



# DAVID CRAIG

STATE SENATOR

Senate Committee on Government Operations, Technology and Consumer Protection  
Public Hearing, August 31, 2017  
Senate Bill 337  
Senator David Craig, 28<sup>th</sup> Senate District

Chairman Stroebel and Committee Members,

Thank you for taking testimony on Senate Bill 337 regarding the submission of base budget review reports by state agencies, the legislature, and the courts.

We introduced this legislation to proactively address the continual increase in spending by our state government. In 2002, Republicans amended the budget to include base budget review. In 2009, Governor Doyle repealed this good-government law. This was short-sighted and it is our intention to return to basic budgeting principles.

President Ronald Reagan said, "No government ever voluntarily reduces itself in size. Government programs, once launched, never disappear. Actually, a government bureau is the nearest thing to eternal life we'll ever see on this earth!"

With that in mind, I feel it is prudent for each state agency to justify their programs and expenses to the legislature. This bill requires every state agency, including the legislature and the courts to submit a base budget review report once every third biennium. This is no small task. Thus, a state agency will undergo this review once every six years.

The rationale for this is that during the budget process, legislators primarily only debate about adjustments to the spending increases for each agency and never discuss the justification to the original base budget of the agency. It is my intention that state agencies must continually reexamine whether programming and dollars are meeting the mission statement of the agency. This legislation will assist us as lawmakers to better gauge whether taxpayer dollars are being spent judiciously.

Thank you for allowing me to testify on this important budgetary tool. I am happy to take any questions from committee members.

# Rob Hutton

STATE REPRESENTATIVE • 13<sup>TH</sup> ASSEMBLY DISTRICT

August 31, 2017

To: Committee on Government Operations, Technology, and Consumer Protection  
From: Rep. Rob Hutton  
Re: Assembly Bill 426

## **Testimony of Rep. Rob Hutton in Support of Senate Bill 337**

Mr. Chairman and members of the committee, thank you for giving Senate Bill 337 a public hearing. This legislation is a follow up to 2015 WI Act 201, which requires state agencies to submit a budget proposal based on no new revenues for the next biennium and a 5% reduction in revenues for the next biennium. The intent of 2015 WI Act 201 is to help the legislature identify where state agency priorities are and quantify effects of reduced flow of revenues. AB 426 expounds on this and requires one third of State Agencies, each biennium, to submit a base budget review.

In 2002, the provision outlined in SB 337 was added to the budget, which was signed into law. This required state agencies to submit reports justifying agency spending. In 2009, Governor Doyle repealed this law. We believe this practice should be reinstated to pair with recently passed law such as, 2015 WI Act 201, in order to provide additional transparency and protective measures to the use of taxpayer dollars. The intent of this legislation is to continue down the road of implementing best practices in the private sector into how our state government operates. We often see programs that have been created years ago that continue to see funding year after year with no report on what the program has accomplished, if they are seeing successful results, or if its functions are needed as new programs are created and technology advances. By requiring an agency to evaluate each program they administer once every six years we will be able to develop trends and see where taxpayer dollars are providing a good return on investment and where they are being wasted.

Thank you again for the opportunity to testify in support of SB 337. I believe this to be an important step in the right direction to provide transparency and accountability of the government to the citizens of Wisconsin. I am happy to answer any questions you may have about the legislation.



# Wisconsin Ethics Commission

Campaign Finance | Lobbying | Ethics  
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August 31, 2017

Chairman Stroebel and members of the Committee:

I am appearing for information only and representing myself and not there representing the Ethics Commission. Please find below a summary of my comments, and some additional details that I thought might be helpful.

I was appointed by the Ethics Commission as Administrator, effective July 24, 2016. The agency was required to submit its first budget request by September 15, 2016 (54 days later). Because of the transition from the Government Accountability Board (GAB) to the Ethics Commission and based on how the GAB managed its budget, we had to conduct a zero-based budgeting exercise. The transition plan that was developed by former GAB staff included a recommendation that the Ethics Commission submit with its budget request four decision items in order to continue to operate how the GAB had operated. Those four decision items would have amounted to a 20-25 percent increase in the agency's operating budgets just to continue operating in the same ways. The majority of the agency's budget consists of somewhat fixed costs: salary and fringe benefits (about 47.55 percent) and office space lease (about 4.28 percent). If you exclude the budget for investigations, these two categories would represent about 61.54 percent of the agency's budget. The other major category in the agency's budget is IT-related costs, which are mostly influenced by the rates set by the Division of Enterprise Technology within the Department of Administration and the cost of an IT Services Contractor (about 17.11 percent of the total budget).

As a part of the budget exercise we conducted, we examined each expense in the previous biennium by the GAB that either related to administrative function or to the specific programs the Ethics Commission is responsible for administering. I also challenged our staff to ask two very important questions. First, what comments do we hear from the public and the regulated communities about what they wish we did? And second, looking at each task we perform, what would happen tomorrow if we stopped doing \_\_\_\_\_ (fill in the blank) today (and instead did \_\_\_\_\_)? Because of this process, the Ethics Commission established standard procedures for several key processes including complaints and investigations, audits, and standard settlement schedules. This review also enabled the Ethics Commission to submit a budget request that instead of asking for a 20-25 percent increase, included a slight reduction (about 0.5 percent) of spending authority based on historically declining program revenue from public records requests (due to being able to provide most information electronically).

For the Ethics Commission, the agency has only operated under the existence of the current ERP system (created through the STAR project). It could be challenging for the agency to include in a potential budget report any information from the predecessor agency, and gathering information from previous financial systems could also be challenging for other agencies, especially in terms of identifying categories of expenditures.

*Wisconsin Ethics Commissioners*

Mac Davis | David R. Halbrooks | Katie McCallum | Pat Strachota | Timothy Van Akkeren | Jeralyn Wendelberger

*Administrator*

Brian M. Bell, MPA

The bill would require agencies to report expenditures for each programmatic activity for the state agency. If this were to be based on the programs identified in Chapter 20 of Wisconsin Statutes, the Ethics Commission has only one program: Ethics, Campaign Finance, and Lobbying Regulation. When managing operating budgets, the Ethics Commission manages funds primarily by five categories: 1) Commissioners; 2) General Administrative; 3) Campaign Finance; 4) Lobbying; and 5) Ethics and Financial Disclosure – and then by each appropriation under those categories as applicable.

The Ethics Commission is a very small agency (only 8.0 FTE), and the agency has only one person who manages the budget, finance, and human resources duties. Based on my current experience, as well as my previous experience as a Budget and Policy Analyst, the process for an agency to submit its budget request along with closing out the preceding fiscal year involves many quick turn-around deadlines and an increase in work effort, often requiring limited absences for the staff involved. Based on the potential increase in work volume it may be beneficial for agencies to prepare the report in odd-numbered years (the year prior to a budget request) so that agencies, the Governor's Office, the Department of Administration, and the Legislature have that additional time for review and discussions, and to potentially use the information to inform the budget request process.

I was asked a question relating to the agency's mission statement and performance metrics. As I noted, the Ethics Commission just finalized its annual report at its August 23, 2017 meeting. The Ethics Commission is required by statute to submit a report annually to the Office of the Governor and the Chief Clerks of the Senate and Assembly. The report must include all of the information required under Wis. STAT. § 15.04(1)(d) that most agencies are required to report in odd-numbered years, the Ethics Commission is required to include the information required under Wis. STAT. § 19.47(5). The Ethics Commission's 2017 Annual Agency Report is available on the agency website:

<https://ethics.wi.gov/Resources/WisconsinEthicsCommission2017AnnualReport.pdf>

In that report, the Ethics Commission adopted a new mission statement based on excerpts from the preamble sections of the statutes the agency administers. This new mission statement helped to revise the agency's program goals and objectives, which in turn helps identify objective performance measures based on measurable outcomes, and not simply outputs. These performance measures also drive the individual performance evaluations of staff. While there is not a direct connection between the agency's mission statement and its performance measures to its budget, the performance measures provide an objective basis for discussion on how well the agency is achieving its mission.

Another person providing testimony in the Assembly Committee on State Affairs yesterday commented that state agencies do not have an incentive to be more efficient or identify savings, to which I believe the comment was reflecting on the current practice of how base budgets are determined. My personal approach has been to try to make sure that the agency is doing as much as possible to achieve its mission with the resources the agency has available. From my academic studies on performance management during graduate school, I recall that performance-based budgeting can be incredibly difficult, particularly for areas where objectively measuring outcomes

is challenging. Providing incentives to individuals is another option, but can also present some challenges.

Again, I appreciate having the opportunity to speak with the Committee today and I hope that my perspective and experiences are helpful. Please feel free to contact me with any questions about the information provided, or if there is anything else I can do to assist you.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Bell". The signature is stylized with large, sweeping letters.

Brian M. Bell, MPA  
Commission Administrator  
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Wisconsin Ethics Commission  
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