



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #421 **Revised**

Funding of Shared Human Resources System (Employment Relations)

CURRENT LAW

No provision.

GOVERNOR

No provision.

DISCUSSION POINTS

1. On June 13, 2000, the Secretary of the Department of Employment Relations (DER) distributed a memorandum to state agency heads indicating that in October of 1999, DER had deployed to state agencies and university campuses a new automated human resources information processing system called the shared human resources system (SHRS). This system is to be used by the agencies, or by DER on behalf of an agency, for all personnel transactions involving the announcement, examination and certification process for filling positions in the classified service. The DER Secretary indicated that, while costs of development of the system had been borne by the Departments of Administration and Employment Relations, commencing with the 2000-01 fiscal year, costs to operate SHRS would be allocated to all state agencies based on their number of budgeted classified FTE positions. A plan for allocating, by agency, the costs of \$724,800 was attached to the memorandum.

2. On June 21, 2000, the Secretary of the Department of Corrections submitted a request for supplemental funding of \$150,000 GPR to the Co-chairs of the Joint Committee on Finance to cover its requested 2000-01 allocated funding under the DER cost allocation letter. Subsequently, on June 29, 2000, the Secretary withdrew the agency's request.

3. Agencies were not previously made aware of the need to secure funding for this new cost; no legislative budget approval was ever sought or provided for development of this new IT

application for DER; and DER never sought nor received any specific statutory authority to assess state agencies for the cost of operation of this system.

4. The SHRS was developed by Bureau of Statewide Systems Development in DOA's Division of Information Technology Services using funds from the Division's CPU (central processing unit) cost pool. Two review audits by the Legislative Audit Bureau have included discussion of aspects of the development of this system. In particular, a review of the Division of Information Technology Services issued in June of 2000 indicated that users of DOA's mainframe computer services had subsidized more than seven million dollars in costs related to the development of SHRS during the fiscal period of 1996-97 through 1999-00 by having these costs included in the overall mainframe computer charges. Neither DOA nor DER ever submitted any specific budget request for funding authorization to develop this new system.

5. In the 1999-01 budget, the Governor recommended and the Legislature approved the creation of a new PR continuing appropriation to allow DER to handle miscellaneous revenues received from other agencies. In its request for the creation of this new appropriation, DER indicated that this appropriation was needed to enable the Department to handle certain specific types of expenditures for which it ultimately receives revenues from other agencies to pay for these cost but which under state accounting rules may not be handled as a "refund of expenditures." These were indicated as: (a) shared obligations such as career fairs or conferences where DER and other agencies agree to split the costs of the event; (b) special projects where one or more other agencies agree to provide funding for the project; and (c) situations where an agency reimburses DER for certain expenses incurred by DER on the agency's behalf. In particular, it was noted that another state agency with a larger resource base may offer to pay the costs of a certain personnel activity if DER will coordinate the activity and procure or provide the service. In this case, DER would be responsible for purchasing or providing the services, but the other state agency would then be billed for the expenses incurred by DER. When agencies would then provide these reimbursements to DER, the revenues would be deposited into this new appropriation. It was further indicated by DER that a continuing, rather than a sum certain, appropriation was needed because it could not predict when such services or arrangements would occur. Estimated expenditure authority of \$16,000 annually was included in the new appropriation.

6. Under a continuing PR appropriation, the expectation is that the agency will present in its budget request a reliable estimate of the amount it expects to expend in the forthcoming biennium. However, the amounts in the schedule are not controlling and the agency can expend any amount it has sufficient revenues to support.

7. The Department expended \$208,553 PR in 1999-00 from the new appropriation created under Act 9 for SHRS for this unbudgeted activity and expects to expend \$712,800 PR in 2000-01. Expenditures in 1999-00 were covered by the transfer of base GPR monies into the PR account. Expenditures in 2000-01 are expected to be covered by contributions agreements (memorandums of understanding) from state agencies that DER has proceeded to obtain. No funding authorization was ever provided by the Legislature for this major on-going activity. Further, it could certainly be argued that the use of this appropriation for such an on-going purpose is inconsistent with the stated purposes for which the appropriation was originally established.

8. Further, the Department, in its budget submittal, did not believe it necessary to submit an expenditure request for this appropriation so as to inform the Legislature as to its budget intentions for the forthcoming budget biennium. It merely carried forward the \$16,000 originally budgeted, even though that did not represent even current spending levels. The Department currently projects spending from this continuing appropriation for operation of system, including enhancements, to total \$787,800 PR in 2001-02 and in 2002-03.

9. No guidance to state agencies was provided in the 2001-03 budget instructions regarding providing funding in agency budgets for these assessments for the operation of SHRS. However, five state agencies did request funding in their budget submittals for their expected assessment costs in 2001-03. The requested funding and the Governor's recommendations are shown in the table below.

Agency Requests for Funding for SHRS Assessments

Agency	Agency Request		Gov. Recom.		Fund Source
	2001-02	2002-03	2001-02	2002-03	
Corrections	\$158,000	\$165,300	\$0	\$0	GPR
Insurance	3,000	3,000	0	0	PR
Personnel Commission	100	100	100	100	GPR
Revenue	22,500	22,500	0	0	GPR
UW System	<u>183,700</u>	<u>183,700</u>	<u>0</u>	<u>0</u>	GPR
TOTALS	\$367,300	\$374,600	\$100	\$100	

As can be seen from the table, all of the funding that was requested by agencies for this purpose was denied by the Governor except for the \$100 GPR annually for the Personnel Commission.

10. The Committee could budget the additional funds of \$787,800 PR annually in the continuing appropriation to reflect the Department's actual spending plans for this appropriation.

11. Alternatively, the Committee could consider the following course of action in regard to this issue: (a) change the current continuing appropriation to a sum certain appropriation; (b) leave the appropriation amount at the level actually requested by DER in its budget request (\$16,000 PR annually); and (c) provide that no increased funding for this appropriation would be considered by the Committee until: (1) the Department of Employment Relations has provided a report to the Committee which includes a detailed budget plan regarding the expected costs for the SHRS, including any future development costs, and an explanation of how it plans to fund the costs of the system in the 2001-03 biennium and beyond, including the costs expected to be assessed individual agencies; and (2) the Department of Administration has provided a report on steps it will take in the budgeting process to ensure that the Legislature will be provided the opportunity in all future budgets to review all such assessment proposals, how state agencies are to handle these unbudgeted costs and why no centralized effort was made to allocate funds to state agencies for these costs if the administration intended that they were to bear the cost of this new system.

ALTERNATIVES TO BASE

1. Authorize \$787,800 PR annually in expected continuing appropriation expenditures for the costs of operation of the Shared Human Resources System.

Alternative 1	PR
2001-03 FUNDING (Change to Base)	\$1,575,600
<i>[Change to Bill</i>	<i>\$1,575,600]</i>

2. Make the following changes to the budget: (a) change the appropriation that would fund this new system from a continuing appropriation to a sum certain annual appropriation; (b) retain the authorized base funding level of \$16,000 PR annually as requested by the Department of Employment Relations and recommended by the Governor; and (c) specify that no request for supplemental funding for this appropriation will be considered by the Committee until the following reports have been provided to the Committee: (1) a report from the Department of Employment Relations providing a detailed plan on the costs of operation of the SHRS, including any future development costs, and explaining how DER plans to fund the costs of the system in 2001-03 and beyond (including the amount of any costs to be assessed individual state agencies); (2) a report from the Department of Administration on steps it will take in the budgeting process to ensure that the Legislature will be provided the opportunity in all future budgets to review all such assessment proposals in the context of the biennial budget process, how state agencies are to handle any unbudgeted assessment costs that DER may propose, and why no centralized effort was made to allocate increased funding to state agencies for such unbudgeted costs if it was the administration's intent was that they were to pay the cost of this new system.

3. Take no action.

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