



Legislative Fiscal Bureau

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H

May 11, 1999

Joint Committee on Finance

Paper #820

Technical Change -- Standard Budget Adjustments (R&L)

[LFB 1999-01 Budget Summary: Page 522, #1]

CURRENT LAW

Authorization for a four-year PR project position expires on June 30, 1999 and base funding of \$47,400 is available for the salary and fringe benefit costs of this position.

GOVERNOR

As part of standard budget adjustments for R&L, the Governor recommended a reduction of \$37,600 PR for the salary and fringe benefit costs of this project position and deletion of 1.0 position.

MODIFICATION TO BASE

Delete an additional \$9,800 PR annually as standard budget adjustment for this item.

Explanation: The additional reduction represents the difference between the authorized salary and fringe benefits currently being paid to the project position and the amount that was originally budgeted for the position. When the position was eliminated, only the budgeted amount of salary and fringe benefits was eliminated rather than the actual salary and fringe benefit costs being expended for the position.

Modification	PR
1999-01 FUNDING (Change to Base)	- \$19,600
[Change to Bill]	- \$19,600]

Prepared by: David Worzala

MO#

2 BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
(GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

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Base Agency: Department of Regulation and Licensing—Examination Fees/Vendor Payments

Recommendations:

Paper No. 821: Alternative 3

Comments: The governor wants to change the way outside test contractors receive payment from R&L for administering credential applicant exams. LFB seems to have a problem with the estimate that the governor proposed for the amount of money vendors would be paid over the biennium. LFB proposes an alternate method for estimates which is based on the 1999-01 exam fee study. In addition, LFB suggests that R&L be required to deposit 10% of the total exam fee revenues in the general fund to reimburse for state costs provided by DOA. This requirement would generate an additional \$235,100 GPR annual. Sounds like a reasonable plan.

Prepared by: Julie



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May 11, 1999

Joint Committee on Finance

Paper #821

Examination Fees -- Vendor Payments (R&L)

[LFB 1999-01 Budget Summary: Page 522, #2]

CURRENT LAW

The Department of Regulation and Licensing (R&L) is responsible for ensuring that applicants for credentials pass any exams required by statute before obtaining a credential. The Department is authorized to charge a fee for administering the exam as long as the charges do not exceed the Department's best estimate of the cost of preparing, administering and grading the examination or obtaining and administering an approved examination from a testing service.

A credential applicant will either take an R&L administered exam or an exam given by a contract vendor who has been contracted by R&L to administer the exam. In both cases, R&L's Office of Examinations staff must have approved the content of the exam. However, the payment of exam costs is currently accounted for differently depending on who actually administers the exam. In the case of exams where R&L is responsible for administering the exam, the applicant pays the required exam fee to R&L directly. In the case of exams administered by a vendor, the applicant fees are collected directly by the vendor and retained by the vendor, except for the portion of the fee that is assessed to reflect R&L's contract administration costs which must be remitted by the vendor to R&L. The base year estimate of exam fees collected by R&L is \$596,600 and the estimated amount collected by vendors is \$1,421,700.

GOVERNOR

Provide \$1,421,700 PR annually to implement a change in the way outside test contractors receive payment for conducting credential applicant examinations. The State Controller's Office has found that the fees paid directly to vendors by applicants and currently retained by the vendor are state fees, and therefore, should be collected by R&L and deposited in the state treasury and that the expenditure of these revenues must then be made pursuant to a

specific appropriation of these revenues. In the case of R&L, this means that R&L should collect all the exam fees and then pay the contract vendors based on invoices detailing the services provided. To implement this requirement, the Governor recommends increasing the expenditure authority of the examinations appropriation to pay the vendors for their contracted costs to develop, conduct and grade examinations. Estimated additional expenditures are estimated to be equal to the additional fee collections from test applicants.

DISCUSSION POINTS

1. The Department of Regulation and Licensing is responsible for credentialing and regulating 101 different professions, occupations, or types of business establishments in the state. The Department provides administrative and legal services, assistance in rulemaking, examinations and uniform enforcement procedures for both board-credentialed and directly-credentialed professions.

2. As a part of issuing credentials, it is estimated by R&L that over 41,800 examinations will be taken by credential applicants during the 1999-01 biennium. Exams are either administered by R&L or through an exam vendor. In general, the exams administered by R&L are those that have a small number of applicants or where the test is one developed by R&L. The tests administered by vendors are generally national exams or are ones for which there are larger numbers of applicants. Of the estimated 41,800 exams to be taken next biennium, roughly 28,600 or slightly more than two-thirds of the exams, will be administered by vendors and the remaining 13,200 will be administered through the Department.

3. While R&L's Office of Examinations approves the content of all exams, currently how the fee payment for an exam is accounted for differs depending on who administers the exam. In the case of exams where R&L pays the costs of proctoring and administering the exam, the applicant pays R&L directly. In the case of exams administered by a vendor, the exam fees are collected and retained by the contractor, except for a portion of the fee to reflect R&L's contract administration costs which must be remitted by the vendor to R&L.

4. Under current law, R&L examination costs, excluding the fee amounts paid directly to vendors and retained by them, are paid through a separate examinations appropriation. This appropriation is funded by exam fee revenues collected by R&L. The examination appropriations is used to fund expenditures by the Office of Examinations, including the costs of preparing and grading examinations. These costs also include R&L's activities to administer the exams directly, for example, the cost of hiring proctors and graders. Finally, these costs also include the expenses of contract administration in obtaining outside vendors to administer exams. There are seven positions in the Office of Examinations and the adjusted base level for the appropriation is \$643,700 PR.

5. Examination fees are established biennially by an examination fee study. In general, R&L's examination costs are estimated and any available revenues are identified and subtracted

from these costs to arrive at the total amount of fee revenue estimated to be needed in the next biennium. R&L also assumes retention of a 30% revenue balance reserve in the appropriation to ensure that R&L has sufficient funds to develop exams for new professions and to purchase exams. The resulting revenue needed in the next biennium is then distributed among the projected number of examinees to arrive at the exam fees for state administered exams.

6. In the case of R&L administered exams, the fee consists of exam development, written exam administration and oral or practical exam costs. An average cost for each of these activities is determined, assigned to each applicable professional examination and added together to get the fee charged to the applicant. For example, in the fee study for the 1999-01 biennium, if R&L administered a written exam that they had developed, the fee would be \$14 for the administration of the exam and \$21 for development of the test or a total exam fee of \$35.

7. The fee calculation method is different for vendor administered exams. The fees charged applicants for examinations provided by outside vendors consists of a vendor fee established by contract plus an add-on for R&L contract administration and any exam development costs. The vendor fee is determined through a competitive bidding process. However, if R&L develops the test, R&L uses the same exam development estimate for both the vendor and R&L administered exam development component of the exam fee. For example, if the bid price of a vendor exam was \$100, R&L would add contract administration costs of \$12 (from 1999-01 exam fee study) for a total exam fee of \$112. In addition, if R&L developed the test, an additional \$21 would be added for total exam fee of \$133.

8. Under current law, a vendor collects all the fees directly and then remits the administrative and any test development fee to R&L. There are currently 11 contracts with vendors that provide examinations for which the exam applicants pay the vendor directly.

9. The Governor's recommendation is to provide additional expenditure authority of \$1,421,700 PR annually, and an equivalent amount of estimated additional fees revenue, to bring the testing fees currently collected on behalf of the Department but paid directly to test providers to instead be fees collected by R&L and deposited in the examinations appropriation. The rationale for changing the accounting treatment of these exam fees is that these are state mandated exams and the fees collected are state monies to be deposited in the treasury. Then, to expend any revenues from the treasury, the Constitution requires that appropriation authority must be provided. In recent years, the State Controller's Office has attempted to bring these types of off-budget activities into the state budget. The Governor has recommended in this budget similar treatment for Office of the Commissioner of Insurance for fees for exams given by outside vendors.

10. However, the Governor's recommendation raises concerns in the two areas: (a) the level of estimated revenues and expenditures for exam fees for vendor-administered exams; and (b) whether this appropriation should continue to be exempt from the 10% general fund transfer requirement that applies to all other revenue received by the Department. Each of these issues is reviewed further in the following discussion points.

Estimated Additional Revenues and Expenditures

11. The Department indicates that the revenue and expenditure estimates included in the Governor's recommendation were derived by increasing 1997-98 vendor revenues by 10%. In 1997-98, R&L reported vendor revenues of \$1,292,400 and the Governor's recommendation increases this amount by \$129,300 to \$1,421,700 annually.

12. It is unclear what the exact basis was for the ten percent increase assumption. This is partially because vendor receipts data has only been collected by R&L for two years and therefore, there is limited data on which to develop a reliable trend. However, if that two-year data were used, the increase from 1996-97 to 1997-98 was 12%.

13. An alternative method of estimating the amount that vendors will have to be paid in 1999-01 would be to instead use the estimated number of credential applicants that will take a vendor administered test in the next biennium and multiply that number by the estimated vendor exam fee amounts to arrive at the estimated total vendor share of total exam fees. This is similar to the methodology used by R&L to determine the examination fee that is charged for the exams administered by R&L. This methodology would result in estimated increased revenues of \$1,682,000 PR each year. A corresponding expenditure increase would then be indicated.

General Fund Reimbursement

14. If the Committee approves the change to have R&L collect all of the exam fees and deposit these fees in the examinations appropriation, the Committee may want to consider whether it is appropriate to require 10% of the gross receipts of this appropriation to be credited to the general fund as reimbursement for indirect costs of services that are provided to the Board. Currently, the portion of R&L examination activity that is included in the examinations appropriation is not subject to the 10% general fund transfer position. However, in the case of the R&L's general operations appropriation, this 10% transfer requirement is required. Based on the revised estimated revenues of \$1,682,000 PR for vendor exams and estimated existing base revenues of \$669,200 for R&L administered exams, if the general fund reimbursement requirement were applied to these projected total exam appropriation revenues (a total of \$2,351,200 annually), an estimated \$235,100 GPR-earned would be generated annually.

15. Requiring a portion of the examination fee to be deposited to the general fund is to reimburse for R&L's share of general state costs, such as unbilled services provided by DOA. In addition to R&L, OCI and PSC are subject to a similar 10% transfer requirement. In the case of R&L, the initial credential fee and the renewal fees currently collected by R&L are subject to this requirement but exam fees are not. Finally, in the case of OCI, where this same treatment of vendor fees has already been approved by the Committee, the 10% transfer provision will be applied to these fees.

16. The argument against requiring that 10% of examination fees to be deposited in the general fund is that current R&L exam fees are exempt from this requirement. If the general fund

requirement were applied, the amount of current exam fees would have to be increased to provide the same net amount of revenue to meet R&L's projected expenditure needs.

ALTERNATIVES TO BASE

No 1. Approve the Governor's recommendation to change the way R&L pays outside test contractors and increase PR expenditures \$1,421,700 annually and PR revenue by the same amount.

Alternative 1	PR
1999-01 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$2,843,400 \$0
1999-01 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$2,843,400 \$0

3 2. Modify the Governor's recommendation by estimating expenditures and revenues of \$1,681,900 PR annually to reflect a revenue estimate based upon the 1999-01 exam fee study.

Alternative 2	PR
1999-01 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$3,363,800 \$520,400
1999-01 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$3,363,800 \$520,400

3. Modify the Governor's recommendation by providing estimated expenditures and revenues of \$1,681,900 PR annually to reflect an estimate based upon the 1999-01 exam fee study. In addition, require that 10% of the total exam fee revenues in 1999-01 be deposited to the general fund. Increase estimated fee revenues by \$235,100 annually and estimated GPR-Earned by \$235,100 annually.

Alternative 3	GPR	PR	TOTAL
1999-01 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$470,200 \$470,200	\$3,834,000 \$990,600	\$4,304,200 \$1,460,800
1999-01 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$0 \$0	\$3,363,800 \$520,400	\$3,363,800 \$520,400

u 4. Maintain current law.

Alternative 4	PR
1999-01 REVENUE (Change to Base)	\$0
[Change to Bill	- \$2,843,400]
1999-01 FUNDING (Change to Base)	\$0
[Change to Bill	- \$2,843,400]

Prepared by: David Worzala

MO# Alt. 3

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
PORTER	<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
HUBER	<input checked="" type="radio"/>	N	A
RILEY	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

Base Agency: Department of Regulation and Licensing—Information
Technology Initiatives

Recommendations:

Paper No. 822: Alternative 2

Comments: R&L wants a bunch of money for IT initiatives. LFB says most of the stuff is reasonable, but suggests that the internet contractual programming services might be a bit over the top. There are some security concerns related to allowing unauthorized access to non-public records of license holders. In addition, LFB suggests that the Department might be taking on a bit too much right now with all the other improvements. Alt. 2 gives them everything they want except the internet consulting services. The funds for this purpose would be placed in the Committee's appropriation for approval under 14 day passive review when the Department has a better plan in place.

Prepared by: Julie



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May 11, 1999

Joint Committee on Finance

Paper #822

Information Technology Initiatives (R&L)

[LFB 1999-01 Budget Summary: Page 523, #6 a, b, d & f]

CURRENT LAW

The Department's general program operations appropriation has base level supplies and services funding of \$1,952,200 PR annually and base level permanent property funding of \$68,500 PR annually.

GOVERNOR

Provide \$130,300 PR in 1999-00 and \$93,000 PR in 2000-01 for the following information technology initiatives: (1) establish a centralized call center to allow increased use of the interactive voice response (IVR) system and imaging technologies to streamline the answering of incoming calls regarding the 97 different professions currently regulated by R&L (\$33,100 in 1999-00 and \$7,800 in 2000-01); (2) hire an internet consultant to study the feasibility of internet technologies that would aid R&L in its regulatory activities and also provide funds for implementing projects that are found feasible (\$77,000 in 1999-00 and \$70,000 in 2000-01); (3) purchase computer imaging software and associated hardware improvements to improve the automation of the processing of complaints received by the agency (one-time financing of \$10,000 in 1999-00 and \$5,000 in 2000-01); and (4) continue funding for monthly user charges for a dedicated communications line to DHFS to handle background checks on child care, long-term care and healthcare facility employees licensed by R&L (\$10,200 annually).

DISCUSSION POINTS

1. The Department of Regulation and Licensing has been undertaking several technology initiatives to manage the growth in the number of professions required to be regulated and the number of individuals required to be credentialed by R&L. Information

technology initiatives funded in past budgets have included: (a) converting from a non-Year 2000 compliant system to a compliant network system; (b) installing an automated voice response system to assist in answering telephone inquiries concerning the status of credential applications; (c) introducing imaging capabilities to store applicant information electronically rather than using paper copies; (d) developing a data management system that can integrate these technologies; and (e) implementing a pilot project using the internet to allow the public to check the status of licensed nurses.

2. The Department's intent is to use the funding as recommended by the Governor for IT initiatives that build upon these prior IT initiatives and to explore the use of internet technologies. In addition to the additional funding recommended by the Governor, R&L plans to use a total of \$101,200 PR of base funding for these projects.

3. The Governor's recommendation would provide \$33,100 PR in 1999-00 and \$7,800 PR in 2000-01 to fund the purchase of equipment to create a call center to integrate existing interactive voice response system capabilities and provide improved database coordination. The objective of a call center would be to allow R&L to have an incoming phone call be automatically routed to the most appropriate person to handle the inquiry and to allow an applicant's electronic file to be routed along with the call to facilitate a quick response.

4. A second initiative would use \$77,000 PR in 1999-00 and \$70,000 PR in 2000-01 to hire consultants and programming staff to undertake three main internet projects. The first project, estimated to require 200 hours of programming assistance annually, would build on the credential verification pilot that was undertaken to allow health care providers to check credential status over the internet. The second project, also estimated to require 200 hours of programming assistance annually, would place static information that is available to the public, such as registries and credential holder lists, on the internet. The last project, estimated to require 1,600 hours of consulting annually, would be aimed at developing the ability for the initial credential applications and renewal applications to be filed via the internet, including allowing for the payment of fees over the internet. Consultant fees are budgeted at \$45 per hour. R&L plans to use the new funding plus \$33,000 from base resources for the cost of the consultant. Total costs for the project would then total \$180,000 PR in the next biennium.

5. The third initiative would use \$10,000 PR in 1999-01 and \$5,000 PR in 2000-01 to purchase a records imaging enhancement that would allow R&L to put complaint information into an electronic form to assist in addressing complaints. As part of the initiative, the Department would allocate available base level IT funding (\$37,400 PR in 1999-00 and \$30,800 in 2000-01) to offset a portion of the equipment costs associated with this project. In an electronic form, the complaint information could be shared among enforcement staff and the respective boards more easily and efficiently than paper files.

6. The final initiative for which funding is recommended would be \$10,200 PR annually to continue funding for monthly user charges for a dedicated communications line to DHFS to handle background checks on child care, long-term care and healthcare facility

employees licensed by R&L. This funding was initially authorized in 1998-99 by the Joint Committee on Finance under s. 16.515, but only as one-time funding.

7. The proposed IT initiatives relating to the creation of a call center, the electronic imaging of complaints and the continued funding of a dedicated communications line to DHFS to handle background checks on child care, long-term care and health care facility employees licensed by R&L would account for \$53,300 PR in 1999-00 and \$23,000 PR in 2000-01 of the new funding recommended by the Governor. These initiatives seem to be clearly identified as to purpose and are generally consistent with prior IT initiatives undertaken by the Department. The Committee could approve this level of funding for these projects.

8. With regard to the internet contractual programming services funds to allow the use of the internet for credential verification and to make available static information such as registries and lists of credential holders on the internet, these projects also appear to be logical extensions of R&L's current IT efforts and would be expected to alleviate workload for those R&L staff answering certain standard questions regarding credential holders.

9. The projects to allow use of the internet to check licensee's credentials and to allow the public to access via the internet various static information maintained by the R&L appear to be limited and clearly defined. In contrast, it could be argued that the remainder of the internet funding request (now estimated at a cost of \$72,000 PR annually), is not nearly as well defined as to need and scope. It is unclear, for example, how this proposed application to accept credential applications and renewals over the internet will interface with other automation efforts that are underway. There also appear to be security concerns regarding the potential for unauthorized access to non-public records of credential holders and over the control of payments transmitted over the internet. Further, it could be argued that the Department may be attempting to undertake too many initiatives at one time. While expenditures for this latter project may be justified, the Committee could assure that fuller review of this project would occur by placing the funding requested for this project (\$72,000 PR annually based on revised estimates) in the Committee's PR appropriation. These funds could then be released by the Committee under a 14-day passive review process once the Department had developed and submitted a more detailed plan for this project to the Committee for its approval.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$130,300 PR in 1999-00 and \$93,000 PR in 2000-01 for new IT initiatives by the Department.

<u>Alternative 1</u>	<u>PR</u>
1999-01 FUNDING (Change to Base)	\$223,300
[Change to Bill]	\$0

2. Modify the Governor's recommendation to provide \$58,300 PR in 1999-00 and \$21,000 PR in 2000-01 for the cost of all of the IT initiative projects recommended by the Governor except for funding for internet consulting services. Delete funding of \$72,000 PR annually from the Department's appropriation and instead place those funds in the Committee's PR appropriation for release under a 14-day passive review process once the Department has submitted to the Committee a detailed plan for the use of consulting services to develop internet capability to allow acceptance by R&L of initial credential applications and renewal applications, including required fee payments, over the internet. Funds could be release upon the Committee's approval of the detailed project plan.

Alternative 2	PR
1999-01 FUNDING (Change to Base)	\$223,300
[Change to Bill]	\$0

No. 3. Maintain current law.

Alternative 3	PR
1999-01 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$223,300

Prepared by: David Worzala

MO# Alt. 2

2 BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

Base Agency: Department of Regulation and Licensing—Technical Change

Recommendations:

Paper No. 823: Approve Modification

Comments: Apparently, the Department didn't know that funding provided in the last budget for minority intern positions continued in their base for this budget. This reduction corrects that error.

Prepared by: Julie



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May 11, 1999

Joint Committee on Finance

Paper #823

Technical Change -- Information Technology Initiatives (R&L)

[LFB 1999-01 Budget Summary: Page 523, #6c]

CURRENT LAW

R&L has \$26,900 PR in its adjusted base funding for LTE funding to hire two minority interns as computer support positions in the agency's information and technology unit. This funding is used to allow R&L to participate in the state minority student IT employment program that is aimed at enhancing career opportunities in the state service for minority IT students and at the same time promoting diversity in the workforce.

GOVERNOR

Provide an additional \$13,500 PR annually for a half-time LTE position as part of the minority student IT employment program.

MODIFICATION TO BASE

Delete the proposed additional funding of \$13,500 PR annually.

Explanation: The Department now indicates that it was unaware that the \$26,900 PR in LTE funding provided in the last budget continued in the base for the minority intern positions. Since this funding was not eliminated from the base, Department has stated that the requested increased funds are unnecessary.

<u>Modification</u>	<u>PR</u>
1999-01 REVENUE (Change to Base)	\$0
[Change to Bill]	- \$27,000]

Prepared by: David Worzala

MO# modification

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
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ALBERS	<input checked="" type="radio"/>	N	A
DUFF	<input checked="" type="radio"/>	N	A
WARD	<input checked="" type="radio"/>	N	A
HUBER	<input checked="" type="radio"/>	N	A
RILEY	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS 0

Base Agency: Department of Regulation and Licensing—Information
Technology Staffing

Recommendations:

Paper No. 824: Alternative 1

Comments: R&L wants to concern a project position used for information technology development into permanent status. It was scheduled to expire at the end of this biennium. The Department seems to be involved in a great deal of IT improvements, and the position would probably help them achieve their goals. Although, the original purposes of the project position have been completed. Either way seems fine. The position would be funded with PR.

Prepared by: Julie



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May 11, 1999

Joint Committee on Finance

Paper #824

Information Technology Staffing (R&L)

[LFB 1999-01 Budget Summary: Page 524, #7]

CURRENT LAW

The Department's information technology unit currently has 8.75 authorized positions plus LTE monies to provide computer support services to its employees. Of the 8.75 positions, one is a management information specialist project position that expires June 30, 1999. Base funding for salary and fringe benefits for the 8.75 positions is \$522,400 PR.

GOVERNOR

Provide \$53,700 PR in 1999-00 and \$55,100 PR in 2000-01 and 1.0 permanent position to allow R&L to replace an expiring, four-year project position in its information technology unit with a permanent position.

DISCUSSION POINTS

1. Organizationally, R&L's information and technology unit is located within the Office of the Secretary. The unit is responsible for the coordination and implementation of agency's information technology initiatives and the day-to-day support of R&L's computer network.

2. The Department has three mission critical systems that track credential applicants, credential holders and complaints filed against credential holders. These systems are used by over 100 staff every day to manage the 20,000 applicants and 2,000 complaints received annually. The credential database has over 300,000 active records and over one million total records.

3. The information and technology unit currently consists of the following positions: (a) an IT Director; (b) a network manager; (c) a database administrator; (d) three permanent programmers; (e) one IT generalist (0.75 FTE); (f) one management information technician; and (g) one management information specialist project position. In addition, there is one contract programmer and an LTE intern who also provides computer support services.

4. The four-year management information specialist project position expires on June 30, 1999. The project position was originally provided in 1995 Wisconsin Act 27 to assist in the implementation of information technology initiatives, including the conversion of the Department's WANG computer system to a networked system. More recently, the position had assisted the programmers in developing and implementing other departmental IT initiatives. The project position is currently vacant.

5. When the four-year project position was originally authorized, R&L's information technology system was a WANG-based system that was not networked. The Department faced fundamental questions regarding the future of the system, including what hardware and software systems were best suited for R&L and the need to move to a local area network arrangement. Over the four years that the project position has existed, the Department has replaced all of its hardware and software and the three mission critical systems have been developed and integrated into R&L's operations.

6. The reasons given by the Department to create a permanent position are to provide additional help to support IT initiatives and to reassign the employee in the project position to retain the knowledge and experience gained from working on the Department's IT projects for the past three years. In addition, the Department argues that contract programming would be much more expensive than hiring a permanent position.

7. The original purpose of the project position, to assist with the conversion of the department's computer system, is complete. While the upcoming biennium's IT initiatives are ambitious, much of the effort expands upon existing capabilities and therefore the existing permanent IT staff have had experience with the technical difficulties involved in implementing these types of improvements.

8. In terms of programming staff, since the project position was originally authorized, the information and technology unit has added two programming positions by reallocating vacant positions from other divisions. In addition, during the last biennium, the information and technology unit was appropriated \$26,900 PR for LTE funding of student interns to also assist in the computer support role of the unit.

9. While the Department argues that contractor staff is more expensive than permanent staff, even with the project position the Department has needed consultants to bring various types of specialized knowledge to implement specific projects and the Department plans to continue to do this. Contractor funding was provided in 1996-97 to assist with the system conversion and in 1997-

98 to fund the development of a web-based pilot project that allowed health care organizations to check the credential status of nurses. Contractor funding totaling \$90,000 per year is recommended in the upcoming biennium to implement initiatives related to the internet.

10. It could be argued that creating an additional permanent position is unwarranted because the original purposes of the project position have been completed and increased IT permanent program staff has been made available by the reallocation of base positions. Further, the argument that keeping the project position employe as a permanent position would help retain the knowledge base from the last three years would no longer be a potential benefit since the individual has left the agency.

11. Alternatively, it could be argued that R&L has an ambitious IT agenda and creating an additional permanent position is necessary to ensure the success of those initiatives.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$53,700 PR in 1999-00 and \$55,100 PR and 1.0 PR positions in 2000-01 to convert the project position into a permanent position.

<u>Alternative 1</u>	<u>PR</u>
1999-01 FUNDING (Change to Base) [Change to Bill]	\$108,800 \$0
2000-01 POSITIONS (Change to Base) [Change to Bill]	1.00 0.00

ok 2. Maintain current law.

<u>Alternative 2</u>	<u>PR</u>
1999-01 FUNDING (Change to Base) [Change to Bill]	\$0 -\$108,800
2000-01 POSITIONS (Change to Base) [Change to Bill]	0.00 - 1.00

MO# Att 2

BURKE	(Y)	N	A
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
MOORE	Y	(N)	A
SHIBILSKI	(Y)	N	A
PLACHE	Y	(N)	A
COWLES	(Y)	N	A
PANZER	Y	(N)	A
GARD	(Y)	N	A
PORTER	(Y)	N	A
KAUFERT	(Y)	N	A
ALBERS	(Y)	N	A
DUFF	(Y)	N	A
WARD	(Y)	N	A
HUBER	Y	(N)	A
RILEY	(Y)	N	A

AYE 12 NO 4 ABS

Prepared by: David Worzala

Base Agency: Department of Regulation and Licensing—Technical Change

Recommendations:

Paper No. 825: Approve Modification

Comments: This modification reflects an error in the governor's bill that incorrectly left the initial credentialing fee at \$47 instead of \$44 which is what the governor wanted.

Prepared by: Julie



Legislative Fiscal Bureau

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May 11, 1999

Joint Committee on Finance

Paper #825

Technical Change -- Revised Credential Fee (R&L)

[LFB 1999-01 Budget Summary: Page 524, #8]

CURRENT LAW

The fee charged applicants for an initial credential and credential renewals fees are included in the statutes and updated biennially. The fee amounts are determined by a biennial fee study that is based upon the Department's proposed budget for the next biennium and the proportional cost of enforcement actions during the previous biennium. The current initial fee in the statutes is \$41.

GOVERNOR

Provide that the fee for an initial credential be increased to \$47.

MODIFICATION TO BASE

Provide that the initial credentialing fee be increased to \$44 instead of \$47.

Explanation: The language in the Governor's budget bill incorrectly left the initial credentialing fee at the agency request level of \$47 instead of reducing it to reflect a revised lower initial fee need after the Governor's recommended funding levels for R&L were taken into account. There is no revenue impact because the actual revenue assumptions for the agency correctly assumed the \$44 initial credential fee level.

Prepared by: David Worzala

MO#

modification

2 BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

Base Agency: Department of Regulation and Licensing—Additional Supplies and Services for Newly-Regulated Professions

Recommendations:

Paper No. 826: Alternative 2

Comments: R&L wants more money to regulate the eight new professions they were required to assume regulation for in the last budget. Alternative 2 gives them money for this purpose, but at a slightly reduced level to reflect some related funding that the Committee gave them in October under s. 16.515. Sounds like a reasonable approach.

Prepared by: Julie



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May 11, 1999

Joint Committee on Finance

Paper #826

Additional Supplies and Services for Newly-Regulated Professions (R&L)

[LFB 1999-01 Budget Summary: Page 526, #9]

CURRENT LAW

As a result of legislation passed last session, R&L is responsible for regulating eight new professions. In total, R&L regulates over 100 different professions, occupations, or types of business establishments in the state. The Department provides administrative and legal services, assistance in rulemaking, examinations and uniform enforcement procedures for the regulation of both board credentialed and directly-credentialed professions.

GOVERNOR

Provide \$40,200 PR annually for increased supplies and services costs related to the credentialing of professions newly regulated during the 1997 legislative session. These professions are: (a) home inspectors; (b) massage therapists and body workers; (c) art, music, and dance therapists; and (d) soil scientists and hydrologists. The increased funding would be used for: (a) board and advisory committee meetings and travel costs (\$23,700 annually); (b) postage costs (\$11,200 annually); (c) printing costs (\$3,400 annually); and (d) other miscellaneous costs (\$1,900 annually).

DISCUSSION POINTS

1. During the 1997-99 legislative session, four bills were passed that required R&L to regulate eight new professions. In general, Department costs are increased when additional professions are regulated because: (a) a credentialing body or advisory group is created to assist in the promulgation of rules for credentialing (this would not be the case for professions regulated directly by the Secretary of R&L); and (b) printing and postage costs increase for communications

to credential applicants. A brief description of the newly-regulated professions, the type of advisory group created and the estimated number of new credential holders is provided below.

2. Provisions of 1997 Wisconsin Act 81 require home inspectors to register with R&L. No person or company may offer home inspector services or use the title of home inspector unless registered with the Department. An advisory committee of nine members will assist R&L in promulgating rules establishing requirements for registration, including the development of an examination that will be required as part of the registration. The law also requires the Department to maintain a home inspector registry. It is estimated that there will be approximately 200 credentialed home inspectors.

3. Provisions of 1997 Wisconsin Act 156 require massage therapists and body workers to register with R&L. No person is allowed to use any title or description that implies he or she is a registered massage therapist or bodyworker unless issued a credential by R&L. A 13-member board is created to assist the Department in promulgating rules establishing requirements for registration, including education or training requirements. The Department is also required to maintain a massage therapy and body worker registry. Massage therapists and body workers were newly credentialed in February and there are expected to be approximately 1,300 massage therapists and body workers registered with the Department.

4. Provisions of 1997 Wisconsin Act 261 allow, but do not require, music, art, and dance therapists to register with R&L. An advisory committee is created to assist the Department in promulgating rules for the scope of practice and discipline of registrants. It is estimated there will be about 200 registered music, art and dance therapists.

5. Provisions of 1997 Wisconsin Act 300 created an Examining Board of Professional Geologists, Hydrologists, and Soil Scientists to regulate these three professions. Previously, geologists were licensed under the Architects, Landscape Architects, Professional Engineers, Designers, and Land Surveyors Examining Board. The new Board is charged with identifying the scope of practice, issuing licenses, determining educational requirements, and disciplining licensees. There are currently 1,012 licensed geologists or geology firms. It is estimated that about 110 hydrologists and soil scientists will also become licensed.

6. The Governor's budget would provide a total of \$40,200 PR annually for increased supplies and services costs related to the credentialing of these professions newly regulated by R&L as a result of legislation enacted during the 1997 session. These costs would be attributed by profession as follows:

<u>New Profession</u>	<u>Annual Amount for Associated Supplies & Services Cost</u>
Home Inspectors	\$ 4,500
Geologists, Hydrologists & Soil Scientists	9,100
Massage Therapists & Body Workers	13,500
Music, Art & Dance Therapists	<u>3,100</u>
TOTAL	\$40,200

7. Between the dates of the R&L's original budget submission and the introduction of the biennial budget bill, a s. 16.515 request relating to the Department's funding needs associated with new Examining Board of Professional Geologists, Hydrologists and Soil Scientists was approved by the Committee on October 28, 1998. However, the budget bill does not account for the impact of the approval on R&L's request for additional supplies and services funding. As a result of the s. 16.515 funding approval, the request for additional supplies and services related to geologists, hydrologists and soil scientists has already been addressed. Therefore, the Committee could reduce the recommended amount of supplies and services funding by \$19,100 PR annually.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$40,200 PR annually for increased supplies and services related to the credentialing of professions newly regulated during the 1997 legislative session, including funding for the Examining Board of Geologists, Hydrologists and Soil Scientists.

<u>Alternative 1</u>	<u>PR</u>
1999-01 FUNDING (Change to Base)	\$80,400
[Change to Bill]	\$0

2. Modify the Governor's recommendation by deleting \$19,100 PR annually to reflect base level funding previously provided by the Committee under s.16.515 for the Examining Board of Geologists, Hydrologists and Soil Scientists.

<u>Alternative 2</u>	<u>PR</u>
1999-01 FUNDING (Change to Base)	\$42,200
[Change to Bill]	- \$38,200

3. *dk* Maintain current law.

Alternative 3	PR
1999-01 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$80,400]

Prepared by: David Worzala

MO# Alt. 2

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
MOORE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
PLACHE	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
PORTER	<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
HUBER	<input checked="" type="radio"/>	N	A
RILEY	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

Base Agency: Department of Regulation and Licensing—Regional Meetings of Barbering and Cosmetology Examining Board

Recommendations:

Paper No. 827: Alternative 3

Comments: R&L wants additional funding so they can pay for regional meetings of the Barbering and Cosmetology Examining Board. LFB argues that if this is a priority, they should fund it out of their existing base supplies and services budget. Furthermore, authorizing funding for this purpose would set a questionable precedent for future requests. Approval for other requests of this nature might be expected if we do this now. Probably best to deny the request.

Prepared by: Julie



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May 11, 1999 Joint Committee on Finance Paper #827

Regional Meetings of Barbering and Cosmetology Examining Board (R&L)

[LFB 1999-01 Budget Summary: Page 526, #10]

CURRENT LAW

The Barbering and Cosmetology Examining Board currently meets six times per year in Madison, Wisconsin.

GOVERNOR

Provide \$8,500 PR annually to permit quarterly regional meetings between the Barbering and Cosmetology Examining Board and the credential holders regulated by the Board. These meetings would be in addition to the regular meetings of the Board. Annual funding would be provided for the following: (a) \$7,500 for additional Board member and staff travel expenses; and (b) \$1,000 for Board member per diems.

DISCUSSION POINTS

1. The Barbering and Cosmetology Examining Board is responsible for the licensure of individual barbers, cosmetologists, aestheticians, electrologists and manicurists as well as the businesses and schools related to these professions. The Board consists of nine members, of which four members are licensed barbers or cosmetologists, one member is a representative of a private barbering or cosmetology school, one member is a representative of a public barbering or cosmetology school, one member is a licensed electrologist and two members are from the general public. There are approximately 46,200 licensees under the jurisdiction of the Barbering and Cosmetology Examining Board.

2. The Board currently meets six times a year in Madison at an estimated annual cost of \$3,100 PR. The purposes of the Board meetings are to deal with credentialing issues related to

the professions regulated by the Board. Issues may include licensing procedures, examinations, investigation of complaints and disciplinary actions.

3. The Governor's proposal is to provide \$8,500 PR to initiate quarterly regional meetings between the Board and the credential holders regulated by the Board. These meetings would be in addition to the current Madison meetings. The purpose of the regional meetings would be to meet with credential holders licensed by the Board regarding sanitation and unlicensed practice issues and other issues regarding credential holder practices. The Department indicated that it requested this funding because there has been an increase in numbers of complaints received regarding unlicensed establishments and individuals. The regional meeting with credential holders would be an attempt to educate credential holders and reduce the need for enforcement actions.

4. The Committee could consider whether the Department should be required to use base resources for this activity. R&L indicates that there is no standard cost for a board meeting because travelling distances and the requirements for lodging differ from board to board. In addition, the Department does not budget board expenses annually on a board-by-board basis. Rather, these are just considered operating expenses of the Department like any other administrative expenses.

5. Given that funding for board meetings is not budgeted directly to individual boards, it could be argued that if regional meetings for the Barbering and Cosmetology Examining Board are a priority for R&L, a small amount of base supplies and services funding could be reallocated for the costs of those meetings. This approach could also ensure that the Department reviews other potentially less costly options of informing these credential holders of their responsibilities, including such options as including a notification with other mailings. Another option that would lower the cost would be to reduce the number of Madison meetings or have a regular meeting in a regional location instead of having additional meetings. The primary cost of Board meetings is the reimbursement of Board members for their travel to Madison and lodging. Board members are from throughout the state and travel to a regional meeting should not significantly increase this cost, although R&L staff travel costs would increase.

6. The Committee may also want to consider whether the precedent of providing additional funding for a board that wants to hold regional meetings is a good one. Currently, no other examining boards regularly hold regional meetings in the field to meet with credential holders. Regional meetings related to rulemakings have occurred, but additional funding has not been specifically provided for this purpose. The argument could be made that similar funding requests for other examining boards might be expected if the Committee provides additional funding for this Board. Under this approach, the Committee could delete the Governor's recommended funding of \$8,500 PR annually.

7. On the other hand, if the Committee believes there is a need to try regional meetings, an alternative would be to provide funding to hold only two regional meetings per year. Under this approach, the Committee could delete funding of \$4,300 PR annually.

ALTERNATIVES TO BASE

3.0/1. Approve Governor's recommendation to provide \$8,500 PR annually to fund four regional meetings for the Barbering and Cosmetology Examining Board.

<u>Alternative 1</u>	<u>PR</u>
1999-01 FUNDING (Change to Base)	\$17,000
[Change to Bill]	\$0

2/2. Modify the Governor's recommendation by deleting \$4,300 PR annually to provide funding for only two regional meetings per year instead of four.

<u>Alternative 2</u>	<u>PR</u>
1999-01 FUNDING (Change to Base)	\$8,400
[Change to Bill]	-\$8,600

#1 3. Maintain current law.

<u>Alternative 3</u>	<u>PR</u>
1999-01 FUNDING (Change to Base)	\$0
[Change to Bill]	-\$17,000

MO# Alt. 3

2 BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
JAUCH	<u>Y</u>	<u>N</u>	A
MOORE	<u>Y</u>	N	A
SHIBILSKI	<u>Y</u>	N	A
PLACHE	<u>Y</u>	N	A
COWLES	<u>Y</u>	N	A
PANZER	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
PORTER	<u>Y</u>	N	A
KAUFERT	<u>Y</u>	<u>N</u>	A
ALBERS	<u>Y</u>	N	A
DUFF	<u>Y</u>	N	A
WARD	<u>Y</u>	N	A
HUBER	<u>Y</u>	N	A
RILEY	<u>Y</u>	N	A

Prepared by: David Worzala

AYE 14 NO 2 ABS _____

Base Agency: Department of Regulation and Licensing—Technical Change

Recommendations:

Paper No. Items for Which No LFB Paper Was Prepared

Comments: This is a base agency, so you have to move to approve these items. They all look fine to me.

Prepared by: Julie

REGULATION AND LICENSING

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
3	Office of Examinations -- Reallocation of Positions
4	Division of Enforcement Staffing
5	Regulation of Physicians
11	Enforcement -- Evaluation of Screening Process
13	Audiologists, Hearing Instrument Specialists and Speech -- Language Pathologists
14	Payment of Credentialing Fees by Credit Card
15	Credentialing Fees -- Expedited Service Charges

LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
12	Registration of Cemetery Authorities and Salespersons
16	Submittal of Draft Legislation for Review of Boards

MO# include items

2	BURKE	<input checked="" type="radio"/>	N	A
	DECKER	<input checked="" type="radio"/>	N	A
	JAUCH	<input checked="" type="radio"/>	N	A
	MOORE	<input checked="" type="radio"/>	N	A
	SHIBILSKI	<input checked="" type="radio"/>	N	A
	PLACHE	<input checked="" type="radio"/>	N	A
	COWLES	<input checked="" type="radio"/>	N	A
	PANZER	<input checked="" type="radio"/>	N	A
16	GARD	<input checked="" type="radio"/>	N	A
	PORTER	<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
	HUBER	<input checked="" type="radio"/>	N	A
	RILEY	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

REGULATION AND LICENSING

Social Worker Advisory Committee

Motion:

Move to create a Social Worker Advisory Committee to approve all proposed actions taken by the Social Worker Section of the Social Workers, Marriage and Family Therapists and Professional Counselors Examining Board related to granting social worker training certificates or declaring eligibility for the certification exam, any proposed actions on administrative rules, or other proposed policy positions or practices that affect the social worker training certificate. Specify that the Social Worker Advisory Committee consist of three members appointed by the Secretary for three year terms. Each member must have a doctorate degree in sociology, psychology, criminal justice, or other human service discipline and hold a faculty appointment at a Wisconsin college or university. Each academic discipline's respective Wisconsin or regional association would provide nominees to the Secretary for appointment to the Committee.

MO#				
	BURKE	Y	Y	A
	DECKER	Y	Y	A
	JAUCH	Y	Y	A
	MOORE	Y	Y	A
	SHIBILSKI	Y	Y	A
	PLACHE	Y	N	A
	COWLES	Y	N	A
	PANZER	Y	N	A
2	GARD	Y	N	A
	PORTER	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
1	DUFF	Y	N	A
	WARD	Y	N	A
	HUBER	Y	N	A
	RILEY	Y	N	A

AYE 3 NO 13 ABS _____

Revenue

Tax Administration

(LFB Budget Summary Document: Page 530)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	Administration of County Sales Tax (Paper #830)
2	Integrated Tax System (Paper #831)
3	Nexus and Temporary Events Tax Collections (Paper #832)
4	Occasional Vehicle Sales Funding Conversion (Paper #833)
7	Financial Systems Internal Auditor (Paper #834)
8	Tax Forms and Instruction Printing Costs (Paper #835)
12	Business Tax Registration Administrative Funding (Paper #836)

(Gov) Agency: DOR – Administration of County Sales Tax

Recommendations:

Paper # 830: Burke motion

Comments: As if failing to adequately fund community aids, shared revenue, transportation and a host of other mandates isn't hard enough on local taxpayers, the governor here would dip into local sales tax collections.

Fiscal bureau say the 1.5% cut the state now takes for administration more than covers the state's cost – taking anything more piracy.

Milwaukee County has asked for the following motion.

Burke motion: Reduce state cut of local sales tax to no more than the cost of administration – estimated at or slightly above 1.3%⁴

If Burke motion fails, Alternative 2 maintains current 1.5%.

*Panzer motion to sunset Gov's provision
at end of biennium.*

Prepared by: Bob



Legislative Fiscal Bureau

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April 22, 1999

Joint Committee on Finance

Paper #830

Administration of County Sales Tax (DOR -- Tax Administration)

[LFB 1999-01 Budget Summary: Page 530, #2]

CURRENT LAW

Wisconsin counties can impose a 0.5% sales tax on the same goods and services that are subject to the state sales tax. The county sales tax is "piggybacked" onto the state sales tax in that the county tax is administered, enforced and collected by the Department of Revenue (DOR). DOR retains 1.5% of county sales taxes it collects to cover administrative costs. The amounts retained are placed in a program revenue appropriation used to fund administrative costs. The year-end unencumbered balance in the appropriation is lapsed to the general fund. Currently, 51 counties impose the tax; however, Green Lake and Taylor Counties are expected to begin imposing a county sales tax on July 1, 1999.

GOVERNOR

Increase the amount of county sales taxes retained by DOR for administration of the county sales tax from 1.5% to 1.75%. As a result, the amount of revenues lapsed to the general fund from the county sales tax administration appropriation would increase by an estimated \$492,800 in 1999-00 and \$564,500 in 2000-01.

DISCUSSION POINTS

1. Prior to 1992, DOR retained 3% of county sales taxes to fund the costs of administering the tax. Because the revenue retained by the state exceeded the state's administrative costs, the amount of collections retained was reduced from 3% to 1.5% in 1991 Wisconsin Act 37. The 1991-93 budget adjustment bill (1991 Wisconsin Act 269) transferred \$1.4 million that had accumulated in the administrative appropriation to the general fund. Under the provisions of the 1995-97 biennial budget (1995 Wisconsin Act 27), an additional \$1.2 million was transferred to the general fund on June 30, 1997. The bill would have decreased the amount of sales taxes retained by

DOR from 1.5% to 1.3%, but the provision was vetoed. The 1997-99 biennial budget included a provision that requires the unencumbered fiscal year-end balance in the county sales tax administration appropriation to be lapsed to the general fund. The bill also contained a provision that would have reduced the amount of sales taxes retained by DOR from 1.5% to 1.3%, beginning on July 1, 1999. However, this provision was vetoed.

2. Since 1992, the 1.5% share of collections has generated revenues in excess of the amounts needed to cover expenditures. In 1997-98, a total of \$561,800 lapsed to the general fund from the county sales tax administration appropriation. The lapse in 1998-99 is estimated to be \$753,700.

3. Base level funding for the appropriation is \$2,140,600 PR. The bill would substantially increase expenditure authority (by \$750,000 PR in 1999-00 and \$800,000 in 2000-01) to fund costs associated with incorporating the county sales tax administration system into the Department's integrated tax system. Revenues generated by the 1.5% state share of collections would be sufficient to fund these increased expenditures and other expenditures authorized by the bill. The table shows the estimated lapse that would occur with current law revenues and the expenditure authority approved in the bill.

TABLE 1

**Estimated County Sales Tax Appropriation Lapse
with the Current 1.5% State Share**

	<u>1999-00</u>	<u>2000-01</u>
Revenues	\$3,248,100	\$3,410,500
Expenditures	<u>2,969,300</u>	<u>3,070,200</u>
Lapse	\$278,800	\$340,300

4. The bill would increase from 1.5% to 1.75%, the amount of revenue retained by the state to fund administrative costs. Table 2 shows the revenues, expenditures and lapses for the county sales tax administration appropriation under the provisions of the bill. The table shows that the amounts lapsed to the general fund would be an estimated \$760,000 in 1999-00 and \$882,200 in 2000-01. Consequently, the additional amount lapsed to the general fund because of the increase in the state share would be \$481,200 in 1999-00 and \$541,900 in 2000-01 rather than \$492,800 and \$564,500, respectively. This is a decrease of \$34,200 in the biennium compared to the administration's estimates. Essentially, the bill would result in a transfer of these sales taxes from the counties to the state general fund.

TABLE 2

**Estimated County Sales Tax Appropriation Lapse
with the Proposed 1.75% State Share**

	<u>1999-2000</u>	<u>2000-01</u>
Revenues	\$3,729,300	\$3,952,400
Expenditures	<u>2,969,300</u>	<u>3,070,200</u>
Lapse	\$760,000	\$882,200

5. The increase in the share of revenues retained by the state reflects the belief that the state should retain a certain amount of county sales tax revenues in excess of specific administrative expenses as reimbursement for the general administrative services, such as taxpayer registration, data processing and compliance, that are provided because the county sales tax is attached to the state's general sales tax processing system. Because such activities are funded with GPR, it is justifiable to transfer some county sales tax revenues to the general fund. Moreover, the increased expenditures for incorporating the county sales tax system into the integrated tax system reduce the lapse by \$750,000 in 1999-00 and \$800,000 in 2000-01. Increasing the amount of county sales taxes retained would have the counties share in those increased costs.

6. However, there is also the view that the counties should retain revenues that are not necessary to cover the state's administrative expenses. These monies are imposed by the counties and should be used to fund county services. In addition, the counties are providing enough revenue to fund the state's expenses for administering the county sales tax, including the costs related to the integrated tax system.

ALTERNATIVES

1. Approve the Governor's recommendation to increase, from 1.5% to 1.75%, the amount of county sales taxes retained by the state for administrative expenses. Reestimate the lapses to be \$760,000 in 1999-00 and \$882,200 in 2000-01.

<u>Alternative 1</u>	<u>GPR</u>
1999-01 REVENUE (Change to Bill)	- \$34,200

2. Maintain current law.

<u>Alternative 2</u>	<u>GPR</u>
1999-01 REVENUE (Change to Bill)	- \$1,057,300

Prepared by: Ron Shanovich

MO# Alt. 2

1 BURKE	Y	N	A
2 DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 8 NO 8 ABS 0

REVENUE -- TAX ADMINISTRATION

Administration of County Sales Tax

Motion:

Move to delete the Governor's recommendation to increase the amount of county sales taxes retained by DOR for administration of the county sales tax and instead reduce the amount retained for administration from 1.5% to 1.4%.

Note:

Under current law, Wisconsin counties can impose a 0.5% sales tax on the same goods and services that are subject to state sales tax. The county sales tax is "piggybacked" onto the state sales tax in that the county tax is administered, enforced and collected by the Department of Revenue (DOR). DOR retains 1.5% of county sales taxes it collects to cover administrative costs. The amounts retained are placed in a program revenue appropriation used to fund administrative costs. The year-end unencumbered balance in the appropriation is lapsed to the general fund. Currently, 51 counties impose the tax; however, Green Lake and Taylor Counties are expected to begin imposing a county sales tax on July 1, 1999.

AB 133 would increase the amount of county sales taxes retained by DOR for administration of the county sales tax from 1.5% to 1.75%. As a result, under the bill, the amount of revenues lapsed to the general fund from the county sales tax administration appropriation would increase by an estimated \$481,200 in 1999-00 and \$541,900 in 2000-01.

This motion would delete the provision that increases the state share of county sales tax collections to 1.75%. Instead, the share of county sales taxes retained by the state for administration would be reduced from 1.5% to 1.4%. This would provide a funding level that would be sufficient to cover state administrative costs. Compared to the bill, the lapse to the general fund would be reduced by \$757,500 in 1999-00 and \$813,100 in 2000-01.

[Change to Bill: -\$1,570,600 GPR-REV]

MO# 516

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 8 NO 8 ABS 0

REVENUE -- TAX ADMINISTRATION

Administration of County Sales Tax

Motion:

Move to delete the Governor's recommendation to increase, from 1.5% to 1.75%, the amount of county sales taxes retained by DOR for administration of the county sales tax. Instead, impose a temporary assessment of 0.25% of county sales taxes in 1999-00 and 2000-01 to reimburse the state general fund for costs related to implementation of the integrated tax system. Eliminate the assessment after 2000-01.

Note:

Under current law, Wisconsin counties can impose a 0.5% sales tax on the same goods and services that are subject to state sales tax. The county sales tax is "piggybacked" onto the state sales tax in that the county tax is administered, enforced and collected by the Department of Revenue (DOR). DOR retains 1.5% of county sales taxes it collects to cover administrative costs. The amounts retained are placed in a program revenue appropriation used to fund administrative costs. The year-end unencumbered balance in the appropriation is lapsed to the general fund. Currently, 51 counties impose the tax; however, Green Lake and Taylor Counties are expected to begin imposing a county sales tax on July 1, 1999.

AB 133 would increase the amount of county sales taxes retained by DOR for administration of the county sales tax from 1.5% to 1.75%. As a result, under the bill, the amount of revenues lapsed to the general fund from the county sales tax administration appropriation would increase by an estimated \$481,200 in 1999-00 and \$541,900 in 2000-01.

This motion would delete the provision that increases the state share of county sales tax collections to 1.75%. Instead, a temporary assessment of 0.25% of county sales would be imposed in addition to the 1.5% retained for state administrative costs. This would provide a funding level that would be sufficient to lapse to the general fund the same lapse amounts included in AB 133 related to implementation of the integrated tax system.

MO# 519

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
<hr/>			
2 GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 8 NO 8 ABS 0

1. The purpose of this meeting was to discuss the proposed changes to the PPS system. The meeting was held on 11/24/71 at 10:00 AM in the Board Room. The following members were present: [List of names]

2. The Board discussed the proposed changes and the following resolutions were adopted: [List of resolutions]

3. The Board also discussed the proposed changes to the PPS system and the following resolutions were adopted: [List of resolutions]

4. The Board discussed the proposed changes to the PPS system and the following resolutions were adopted: [List of resolutions]

5. The Board discussed the proposed changes to the PPS system and the following resolutions were adopted: [List of resolutions]

6. The Board discussed the proposed changes to the PPS system and the following resolutions were adopted: [List of resolutions]

7. The Board discussed the proposed changes to the PPS system and the following resolutions were adopted: [List of resolutions]

8. The Board discussed the proposed changes to the PPS system and the following resolutions were adopted: [List of resolutions]

9. The Board discussed the proposed changes to the PPS system and the following resolutions were adopted: [List of resolutions]

Gov Agency: Revenue—Tax Administration—Integrated Tax System

Recommendations:

Paper No. 831: Alternatives 2 and 3 ✓

Comments: This funding will allow DOR to implement their integrated tax system. Alt. 2 places the total recommended budget for the system in FY 2000-01 in the Committee's appropriation for release under s. 13.10. Since the system is not yet up and running, it might be best just to have them come back for the funds to ensure that they really need the whole budgeted amount.

Alt. 3 requires the Department to submit a report to JFC identifying the additional revenue generated by using this new system. It just provides a bit of a check on the system.

Prepared by: Julie