE

January 11, 1994

TO: Mr. James R. Klauser, Secretary
Department of Administration

FROM: Senator Joe Leean
Representative Barbara J. Linton
Co-Chairs, Joint Committee on Finance

We have reviewed the request from the Department of Administration dated December 17, 1993, under s. 16.515 and 16.505(2) pertaining to the Secretary of State.

Please be advised that we have found no objections to this request and accordingly, it is approved effective January 11, 1994.

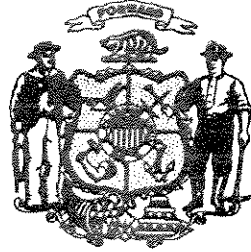
JL/BJL/ns

cc: Roger Grossman

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JOINT COMMITTEE ON FINANCE

December 17, 1993

TO: JOINT COMMITTEE ON FINANCE MEMBERS

FROM: Senator Joe Leean
Representative Barbara J. Linton
Co-Chair, Joint Committee on Finance

Attached is a copy of a request from the Department of Administration dated December 17, 1993 pertaining to a request from the Secretary of State.

Please review this item and notify Senator Leean's office not later than Thursday, January 6, 1994 if you have any concerns about the request or would like the Committee to meet formally to consider it.

Also, please contact us if you need additional information.

JL:BJL:ns

Attachments

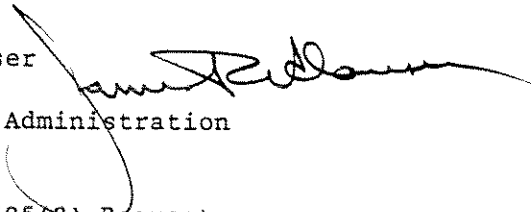
CORRESPONDENCE/MEMORANDUM

STATE OF WISCONSIN
Department of Administration

Date: Dec. 17, 1993

To: Honorable Joseph Leraan, Co-Chair
Honorable Barbara J. Linton, Co-Chair

From: James R. Klauser
Secretary
Department of Administration



Subject: s. 16.515/16.505(2) Requests

Enclosed are requests which 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>1993-94</u>		<u>1994-95</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
Sec. St. 20.575(1)(g)	Implement LLCS	\$ 65,000	1.0*	\$ 26,200	1.0*

* Project position through 6-30-95.

As provided in s. 16.515, this request will be approved on Jan. 11, 1994 unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Roger Grossman at 266-1072, or the analyst who approved the request in the Division of State Executive Budget and Planning, if you have any additional questions.

Attachments:

Under provisions contained in Chapter 181 of the statutes, nonstock corporations must comply with a number of reporting requirements and remit fees at various points in time. If a corporation fails to meet these requirements, they are considered in "bad standing". Previously, a corporation had five years to correct their delinquent situation before being administratively dissolved by the Secretary of State. The new provisions contained in 1993 Act 35 reduce this to a one year grace period. The agency now has a group of corporations facing immediate administrative dissolution due to the shorter grace period.

Analysis

LLC Implementation

Programming: Under the provisions of 1993 Wisconsin Act 112, LLCs may be registered effective January 1, 1994. The agency has identified one-time programming and design modifications necessary to update CRIS and related reports at an estimated cost of \$46,400. The agency feels that this estimate is likely to be low and has requested an additional \$46,400 to be placed in unallotted reserve.

The estimate of \$46,400 appears reasonable, based on 950 hours of programming and testing work at \$40 per hour, as calculated by the Bureau of Information Systems within the Department of Health and Social Services. However, while actual costs may vary from this estimate, it is not realistic to expect that the costs will be 100% greater.

Workload: The agency will be facing a higher workload due to LLCs. The Secretary of State has indicated that many organizations have already requested registration information about LLCs and intend to have forms submitted to achieve a January 1, 1994 registration date. Because of this interest, the agency has already completed a considerable amount of work relating to designing informational materials, fee schedules, creation and licensing forms, computer programming specifications and bringing staff up to speed on all elements involved.

There are two areas where the agency cannot control the work level or prepare in advance. First, the level of registrations, which will be the determining factor in how much work the agency will face. The agency has estimated 1,000 new LLCs will be formed annually, based on survey results from 23 states, the Department of Revenue and various legal and professional groups in the state. However, the Department of Revenue fiscal estimate identifies only 500 newly formed LLCs in 1994 and 700 in 1995. This does not include any conversions of existing corporations to the new LLC organization, which DOR estimates to be very low in the first years of availability.

Second, it is expected that the computer modifications will take approximately six months to complete. During this time, the agency will need to maintain manual records of new LLC registrations, licensing and fees. Additionally, this information must be provided manually to several customers who routinely receive reports from CRIS.

Overall, the agency will be facing an increase in workload as it brings LLCs on-line, communicates details, answers questions and maintains all records manually for approximately six months. However, a significant amount of the start-up work has already been completed and the level of registrations may be lower than the agency anticipates.

Nonstock Dissolutions

Under the provisions of 1993 Wisconsin Act 35, nonstock corporations may remain in bad standing only one year instead of five. The agency estimates there are 3,000 delinquent nonstock corporations facing administrative dissolution under these revised provisions.

The agency is not required under the law to handle the dissolutions immediately. However, any delay only serves to increase the fees owed by the delinquent corporations. In order to minimize fees and to be equitable to all delinquent corporations, the agency feels it is most appropriate to notify the corporations immediately and proceed with either curing the delinquent status or dissolution as soon as possible.

The \$5,500 in one-time spending authority is requested to cover the cost of postage related to the first-class and certified mailings necessary to notify all affected corporations.

Recommendation

Provide a one-time supplement in FY94 of \$51,900 PR to the agency's Program Fees appropriation under s.20.575(1)(g) to fund the costs associated with modifying the CRIS database to accommodate LLCs (\$46,400) and, to fund the costs associated with enforcing the transition from a five year grace period to a one year grace period for nonstock corporations in bad standing (\$5,500).

Additionally, provide one project position through June 30, 1995 with associated funding of \$13,100 PR in FY94 and \$26,200 PR in FY95 to help manage the higher workload associated with implementing these provisions.

As a consequence of this increased spending authority, it is estimated that GPR-Earned will be reduced approximately \$71,500 in FY94 and \$22,300 in FY95. However, as a result of increased activities in LLCs and nonstock corporate dissolutions, GPR-Earned was projected by the agency in fiscal notes to the bills indicated to increase by approximately \$65,300 on an ongoing basis.

DOUGLAS LA FOLLETTE



SECRETARY OF STATE
WISCONSIN

November 22, 1993

Rick Chandler, State Budget Director
Department of Administration
101 East Wilson Street
Madison, WI 53702

Rick
Dear Mr. Chandler;

The Governor's Office has informed us that AB 820 will be signed into law by Governor Thompson on December 13, 1993. This legislation provides for the formation of Limited Liability Companies (LLC's) through the Office of the Secretary of State, beginning January 1, 1994. This type of business organization is new to Wisconsin, and presents the Office of the Secretary of State with new workload responsibilities and implementation costs, neither of which were addressed in the legislation. I am left with one option regarding the funding of these costs, and therefore request increased spending authority within the appropriation found in 20.575(1)(g), and make this request via the procedure outlined in ss.16.505/.515, Wis. Stats.

The agency's fiscal estimate for AB 820 dated October 13, 1993 (attached) referenced two types of costs, the ongoing costs associated with one FTE project position, and the one-time costs associated with computer program modifications.

The fiscal estimate makes it clear that the prediction of workload impacts caused by this bill is an uncertain proposition. However, both this office and the Department of Revenue predicted a fair amount of activity in the formation of new LLC's. Our office has been fielding regular calls already from law firms and other interested parties regarding LLC's. To cope with this uncertain workload, I therefore request one (1) two-year project position as a prudent measure to guarantee service delivery and to allow time to assess actual workload impacts of the bill. I propose that the agency make necessary adjustments, if any, during the next biennial budget process. The project FTE portion of this request asks for annualized funding of \$27,200 PRO.

(2)

The second area of the fiscal estimate involved funding to accommodate and identify this new type of entity on the Corporate Registration Information System (CRIS). This system is the major tool used by the office to create and maintain the corporate records of hundreds of thousands of businesses organized under the varying provisions of Wisconsin statutes. Additionally, the state Departments of Revenue, Industry, Labor, and Human Relations and three private organizations rely on monthly tapes run from CRIS to track business formations and other activity relevant to the programs they administer. The modifications necessary to accept and identify the new corporate type will involve programming changes to 15 different on-line and batch programs as well as changes to the database.

Earlier estimates (attached) of the costs of this programming were approximately \$46,400. This amount covers 950 hours of programmer time and attendant CPU time at FY 94 rates, and parallels the information in Assumption #5 on the afore-mentioned fiscal estimate. However, the agency's experience with programming estimates versus actual costs leads to the request for double the estimated amount with half of the total requested amount being placed in unallotted reserve. If there are additional and legitimate programming costs related to this law which surpass the estimate, the agency could secure the release of necessary funds through the Department of Administration (DOA) instead of returning to the Finance Committee on the same subject. Any unspent funds left in unallotted reserve would simply lapse back into GPR-E at the end of the fiscal year based on provisions currently in ss.20.575(1)(g). Therefore, given the projected timing of this programming effort, we request \$46,400 in Supply and Service line funding in FY 94, and \$46,400 in Unallotted Reserve for FY 95.

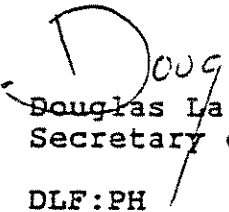
One additional part of this request involves a provision of 1993 Wisconsin Act 35 recently signed into law. That act, originally concerned only with the situation of revoked foreign corporations, contained in its final form several amendments affecting provisions of Chapter 181 which governs non-stock corporations. Specifically, the number of years that a non-stock corporation could be in bad standing was reduced from five to one years, presenting the office with 3,000 non-stocks to dissolve. Based upon earlier dissolution projects, we can predict \$5,500 in one-time postage costs to attempt reaching the bad standing entities through required 1st Class and certified mailings. From earlier projects, we can also predict that approximately \$70,000 in new revenues will be realized through this attempt. Therefore, I request \$5,500 to accomplish this activity, and will endeavor to utilize the above-mentioned project position to carry out the project.

(3)

The appropriation under which this request is made is projected to generate annual revenues beyond present spending authority of between \$250,000 and \$300,000, before enactment of this law. This request can therefore be approved without creating a situation where support of the additional spending authority is compromised by lack of sufficient revenues.

If you or your staff have any questions regarding this proposal, you may contact my assistant Mary Wahlers at 266-3470, or my operations manager Paul Hanks at 266-1437. I trust I can count on your timely review and approval of this request, as the new law becomes effective in less than six weeks. Thank you for your help.

Sincerely,


Douglas La Follette
Secretary of State

DLF:PH

FISCAL ESTIMATE

DCA-2048 (R10/92)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No. LRB 4627
Amendment No. if Applicable

Subject

Creation of Limited Liability Companies

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs

Permissive Mandatory

2. Decrease Costs

Permissive Mandatory

3. Increase Revenues

Permissive Mandatory

4. Decrease Revenues

Permissive Mandatory

5. Types of Local Governmental Units Affected:

Towns Villages Cities

Counties Others _____

School Districts VTAE Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20,575(1)g & GPR-E

Assumptions Used in Arriving at Fiscal Estimate

- 1) It is not possible to exactly predict the number of Limited Liability Company (LLC) filings per year, or the actual source of those filings, be they new entities or entities converted from other types of business organizations already in existence. However, the Secretary of State has a reasonable expectation of the formation annually of approximately 1000 LLC's.
- 2) Based upon a multi-state survey regarding select aspects of LLC's, it is known that other states have experienced the formation of 500 to several thousand new LLC entities in the years following their introduction.
- 3) Based upon information in the draft legislation, the Office of the Secretary of State can say that certain workload impacts are known, most notably the design and production of new forms and instructions, and programming work necessary for the computerized Corporation Registration Information System to be modified to handle the new LLC status.
- 4) Examination of the programming efforts needed to accommodate this legislation resulted in a programming estimate by Applications Development Services in the Bureau of Information Systems of DH&SS for the analysis, design, construction, testing, implementation, documentation and attendant computer time of \$61,800.
- 5) The above estimate assumes the adoption of legislative amendments requiring corporate annual reporting, administrative dissolutions, and foreign revocation programs for the newly-created LLC's. Without the addition of these three requirements, the programming estimate is \$46,400.
- 6) The prior experience of the agency with programming estimates (typically very low) necessitates a request of twice the estimated amount, with one half placed in Unallotted Reserve for later access if needed, or year-end lapsing to the General Fund if not needed.
- 7) The uncertain workload increases of the legislation necessitate a prudent request for one (1) two-year project position to assist in the efficient implementation (receipt, accounting, and tracking; examination; filming; filing; indexing, and; annual reporting) of the new law, and to allow the time to assess more accurately the impact of the law, with permanent adjustment forthcoming in the agency's next biennial budget request.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)

Paul M. Hanks (266-1437)

Authorized Signature/Telephone No.

Paul M. Hanks

/266-8888

Date

10/13/93

FISCAL ESTIMATE WORKSHEET

1993 Session

Detailed Estimate of Annual Fiscal Effect ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No. LRB 4627	Amendment No.
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Subject

Creation of Limited Liability Companies


I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

Programming costs of up to \$120,000

II. Annualized Costs:	Annualized Fiscal Impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$ 24,200	\$ -
(FTE Position Changes) 1.00 Project Program Assistant	(1.00 FTE)	(- FTE)
State Operations - Other Costs Position Support Costs	3,000	-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 27,200	\$ -
B. State Costs by Source of Funds		
GPR	\$	\$ -
FED		-
PRO/PRS 20.575(1)g	27,200	-
SEG/SEG-S		-
III. State Revenues- Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
GPR Taxes	\$	\$ -
1000 LLC's X \$90 Fee X 72.5% per 20.575(1)g (NOTE: Annual Reports would add \$18,100 annually)	65,300	-
FED		-
1000 LLC's X \$90 Fee X 27.5% per 20.575(1)g (NOTE: Annual Reports would add \$6,900 annually)	24,700	-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ 90,000	\$ -

NET ANNUALIZED FISCAL IMPACT

	STATE	LOCAL
NET CHANGE IN COSTS	\$ + \$27,200	\$
NET CHANGE IN REVENUES	\$ + \$90,000	\$

Agency/Prepared by: (Name & Phone No.) Paul M. Hanks (266-1437)	Authorized Signature/Telephone No.  /266-8888	Date 10/13/93
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Department of Health and Social Services

Bureau of Information Systems/DMS

April 26, 1993

MEMORANDUM

File Ref:001

TO: Molly O'Connell
Secretary of State Office
Cris Administrator

FROM: Carol Hill *Ch*
Applications Development Services

RE: Adding additional corp types and a status to the CRIS Database

The following is a forecast for the implementation of adding additional corporation types and a new status to the CRIS Database based on our current understanding of the requirements. This implementation will involve 15 programs and database changes.

ANALYSIS 300 Hours

Identify Changes (Database, Reports, Labels, Audit, Screen searches, Edits)
Analysis of changes
Write specs
Processing

DESIGN 40 Hours

Database changes
Data Manager changes
Reports, searches, edits etc.

CONSTRUCTION 500 Hours

Make required database changes
Code required reports, searches, edits etc.
Test changes
Debug

IMPLEMENTATION

80 Hours

Proc/Control cards/Jcl/Job changes
Program transfers

DOCUMENTATION

30 Hours

Programs
Production

The forecast cost for the project using ADS staff at FY94 rates would be \$38,000. ~~The~~ Info Tech cost of development is not included in this figure.

The FY94 rates will be \$40 an hour and the FY95 rates will be \$45 an hour. If contractors are used the rate will be \$50.21 per hour.

cc: Joan Poulsen
Wanda Schrank
File