



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #218

### **Administrative Services Lapse (Commerce)**

[LFB 2003-05 Budget Summary: Page 102, #12]

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#### **CURRENT LAW**

The administrative services program revenue appropriation has base level expenditure authority of \$4,228,600 PR and 54.90 PR positions. The appropriation funds expenses incurred for services related to administering and supporting Department programs including information technology, telecommunications, personnel, payroll, employee development, affirmative action, policy and budget development, procurement and printing, health and safety, fiscal management, property and space management, and mail handling. The source of program revenue is fees charged to the Department's programs.

#### **GOVERNOR**

Decrease expenditure authority for the program revenue administrative services appropriation by \$449,000 PR and 8.4 PR positions annually. Transfer \$449,000 in each year from the appropriation account to the general fund.

#### **DISCUSSION POINTS**

1. The revenue for the administrative services program revenue appropriation is obtained by charging an overhead rate to non-administrative program areas throughout the agency. The rate is calculated by dividing the estimated overhead administrative costs by the number of FTEs in the programs that are charged for the administrative services. Because a portion of the administrative charges is applied to programs supported by federal funding (CDBG, Safety & Buildings, and Environmental & Regulatory Services), the federal government (U. S. Department of Commerce) must approve the rate. The methodology for determining the overhead rate approved by

the federal government requires that any year-end balance in the administrative services appropriation be carried forward and be used in determining the overhead rate for the following year.

2. Commerce has indicated concern that, because the federally approved methodology for determining the overhead rate requires appropriation balances to be carried forward and applied to future overhead rates, the required annual lapse of \$449,000 from the administrative services appropriation may not be allowable. As a result, Commerce would like to be authorized to reallocate the required lapse among the appropriations that are subject to the overhead charges. Consequently, as an alternative to the required lapse, the Committee could authorize Commerce to develop a plan for reallocating the required lapse among the appropriations subject to the administrative charge and to submit the plan to the Secretary of Administration for approval. If approved, the Secretary could be required to submit the plan to the Joint Committee on Finance for approval under a 14-day passive review process.

3. Since the sources of revenue for the administrative services appropriation includes program revenue and segregated revenue appropriations it is possible to argue that at least a portion of the required lapse from the administrative services appropriation would be funds from those appropriations. Those funds should not be subject to the federal agreement.

## ALTERNATIVES

1. Approve the Governor's recommendation to decrease expenditure authority for the program revenue administrative services appropriation by \$449,000 PR and 8.4 PR positions annually, and transfer \$449,000 in each year from the appropriation account to the general fund.

2. Approve the Governor's recommendation to decrease expenditure authority for the program revenue administrative services appropriation by \$449,000 PR and 8.4 PR positions annually, and transfer \$449,000 in each year from the appropriation account to the general fund. In addition, authorize Commerce to develop a plan to reallocate all or a portion of the lapse from the administrative services appropriation [s. 20.143(4)(kd)] to the appropriations that are charged, and to submit the plan to the Secretary of Administration for approval. If the Secretary approves the plan, require that it be submitted to the Joint Committee on Finance under a 14-day passive review process.

3. Delete provision.

<u>Alternative 3</u>	<u>GPR</u>	<u>PR</u>
<b>2003-05 REVENUE</b> (Change to Bill)	- \$898,000	\$0
<b>2003-05 FUNDING</b> (Change to Bill)	\$0	\$898,000
<b>2004-05 POSITIONS</b> (Change to Bill)	0.00	8.40

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