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# Administration

## Information Technology

(LFB Budget Summary Document: Page 58)

### LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	State Information Technology Services -- Expenditure Reestimate (Paper #140)
5	Information Technology Investment Fund (see Paper #580--Information Technology Investment Fund)
6	Technology Management -- Small Agency Internet Support (Paper #141)

**(Gov) Agency:** DOA Information Technology -- Expenditure Reestimate

**Recommendations:**

**Paper #140:** A1 and B1

**Comments:** Spending under this program has skyrocketed, without Legislative oversight. Tempting as it may be to chop the governor's request here, his request is based on actual use -- and the users are the KIDS and CARES systems in DHFS, along with the law enforcement database, state payroll, etc.

A1 would give legislature some oversight. A similar provision was vetoed by Tommy last year, or roughly \$7.7 million in over-budget spending ago (see point 5).

Prepared by: Bob



## Legislative Fiscal Bureau

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May 18, 1999

Joint Committee on Finance

Paper #140

### State Information Technology Services -- Expenditure Reestimate (DOA -- Information Technology)

[LFB 1999-01 Budget Summary: Page 59, #2]

#### CURRENT LAW

Base level funding for the information technology processing services to state agencies appropriation is \$42,195,800 PR. Of this total, \$18,743,300 PR is budgeted for supplies and services expenditures. Revenue for this appropriation is provided from various charges to state agencies for their use of state computer utility services. The information technology services appropriation is a continuing appropriation.

#### GOVERNOR

Provide \$1,209,500 PR annually to increase the supplies and services expenditure level in the Division of Information Technology Services continuing appropriation to reflect estimated expenditure levels for non-personnel operating costs, based on the amount by which expenditures for these purposes exceeded budgeted levels in 1997-98.

#### DISCUSSION POINTS

1. The information technology processing services appropriation supports 111.0 FTE positions and the entire budget (\$38,901,800 PR) of the Division of Information Technology Services (DITS) plus 15.0 FTE positions (\$3,294,000 PR) in the Division of Technology Management (DTM). DITS administers the state's computer utility which provides mainframe computer services, network management and technical support for state agencies. The positions in DTM which are funded from this same appropriation provide support to state agencies regarding statewide system development and advanced report printing and electronic report distribution.

## Appropriation Structure

2. The appropriation for information technology processing services is established as a continuing appropriation. Under a continuing appropriation, legislative oversight of expenditures is lessened because the dollar amounts in the appropriations schedule are merely estimates of the amount of funds that the agency expects to spend for these purposes. By having a continuing appropriation for these purposes, any expenditures that DITS wishes to make for information technology processing services are not limited by any legislatively-established appropriation level. Rather, DITS may expend as much as the accumulated revenue in the appropriation level will allow. Further, DOA collects the full cost of its operation through chargebacks to agency users of its services at whatever level of expenditures are actually made. Consequently, the dollar amounts which the Legislature include in the appropriations schedule of the budget for this appropriation do not serve as any limit on the amount that DITS can actually expend for information technology services.

3. The impact of the current situation with respect to this particular appropriation is illustrated in Table 1:

**TABLE 1**

### **Information Technology Processing Services Appropriation Comparison of Budgeted and Actual Expenditure Amounts**

<u>Fiscal Year</u>	<u>Legislative Appropriation</u>	<u>Actual Expenditures</u>	<u>Difference</u>
1995-96	\$29,431,200	\$36,508,300	\$7,077,100
1996-97	29,431,200	35,534,700	6,103,500
1997-98	41,563,700	45,272,600	3,708,900
1998-99	41,640,000	49,389,400 *	7,749,400

\*Estimated

4. DOA argues that a continuing appropriation provides the Division with the flexibility to respond quickly to the information technology needs of state agencies and local government and other customers. A continuing appropriation, DOA argues, allows DITS to make unplanned equipment purchases to take advantage of changing information technology markets. Since no legislative approval is necessary for increased expenditures above its budget levels, DITS may make any expenditures from the appropriation that it considers necessary to carry out its responsibilities in this area.

5. However, the alternative argument from a legislative perspective is that given the considerable variation between budgeted and expended levels, it would be desirable to make this

appropriation an annual appropriation. As indicated above, DOA exceeded the level of expenditures that were budgeted for this PR appropriation by \$7.1 million in 1995-96, \$6.1 million in 1996-97, \$3.7 million in 1997-98 and is estimated to exceed the budgeted level for 1998-99 by \$7.7 million. The Legislature had no prior review of these significant increases in expenditures above the budgeted levels.

6. If the appropriation were changed to an annual appropriation, DITS would still have the ability to respond expeditiously to changing information technology needs since this appropriation is a program revenue appropriation. For PR appropriations, an agency may submit a funding request to the Joint Committee on Finance under a 14-day passive review approval process. However, with this change, the Committee and the Legislature would be informed regarding the need for the increased expenditure authority while the Department would still have the flexibility to make interim adjustments to its budget level of expenditures more frequently than just through the budget process by submitting a 14-day passive review request for needed funding increases.

7. The Committee could include language in the budget to change this appropriation from a continuing to an annual appropriation.

### Funding Increase

8. Table 2 identifies the adjusted base budget and estimated expenditure levels for the next biennium for the information technology processing services appropriation as contained in the bill. The increase is primarily attributable to standard budget adjustments (-\$168,800 PR annually for turnover reductions, -\$632,000 PR annually for removal of noncontinuing elements from the base, \$1,244,300 PR annually for full funding of salaries and fringe benefits, \$219,100 PR annually for overtime, \$11,900 PR annually for night and weekend differential and \$8,400 PR annually for fifth vacation week as cash). There is also the increase of \$1,209,500 PR annually for increased supplies and services base funding recommended by the Governor. In addition, Table 2 includes the Governor's recommended increases of: (a) \$67,600 PR annually associated with the transfer of a router management position from DTM to DITS; and (b) \$186,600 PR in 1999-00 and \$81,500 PR in 2000-01 for a land information program.

**TABLE 2**  
**Information Technology Processing Services Appropriation**  
**Comparative Funding Levels**

Expenditure Category	1998-99 <u>Adjusted Base</u>	1999-00 Governor's <u>Recommendations</u>	2000-01 Governor's <u>Recommendations</u>
Salaries	\$5,626,500	\$6,597,100	\$6,611,300
Fringe Benefits	1,933,000	2,403,000	2,408,100
Supplies and Services	18,111,300	19,449,300	19,324,900
Permanent Property	15,893,000	15,893,000	15,893,000
One-Time Expenditures	<u>632,000</u>	<u>0</u>	<u>0</u>
Total	\$42,195,800	\$44,342,400	\$44,237,300

9. The increase of \$1,209,500 PR annually in base supplies and services expenditures that is recommended by the Governor was based on actual 1997-98 supplies and services expenditure compared to the budgeted level. Presumably, the intent in increasing the estimated expenditure level in a continuing appropriation is to more realistically place the total appropriation level estimate for the continuing appropriation closer to the likely actual current spending rate. If this approach is to be followed, it could be argued that the best current base for planned supplies and services expenditures would be those reflected in DOA's estimated 1998-99 expenditures for the appropriation. Table 3 compares the current estimates for 1998-99 for both the supplies and services and permanent property categories of expenditure with levels of expenditure for these categories in 1999-00 and 2000-01 under the Governor's recommendation.

**TABLE 3**

**Information Technology Processing Services Appropriation  
Comparative Estimated 1998-99 and 1999-01 Recommended Expenditures  
(Supplies and Services and Permanent Property)**

Expenditure Category	1998-99 Estimated Expenditure	1999-00 Governor's Recommendation	2000-01 Governor's Recommendation	Adjustment Needed to Equal 1998-99 Estimated Expenditures	
				1999-00	2000-01
Supplies & Services	\$23,858,700	\$19,320,800 *	\$19,320,800 *	\$4,537,900	\$4,537,900
Permanent Property	<u>16,357,500</u>	<u>15,893,000</u>	<u>15,893,000</u>	<u>464,500</u>	<u>464,500</u>
Total	\$40,216,200	\$35,213,800	\$35,213,800	\$5,002,400	\$5,002,400

\*Excludes supplies and services increase of \$128,500 PR in 1999-01 and \$4,100 PR in 2000-01 associated with the separate decision item for a new land information program.

10. The Committee could adjust the supplies and services and permanent property expenditure components of the Governor's recommended funding level to increase the estimated expenditures for these purposes for the next biennium to be equal to the estimated expenditures for the current year (1998-99). Under this approach, the Committee could increase the supplies and services component of the appropriation by \$4,537,900 PR in 1999-00 and in 2000-01 over the Governor's recommended funding level and could increase the permanent property component of the appropriation by \$464,500 PR in 1999-00 and in 2000-01 over the Governor's recommended funding level.

**ALTERNATIVES**

**A. Appropriation Structure**

1. Convert the current appropriation for information technology services from a continuing to an annual appropriation.

2. Maintain current law.

**B. Funding Increase**

#1 1. Approve the Governor's recommendation to provide \$1,209,500 PR annually to increase the supplies and services expenditure level in the Division of Information Technology Services information technology services appropriation to reflect estimated expenditure levels based on 1997-98 expenditure levels.

30/ 2. Modify the Governor's recommendation by providing an additional increase of \$4,537,900 PR in 1999-00 and in 2000-01 to provide funding for reestimated supplies and services expenditure levels based on estimated 1998-99 expenditure levels. In addition, provide increased funding of \$464,500 PR annually to provide funding for reestimated permanent property expenditure levels based on estimated 1998-99 expenditure levels.

<b>Alternative B2</b>	<b>PR</b>
1999-01 FUNDING (Change to Bill)	\$10,004,800

2nd/ 3. Maintain current law.

<b>Alternative B3</b>	<b>PR</b>
1999-01 FUNDING (Change to Bill)	- \$2,419,000

Prepared by: Jere Bauer

MO# A-1

2	BURKE	<input checked="" type="radio"/>	N	A
1	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
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MO# B-2

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	KAUFERT	<input checked="" type="radio"/> Y	N	A
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