

1995-96 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

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➤ Committee Reports ... CR

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➤ Executive Sessions ... ES

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➤ Hearing Records ... HR

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➤ Miscellaneous ... Misc

➤ 95hrJC-Fi\_Misc\_pt76

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

XXII. Department of Administration -- Paul McMahon, Director of Bureau of Financial Management, Division of Administrative Services

Pursuant to s. 16.701 and s. 16.702 under 1995 Wisconsin Act 27, the department requests the transfer of \$80,000 SEG in 1995-96 and \$132,500 SEG in 1996-97 from the information technology investment fund appropriation under s. 20.870(1)(q), special projects; fee revenue, to the appropriation under s. 20.505(1)(r), information technology investment fund; administration, to support both initial and on-going costs for the collection and administration of vendor fees under s. 16.971.

Governor's Recommendation

Approve the request.

**Date:** April 10, 1996

**To:** Members, Joint Committee on Finance

**From:** James R. Klauser, Secretary  
Department of Administration

**Subject:** Section 13.10 Request from the Department of Administration for the Collection and Administration of Vendor Fees.

**Request**

Pursuant to s. 16.701 and s. 16.702 under 1995 Wisconsin Act 27, the department requests the transfer of \$80,000 SEG in 1995-96 and \$132,500 SEG in 1996-97 from the information technology investment fund appropriation under s. 20.870(1)(q), special projects; fee revenue, to the appropriation under s. 20.505(1)(r), information technology investment fund; administration, to support both initial and on-going costs for the collection and administration of vendor fees under s. 16.971.

**Background**

Under s. 16.971 in 1995 Wisconsin Act 27, a segregated Information Technology Investment Fund (ITIF) was created to be administered by the Department of Administration (DOA). Section s. 16.701 authorizes DOA to provide a subscription service for vendors concerning state procurement opportunities and to charge a fee for any such service. Sections s. 16.702(1), (2), (3) and (4) require DOA to submit rules prescribing a fee from vendors that will generate approximately \$5 million annually to the ITIF.

As explained in the s. 16.515 request to the Joint Committee on Finance dated March 1, 1996, the ITIF will be underwritten in FY96 by a loan from the PRS appropriation under s. 20.505 (1)(ke), telecommunications and data processing services, in order to distribute grants to agencies in FY96.

DOA submitted draft administrative rules to the Administrative Rules Clearinghouse and conducted a public hearing concerning the nature and administration of the fee on February 29, 1996. The rule has been submitted to and awaiting approval of the Joint Committee on Information Policy and the Assembly Small Business and Economic Development Committee.

**Analysis**

Under 1995 Wisconsin Act 27, a segregated annual appropriation to support the ITIF was created under s. 20.505 (1)(r), information technology investment fund

administration. Pending submission by DOA of proposed rules for the vendor fee, no base funding was established.

DOA estimates that approximately 2% of the annual fee collection may be required to implement and administer systems supporting the ITIF. The approval of \$80,000 SEG in 1995-96 will cover administrative activities from April through June 30, 1996. DOA also requests approval of \$132,500 SEG in 1996-97 to fund a full year of administrative activities.

The annual activities in support of the ITIF vendor fee, which will be performed by the DOA's Division of Administrative Services, include:

1. Mailings to all prospective vendors to inform them of the vendor contract administration fee and of procurement opportunities with the state;
2. Subsequent year renewal mailings to all active vendors registered with the state;
3. Actual collection of fees and data entry of vendor information received with the fee;
4. Financial administration of the fee and in-house fiscal services and activities, such as movement of cash funds to agency appropriations as approved by the JCF;
5. On-going interaction with vendors who inquire about the status of annual fee payment, changes to data collected and financial reporting to DOA management and the legislature; and
6. Assistance to the State Bureau of Procurement with vendor information desk support and computer data base support.

A breakdown of the costs associated with administration of the vendor fee are:

<u>Function</u>	<u>FY96 (4th Quarter)</u>	<u>FY97</u>
• Initial and annual informational mailing (paper & postage) to 50,000 vendors	\$50,000	\$50,000
• Fee collection & lockbox management	\$12,500	\$50,000
• LTE assistance for mailings, data entry and vendor support desk	\$12,500	\$27,500
• Telephones, Internet upload of data, and other communications	\$5,000	\$5,000
<b><u>Total:</u></b>	<b>\$80,000</b>	<b>\$132,500</b>

DOA indicates in this s. 13.10 request and as part of the s. 16.515 request dated March 1, 1996, that costs associated with administration of the vendor fee will continue to be costs supported by the ITIF.

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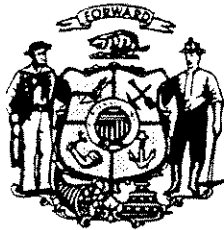
The vendor fee administration and support are critical to the successful management and deployment of the \$5 million information technology investment fund. The costs of administration and support provide vendors with information about procurement opportunities with the state, a method of collection for fees and vendor information, efficient and effective cash management and reporting procedures, and business support to the Bureau of Procurement.

There are no additional permanent positions associated with the request. Existing staff and LTEs will be utilized to administer these new program requirements, but the additional supplies and services and processing costs associated with the vendor fees and subscription service should be paid for out of the new fee.

**Recommendation**

Approve the request.

Prepared by: Pamela Henning  
267-0371



TOMMY G. THOMPSON  
GOVERNOR  
AMES R. KLAUSER  
SECRETARY

XXII

Date: March 16, 1996

To: Senator Tim Weeden, Co-Chair  
Representative Ben Brancel, Co-Chair  
Joint Committee on Finance  
Room 119 South, Capitol  
Madison, WI 53702

From: James R. Klauser, Secretary  
Department of Administration

### Request

Under the provisions of s.13.10, the department requests approval of \$80,000 SEG in FY96 and \$132,500 SEG in FY97, to be transferred from the Information Technology Investment Fund, under s.20.870, to the appropriation under s.20.505(1)(r) *Information technology investment fund - administration*, to support both initial and on-going costs for the collection and administration of vendor fees under s.16.971.

### Background

1995 Act 27 created a segregated Information Technology Investment Fund (ITIF) to be administered by the Department of Administration under s.16.971. As explained in the request to the Joint Committee dated March 1, 1996 under s.16.515, the ITIF will be underwritten in FY96 by a loan from the appropriation under s.20.505(1)(ke) *telecommunications and data processing services*. A permanent funding mechanism, however, is prescribed by law (s.16.701 and 16.702) through fees from private vendors doing business with the State of Wisconsin. The department has submitted draft administrative rules and conducted a public hearing concerning the nature and administration of this fee, which is expected to generate approximately \$5 million annually for technology investments by the State of Wisconsin. Proposed uses of the ITIF have been reviewed by the Joint Committee on Information Policy (JCIP) and are currently under review by the Joint Committee on Finance (JCF). (This s.13.10 request for use of fee revenues to administer the fund was outlined on page 3 of the March 1 s.16.515 request.)

### Need for Administrative Funds

An administrative appropriation to support ITIF was created in DOA by 1995 Act 27 under s.20.505(1)(r) - SEG. However, no base funding was established, pending submission of proposed fee rules by the department. The department has done preliminary planning for systems needed for fund administration and estimates that approximately 2% of the annual fee collection may be required to implement and administer systems supporting the fund. Approval of this request will provide initial FY96 funding authorization to support annual vendor registration and fee collection activities. The annual activities in support of the ITIF vendor fee, which will be performed by the Division of Administrative Services, include:

- An initial broad mailing to all prospective vendors who may wish to register for procurement opportunities with the State
- Subsequent year renewal mailings to all active vendors who have registered with the State
- Actual collection of fees via postbox/lockbox and data entry of vendor-specified information received with the fee, either by state staff or through banking contract services
- Financial administration of the fee (cleared from the lockbox to the Treasury under s.20.870) and in-house fiscal services and activities, such as movement of cash funds to agency appropriations as approved by the JCF

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Representative Ben Brancel, Co-Chair  
March 16, 1996  
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- On-going interaction with vendors who inquire about the status of annual fee payment, changes to data collected, and financial reporting to department management and the legislature
- Vendor information support to the State Bureau of Procurement, and
- Computer data base support

The release of \$80,000 will cover administrative activities from April through June 30, 1996. The department also requests expenditure approval of \$132,500 for a full year of activities in FY97.

The estimated amounts by year are:

	<u>FY96 (4th quarter)</u>	<u>FY97</u>
Initial/annual mailing to vendors (based on approx. 50,000 vendors)	\$50,000	\$50,000
Fee collection/lockbox management	12,500	50,000
LTE assistance (mailing/data entry, etc)	12,500	27,500
Phones, communications, InterNet	<u>5,000</u>	<u>5,000</u>
Total:	\$80,000 SEG	\$132,500 SEG

These costs of administration will continue to be supported by the ITIF in the future, as noted in the March 1 request.

#### Summary

Administrative support to the ITIF is critical to the successful management and deployment of the fund. These administrative costs support and are focused on informing vendors about the VendorNet, collecting both fees and vendor information, efficient cash management and reporting, and continuous business support to the State Bureau of Procurement.

I look forward to your review of this request and the successful collection of vendor fees for the Information Technology Investment Fund.

cc: Rick Chandler, State Budget Director  
Bob Lang, Legislative Fiscal Bureau