



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #580

### **Wisconsin Personnel Partners Program Funding (Office of State Employment Relations)**

[LFB 2005-07 Budget Summary: Page 388, #4 and #5 (part)]

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#### **CURRENT LAW**

In the 2003-05 biennial budget, additional funding of \$40,000 PR in 2003-04 and \$60,000 PR in 2004-05 was provided in the separate PR appropriation for the provision of personnel services to nonstate governmental units. As requested, these funds were to be used to hire LTEs or consultants to design and coordinate a two-year pilot program aimed at expanding and enhancing the personnel services that the Office offered to local governmental units. The revenues to support this increased funding were to come from fees assessed local governments that choose to request services from this program. The funding as proposed by the Governor was to be permanent on-going funding. However, the Joint Committee on Finance modified the Governor's recommendation to specify that the requested funding be provided as one-time funding. As a consequence, any funding for continuation of the pilot effort would have to be requested as a new budget item.

#### **GOVERNOR**

Provide increased base funding of \$60,000 PR annually to allow continuation of the enhanced personnel services for local governments pilot project that was provided with one-time funding in the 2003-05 budget. Funding would be for LTE salaries and supplies and services costs associated with the planned expansion of services to local governmental units. Also, require that the Secretary of Administration lapse to the general fund \$15,000 from the program's appropriation in 2005-06.

## DISCUSSION POINTS

1. As a program, OSER has now denominated this PR activity as the Wisconsin Personnel Partners program or WPP. OSER indicates that staff vacancies, the need for training of new staff, and the lack of a strategic plan, among other factors, resulted in the WPP not being able to fully utilize the increased spending authority provided in the 2003-05 budget. As a consequence, none of the increased funding was expended in fiscal year 2003-04 and expenditures of about \$12,000 are expected in fiscal year 2004-05.

2. OSER has further indicated that in the current fiscal year activities under the pilot have included enhanced marketing and advertising efforts for the program. From total program funds available, approximately \$14,000 was expended to hire a marketing firm to assist with the creation of new program name (WPP), an improved marketing logo, and new marketing materials. Other activities have included the development of a quarterly newsletter and the conduct of a survey of local governments to help determine which types of human resources services are most needed by the local governments in order to identify the best opportunities for sources of additional revenue for the program.

3. The predecessor program was called the Wisconsin City County Testing Services and the only services offered to local governmental units were the use of the same employee testing services used by state agencies, but for a fee. Prior to 1997, the statute governing the city-county testing services specified that the program was limited to providing personnel testing services to non-state governmental units and allowed the program to charge for those services. In the 1997 session, Wisconsin Act 237 included a provision that modified this statute to allow the program to provide any type of personnel services to non-state governmental units and charge the units for the provision of the services.

4. In the 1999-01 Governor's budget, funding was included for the addition of 1.0 human resources specialist position to support expansion of the type of personnel services to be offered by the program following the 1997 law change. However, the funding request was not approved by the Joint Committee on Finance. Among the concerns raised at that time were: (a) uncertainties regarding what the level of demand for these expanded services would be; and (b) whether the revenues likely to be garnered from the expanded services would be sufficient to cover the additional expenditure authority being sought.

5. In the 2001-03 budget, no increased funding was requested for this activity, although added funding was requested and provided for the separate PR program involving employee training and development services. Increased funding for local personnel services function was, however, requested in the 2003-05 budget cycle.

6. The 2003-05 budget request for the agency (then the Department of Employment Relations) indicated that funding for the pilot project was intended to be non-base building and that if performance measures showed the pilot to be successful, then the agency would request that the project be added to the program's base budget as a part of the 2005-07 budget. OSER has indicated

that it views as the primary performance measure for the pilot project the increase in the number of new customers participating in the program and states that the goal is to annually increase the number of new customers by five to six per year. Further, OSER notes that the number of new customers in the current fiscal year so far totals nine.

7. As specified in the 2003-05 budget request item, the aim of the pilot project was to run a two-year pilot project to ascertain the market for the provision of these additional personnel services to local governments and to determine the most efficient manner in which to share the agency's expertise with local governments. However, it was also indicated that as a part of the pilot the agency would offer its training services to local governments in the form of courses or consultative services, with the expected result of generating additional program revenues of \$45,000 in 2003-04 and \$105,000 in 2004-05.

8. As a part of that budget request item, base program revenues from existing testing services were expected to total \$165,000 in 2003-04 and \$168,000 in 2004-05. The combined total revenues for the program were thus projected at \$210,000 in 2003-04 and \$273,000 in 2004-05. However, actual revenues received in 2003-04 totaled \$140,548 and total projected revenues for 2004-05 under the agency's revised program balance statement for this program, are \$185,000. For the current fiscal year, as of February 28, the actual revenues received plus outstanding receivables totaled \$110,497.

9. OSER states that its intent for this program is that all current and proposed new expenditures will be covered by additional revenues that are generated from existing services plus new services. However, OSER also indicates that it does not separately account for existing and pilot expenditures and revenues. Further, it is indicated that initial efforts involving new services are not expected to necessarily immediately generate new revenues.

10. The projection of revenues is important with regard to program revenue operations since the budgetary intent is that program costs should, in general, be met by assessing fees or charges sufficient to cover those costs. However, where program fees are based on per customer service assessments, it can be more difficult to ensure there will be adequate revenues to cover program costs than where a fee is assessed uniformly against a fixed client base to recover a total program cost. An example of the latter case would be where a regulated group of individuals is required to be licensed by the state and the program established to conduct those licensing and regulation activities is financed by an annual license fee. A set level of license fee times a set number of licensees will render a specific amount of revenue for the program.

11. With regard to the WPP program, the level of revenue is important because if the proposed added program expenditures (\$60,000 annually) occur and no additional revenue is received, the revenues to support the increased expenditures must either come from the program's carryover balance or the program will run a deficit. Under the agency's updated balance statement for this program, if all of the projected revenues materialize in the next biennium and the full \$60,000 of additional appropriation authority is expended each year, the program would end the biennium with a balance of \$4,600.

12. As noted above, the Governor has recommended a lapse from the program balance of this appropriation of \$15,000 in 2005-06. Given the small ending balance projected for the program under the Governor's budget and OSER's revised balance statement for the program, the Committee could delete the requirement for the 2005-06 program revenue lapse. This would increase the projected ending balance for the program by the amount of the proposed lapse. It would, however, also have the effect of reducing the planned lapse amounts flowing to the general fund in 2005-06 as one-time revenues by \$15,000.

13. In addition, to further protect against a deficit developing due to insufficient revenues being raised, the Committee could provide a reduced level of additional expenditure authority by prioritizing the proposed additional expenditure items for purposes of funding. The agency has indicated that its proposed use, by year, of the requested funding is as follows:

**Proposed Expenditure Purposes for  
Additional WPP Expenditure Authority**

<u>Component</u>	<u>Amount</u>	
	<u>FY 05-06</u>	<u>FY 06-07</u>
LTE funding for review & revision of existing exams	\$14,000	\$14,000
Purchase new business management software system	15,000	0
Increased general overhead expenses for travel, printing and postage	4,000	4,000
Develop training program for local governments	12,000	0
Development and operation of an assessment center	15,000	0
Purchase or development of a workforce planning software module for use by customers	0	20,000
LTE funding for data gathering regarding local government compensation and benefit information	0	12,000
Funds to develop additional further currently unspecified products or services	<u>0</u>	<u>10,000</u>
<b>TOTALS</b>	<b>\$60,000</b>	<b>\$60,000</b>

14. Based on a survey that the agency conducted and from other contacts with and inquiries from local governmental units, the agency feels that these are consultative or other types of services that are desired by various local governments. The agency believes through the WPP program it can provide these types of services and generate increased revenues for the program as a result.

15. The question may be raised, however, as to how many of the local governmental units who may have expressed interest in one of the proposed new services to be offered by WPP will actually seek to purchase those services. OSER believes it can grow the program by making

the availability of its services more widely known and by encouraging repeat business from current customers. OSER requested funding for the items above [with the exception of program operation purchase of the new software system (\$15,000)] to enable the WPP to add or enhance service capabilities in these different areas.

16. One of the activities that was conducted under the current pilot was to survey local governmental units regarding their personnel practices and needs. The survey was not specifically conducted as a potential customer survey by WPP; instead it was designed as a general personnel services survey distributed by OSER with the goal of determining if local governmental units have need for outside help with these personnel services. It was distributed to 1,886 local governmental units and 19% of those units responded. The survey was primarily designed to gather general data on the units' current personnel practices and procedures. It did not inquire about the governmental unit's interest in specific personnel services that could be provided by the WPP.

17. A summary of the survey results included the following general conclusions regarding the units' interests in certain types of personnel services as it relates to the planned services under the pilot.

- Two-thirds of the responding units indicated a desire to see improvement in their recruitment process including attraction of more qualified applicants and a quicker recruitment process. WPP interpreted this finding as supporting efforts to: (a) do increased marketing of WPP testing services; and (b) increase use of the OSER's separate WiscJobs computerized recruitment application process by local units of government (a separate OSER program revenue-supported operation).

- The responding entities did not express any substantial interest in offering and/or expanding their employee human resources training efforts. Similarly, more than 92% of the respondents did not have any workforce plan (planning for current and future need for employees considering workforce employment trends, age of the current employees and similar factors). It was also indicated that there did not seem to be any indicated need for outside services in the area of labor relations activities. With regard to these findings, WPP concluded that the program should develop creative ways to market its employee training and performance assessment services and efforts in developing workforce planning efforts to local units of government but should not focus on marketing any potential labor relations services.

18. The Committee could take a different view of these interest indications by authorizing funding only in the areas of highest expressed interest. It could then either not appropriate any remaining funds for the remaining proposed projects or it could place the remaining funds requested for these other services in reserve for release upon further demonstration of local units desire to seek provision of these services from the WPP and the likelihood of increased revenues being generated from these added services in the forthcoming biennium.

19. Further, the Committee could also reallocate some of those other funds to allow WPP to promote greater local governmental use of the WiscJobs web-based recruitment

announcement and job application system. While local government use of this program would not bring any more revenues into the WPP program (fees for use of WiscJobs go to a separate PR appropriation account), conduct of this activity could bring opportunities for the WPP to attract those customers who have expressed a specific service need to also use other personnel services offered by WPP, particularly its testing services. A specific amount for such an activity has not been identified by OSER, but the Committee could provide funding of \$5,000 PR annually for a pilot effort in this area.

20. The proposed services expansion could then be funded on a prioritized basis so as to potentially stage them out over a longer time period as enhancement of revenue from these new services is demonstrated. The following alternative approach to the agency's funding request could be taken: (a) provide the requested funding (\$14,000 PR annually) for exam updates for the testing services component since that appears to be an area of greatest expressed need; (b) provide additional one-time funding of \$5,000 PR in 2005-06 and 2006-07 to allow WPP to make all local governmental units aware of the WiscJobs service for advertising of local government job availabilities, which was another area of expressed need by surveyed local units; (c) provide the requested funding (\$4,000 PR annually) for increased overhead expenses for the program to allow the program to further promote local governments knowledge of and interest in the services of WPP; and (d) provide the requested funding (\$15,000 PR in 2003-04) for the new business management software system but specify that funding as one-time.

21. The Committee could then either:

(a) Place all of the remaining requested funding (\$12,000 for training program development; \$15,000 for development of an assessment center; \$20,000 for purchase or development of a workforce planning module; \$12,000 for data gathering on local government compensation and benefits; and \$10,000 for other unspecified projects), less the \$10,000 outlined above for WiscJobs promotional activities, a net total of \$59,000 in the Committee's supplemental PR appropriation for release upon OSER's submittal of a request to the Committee for funding that includes a justification for the proposed expenditures based on demonstrated interest in the service from local units of government and a status report on actual and projected program revenue collections for the WPP program; or

(b) Not approve those funding items in the budget.

## **ALTERNATIVES**

1. Approve the Governor's recommendation.

*Note: Alternative 2 may be selected without any other action. Alternative 3 or Alternative 4 may also be selected without any other action or either may be selected in addition to Alternative 2.*

2. Delete the required lapse in 2005-06 of \$15,000 from the WPP program's PR appropriation.

<b><u>Alternative 2</u></b>	<b><u>GPR-REV</u></b>
<b>2005-07 REVENUE</b> (Change to Bill)	- \$15,000

3. Provide funding of \$38,000 PR in 2005-06 and \$23,000 PR in 2006-07 for the following: (a) LTEs for revision of exams (\$14,000 annually); (b) promotion of WiscJobs system to local governments (\$5,000 annually); (c) purchase of a new business management software system (one-time funding of \$15,000 in 2005-06); and (d) increased overhead expenses (\$4,000 annually). Further, provide funding in the Joint Committee on Finance's supplemental PR appropriation [s. 20.865(4)(g)] of \$22,000 PR in 2005-06 and \$37,000 PR in 2006-07 for additional personnel services or products that the WPP may wish to develop, with the understanding that release of these funds by the Committee would be upon the submittal of a request from OSER accompanied by a demonstration of indicated interest by local governmental units for the provision of the proposed products or services and a status report on the actual and projected revenue collections for the WPP program.

4. Provide funding of \$38,000 PR in 2005-06 and \$23,000 PR in 2006-07 for the following: (a) LTEs for revision of exams (\$14,000 annually); (b) promotion of WiscJobs system to local governments (\$5,000 annually); (c) purchase of a new business management software system (\$15,000 in 2005-06); (d) increased overhead expenses (\$4,000 annually).

<b><u>Alternative 4</u></b>	<b><u>PR</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$59,000

5. Maintain current law.

<b><u>Alternative 5</u></b>	<b><u>PR</u></b>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$120,000

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