



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #336

Expanded Dissemination of Lobbying and Ethics Data (Ethics Board)

[LFB 2003-05 Budget Summary: Page 170, #3]

CURRENT LAW

Program revenue credited to the Ethics Board's materials and services appropriation is derived from a variety of fees and charges associated with the compilation or dissemination of information to the public. These revenues are generated from the sale of documents and on-line subscriptions; copying, postage, shipping and location fees; and education program fees. The Board is authorized to expend these revenues, within the expenditure limits of the appropriation, to carry out these activities. The base level expenditure authority for this appropriation is \$15,000 PR annually.

GOVERNOR

Provide increased expenditure authority of \$10,000 PR annually under the Ethics Board's materials and services appropriation to provide total funding of \$25,000 PR annually to support enhancements to the agency's public information database relating to lobbying activities and ethics code guidelines.

DISCUSSION POINTS

1. During each of the last five fiscal years, the Legislature has provided expenditure authority under the Ethics Board's materials and services appropriation of \$15,000 PR annually. The following table summarizes the revenue and expenditure history of this appropriation from the 1997-98 fiscal year through the 2001-02 fiscal year. Revenue collections have averaged \$2,635 PR annually, while expenditures have averaged \$3,605 PR annually. Because average expenditures under the appropriation have generally exceeded average income over this five-year period, the

ending balance in the appropriation account has decreased from \$17,130 in 1997-98 to \$10,632 in 2001-02.

**Ethics Board Materials and Services Appropriation Revenues and Expenditures
(1997-98 through 2001-02)**

<u>Opening Fiscal Year</u>	<u>Balance</u>	<u>Revenue</u>	<u>Closing Expenditures</u>	<u>Balance</u>
1997-98	\$15,480	\$3,658	\$2,009	\$17,130
1998-99	17,130	1,761	389	18,502
1999-00	18,502	1,407	711	19,199
2000-01	19,199	1,111	4,467	15,843
2001-02	15,843	5,240	10,451	10,632
Average		\$2,635	\$3,605	

2. During the 2002-03 fiscal year, however, the Board has increased revenues credited to this appropriation as a result of fee income from a new lobbying subscription service. This service was developed during the 2001-02 fiscal year. It provides daily and weekly e-mails alerts to subscribers identifying such matters as: (a) organizations lobbying on bills and rules of interest to the subscriber; (b) new lobbying organization and lobbyist registrations; and (c) all new bills, proposed rules and lobbying initiatives.

3. Through the first nine months of the 2002-03 fiscal year, the Board has credited total revenues of \$13,200 to its materials and services appropriation. These revenues include \$11,400 from the new lobbying subscription service fees. Subscriptions charges vary depending on: (a) whether the subscription is for one or for two years; and (b) the total number of principals represented by the subscriber. For the first nine months of the current fiscal year, revenues from one-year subscriptions amounted to \$6,400, revenues from two-year subscriptions amounted to \$4,300, and revenues from other subscription services amounted to \$700.

4. If revenue collections to date during the current fiscal year are fully annualized, it is estimated that the appropriation could receive up to \$17,600 in 2002-03. However, the reliability of this new revenue source is unknown, since the service is new and its viability as a revenue-producing program for the Board is untested. Even the estimated potential revenue of \$17,600 for this fiscal year may not be realized, if it is found that most subscribers enroll in the new service only at the beginning of the year and few additional subscriptions are sold thereafter. Further, revenues received in the current fiscal year from the sale of two-year subscriptions are less likely to be duplicated in the second year of the biennium, as most subscribers would be expected to start the service at the beginning of the each two-year legislative session, rather than in the middle. Also, it is not known the extent to which current subscribers will choose to renew current subscriptions to

the service.

5. When increases to program revenue expenditure authority are proposed, it is appropriate to examine: (a) the extent to which a reliable revenue stream exists to fund the additional expenditures; and (b) the budgeted expenditures proposed for the new spending authority.

6. With respect to the first consideration, the Board's materials and services appropriation has not generated \$25,000 annually in revenues during any of the preceding five fiscal years. Board staff also indicate that the amount of revenue likely to be credited to its materials and services appropriation during the 2003-05 biennium is uncertain. This assessment seems appropriate given the past history of this appropriation and the lack of experience with the new lobbying subscription service fees.

7. Generally, an agency may expend from a program revenue appropriation account up to the amount of the appropriation authority granted. If revenues to the account are insufficient to fully fund the current year's expenditure authority, the expenditures are supported from the available carryover revenue balance in the account. If the agency has available expenditure authority, but this carryover revenue balance has been exhausted, the appropriation account would be in deficit and any further expenditures up to the appropriation limit would constitute an unsupported loan from the general fund.

8. With respect to the second consideration, when increased expenditure authority is requested for an appropriation, agencies will generally provide specific cost detail supporting the additional expenditure need. Granting increased expenditure authority based on such a review permits the Legislature to: (a) consider the details of how the agency plans to utilize the increased expenditure authority; and (b) set agency priorities.

9. Board staff indicate that the \$10,000 PR annually of increased expenditure authority would permit it to pursue various enhancements to its public information database. Board staff have identified 24 possible projects at a potential cost of \$111,900 PR that may be pursued over the next four fiscal years. These total costs exceed the amounts that would be available to the agency over the four years, assuming that \$25,000 PR is provided annually. Further, Board staff have advised that notwithstanding this enumeration of projects and costs: (a) projects may be added or modified; (b) agency priorities with respect to system enhancements may be altered as circumstances change; and (c) estimates of costs for any of these projects are uncertain and may change.

10. Because of the past history and uncertain future of revenues credited to the Board's materials and services appropriation, and the general lack of certainty with respect to how any additional revenues would be expended in 2003-05 if increased appropriation authority is provided, the Committee could conclude that it would be prudent to maintain the current law expenditure authority for this appropriation at this time. Arguably, to the extent that the agency is able to increase revenues to this appropriation account, the Board's existing expenditure authority of \$15,000 PR annually should still be sufficient to permit some system enhancements to proceed. In addition, the Board could seek supplemental expenditure authority under 14-day passive review (s.

16.515) during 2003-05.

11. However, if the Committee concludes that the Board should have the necessary expenditure authority to upgrade its existing lobbying subscription service and related applications and that the combination of projected revenues and available account balances would be sufficient in the near term to fund these enhancements, it could approve the Governor's recommendation.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$10,000 PR annually of increased expenditure authority to the Ethics Board's materials and services appropriation to fund enhancements to the agency's public information database relating to lobbying activities and ethics code guidelines.

2. Delete provision.

Alternative 2	PR
2003-05 FUNDING (Change to Bill)	- \$20,000

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