

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-1405/1	Introduction Number SB-0032	
Description preparing an additional executive budget bill or bills according to generally accepted accounting principles		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS s. 20.505(1)(a), s. 20.505(1)(kL), s. 20.505(1)(ka), s. 20.505(1)(kj)		
Agency/Prepared By DOA/ Chris Paul (608) 269-3223	Authorized Signature Robin Malicki (608) 264-9576	Date 4/11/2023

Fiscal Estimate Narratives

DOA 4/11/2023

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Assumptions Used in Arriving at Fiscal Estimate

The Department of Administration (Department) is responsible for developing the State's executive budget requests, as well as submitting the Governor's budget message and contents of the executive budget request from the Governor to the State Legislature, as authorized and prescribed under Chapter 16 of the Wisconsin State Statutes. Chapter 16 currently prescribes the manner in which the Executive Budget must be compiled, its contents, its presentation to the Legislature, and due dates for each stage of development.

Senate Bill 32 (SB-32) proposes an additional statutory requirement under the newly created s. 16.475, Wis. Stats., of a submission of executive budget bills, in addition to those currently prepared under s. 16.47, Wis. Stats., developed in accordance with Generally Accepted Accounting Principles (GAAP), and statements issued by the Government Accounting Standards Board (GASB). GASB establishes a universally applicable set of standards that ensure accuracy, objectivity, and uniformity conforming to the nuanced requirements of governmental accounting. The proposed GAAP and GASB compliant executive budget bills would be required for submission concurrent and in addition to the current executive bills.

The Department's Division of Executive Budget and Finance (DEBF) is responsible for development and submission of the executive budget, providing fiscal and policy analysis to the Governor for the development of executive budget proposals, and assisting agencies in the technical preparation of budget requests. DEBF's State Controller's Office performs the enterprise accounting functions for state agencies.

Currently, the State's biennial budget is developed according to the statutorily required fund structure, which differs extensively from the fund structure used in GAAP financial statements; the state budget system and all instructions and training materials are based on this current structure. Therefore, DEBF staff time would be required to build a knowledge base of the application of GAAP and GASB standards and principles to the executive budget structure, in order to convert all existing base budget and budget proposals, as well as all instructional materials, from a statutory basis to a GAAP basis.

Personnel time would also be required on an ongoing basis to provide guidance and training internally and to State agencies on the development and biennial submission of these budgets. One-time and ongoing staff time would be required for the development and maintenance of guidelines and policies specific to GAAP and GASB based budgeting, and for its dissemination to impacted agencies.

Due to the timing of the development of the agency request and the Governor's recommendations, existing agency and DEBF staff that work on the state's Annual Comprehensive Financial Report (ACFR) would not also be available to provide the expertise necessary to develop the GAAP and GASB based budgets. The State Controller's Office currently receives GAAP submissions from approximately 30 different agencies each fiscal year, which would all require the concurrent biennial GAAP and GASB compliant submissions.

The Department anticipates that DEBF would require increased one-time and ongoing staff resources and supplies and services to support the proposed concurrent GAAP and GASB based budget submissions; this support is not anticipated to be fully absorbed by existing expenditure authority or by existing position authority.

In addition, to support the technical submission requirements needed for GAAP based entries, DEBF and the Department's Division of Enterprise Technology (DET) would develop and maintain a parallel budget

system. Also, it is anticipated that the Department would hire an actuarial firm to adhere to budget GASB requirements and to estimate GAAP revenues and expenditures in the upcoming biennium; firms are currently hired for the preparation and development of the ACFR, and as such using this resource would create consistency in both submittals.

Finally, the Department's Division of Enterprise Operations (DEO) would be responsible for developing estimates and the information necessary for the Department's GAAP and GASB based agency submission. This would require DEO personnel time for staff to be trained by DEBF on reporting criteria and requirements, and for the required ongoing biennial work to develop the submissions, respond to inquiries, etc. This effort would similarly be performed on a biennial basis concurrent with the State's ACFR submission, and as such is not anticipated to be absorbed by existing expenditure and position authority.

The one-time and ongoing aforementioned DEBF workload is estimated to require full position authority and partial expenditure authority for at least 4.0 accountant-advanced FTEs on an ongoing basis. The annualized personnel costs (accountant-advanced salary, fringe, and personnel variable supplies) are estimated at \$498,400 and would be required upon the following DEBF authorized position funding split: (70%) s. 20.505(1)(kj), Wis. Stats., Financial Services, appropriation numeric 13900 program revenue-services (PR-S), which is anticipated to be absorbed by existing expenditure authority; and (30%) s. 20.505(1)(a), Wis. Stats., General Program Operations, appropriation numeric 10100 General Purpose Revenue (GPR), which is not anticipated to be absorbed by existing expenditure authority.

The one-time budget system cost is estimated at \$790,000 PR-S and is anticipated to reach full functionality approximately within two years of the project inception date. Ongoing annual maintenance costs are estimated at \$120,000 PR-S after implementation. The budget system technology maintenance costs and development would be charged to s. 20.505(1)(kj), Wis. Stats., and would potentially be absorbed by existing expenditure authority. DET would charge DEBF for the services it provides to develop the budget system, under s. 20.505(1)(kL), Wis. Stats., Information Technology Services, appropriation numeric 12600; this support is not anticipated to be absorbed by existing expenditure authority.

The actuarial contract cost is estimated at \$82,000 PR-S on an annualized basis and would be charged under s. 20.505(1)(kj), Wis. Stats.; this would similarly be potentially absorbed by existing expenditure authority.

The one-time and ongoing DEO workload is estimated to require increased position and expenditure authority for at least 2.0 accountant-advanced FTEs on an ongoing basis. The annualized personnel costs (accountant-advanced salary, fringe, and personnel variable supplies) are estimated at \$ 249,200 and would be required upon the following DEO authorized position funding split: (70%) s. 20.505(1)(ka), Wis. Stats., Materials and services to state agencies and certain districts, appropriation numeric 13300 PR-S; and (30%) s. 20.505(1)(a), Wis. Stats.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description preparing an additional executive budget bill or bills according to generally accepted accounting principles		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Development of a GAAP budget system would cost an approximate \$790,000, which is estimated to be charged over a two-year period. The development project would be provided by the Department's Division of Enterprise Technology (DET), under appropriation s. 20.505(1)(kL), and charged to the Division of Executive Budget and Finance, under appropriation s. 20.505(1)(kj).		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$681,600	\$0
(FTE Position Changes)	(6.0 FTE)	(-0.0 FTE)
State Operations - Other Costs	390,000	0
Local Assistance	0	0
Aids to Individuals or Organizations	0	0
TOTAL State Costs by Category	\$1,071,600	\$0
B. State Costs by Source of Funds		
GPR	260,300	0
FED	0	0
PRO/PRS	811,300	0
SEG/SEG-S	0	0
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$0	\$0
GPR Earned	0	0
FED	0	0
PRO/PRS	0	0
SEG/SEG-S	0	0
TOTAL State Revenues	\$0	\$0
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$1,071,600	\$
NET CHANGE IN REVENUE	\$0	\$

Agency/Prepared By	Authorized Signature	Date
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