



Legislative Fiscal Bureau

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Joint Committee on Finance

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GPR-Earned Reestimates (R&L)

CURRENT LAW

The Department of Regulation and Licensing (R&L) is funded entirely from program revenues, collected primarily from initial and renewal credential fees, examination charges, and background investigation fees. From the fee amounts collected, 10% is credited to the state's general fund, and the remaining 90% is credited to the associated agency appropriation account for general operations (initial and renewal credential fees), examination program operations (examination fees), or applicant investigation reimbursement (background investigation fees).

Agency GPR-Earned collections (amounts deposited in the general fund) were \$4,036,800 in 2003-04 and are projected at \$3,316,300 in 2004-05.

GOVERNOR

Estimate GPR-Earned collections of \$4,833,800 in 2005-06 and \$4,188,000 in 2006-07. These amounts include on-going projected collections of \$4,036,800 in 2005-06 and \$3,316,300 in 2006-07, plus an additional one-time directed lapse to the general fund under the bill of \$797,000 in 2005-06 and \$871,700 in 2006-07 from the available PR balances in the agency's general program operations appropriation. These additional one-time lapse amounts would be generated from comparable base budget reductions applied to the agency.

DISCUSSION POINTS

1. The 2003-05 biennial budget act required R&L to lapses available PR balances during the biennium to the general fund from the following appropriation accounts: (a) \$1,969,900 PR annually from the agency's general program operations appropriation; and (b) \$232,700 PR in 2003-04 and \$243,300 PR in 2004-05 from the agency's general program operations appropriation and from its examination appropriation as directed lapses relating to cost reductions for information

technology, health insurance premium savings for certain part-time employees, discretionary compensation adjustments, and 5th week of vacation payments as cash. In total, the agency was required to lapse \$2,202,600 in 2003-04 and \$2,213,200 in 2004-05.

2. A review of the GPR-Earned estimates included in the bill for R&L shows that the estimates for the 2005-07 biennium continue to reflect the receipt of revenues from the required lapses that were applicable to the 2003-05 fiscal biennium only.

3. The Department has provided a revised estimate of likely GPR-Earned collections in each fiscal year of the 2005-07 biennium from credential fees, examination fees, background check fees, and a variety of miscellaneous fees. While these GPR-Earned amounts from agency fees would also be supplemented under AB 100 by a directed PR lapse of \$797,000 in 2005-06 and \$871,700 in 2006-07, there would be no continued recognition of the directed lapses required in the 2003-05 biennium. The following table summarizes these revised GPR-Earned estimates.

Corrected Estimate of GPR-Earned Receipts under AB 100

<u>Source of Revenue</u>	<u>2005-06</u>	<u>2006-07</u>
Credential Fees	\$1,266,300	\$1,232,600
Examination Fees	195,800	195,800
Display and Reciprocal Licenses	57,500	65,000
Hearing Cost Assessments	22,800	22,800
Background Checks	9,800	9,800
Required PR-Lapse under AB 100	<u>797,000</u>	<u>871,700</u>
Corrected GPR-Earned Total	\$2,349,200	\$2,397,700
Corrected Total Compared to Governor's AB 100 GPR-Earned Estimate	\$4,833,800	\$4,188,000
Amount of Revenue Shortfall	-\$2,484,600	-\$1,790,300

4. Based on this review, the GPR-Earned estimates in the bill significantly overstate the amount of agency revenues that will actually be credited to the general fund by \$2,484,600 in 2005-06 and \$1,790,300 in 2006-07.

5. The Legislative Fiscal Bureau also asked the Department to review likely program revenue fee balances in its general program operations account, net of all appropriations and reserves, for each fiscal year of the 2005-07 biennium. The following table summarizes these revenue and expenditure projections.

**Projected Fee Revenues and Expenditures under AB 100
(2005-06 through 2006-07)**

<u>Estimated Program Revenues</u>	<u>2005-06</u>	<u>2006-07</u>
Opening Balance	\$4,189,000	\$4,569,900
License Fees	11,396,300	11,093,300
Display and Reciprocal Licenses	517,900	585,300
Hearing Cost Assessments	205,400	205,400
Copying Lists	101,200	101,200
Directed Lapse	-797,000	-871,700
Pension Obligation Bond Lapse	<u>-47,500</u>	<u>-47,500</u>
	\$15,565,300	\$15,635,900
<u>Budgeted Expenditures and Reserves</u>	<u>2005-06</u>	<u>2006-07</u>
Adjusted Base Funding	\$9,943,400	\$9,943,400
Standard Budget Adjustments	-56,000	-56,000
Data Integration Initiative	194,200	354,200
Sanitarian Registration Transfer	11,400	7,000
Budget Efficiency Reduction	-797,000	-871,700
Rent and Compensation Reserves*	<u>1,699,400</u>	<u>551,400</u>
	\$10,995,400	\$9,928,300
Estimated Closing Balance	\$4,569,900	\$5,707,600

*Includes pay plan reserves, health insurance premium increases, rent supplements, and directed move costs.

6. Based on these projections, it would appear that the agency will have an unobligated PR balance in its general program operations appropriation of \$4,569,900 in 2005-06 and \$5,707,600 in 2006-07. If the Committee finds it desirable to eliminate the GPR-Earned shortfall identified above, it could consider directing an additional lapse of \$2,484,600 in 2005-06 and \$1,790,300 in 2006-07 from this appropriation account to the general fund. Under such an action, the estimated closing balances in the appropriation account would be \$2,085,300 in 2005-06 and \$1,432,700 in 2006-07.

7. There would appear to be sufficient unobligated PR balances in the appropriation account that the Committee could also choose to direct the lapse of an additional \$600,000 in 2005-06 in addition to the amounts identified above to provide additional one-time general fund revenues in that year. Under this alternative, the Committee could direct a lapse totaling \$3,084,600 in 2005-06 and \$1,790,300 in 2006-07 from this appropriation account to the general fund. Under this alternative, the estimated closing balances in the appropriation account would then be \$1,485,300 in 2005-06 and to \$832,700 in 2006-07.

8. However, it could be argued that credential holders pay their credential fees to R&L in the expectation that such payments will be used to provide for the administration and enforcement of regulations governing their profession or business and that transfers from available appropriation reserves should not be made. Further, since these lapses will deplete a portion of the available unobligated balances, these amounts will not be available to offset possible initial and renewal fee increases when the Department recalibrates its fee requirements for the 2007-09 biennium.

9. Alternatively, it could be argued that these types of lapses have occurred in the past. [In addition to the lapses in 2003-05 cited above, additional lapses of \$348,500 in 2001-02 and \$497,800 in 2002-03 were mandated under provisions of 2001 Wisconsin Act 109.] Despite these lapses, credential fees have not had to be increased and sufficient reserves yet remain.

ALTERNATIVES

1. Correct the Governor's GPR-Earned collection estimates for R&L by -\$2,484,600 in 2005-06 and -\$1,790,300 in 2006-07 to reflect the deletion of one-time lapse amounts in the 2003-05 biennium that were retained in the agency's GPR-Earned estimate for the 2005-07 biennium.

<u>Alternative 1</u>	<u>GPR-REV</u>
2005-07 REVENUE (Change to Bill)	- \$4,274,900

2. Direct that an additional lapse of \$2,484,600 in 2005-06 and \$1,790,300 in 2006-07 from R&L's general program operations appropriation account be made to the general fund to eliminate an overstatement of estimated agency GPR-Earned collections under the bill. [There is no fiscal change shown for this alternative since these indicated amounts are already included as agency revenues in the AB 100 general fund condition statement.]

3. Direct that an additional lapse of \$3,084,600 in 2005-06 and \$1,790,300 in 2006-07 from R&L's general program operations appropriation account be made to the general fund to eliminate an overstatement of estimated agency GPR-Earned collections under the bill and to provide an additional one-time revenue increase to the general fund of \$600,000 in 2005-06.

<u>Alternative 3</u>	<u>GPR-REV</u>
2005-07 REVENUE (Change to Bill)	\$600,000

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