



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #110

Transfer Human Resources Functions to DOA (Administration -- Transfers)

[LFB 2017-19 Budget Summary: Page 34, #1]

CURRENT LAW

The Department of Administration's (DOA) Division of Personnel Management (DPM) is generally charged with the effective administration of the state employment relations laws. All powers and duties necessary to that end which are not exclusively vested by statute in the Director of the Bureau of Merit Recruitment and Selection (a bureau of DPM), the Employment Relations Commission, the Division of Equal Rights in the Department of Workforce Development, or appointing authorities (the chief officer of any governmental unit or chief administrative officer of an agency unless another person is authorized to appoint subordinate staff in the agency under the law), are reserved for the Administrator of DPM.

The Administrator of DPM may delegate, in writing, any of his or her functions to an appointing authority, within prescribed standards, if the Administrator finds that the agency has personnel management capabilities to perform such functions effectively. If the Administrator determines that any agency is not performing such delegated functions within prescribed standards, the Administrator must withdraw such delegated functions. Subject to the approval of the Joint Committee on Finance, the Administrator may order transferred to DPM from the agency to which delegation was made such agency staff and other resources as necessary to perform such functions if increased staff was authorized to that agency as a consequence of the delegation, or if DPM reduced staff or shifted staff to new responsibilities as a result of such delegation.

Under current practice, while DOA provides services related to human resources and payroll and benefits for certain smaller agencies, boards, commissions, and councils, state agencies generally perform these functions internally, under the delegated authority and supervision of DPM. Agencies that provide these functions internally have staff within the agency

to perform these functions.

GOVERNOR

Define a "shared services agency" to include: (a) any department created under subchapter II of Chapter 15 of the statutes (Structure of the Executive Branch), except for the Department of Justice (DOJ) and the Department of Public Instruction; and (b) an independent agency created under subchapter III of Chapter 15 of the statutes, except for the Board of Regents of the University of Wisconsin System and the Technical College System Board. Beginning July 1, 2018, require DPM within DOA to administer for each shared services agency its responsibilities to provide human resources services and payroll and benefits services. Authorize DOA to charge shared services agencies for such human resources and payroll and benefits services with a methodology determined by DOA.

Provide that on July 1, 2018, all positions (including incumbent employees holding these positions), assets and liabilities, personal property, and contracts, of a shared services agency that relate to human resource services and payroll and benefit services, as determined by the Secretary of DOA, would be transferred to DOA. Provide that incumbent employees transferred to DOA would retain their employee rights and status that the employee held immediately before the transfer, and provide that employees transferred to DOA who have attained permanent status would not be required to serve a probationary period.

Provide DOA with \$541,600 PR and 7.0 PR positions in 2017-18, as well as \$36,138,000 PR and 413.14 PR positions in 2018-19, to allow DOA to administer human resources functions for most state agencies beginning July 1, 2018, as part of a shared agency services program. The 7.0 positions provided to DOA in 2017-18 (and subsequently in 2018-19) reflect the transfer of vacant human resource positions in the Department of Workforce Development (DWD), the Department of Health Services (DHS), and the Department of Safety and Professional Services (DSPS) to DOA to provide additional support to DPM. These 7.0 positions would be physically relocated to DPM and the State Comptroller's Office. The remaining positions provided to DOA in 2018-19 (406.14 positions) generally reflect a transfer of filled human resource positions from various state agencies to DOA for shared agency services. According to the administration, with regards to the 406.14 positions transferred to DOA in 2018-19, although the positions would be transferred to DOA, the individuals holding those positions would continue to be located at the agency that previously employed the individual, but would become DOA employees rather than employees of the agency.

Funding under the bill for the positions transferred to DOA would be supported by assessments charged by DOA to state agencies for services related to human resources and payroll and benefits. Generally, agencies that have positions transferred to DOA for shared agency services do not see a reduction in funding under the bill. Rather, funding in the transferring agencies associated with the transferred positions is reallocated from salaries and fringe benefits to supplies and services, in order to support future DOA assessments. In total, the bill reallocates \$32,700,800 (all funds) across all shared services agencies. [An exception to this generalization is that DWD, DHS, and DSPS each experience a funding reduction in both years of

the biennium associated with the transfer of 7.0 vacant positions from the agencies to DOA.]

Funding and position authority provided to DOA would be provided to the following three annual PR appropriations in DOA: (a) general program operations for the Division of Personnel Management (\$481,500 and 6.0 positions in 2017-18 and \$35,867,800 and 410.14 positions in 2018-19); (b) financial services (\$60,100 and 1.0 position annually); and (c) materials and services to state agencies and certain districts (\$210,100 and 2.0 positions in 2018-19).

Require DOA to lapse \$2,800,000 to the general fund in 2018-19 from DOA's general program operations PR appropriation for the Division of Personnel Management. According to the administration, funding for the lapse will be generated through efficiencies and vacancies in the appropriation as a result of the large number of positions transferred to the appropriation.

DISCUSSION POINTS

Composition of Paper

1. This paper addresses the provisions of the budget bill recommended by the Governor that would require DOA to provide human resources (HR) services for most agencies within state government. These provisions are commonly referred to as shared agency services for HR. The Committee could consider these provisions as related to state government as a whole, as well as how the provisions affect individual state agencies. To this end, this paper is organized as follows. First, an "overview" section is provided that broadly discusses the provisions of the bill related to shared agency services for HR. The overview section provides broad alternatives for the Committee's consideration, including alternatives that would approve the Governor's recommendation, alternatives that would provide policy modifications to the Governor's proposal, and alternatives to remove the Governor's recommendation from the budget bill. Subsequent to the overview section, this paper provides sections that discuss the effect of the shared agency services proposal on individual government agencies. Alternatives will be provided in each individual agency section that would exempt the specific agency from the shared agency services. Alternatives may also be provided in the individual agency sections that would retain certain staff that are proposed for transfer to DOA within the transferring agency. If, after considering the overview of the shared agency services proposal, the Committee decides to eliminate the proposal from the budget bill, the Committee could refrain from considering the individual agency sections of this paper.

2. Attached to this paper is a summary of all alternatives identified.

A. OVERVIEW

3. Subsequent to the introduction of the budget bill, the administration submitted an errata letter to the Committee on March 31, 2017. In summary, the errata indicated that the Department of Military Affairs (DMA), the Department of Employee Trust Funds (ETF), and the State of Wisconsin Investment Board (SWIB) should be exempted from the shared agency services program. The administration indicates that DMA should be excluded from shared agency services since its inclusion could cause a loss of federal revenue. Further, ETF and SWIB should be excluded since

these agencies are funded by the Public Employee Trust Fund, and HR management by an outside agency would threaten the independence required of agencies with trust fund fiduciary responsibilities. In addition, the errata indicates that the number of positions transferred from shared services agencies to DOA, as well as the amount of funding that should be provided to DOA and be reallocated within shared services agencies, should be modified to better reflect the funding, position authority, and supplies that shared services agencies currently utilize for HR services.

4. Table 1 identifies the state agencies that would be included in the definition of a shared services agency, under the bill as modified by the errata. Table 2 identifies the budget modifications made to state agencies under the bill associated with shared agency services, as modified by the errata. In reviewing Table 2, note that amounts identified as reallocated funding in the table represent amounts that would be transferred from salaries and fringe benefits to supplies and services within the affected agency in order to support future DOA assessments. In addition, note that certain agencies do not experience a budget modification under the bill associated with shared agency services, but would still be affected by the provisions under the proposed shared agency services program.

TABLE 1

Shared Services Agencies Under the Bill, As Modified by the Errata*

Administration	Kickapoo Reserve Management Board
Agriculture, Trade, and Consumer Protection	Labor and Industry Review Commission
Board on Aging and Long-Term Care	Lower Wisconsin State Riverway Board
Board for People with Developmental Disabilities	Natural Resources
Child Abuse and Neglect Prevention Board	Office of the Commissioner of Insurance
Children and Families	Public Defender Board
Corrections	Public Service Commission
Educational Communications Board	Revenue
Employment Relations Commission	Safety and Professional Services
Elections Commission	State Fair Park Board
Ethics Commission	Tourism
Financial Institutions	Transportation
Health Services	Workforce Development
Higher Educational Aids Board	Veterans Affairs
Historical Society	

*Note that in addition to these agencies, other boards, councils, and commissions administratively attached to the agencies identified above would also be considered a shared services agency.

TABLE 2

Budget Modifications Made Under the Shared Services Proposal, as Modified by the Errata

<u>Agency/Fund Source</u>	<u>2017-18</u>			<u>2018-19</u>		
	<u>Funding Change</u>	<u>Funding Reallocated</u>	<u>Position Modification</u>	<u>Funding Change</u>	<u>Funding Reallocated</u>	<u>Position Modification</u>
Agriculture, Trade, and Consumer Protection						
GPR	\$0	\$0	0.00	\$0	\$558,400	-5.70
PR	0	0	0.00	0	118,900	-1.50
FED	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>76,900</u>	<u>-1.00</u>
Subtotal	\$0	\$0	0.00	\$0	\$754,200	-8.20
Children and Families						
PR	\$0	\$0	0.00	\$0	\$1,055,600	-11.60
Corrections						
GPR	\$0	\$0	0.00	\$0	\$8,699,100	-115.75
PR	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>342,900</u>	<u>-4.50</u>
Subtotal	\$0	\$0	0.00	\$0	\$9,042,000	-120.25
Health Services						
GPR	\$0	\$0	0.00	\$0	\$1,994,800	-25.12
PR	-118,800	0	-2.00	-118,800	4,082,200	-52.11
FED	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>360,500</u>	<u>-4.63</u>
Subtotal	-\$118,800	\$0	-2.00	-\$118,800	\$6,437,500	-81.86
Historical Society						
GPR	\$0	\$0	0.00	\$0	\$355,700	-4.00
FED	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>79,700</u>	<u>-1.00</u>
Subtotal	\$0	\$0	0.00	\$0	\$435,400	-5.00
Natural Resources						
GPR	\$0	\$0	0.00	\$0	\$300,900	-3.00
FED	0	0	0.00	0	493,500	-6.00
SEG	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1,614,700</u>	<u>-19.50</u>
Subtotal	\$0	\$0	0.00	\$0	\$2,409,100	-28.50
Public Defender Board						
GPR	\$0	\$0	0.00	\$0	\$473,400	-4.95
Revenue						
GPR	\$0	\$0	0.00	\$0	\$888,700	-10.20
PR	0	0	0.00	0	55,600	-0.55
SEG	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>98,500</u>	<u>-1.25</u>
Subtotal	\$0	\$0	0.00	\$0	\$1,042,800	-12.00
Safety and Professional Services						
PR	-\$262,200	\$0	-4.00	-\$262,200	\$428,100	-9.00

State Fair Park Board							
PR	\$0	\$0	0.00	\$0	\$197,800	-1.00	
Transportation							
FED	\$0	\$0	0.00	\$0	\$276,600	-4.30	
SEG	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>3,832,000</u>	<u>-48.38</u>	
Subtotal	\$0	\$0	0.00	\$0	\$4,108,600	-52.68	
Veterans Affairs							
PR	\$0	\$0	0.00	\$0	\$1,122,200	-15.64	
SEG	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>807,200</u>	<u>-9.36</u>	
Subtotal	\$0	\$0	0.00	\$0	\$1,929,400	-25.00	
Workforce Development							
GPR	\$0	\$0	0.00	\$0	\$3,300	-0.05	
PR	-86,500	0	-1.00	-86,500	1,837,500	-20.00	
FED	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>164,100</u>	<u>-1.95</u>	
Subtotal	-\$86,500	\$0	-1.00	-\$86,500	\$2,004,900	-22.00	
Total Non-DOA Agencies							
GPR	\$0	\$0	0.00	\$0	\$13,274,300	-168.77	
PR	-467,500	0	-7.00	-467,500	9,240,800	-115.90	
FED	0	0	0.00	0	1,451,300	-18.88	
SEG	<u>0</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>6,352,400</u>	<u>-78.49</u>	
Total	-\$467,500	\$0	-7.00	-\$467,500	\$30,318,800	-382.40	
Administration							
PR	\$515,600	\$0	7.00	\$33,809,400	\$0	382.04	

5. In summary, under the Governor's HR shared services proposal, as modified by the errata, DOA's funding and position authority would increase by \$515,600 PR and 7.0 PR positions in 2017-18, and \$33,809,400 PR and 382.04 PR positions in 2018-19. The increase in position authority reflects a corresponding number of position transfers from other agencies within state government to DOA. The 7.0 FTE provided to DOA in 2017-18 (and subsequently in 2018-19) would be located at DOA's Division of Personnel Management (6.0 FTE) and the State Controller's Office (1.0 FTE). The administration intends for the remaining 375.04 FTE transferred to DOA at the beginning of 2018-19 to remain at the state agencies to function as an HR "business partner." Funding for DOA's increased position authority would be supported by assessments to state agencies for HR services.

6. The administration initially identified positions for transfer to DOA in the bill by first reviewing agency staff with HR related position classifications. From this list of staff, positions whose job function focused on fiscal and staff services, as well as agency-specific or programmatic training, were removed. The remaining positions, as well as other risk management and IT positions that were deemed relevant for HR functions at specific agencies, were included in the initiative. After the introduction of the budget bill, DPM received additional information from state agencies on the specific duties of certain positions that would warrant their inclusion or exclusion from the HR shared services position transfer. The administration utilized this information from state agencies, in part, to prepare its errata to the budget bill.

7. Notwithstanding the administration's errata submission, the Wisconsin Historical Society has expressed concerns with the staff that are identified for transfer to DOA. In addition, other agencies have expressed more general concerns over their inclusion in the program. Specific information on these agencies and potential concerns are addressed in the individual agency sections of this paper.

8. Human resources is a broad subject area. Aspects of HR include, but are not necessary limited to, the following: recruitment, selection, employment relations, payroll, benefits, affirmative action and equal opportunity compliance, classification, compensation, employee services, training, and business analysis.

9. The Division of Personnel Management currently provides HR services for 24 agencies, commissions, councils, and boards. These agencies include: Department of Administration; Department of Financial Institution; Department of Tourism; Office of the Commissioner of Insurance; Office of the Governor; Office of the Lieutenant Governor; Secretary of State; State Treasurer; State Prosecutors Office; Board on Aging and Long Term Care; Board of Commissioners of Public Lands; Board for People with Development Disabilities; Educational Communications Board; Kickapoo Valley Reserve Board; Lower Wisconsin State Riverway Board; National and Community Services Board; Women's Council; Judicial Commission; Public Services Commission; Tax Appeals Commission; Elections Commission; Ethics Commission; and the Office of the Commission of Railroads.

Previous Centralization and Shared Services Proposals and Legislation

10. Over the past 12 years, proposals to centralize certain "back office" functions of state agencies within DOA or the Office of State Employment Relations (OSER -- which is now the DOA Division of Personnel Management) have been recommended by previous and current administrations. These consolidation proposals have, at times, been for services beyond HR and payroll and benefits.

11. The 2005-07 biennial budget bill included a recommendation by the Governor to transfer positions from various state agencies to DOA, and to eliminate other positions at these agencies, in order to consolidate server and network support services, procurement and purchasing functions, and HR and payroll and benefit services within DOA. Funding for the positions provided to DOA was to be supported by assessments to state agencies receiving services. As part of the proposal, the Governor recommended that the Secretary of DOA lapse an amount not to exceed \$35.5 million to the general fund during the 2005-07 biennium from estimated savings associated with the proposal. This proposal was a part of the administration's Accountability, Consolidation, and Efficiency (ACE) Initiative. In 2005, the administration indicated that the entire ACE Initiative would save nearly \$96.0 million during the 2005-07 biennium, and up to \$200 million over the four-year period ending June 30, 2009. The Governor's proposal in the 2005-07 budget bill was largely approved by the Legislature, and was enacted as 2005 Act 25.

12. With regards to the savings generated from the ACE Initiative, a September, 2009, audit on the ACE Initiative prepared by the Legislative Audit Bureau indicates, in part, the following:

"Savings achieved from the provisions in 2005 Wisconsin Act 25 were never formally reported but were less than had been expected when the ACE Initiative was announced in March 2005. At that time, the Governor and DOA indicated that savings of nearly \$96.0 million were expected during the 2005-07 biennium, and that up to \$200.0 million could be saved over the four-year period ending on June 30, 2009. The Governor subsequently announced that the new purchasing contracts would save the State \$16.0 million or more annually, and up to \$80.0 million over the entire period in which they were in effect. As the request for this audit was being considered in April 2008, DOA acknowledged to the Joint Legislative Audit Committee that the ACE Initiative had not reduced costs to the extent anticipated and that it had ended in June 2007. Nevertheless, many components of the ACE Initiative continue, although the term is no longer used."

The audit went on to state:

"Based in part on savings expected under the new purchasing contracts, DOA assessed each state agency for a portion of its \$35.5 million lapse requirement under 2005 Wisconsin Act 25. After it became apparent in FY 2006-07 that anticipated savings levels were not being achieved, DOA directed state agencies with more than 50.0 FTE positions to contribute additional funds. DOA largely met the \$35.5 million lapse requirement. However, because of an error in calculating state agency assessments and a concurrent DOA directive that state agencies lapse \$724,900 associated with an intended elimination of attorney positions, \$1.0 million less than intended was lapsed."

13. During deliberations of the 2009-11 budget, the Governor recommended that, before July 1, 2011, the Secretary of DOA, with the assistance of the Director of OSER, be required to: (a) identify and abolish all authorized FTE positions in executive branch state agencies that are responsible for the performance of human relations functions for those agencies; and (b) identify employees whose positions are abolished. The Secretary of DOA would have been authorized to transfer any employee so identified to OSER. The Legislature deleted these provisions from the 2009-11 budget bill. Instead, the Legislature provided that the Secretary of DOA may evaluate the administration of HR functions in executive branch agencies and develop a proposal for the consolidation of HR functions. No proposal was ever submitted.

14. In the 2015-17 biennial budget bill, the Governor recommended that positions be transferred from certain smaller state agencies to DOA, and that other positions at these agencies be eliminated, in order for DOA to administer a shared agency services pilot program. Under the pilot program, DOA would administer human resources, payroll, finance, budgeting, and procurement for 11 smaller agencies. The Legislature deleted these provisions from the 2015-17 budget bill, and instead required DOA to consult with certain agencies to develop a plan for assuming responsibility for services related to HR, payroll, finance, budgeting, procurement, and IT. This requirement was codified under 2015 Act 55.

15. Finally, under 2015 Act 150, the Legislature modified the Act 55 provision and required, in part, that the Secretary of DOA consult with each agency within the executive branch, other than the Board of Regents of the University of Wisconsin System and the Technical College System Board, and submit a plan for assuming the responsibility for HR services for these agencies. The plan was required to include which services would be provided to each agency, which positions would be deleted or transferred, and the number and type of positions and associated funding that

would be provided to DOA. Act 150 required that DOA's plan be submitted to the Joint Committee on Finance by March 1, 2017, for implementation beginning July 1, 2017.

Current Shared Services Proposal

16. The budget bill provisions currently before the Committee reflect DOA's shared services plan. On March 3, 2017, DOA's Division of Personnel Management submitted its report on the shared services plan included in the budget bill. Noting past proposals related to HR consolidations, DPM's report states the following: "The recommended plan represents a dramatic departure from previous efforts within the state. It is reflective of the feedback from leadership at agencies and the human resources community. Rather than a consolidation method of the past, this effort is guided by carefully planned service design and implementation strategy which ensures all leadership teams, employees and supervisors, regardless of agency size or capacity, will receive the same level of service and function from human resources."

17. The administration's argument for the current shared services proposal may be generally summarized as fourfold: first, the proposal will provide for a more effective HR system across the executive branch; second, the proposal will provide for a more consistent HR system; third, the proposal will provide for a more efficient HR system; and fourth, the proposal will provide for a more flexible HR system.

18. In arguing that shared services will provide for a more effective HR system, the administration notes that a report prepared by The Hackett Group (a consulting firm) indicates that Wisconsin's HR system is not "effective" relative to other organizations with similar business complexity and size, and that 51% of HR staff in Wisconsin perform "transactional" work. As it relates to HR, "transactional" work is very broad, and varies depending on the aspect of HR under review, but it generally includes the administration of HR services (such as the process of ensuring the payment of salaries or the administration of health and welfare benefits, in accordance with organizational policy). The precise calculation utilized by The Hackett Group to determine that Wisconsin's HR system is not effective relative to other organizations is unknown since the consultant will not share the details of the calculations. However, the report indicates that it is, in part, due to transactional error rates.

19. The administration indicates that providing for greater central oversight over the HR system through the shared services proposal would reduce the number of transactional errors. Further, with a more centralized model, the administration believes it could reduce the number of staff needed for transactional work, thereby allowing for a greater utilization of resources towards workforce planning and overall HR strategic improvement.

20. Officials at DPM indicate that there are currently inconsistencies in the day-to-day operations of HR services at various state agencies. These inconsistencies are seen in a variety of areas, including compensation administration, agency work rules, and training. The administration indicates that this is, in large part, due to a lack of staff resources at small and medium sized agencies for certain services, such as training. Further, while DPM has the authority to interpret HR law and set consistent policies, DPM staff point out that HR managers are hired and directed by the appointing authority in each agency. As a result, an HR manager may be more responsive to the policy direction of the appointing authority than to any centralized policy guidelines provided by

DPM. Division officials argue that it could more effectively ensure consistent services across the executive branch if it had direct oversight over all HR staff, and if it had the ability to pool specialized HR staff for utilization across multiple agencies.

21. The administration further argues that the shared services proposal will allow Wisconsin's HR system to become more efficient due to a reduction in redundant staff providing similar services for multiple state agencies. These efficiencies may be generated, in part, due to the implementation of the State Transforming Agency Resources (STAR) project. The bill does not provide for a reduction in position authority across the state. Rather, the administration indicates that efficiencies will be realized through staff attrition and vacancy management. To this point, the bill requires DOA to lapse \$2,800,000 in 2018-19 from DPM's general program operations PR appropriation. The administration did not identify how it calculated this level of a lapse requirement. Instead, it indicates that, "This amount reflects what DPM anticipates that it can lapse through efficiencies and staff attrition." If, however, the average cost of a position being created in DPM is utilized, DPM would need to generate savings equivalent to approximately 30 of the transferred positions. Regardless of whether DPM realizes efficiencies or staff attrition, funding for the lapse would be supported by assessments to state agencies.

The \$2.8 million lapse amount (which will be realized through assessments against agencies) is the only tangible efficiency measure, either short-term or long-term, that the administration has indicated will occur under the proposal.

22. It should be noted that while the administration argues that the shared services proposal will make Wisconsin's HR system more efficient, the consultant report prepared by The Hackett Group indicates that Wisconsin's HR system is "efficient" relative to other organizations with similar business complexity and size. As noted before, the report does not identify consultant's precise calculation utilized to describe Wisconsin's HR system as efficient. However, the report appears to indicate that it is, in part, due to recruiting and staffing efficiency, cost per employee, and transactional cost allocation.

23. Finally, the administration argues that the shared services proposal would allow for greater flexibility within Wisconsin's HR system. If all HR staff are primarily consolidated in one appropriation in DOA, DOA could transfer positions within this appropriation between agencies in order to handle workload shifts.

Assessments to State Agencies for HR Services

24. Concerns have been raised over the use of agency assessments to support the shared services model. The bill authorizes DOA to charge shared services agencies in accordance with a methodology determined by DOA. Salaries and fringe benefit funding in most shared services agencies is transferred to the supplies and services budget line in order to support future assessments.

25. As identified in Table 2, the bill, as modified by the errata, would appropriate \$33,809,400 PR to DOA to provide HR shared services. The modified bill reallocates \$30,318,800 within shared services agencies from salaries and fringe benefits to supplies and services in 2018-19. In addition to this \$30,318,800, existing supplies and services funding associated with personnel that are transferred to DOA will be available to pay DOA assessments. [Although, it should be noted that

shared services agencies will still incur certain supplies and services costs associated with positions transferred to DOA, such as for office space rent, since the position will be located at the agency. The administration indicates that it assumes that agencies will bill DOA for the supplies and services costs of HR positions located at the agency. The bill does not create statutory language authorizing agencies to charge DOA for supplies and services costs incurred by the agency. This issue could be resolved with a service level agreement entered into between DOA and the agency, assuming an agreement could be reached between the two agencies.]

26. The administration indicates that it has yet to determine the precise methodology that it will utilize to calculate assessments for HR shared services. However, it is anticipated that the assessments will be allocated on a per-FTE basis. In order to provide additional insight into potential assessments, DOA identified the amounts DPM charged certain state agencies in 2015-16 to which the Division currently provides HR services. The 2015-16 charges are identified in Table 3. Charges were calculated by first identifying the total amount DPM was to assess (\$1,039,400), and then allocating a portion of this total assessment proportionally across the agencies based on their position count. [For example, assessments to the Judicial Council were calculated by multiplying \$1,039,400 by the quotient of 1.0 divided by 1,893.64.]

TABLE 3

DPM Assessments to Certain Agencies for HR Services, 2015-16

<u>Agency</u>	<u>Positions</u>	<u>Assessment</u>
Administration	1,019.38	\$559,527
Board on Aging and Long Term Care	40.50	22,230
Board for People with Developmental Disabilities	6.75	3,705
District Attorneys *	185.92	102,047
Educational Communications Board	55.18	30,288
Financial Institutions	139.54	76,592
Government Accountability Board	39.75	21,818
Governor's Office	37.25	20,446
Judicial Commission	2.00	1,098
Judicial Council	1.00	549
Kickapoo Valley Reserve Board	4.00	2,196
Labor and Industry Review Commission	19.88	10,909
Lieutenant Governor's Office	4.00	2,196
Lower Wisconsin Riverway Board	0.00	0
Office of the Commissioner of Insurance	151.50	83,157
State Treasurer	1.00	549
Public Service Commission	149.00	81,785
Secretary of State	2.00	1,098
Tourism	<u>35.00</u>	<u>19,211</u>
Total	1,893.64	\$1,039,400

*Assessments in 2015-16 to the District Attorney function (DAs) was based on an FTE-count totaling 185.92 positions, even though the DAs were authorized 432.75 positions. For the purposes of its calculation, DPM reduced the number of FTE identified for the DAs since DPM only provides payroll services to the DAs, as opposed to full HR services.

27. The bill requires DOA to lapse \$2,800,000 to the general fund in 2018-19 from DPM's general program operations PR appropriation. Funding for this lapse will be supported by assessments from DOA to agencies. As a result, one could argue that agencies will be overcharged for HR services in order to provide sufficient funding to DOA to meet this lapse requirement.

28. Any state agency committee established for shared services could be an avenue through which state agencies could voice any comments or concerns to DOA over assessment levels. However, the bill does not establish such a committee, or provide any committee of state agency personnel statutory oversight over assessments from DOA. [This issues is discussed in greater detail below.]

29. It can be argued that, overtime, assessments to agencies should be based on DOA's costs to provide HR services. It is likely that these costs, in large part, will be derived from positions DOA requires to provide HR services to the state. If DOA is able to provide for a more efficient HR system and fewer positons than initially transferred are needed by DOA, assessments to agencies could reflect these efficiencies. The bill does not reduce the number of positions across the state overall, but rather, the bill transfers an equivalent number of positions eliminated from state agencies to DOA. The administration indicates that, "Throughout this process, it is likely that vacant positions may be repurposed within HR or reduced." The bill does not require DOA to hold any positions transferred to DPM vacant. However, to the extent that DOA actually holds positions vacant, DOA's costs to provide HR services would be reduced.

30. To the extent that DOA reclassifies HR staff that perform "transactional" work to staff that perform strategic planning (as DPM has indicated is its intent), the costs of these staff could increase due to higher salary and fringe benefit costs. This could, in turn, cause an increase in assessments to agencies.

31. It should be noted that the cost of a position typically increases over time, due to increases in salaries, fringe benefits, and other supplies and services costs. If the shared services proposal is enacted, at the beginning of every budget cycle, standard budget adjustments would adjust DOA's budget authority to reflect any changes in salaries and fringe benefit costs for its authorized positions. In contrast, standard budget adjustments would not modify funding levels for state agencies that must pay DOA assessments for shared services. Therefore, if assessments grow due to higher personnel costs, state agencies would need to utilize existing resources or request additional funding to support any increased assessments from DOA.

32. Finally, one could argue that authorizing DOA to assess state agencies for the cost of shared agency services, including the cost of 382.04 positions, would result in a loss of legislative oversight over state agency spending. The bill authorizes DOA to establish its own methodology for charging state agencies. Therefore, the Legislature would not have oversight over the amount of budgetary resources state agencies would need to utilize to support DOA's assessments. Further, state agencies would be able to utilize various appropriations and funding sources to support these assessments. It is conceivable that funding appropriated by the Legislature for a specific purpose would be repurposed by the state agency to support DOA assessments.

Agency Oversight of HR Services

33. Concerns have also been raised over the lack of oversight that state agencies will have over the HR services that DOA will provide. The bill only requires DPM to administer for each shared services agency its responsibilities to provide human resources services and payroll and benefit services.

34. In its March, 2017, report, DPM indicates that, "...A shared services model is NOT a one-size-fits-all approach [emphasis not added]. The only way shared services produces optimal results is when service providers are collaborating extensively with customers to ensure services are meeting business needs, while service level documentation and metrics generate accountability and clearly understood roles and responsibilities."

35. While the March, 2017, report identifies state agencies as "customers," this is inconsistent with the language in the bill. As noted above, the bill requires DPM to administer HR services for shared services agencies. Therefore, state agencies would not be "customers" in the traditional sense, since they would not be authorized to refuse services from DPM and instead receive services from a different entity, or provide services internally.

36. In order to provide state agencies with a voice in the process by which HR services are delivered, the administration indicates that an advisory committee of state agency executives is currently being established. With regards to this advisory committee, the administration states:

"The proposed governance model would be comprised of an executive committee of Secretaries, Deputy Secretaries or Assistant Deputy Secretaries from 11 agencies. DOA and DPM will participate on the committee but are not voting members. A Chair and a Vice Chair will be selected annually from the agency representation. Duties will include oversight of priorities and initiatives of human resources, establishing a method for rate setting which involves an annual or biennial budget based upon the request from DPM, determining the method for purchasing/repairing equipment or supplies across the HR functions, approving a service level agreement (drafted by DPM) to ensure standards that are developed and accountability is addressed, and metrics for reporting and tracking on performance. It is expected that additional ad hoc subcommittees will convene from time to time to address issues as they arise. The executive committee recently selected a chair and a vice chair and is in the process of establishing bylaws. The committee would be responsible for providing strategic direction, approving funding, monitoring performance, developing and managing service level agreements and acts as a resource for operational issue escalation. As the Deputy Secretary mentioned [in her testimony to the Finance Committee at the agency budget briefing], only participating agencies - and not DOA - would have a vote in the governance model."

37. The eleven state agencies represented on the executive committee include DOA, Agriculture Trade and Consumer Protection, Children and Families, Corrections, Financial Institutions, Health Services, Natural Resources, Revenue, Safety and Professional Services, Transportation, and Workforce Development. As a result, all cabinet agencies that are not exempt from the shared services proposal, except Veterans Affairs, are represented on the committee. Independent agencies that are not a part of the cabinet are not represented on the committee.

38. It could be argued that this governance model will provide state agencies an ability to

ensure that the HR services they receive, and the cost of those services, are in keeping with their needs and budgetary restraints. Service level agreements entered into between DPM and a shared service agency could help provide additional assurances.

39. However, the bill does not contain any statutory language establishing a governance model, nor does it provide any committee an ability to oversee the HR services provided by DPM. Therefore, one could question whether the proposed advisory committee will afford state agencies any concrete ability to oversee HR services provided by DPM. Given the statutory directive provided to DPM under the bill to administer HR services for all shared services agencies, DPM could provide these services at its own discretion, regardless of the decisions and concerns raised by the advisory committee. Further, one could question the lack of representation of independent agencies on the advisory committee.

Analysis

40. In evaluating the HR shared services proposal, the Committee could consider the executive branch as a single employer, as well as a group of agency employers charged with specific functions and duties. In practice, the current human resources model for the executive branch is, in essence, a hybrid of these two considerations. In general, the management and administration of HR services across the executive branch is conducted as follows. The Division of Personnel Management in DOA interprets HR law, establishes policies for the executive branch as a whole, and monitors state agencies for compliance. Human resources staff within state agencies administer HR policy and transactions, and are under the employment of the state agency executive. Finally, state agency executives make decisions and establish policy specific to their agency (such as a hiring decision or discipline), as allowed under law and delegated by DPM. Under current law, the Administrator of DPM may delegate his or her functions to administer state employment relations law to state agency appointing authorities.

41. The HR shared services proposal before the Committee would move the executive branch's HR system to a more singular model, beginning July 1, 2018. The Division of Personnel Management would not only be in charge of interpreting HR law, establishing statewide policies, and monitoring agencies for compliance, but it would also become the employer of all HR staff within state agencies. Therefore, DPM would be more directly in charge of the establishment and administration of HR policies across state agencies. The Division indicates that agency heads would still have the responsibility of making final HR decisions that relate to their agency (such as the decision to hire a particular employee), however, DPM would have a greater ability to ensure that HR decisions are made in compliance with statewide policy. Specific changes to various aspects of Wisconsin's HR system will not be known until after the budget is enacted, and the administration has had additional time to plan these changes in preparation for the significant position transfer on July 1, 2018.

42. The purpose of the HR shared services proposal is to provide for a more effective, consistent, efficient, and flexible human resources system across the executive branch. To the extent that these goals are achievable, and that empowering a single government agency to administer all HR services for the executive branch might help achieve these goals, a shared services model could be beneficial to the state.

43. A report prepared by The Hackett Group indicates that Wisconsin's HR system is not "effective" relative to other organizations with similar business complexity and size, however Wisconsin's system is "efficient" relative to these organizations. Notwithstanding, the administration indicates that it could find greater efficiencies within Wisconsin's HR system under a shared services model. To this point, the bill requires DOA to lapse \$2,800,000 in 2018-19 from DPM's general program operations PR appropriation to the general fund. The administration indicates that savings to support this lapse would be generated through efficiencies and staff attrition. In the end, however, funding for the lapse will be supported by assessments to state agencies. Any future efficiencies in the state's HR system resulting from the shared services proposal which might result in an overall decrease in state resources utilized for human resources have not been identified.

44. In recognition of these goals, the Committee could approve the Governor's recommendation for HR shared services, as modified by the errata [Alternative A1]. Under this alternative, as identified in Table 2, DOA's base funding and position authority would increase by \$515,600 PR and 7.0 PR positions in 2017-18, and \$33,809,400 PR and 382.04 PR positions in 2018-19. In addition, funding and position authority would be reduced across other state agencies by \$467,500 and 7.0 positions (all funds) in 2017-18, and \$467,500 and 382.04 positions (all funds) in 2018-19. Further, \$30,318,800 (all funds) would be reallocated in various state agencies from salaries and fringe benefit funding to supplies and services. Finally, assets and liabilities, positions and employees, personal property, and contracts in shared services agencies relating to HR and payroll and benefits, as determined by the Secretary of DOA, would be transferred to DOA effective July 1, 2018.

45. Increasing DOA's position authority by 382.04 PR positions in 2018-19 represents a 37% increase in its adjusted base position authority (1,022.38 positions, all funds).

46. An argument could be made that if the state adopts a shared services model for human resources, this model, as well as the administration of the state's civil service system, should be managed and administered by an agency independent of the Department of Administration. Consolidating the administration of HR services in one agency represents a significant responsibility for that agency, and it could be argued that such a responsibility warrants the sole focus of that agency. In addition to the Division of Personnel Management, DOA contains the Divisions of Capitol Police, Enterprise Operations, Energy Housing and Community Relations, Enterprise Technology, Executive Budget and Finance, Facilities Development, Facilities Management, Gaming, Hearings and Appeals, Intergovernmental Relations, Legal Services, as well as the Office of Business Development. One could question whether the responsibility of administering an HR shared services proposal should be vested with an agency that already has such a broad focus. Rather, some would suggest that an independent agency should be created to administer such a proposal, along with the civil service system in general, in order to protect the agency's objectivity and insulate the agency from the general administrative structure. Creation of an independent HR agency with a unitary mission could provide more focused attention on HR, rather than including HR as a component of a multi-focused agency.

47. To this point, the State of Utah, on which the administration's proposal for HR shared services is, in large part, modeled, has a Department of Human Resource Management to administer

HR services and policy. Utah's Department of Human Resource Management is separate from its Department of Administrative Services.

48. Under 2015 Act 55 (the 2015-17 biennial budget), the formerly independent Office of State Employment Relations (OSER) was transferred into DOA and recreated as the Division of Personnel Management. The responsibilities of OSER were similar to that of DPM. At the time of transfer, the primary argument for the transfer of OSER to DOA was that it would facilitate the coordination of OSER's employment relations functions with the administrative functions housed at DOA. However, given the HR shared services proposal, the Committee may wish to recreate OSER and eliminate DPM within DOA.

49. If the Committee chooses to adopt the HR shared services proposal, eliminate DPM in DOA, and recreate the Office of State Employment Relations separate from DOA, the Committee could recreate OSER in substantially the same format that existed before the transfer [Alternative A2]. (The Office of State Employment Relations would be attached to DOA for administrative purposes only, as it was prior to the transfer.) The Director of OSER would be appointed by and serve at the pleasure of the Governor, with advice and consent of the Senate. Associated with the recreation of OSER, this alternative would: (a) recreate the Bureau of Merit Recruitment and Selection in DPM as the Division of Merit Recruitment and Selection in OSER; (b) recreate the Council on Affirmative Action in DPM as the Council on Affirmative Action in OSER; and (c) recreate the State Employees Suggestion Board under DPM as the State Employees Suggestions Board in OSER. This alternative would also transfer all assets and liabilities, positions and employees, personal property, and contracts in DPM to OSER.

50. Alternative A2 would also transfer the following existing annual PR appropriations in DOA's supervision and management program to OSER [these appropriations were transferred to DOA with the Act 55 OSER transfer]: (a) general program operations; (b) services to nonstate governmental units; (c) employee development and training services; (d) publications; and (e) collective bargaining grievance arbitrations. Adjusted base funding and position authority associated with these five appropriations totals \$6,479,800 PR and 52.80 PR positions annually, and would be transferred from DOA to OSER. In addition, as a result of the adoption of the HR shared services proposal, funding and position authority for OSER's general program operations appropriation would be increased by \$455,500 PR and 6.0 PR positions in 2017-18 and \$33,539,200 PR and 379.04 PR positions in 2018-19.

51. Regardless of the agency that administers HR shared services, concerns have been raised over the use of state agency assessments to support HR shared services. If the Committee chooses to approve the HR shared services proposal, the Committee may wish to create more legislative oversight over these assessments. Specifically, the Committee could require that, by April 15th of each year, DOA submit a report to the Finance Committee identifying the assessments it will charge each state agency for HR shared services in the upcoming fiscal year. The Department's plan could be subject to approval by the Committee, under a 14 working day passive review process. The report could also be required to include information on the number of positions that DOA is utilizing to administer HR shared services, including the number of vacant positions the agency no longer requires to administer HR shared services [Alternative A3].

52. On the other hand, one could question the HR shared services proposal in its entirety. The current HR system is effective in providing for a functioning HR system that is both statewide in nature, and respectful of the specifics of individual agencies and institutions. While the administration believes certain aspects of the HR system might be improved, such improvements could be obtained through the current model under the leadership of DPM.

53. Further, under current law, the Administrator of DPM may delegate, in writing, any of his or her functions to an appointing authority, within prescribed standards, if the Administrator finds that the agency has personnel management capabilities to perform such functions effectively. To varying extents, this delegation has occurred. However, if the Administrator determines that any agency is not performing such delegated functions within prescribed standards, the Administrator must withdraw such delegated functions. Subject to the approval of the Joint Committee on Finance, the Administrator may order transferred to DPM from the agency to which delegation was made such agency staff and other resources as necessary to perform such functions if increased staff was authorized to that agency as a consequence of the delegation, or if DPM reduced staff or shifted staff to new responsibilities as a result of such delegation.

54. To this point, the administration indicates that, "The issue is not whether or not an individual agency is performing inefficiently or not but rather whether or not the enterprise as a whole is performing both efficiently and effectively." However, given that the administration does not believe that a specific agency is performing inefficiently, one could question the need for such a significant policy shift. Moreover, given DPM's current law authority, one could argue that there are existing safeguards in place to provide DPM sufficient oversight over agencies to ensure an effective and efficient HR system.

55. While consolidating all HR personnel into DOA would provide DOA with flexibility in administering HR services to all state agencies, it would also be a loss of legislative authority over agency staffing levels. The Legislature may wish to retain oversight over the number of HR personnel that are allocated to each agency. Moreover, while the administration indicates that a committee is being created that would allow agencies to voice comments and concerns over HR services, as well as agency assessments, this committee would not have any statutory authority. Therefore, DPM could conceivably act regardless of the comments or concerns of such a committee.

56. Under the administration's proposal, the HR personnel that would be transferred to DOA would remain at each state agency. Thus, the head of each affected agency would have two types of employees: (a) those hired and supervised by the agency head; and (b) DOA employees over whom the agency head would not be able to hire, discipline, or supervise. This has the potential to create tension within agencies, as certain personnel housed at an agency would be under the authority of DPM and the Secretary of DOA, while others would be under the authority of the individual agency head. To the extent that this tension occurs, this could inhibit the ability of agency heads to effectively manage their agencies.

In addition, given that one of the primary functions of HR is recruitment and hiring, the autonomy that an agency head would have in those important functions could be compromised by having a central agency heavily involved in those functions.

57. Finally, while reviewing the shared services proposal, agencies expressed numerous concerns.

58. For these reasons, the Committee could delete the Governor's recommendations related to the HR shared services proposal [Alternative A4]. Under this alternative, positions transferred to DOA under the bill would remain with the shared services agencies, and DOA's budget authority would not be increased. Further, all funding reallocated under the bill within shared services agencies from salaries and fringe benefits to supplies and services would be reallocated back to their original budget line.

59. The administration requests that, even if the shared services proposal is eliminated under the bill, 7.0 vacant positions that are transferred from the Department of Health Services (2.0 positions), the Department of Safety and Professional Services (4.0 positions), and the Department of Workforce Development (1.0 position) under the shared services proposal on an annual basis still be transferred to DOA in order to effectively implement the State Transforming Agency Resources (STAR) project. According to the administration, these positions would primarily assist DPM and the State Comptroller's Office manage the STAR system as it relates to payroll and benefits. In recognition of this request, even if the Committee deletes the shared services proposal, the Committee could transfer 7.0 positions from DHS, DSPS, and DWD to DOA on an annual basis [Alternative A5]. Under this alternative, base funding and position authority at the three transferring agencies would be modified as follows: (a) for DHS, -\$118,800 PR and -2.0 PR positions annually; (b) for DSPS, -\$262,200 PR and -4.0 PR positions annually; and (c) for DWD, -\$86,500 PR and -1.0 PR position annually. In addition, base funding and position authority in DOA would increase by \$515,600 PR and 7.0 PR positions annually.

A. ALTERNATIVES -- OVERVIEW

Alternatives A1 through A5 relate to the HR shared services proposal under the budget bill, on a statewide basis. Alternatives A1, A2, and A3 approve of the HR shared services proposal, in some form, while Alternatives A4 and A5 delete the HR shared services proposal. Individual sections on certain agencies that are affected by the shared services proposal follow these alternatives. The individual sections provide points discussing the effect of shared services on the individual agency, and provide alternatives specific to that agency. If the Committee approves of the shared services proposal under Alternatives A1, A2, or A3, the Committee may wish to review the individual agency sections that follow. If the Committee deletes the shared services proposal under Alternatives A4 or A5, the Committee could refrain from reviewing the individual agency sections.

1. Approve the Governor's recommendation regarding HR shared agency services, as modified by the errata, to require that the Division of Personnel Management in DOA to administer HR services and payroll and benefit services for each shared services agency. Authorize DOA to charge shared services agencies in accordance with a methodology determined by DOA for these services. Provide that, on July 1, 2018, assets and liabilities, positions and employees, personal property, and contracts in shared services agencies relating to HR and payroll and benefits, as determined by the Secretary of DOA, would be transferred to DOA.

Increase funding and position authority in DOA by \$515,600 PR and 7.0 PR positions in 2017-18 and \$33,809,400 PR and 382.04 PR positions. [As a result of the errata, these amounts are lower than the amounts in the bill, as introduced, by \$26,000 PR in 2017-18, and \$2,328,600 PR and 31.1 PR positions in 2018-19.] Funding and position authority would be provided to DOA in the following appropriations: (a) \$455,500 PR and 6.0 PR positions in 2017-18 and \$33,539,200 PR and 379.04 PR positions in DPM's general program operations PR appropriation; (b) \$60,100 PR and 1.0 PR position annually in DOA's financial services PR appropriation; and (c) \$210,100 PR and 2.0 PR positions in 2018-19 in DOA's materials and services to state agencies and certain districts PR appropriation. Require DOA to lapse \$2,800,000 from DPM's general program operations appropriation to the general fund in 2018-19.

Reduce funding and position authority across all other shared services agencies by \$467,500 and 7.0 positions (all funds) in 2017-18 and \$467,500 and 382.04 positions (all funds) in 2018-19. [As a result of the errata, this reduction to state agencies is less than the reduction under the bill by \$26,000 PR annually and 31.1 positions (all funds).] In addition, reallocate \$30,318,800 (all funds) across shared services agencies from salaries and fringe benefits to supplies and services.

ALT A1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DOA</u>				
PR	\$34,325,000	382.04	-\$2,354,600	- 31.10
<u>All Other Agencies</u>				
GPR	\$0	- 168.77	\$0	15.55
PR	- 935,000	- 115.90	52,000	2.25
FED	0	- 18.88	0	3.80
SEG	0	- 78.49	0	9.50
Total	-\$935,000	- 382.04	\$52,000	31.10

2. Approve the Governor's recommendation regarding HR shared agency services, as modified by the errata, except provide that HR shared services would be administered by the Office of State Employment Relations, as opposed to the Division of Personnel Management in DOA. Eliminate the Division of Personnel Management within DOA, and recreate the Office of State Employment Relations, separate from DOA. Attach OSER to DOA for administrative purposes only.

Provide that the Director of OSER would be appointed by and serve at the pleasure of the Governor with the advice and consent of the Senate. Associated with the recreation of OSER: (a) recreate the Bureau of Merit Recruitment and Selection in DPM as the Division of Merit Recruitment and Selection in OSER; (b) recreate the Council on Affirmative Action in DPM as the Council on Affirmative Action in OSER; and (c) recreate the State Employees Suggestion Board under DPM as the State Employees Suggestions Board in OSER. This alternative would also transfer all assets and liabilities, positions and employees, personal property, and contracts in DPM to OSER.

Transfer the following existing annual PR appropriations in DOA's supervision and management program to OSER: (a) DPM's general program operations; (b) services to nonstate governmental units; (c) employee development and training services; (d) publications; and (e) collective bargaining grievance arbitrations. Adjusted base funding and position authority associated

with these five appropriations totaling \$6,479,800 PR and 52.80 PR positions annually would be transferred from DOA to OSER.

Associated with providing that OSER shall administer HR shared services, increase OSER's general program operations appropriation by \$455,500 PR and 6.0 PR positions in 2017-18 and \$33,539,200 PR and 379.04 PR positions in 2018-19. Require OSER to lapse \$2,800,000 from its general program operations PR appropriation in 2018-19.

Reduce funding and position authority across all other shared services state agencies by \$467,500 and 7.0 positions (all funds) in 2017-18 and \$467,500 and 382.04 positions (all funds) in 2018-19. In addition, reallocate \$30,318,800 (all funds) across shared services state agencies from salaries and fringe benefits to supplies and services.

ALT A2	Change to Base			Change to Bill		
	Revenue	Funding	Positions	Revenue	Funding	Positions
<u>DOA</u>						
GPR		\$0	0.00	-\$2,800,000	\$0	0.00
PR		<u>- 12,959,600</u>	<u>- 52.80</u>		<u>- 49,639,200</u>	<u>- 465.94</u>
Total		- \$12,959,600	- 52.80		- \$49,639,200	- 465.94
<u>OSER</u>						
GPR		\$0	0.00	\$2,800,000	\$0	0.00
PR		<u>46,954,300</u>	<u>431.84</u>		<u>46,954,300</u>	<u>431.84</u>
Total		\$46,954,300	431.84		\$46,954,300	431.84
<u>All Other Agencies</u>						
GPR		\$0	- 168.77		\$0	15.55
PR		- 935,000	- 115.90		52,000	2.25
FED		0	- 18.88		0	3.80
SEG		<u>0</u>	<u>- 78.49</u>		<u>0</u>	<u>9.50</u>
Total		- \$935,000	- 382.04		\$52,000	31.10

3. Require that, by April 15th of each year, DOA or OSER submit a report to the Joint Committee on Finance identifying the assessments that it will charge each state agency for HR shared services in the upcoming fiscal year. Require DOA or OSER to include in its report the number of positions that DOA or OSER is utilizing to administer HR shared services, including the number of vacant positions the agency no longer requires to administer HR shared services. Provide that this report is subject to a 14-working day passive review process. *This alternative may be chosen in addition to Alternatives A1 or A2.*

4. Delete the Governor's recommendation and maintain current law.

ALT A4	Change to Base			Change to Bill		
	Revenue	Funding	Positions	Revenue	Funding	Positions
<u>DOA</u>						
GPR		\$0	0.00	-\$2,800,000	\$0	0.00
PR		<u>0</u>	<u>0.00</u>		<u>-36,679,600</u>	<u>-413.14</u>
Total		\$0	0.00		-\$36,679,600	-413.14
<u>All Other Agencies</u>						
GPR		\$0	0.00		\$0	184.32
PR		0	0.00		987,000	118.15
FED		0	0.00		0	22.68
SEG		<u>0</u>	<u>0.00</u>		<u>0</u>	<u>87.99</u>
Total		\$0	0.00		\$987,000	413.14

5. Delete the Governor's recommendation, but transfer 7.0 positions annually from DHS, DSPS, and DWD to DOA in order to assist DOA with the implementation of the STAR project. Associated with this transfer, increase DOA's base funding and position authority by \$515,600 PR and 7.0 PR positions annually, as follows: (a) \$455,500 PR and 6.0 PR positions to DPM's general program operations appropriation; and (b) \$60,100 PR and 1.0 PR position to DOA's financial services appropriation. In addition, reduce funding and position authority in DHS, DSPS, and DWD by \$467,500 PR and 7.0 PR positions annually (for DHS, -\$118,800 PR and -2.0 PR positions annually; for DSPS, -\$262,200 PR and -4.0 PR positions annually; and for DWD, -\$86,500 PR and -1.0 PR position annually).

ALT A5	Change to Base			Change to Bill		
	Revenue	Funding	Positions	Revenue	Funding	Positions
<u>DOA</u>						
GPR		\$0	0.00	-\$2,800,000	\$0	0.00
PR		<u>1,031,200</u>	<u>7.00</u>		<u>-35,648,400</u>	<u>-406.14</u>
Total		\$1,031,200	7.00		-\$35,648,400	-406.14
<u>All Other Agencies</u>						
GPR		\$0	0.00		\$0	184.32
PR		-935,000	-7.00		52,000	111.15
FED		0	0.00		0	22.68
SEG		<u>0</u>	<u>0.00</u>		<u>0</u>	<u>87.99</u>
Total		-\$935,000	-7.00		\$52,000	406.14

B. AGRICULTURE, TRADE AND CONSUMER PROTECTION

Discussion Points

1. The Department of Agriculture, Trade and Consumer Protection (DATCP) is a multidisciplinary agency dedicated to promoting, regulating, and supporting Wisconsin's agriculture sector. Additionally, it provides oversight of food production, preservation of agricultural resources, and enforcement of consumer protection laws. The Department has an operating budget of approximately \$98 million in 2016-17 from a variety of sources, including federal funds, license fees, several segregated funds, and GPR. In 2016-17, the Department had 648 authorized positions.

2. The bill would delete 5.7 GPR, 1.5 PR and 1.0 FED positions in 2018-19 associated with human resources and transfer them to DOA. Additionally, funding of \$558,400 GPR, \$118,900 PR and \$76,900 FED would be reallocated to supplies and services to pay shared services charges assessed by DOA. The administration indicates that individuals holding the positions would remain located at DATCP.

3. In its review of the Governor's proposal to transfer human resources positions to the Department of Administration, DATCP finds the proposed governance structure to be satisfactory. In the event of a transfer, DATCP reports it has no concerns about adverse effects on its program operations. Further, no staff identified to be transferred have overlapping responsibilities with other programs. Examination of the agency reveals no unique characteristics that may necessitate special consideration or complicate implementation of the Governor's proposal.

4. As DATCP has expressed no concerns regarding this provision, and does not have any unique characteristics that may complicate DOA provision, the Committee could adopt the Governor's recommendation with respect to DATCP. Conversely, if the Committee wished to retain HR personnel at DATCP, it could restore the 8.20 positions and delete shifts in expenditures [Alternative B1].

B. Alternatives -- Agriculture, Trade and Consumer Protection

1. Exempt the Department of Agriculture, Trade and Consumer Protection from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT B1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DATCP</u>				
GPR	\$0	0.00	\$0	5.70
PR	0	0.00	0	1.50
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.00</u>
Total	\$0	0.00	\$0	8.20
<u>DOA</u>				
PR	\$0	0.00	-\$822,200	- 8.20

C. CHILDREN AND FAMILIES

Discussion Points

1. The Department of Children and Families (DCF) administers: (a) statewide child welfare standards and practices; (b) child welfare in Milwaukee County; (c) child care licensing, regulation, and subsidies; and (d) economic support programs such as Wisconsin Works, child support, and refugee services.

2. The bill as introduced would transfer authority for 9.60 positions related to human resources and payroll and benefits from DCF to DOA. The administration indicates that, although the positions would be transferred to DOA, the individuals holding those positions would continue to be

located at DCF but would become DOA employees rather than employees of DCF. Funding associated with the positions (\$905,100) would not be reduced, but rather reallocated within DCF to supplies and services in order to pay shared agency services charges assessed by DOA.

3. Subsequent to introducing the bill, the administration submitted an errata letter that recommends the transfer of an additional 2.0 training positions. Associated funding for the positions (\$150,500) would be reallocated within DCF to supplies and services to pay shared agency service charges assessed by DOA.

4. The Committee could approve the Governor's recommendation as modified by the errata letter to transfer 11.60 positions from DCF to DOA. DCF indicates that the transfers would not adversely affect the agency or its's ability to handle duties that do not relate to human resources.

5. Alternatively, the Committee could include DCF in the shared services proposal, but restore the 2.0 additional training positions transferred from DCF to DOA under the errata. The training positions would remain at DCF for use across the agency for duties that do not relate to human resources. Under this alternative, 9.60 positions would be transferred from DCF to DOA [Alternative C1].

6. Finally, the Committee could deny the Governor's recommendation [Alternative C2]. The Committee could find that DCF's current staffing levels are appropriate. Further, the Committee could determine that transferring authority for the positions to DOA for shared services is unnecessary given that the human resource staff would likely be physically located at DCF under the governor's recommendation.

C. Alternatives -- Children and Families

1. Include the Department of Children and Families in the shared services proposal, but restore 2.0 training positions in DCF that were identified for transfer under the Governor's errata. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT C1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DCF</u>				
PR	\$0	- 9.60	\$0	2.00
<u>DOA</u>				
PR	\$0	9.60	- \$163,500	- 2.00

2. Exempt the Department of Children and Families from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT C2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DCF</u>				
PR	\$0	0.00	\$0	11.60
<u>DOA</u>				
PR	\$0	0.00	-\$1,122,200	- 11.60

D. CORRECTIONS

Discussion Points

1. Under the bill as introduced, 135.25 positions (126.75 GPR and 8.5 PR) in 2018-19 would be transferred to DOA. Positions would be deleted from the following appropriations: (a) general program operations, -119.75 GPR; (b) services for community corrections, -6.0 GPR; (c) correctional officer training, -4.0 PR; (d) juvenile general program operations, -1.0 GPR; (e) juvenile correctional services, -4.0 PR; and (f) juvenile community supervision, -0.5 PR. The administration indicates that, although the positions would be transferred to DOA, the individuals holding those positions would continue to be located at Corrections but would become DOA employees rather than employees of Corrections.

2. Funding associated with the positions (\$9,489,000 GPR and \$742,800 PR) would not be reduced by rather reallocated to supplies and services to pay shared agency services charges assessed by DOA.

3. A March 31, 2017, errata from DOA identified removing 15.0 positions (11.0 GPR and 4.0 PR) from the transfer, as those positions are related specifically to the Department's training center. The errata would reallocate a net \$789,900 GPR and \$399,900 PR from supplies and services to salaries and fringe benefits. Under the errata, Corrections would support the costs of three limited term employees (\$124,600) and increased information technology contracts (\$188,000) in DOA.

4. Regarding the human resources consolidation, the Department indicates that, while it understands and supports the concept of shared services for state government, the Department has two concerns:

"First, although these positions will be DOA positions they will remain located within DOC institutions and offices, which will necessitate the resolution of how the positions will be jointly managed. Second, shifting these positions from GPR to PR funding could potentially cost the Department more in the future. This decision item would transfer funding equal to the position's salary and fringe benefit cost to DOC's supplies & services line for payment to DOA for the HR services. During the first biennium the costs are likely to be similar, but language is not included to allow an agency's supplies & services line to be adjusted in future budgets for standard personal costs that accrue to DOA's positions."

5. If the Committee wishes, the Department of Corrections could be exempted from the human resources shares agency services provisions.

D. Alternatives -- Corrections

1. Exempt the Department of Corrections from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT D1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Corrections</u>				
GPR	\$0	0.00	\$0	115.75
PR	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>4.50</u>
Total	\$0	0.00	\$0	120.25
<u>DOA</u>				
PR	\$0	0.00	- \$9,952,300	- 120.25

E. HEALTH SERVICES

Discussion Points

1. Under the bill as introduced, the Department of Health Services (DHS) would transfer a total of 81.86 positions (26.12 GPR, 4.63 FED, and 51.11 PR) to DPM in 2018-19. The funding associated with these positions (\$2,083,400 GPR, \$360,500 FED, and \$4,145,000 PR) would be transferred to supplies and services budget lines for the Department's costs under the human resources shared services program. In addition, the Department would transfer 2.0 PR positions beginning in 2017-18, but the funding associated with these positions, totaling \$144,800 PR annually, would be deleted. These two positions are currently vacant.

2. The Department of Administration has requested modifications to the DHS position and funding changes in the errata submitted for the shared services program. There are several components to the requested changes. First, the Department would retain 3.0 positions (1.0 GPR and 2.0 PR) in the Division of Care and Treatment Services that perform agency-specific training duties. Salary and fringe benefit funding associated with these positions would be restored in DHS and funding and position authority in DPM associated with these positions would be deleted. Second, DHS would transfer a PR position to DPM, beginning in 2017-18, substituting for a different PR position that would have been transferred under the original proposal. Since the new transferred position has lower salary and fringe benefit costs than the original proposal, salary and fringe benefit funding would be increased by \$26,000 PR annually to restore full funding for the position that DHS would retain. A corresponding reduction in salary and fringe benefit funding would be made in DPM. Third, DHS would transfer an additional PR position in 2018-19 in the Department's administration and support services appropriation to DPM. DOA indicates that the position, which provides information systems support for human resources functions, was inadvertently excluded from the original proposal. As with the other transferred positions, the salary and fringe benefit funding associated with the position would be transferred to supplies and services and funding associated with this position would be provided in DPM. Finally, DPM's supplies and services funding would be increased by \$96,200 PR in 2018-19 to pay licensing fees for training software. Although the software license would be transferred from DHS to DOA under the original proposal,

the bill did not provide budget authority to pay ongoing license fees. Instead of paying for licensing fees directly, DHS would be charged by DOA for the cost of licensing.

3. Human resources and training functions in DHS are generally provided on a centralized basis for many Department programs, but are decentralized for the Department's seven care and treatment facilities (mental health institutes, intermediate care facilities for individuals with intellectual disabilities, the Wisconsin Resource Center, and the Sand Ridge Secure Treatment Center). Of the positions that DHS would transfer to DPM (as modified under the errata), 36.56 (20.37 GPR and 16.19 PR) are associated with the Department's facilities and 45.30 (4.75 GPR, 4.63 FED, and 35.92 PR) are associated with other Department programs.

4. Approximately 63% of the Department's positions are in the care and treatment facilities. Each of the institutions has a superintendent responsible for managing the budget and operations of the facility. In part because these facilities are located in different parts of the state, away from the Department's central office, and all have a large number of employees, providing 24-hour care and treatment, each has its own human resources staff. The human resources staff are hired by and are accountable to the executive management of the facility.

5. The transfer of the Department's institution-based human resources functions to DPM would mean that each facility superintendent may no longer have direct control of personnel matters. Because of the large number of employees at each facility, arguably personnel management is one of the key functions for the administration of the facility. Consequently, the loss of the direct control over the staff that perform human resources functions at the institutions could reduce the superintendent's ability to provide overall management of the facility's services and budget.

6. The Department's central office human resources staff provide human resources services to the Department's non-institution divisions on a centralized basis. As with other agencies, the human resources shared services initiative may result in some of these staff being moved out of DHS or being assigned to provide services to other agencies. The Department indicates that it would work with DOA to make this transition successful.

7. Because DHS is a large agency, with over 6,200 employees, the potential advantages associated with pooling human resources functions with other agencies may not be as significant as for smaller agencies. There could be, however, disadvantages, some of which may not be apparent initially. Some human resources staff who have knowledge of and expertise on the Department's current programs and personnel issues, could be reassigned to other agencies. This could include human resources staff at the Department's institutions who could be moved to other locations.

8. If the Committee generally agrees with the human resources shared services initiative, it could approve the Governor's recommendation, as it relates to DHS and as modified by the DOA erratum. Given the fact that human resources functions are decentralized for the Department's care and treatment facilities in order to allow institution superintendents direct control of personnel matters and are already centralized within the agency for the Department's other functions, the Committee could consider exempting DHS from the shared services initiative (Alternative E1).

E. Alternatives -- Health Services

1. Exempt the Department of Health Services from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT E1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>For DHS</u>				
GPR	\$0	0.00	\$0	25.12
PR	0	0.00	237,600	52.11
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>4.63</u>
Total	\$0	0.00	\$237,600	81.86
<u>For DOA</u>				
PR	\$0	0.00	- \$7,460,500	- 81.86

F. HIGHER EDUCATIONAL AIDS BOARD

Discussion Points

1. The Higher Educational Aids Board (HEAB) administers most of the state's student financial aid programs including the Wisconsin Grant, talent incentive grant, Wisconsin covenant scholars grant, and academic excellence scholarship programs. HEAB is also responsible for the state dental education contract with the Marquette School of Dentistry, the Minnesota-Wisconsin student reciprocity agreement, and for reimbursement of the UW System and the technical college district boards for tuition and fee remissions granted to veterans and certain dependents. The GPR-funded programs administered by HEAB total \$136.8 million. HEAB's adjusted base funding for administration is \$946,800 GPR with 10.0 authorized GPR positions.

2. Due to its small size, HEAB does not have any positions whose primary duties are related to human resources and payroll and benefit services. Currently, HEAB's human resources and payroll and benefit services functions are performed by the administrative policy advisor along with the other duties assigned to that position. Because HEAB does not have any positions whose primary duties are related to the functions that would be transferred from HEAB to DOA, the bill would not delete any positions at HEAB related to this provision and would not reallocate any funding from salary and fringe benefits to supplies and services. If DOA were to assess HEAB for performing those functions, HEAB would have to fund those assessments from its existing supplies and services allocation which would reduce the funds available to HEAB for the administration of student financial aid and other programs. As an alternative, the Committee could opt to exclude HEAB from the definition of a shared services agency because HEAB does not have any positions whose primary duties are related to the functions that would be transferred to DOA and because DOA has not identified funds that HEAB could use to pay DOA assessments if the transfer of those functions were approved. [Alternative F1]

F. Alternatives -- Higher Educational Aids Board

1. Exempt the Higher Educational Aids Board from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

G. HISTORICAL SOCIETY

Discussion Points

1. The Wisconsin Historical Society (WHS) is responsible for collecting and disseminating information about the history of Wisconsin and the surrounding region. Its activities include collecting and preserving the state's archival records, operating historic sites around the state, documenting and assisting in the preservation of historic properties, and publishing historical texts, including textbooks and curriculum support materials for school-aged children and teachers. WHS indicates that in the 2016 calendar year, approximately 311,700 individuals visited museums and historical sites operated by WHS and over 360,000 individuals visited the WHS archives and 13 area research centers supported by WHS.

2. Under the bill, 5.0 human resources positions would be deleted from the following appropriations: (a) general program operations (-4.0 GPR positions); and (b) indirect cost reimbursements (-1.0 FED position). The associated funding (\$355,700 GPR and \$58,200 FED) would be reallocated to supplies and services. Additionally, in the errata materials submitted to the Committee, the Secretary of Administration requested to include an additional LTE human resources assistant and associated funding (\$21,500 FED) in the proposal.

3. Federal funding for the 1.0 FED position and the LTE assistant position is provided through federal indirect monies received through grants primarily related to historic preservation. WHS staff indicates that it is not clear that this funding, totaling \$79,700 FED for salary and fringe benefits, could be used to pay for non-specialized services provided by DOA. Therefore, the Committee may wish to consider excluding the federal positions from the proposal [Alternative G1a].

4. One of the positions identified to be transferred under the provision is a new maritime archaeologist position under the State Historical Preservation Office. This position is currently vacant, and is classified as an HR position in STAR. However, WHS staff indicate that the agency plans to reclassify the position once it is filled. Given the position's expected reclassification, the Committee may wish to exclude the position and its associated funding (\$52,400 GPR) from the proposal [Alternative G1b].

5. The Society's authorized base level FTE position count totals 129.04, including 93.65 GPR positions, 16.25 PR positions, 7.86 FED positions, and 11.28 SEG positions. However, the Society also employs a significant number of seasonal employees. WHS staff indicates that the Society's human resources employees typically process more than 600 paid appointments annually, including project and part-time LTEs, seasonal LTEs, and work study students. HR also coordinates annual background checks for the Society's 250 volunteers. As a result, the Society's

human resource needs may differ from those of other small agencies. WHS indicates that changes to HR policy or practices could impact the Society's operations, particularly its seasonal programming at historic sites. Therefore, the Committee may wish to consider excluding the Society from the shared services proposal [Alternative G2].

G. Alternatives -- Historical Society

1. Modify the Governor's recommendation with one or more of the following changes. *Alternatives G1a and G2a may be chosen in addition to Alternatives A1 or A2.*

a. Restore 1.0 FED position and LTE FED position and reallocate associated funding (\$79,700 FED) from supplies and services to salaries and fringe benefits to exclude positions funded with federal grants from the provision.

ALT G1a	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Historical Society</u>				
GPR	\$0	- 4.00	\$0	0.00
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.00</u>
Total	\$0	- 4.00	\$0	1.00
<u>DOA</u>				
PR	\$380,000	4.00	- \$87,300	- 1.00

b. Restore 1.0 GPR position and reallocate associated funding (\$52,400 GPR) from supplies and services to salaries and fringe benefits to restore a maritime archaeologist position that is currently identified as an HR position in STAR.

ALT G1b	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Historical Society</u>				
GPR	\$0	- 3.00	\$0	1.00
FED	<u>0</u>	<u>- 1.00</u>	<u>0</u>	<u>0.00</u>
Total	\$0	- 4.00	\$0	1.00
<u>DOA</u>				
PR	\$407,200	4.00	- \$60,100	- 1.00

2. Exempt the Historical Society from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT G2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Historical Society</u>				
GPR	\$0	0.00	\$0	4.00
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.00</u>
Total	\$0	0.00	\$0	5.00
<u>DOA</u>				
PR	\$0	0.00	-\$467,300	- 5.00

H. NATURAL RESOURCES

Discussion Points

1. The bill would transfer 30.5 DNR positions to DOA in 2018-19. The errata would restore 2.0 DNR SEG positions not related to human services and payroll and benefit services, including 1.0 position related to safety and risk management and 1.0 information systems data specialist position in the Bureau of Finance. The Department indicated that transferring these positions could disrupt DNR staff allocations. Specifically, the Department was concerned about the transfer of the information services data specialist position, as this position supports other financial management systems including PeopleSoft Finance and Procurement. By restoring the 2.0 DNR positions, the errata would delete \$171,800 in DOA. (DNR funding for the positions would be reallocated within the agency budget but result in no net change.) The reduction would be offset in part by \$42,600 to be provided to DOA for additional human resources services to be billed to DNR. These amounts include: (a) \$42,200 for LTE payroll and benefits specialists, training support, and seasonal human resources support; and (b) \$400 in expenditure authority expenditures related to scheduling software. No additional funding would be provided to DNR, meaning any billed costs would be absorbed by existing DNR budget authority. The following table summarizes fiscal changes to DNR and DOA for these errata provisions.

DNR Human Resources Transfer--Errata Fiscal Effect (2018-19 Change to Bill)

<u>Action</u>	<u>Change to DNR</u>		<u>Change to DOA</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
Restore 2.0 positions to DNR	\$0	2.00	-\$171,800	-2.00
Increase LTE services billed to DNR	0	0.00	42,200	0.00
Increase software expenditures billed to DNR	<u>0</u>	<u>0.00</u>	<u>400</u>	<u>0.00</u>
Totals	\$0	2.00	-\$129,200	-2.00

2. Of the positions transferred under the bill, 4.0 positions are currently vacant. DNR indicates it has received approval to fill three of the positions and anticipates receiving approval to fill the fourth in the near future. DNR officials indicate they have identified no specific concerns on the issue of shared human resources services.

H. Alternatives -- Natural Resources

1. Exempt the Department of Natural Resources from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT H1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DNR</u>				
GPR	\$0	0.00	\$0	3.00
FED	0	0.00	0	6.00
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>19.50</u>
Total	\$0	0.00	\$0	28.50
 <u>DOA</u>				
PR	\$0	0.00	- \$2,637,500	- 28.50

I. PUBLIC SERVICE COMMISSION

Discussion Points

1. Since 2005, the Public Service Commission (PSC) has not had positions dedicated to human resources and benefit services. Instead, DOA has performed those services for the PSC, and the PSC has designated staff as liaison to DOA. Those staff serve as conduits to DOA for PSC staff and supervisors with regard to payroll, hiring, and termination. PSC staff who serve as liaisons have other duties and responsibilities that are unrelated to human resources and benefits services and dedicate only a small portion of their time to human resources and benefit services. In order to ensure that such staff are not transferred to DOA at a later date, the Committee could exempt the PSC from the shared services program [Alternative I1].

I. Alternatives -- Public Service Commission

1. Exempt the Public Service Commission from the from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

J. REVENUE

Discussion Points

1. The Department of Revenue (DOR) is responsible for administering Wisconsin's tax system to provide revenue to fund state and local government services. DOR strives to provide taxpayers with clear information about tax laws, promote voluntary compliance, and assure tax collection fairness. The state lottery and the unclaimed property program are also administered by DOR. The Department is currently authorized 1,202.28 FTE (968.53 GPR, 129.05 PR, and 104.70 SEG) positions and is provided base funding of \$212,081,500 (\$110,151,500 GPR, \$21,571,200 PR, and \$80,358,800 SEG).

2. Under the bill as introduced, the Governor recommends deleting 12.0 positions in 2018-19 associated with human resource services and payroll and benefit services. Position authority would be transferred to DOA for a human resources shared agency services program. Positions would be deleted from the following appropriations: (a) administrative services and space rental -- general program operations (-9.95 GPR positions); (b) collection of taxes -- administration of resort tax (-0.25 PR positions); (c) administrative services and space rental -- internal services (-0.55 PR positions); and (d) lottery -- general program operations (-1.25 SEG positions). Funding associated with the positions (\$866,000 GPR, \$78,300 PR, and \$98,500 SEG) would not be reduced, but rather reallocated to supplies and services to pay shared agency services charges assessed by DOA.

3. On March 31, 2017, DOA submitted a letter requesting a number of modifications to the Governor's budget bill. One of those modifications was to delete 0.25 GPR positions from DOR's collection of taxes -- general program operations appropriation, and to restore 0.25 PR positions that would have been deleted from DOR's collection of taxes -- administration of resort tax appropriation. The administration indicates that this modification would more accurately reflect from which appropriation this position is funded. If the modification were approved by the Committee, associated funding of \$22,700 that would be reallocated from salary and fringe to supplies and services would be GPR rather than PR.

4. Positions related to human resources, payroll, and benefit services would be transferred from DOR to DOA under this provision. Under the proposal, 12.0 positions have been identified as positions to be transferred, including: (a) 3.0 recruitment and staffing specialists; (b) 2.0 payroll and benefits specialists; (c) 2.0 human resource assistants (recruitment and staffing); (d) 1.0 payroll and benefits supervisor; (d) 1.0 human resource director (directly manages employment relations and diversity and employee assistance program staff); (e) 1.0 assistant human resource director (directly manages recruitment and staffing); (f) 1.0 employment relations specialist; and (g) 1.0 diversity officer, affirmative action, employee assistance coordinator, and medical coordinator. These positions would become DOA positions beginning July 1, 2018.

5. According to DOR, the proposal is not expected to impact human resource, payroll, or benefit services that DOR receives. The Department states that statewide use of the STAR system reduces the need for agency-specific human resource, payroll, and benefit services expertise, and other agencies could utilize these same professionals for similar purpose under the shared services model.

6. Certain positions that would be transferred to DOA may serve from time to time on DOR committees that are designed to promote equal opportunity, affirmative action, diversity, and fair treatment of employees in the work environment, as well as to develop, promote, and encourage activities that create a healthy work environment and community for all employees. However, DOR anticipates that most of the employees transferred would likely still be stationed at DOR. Further, DOR does not anticipate that the transfer these employees to DOA would preclude DOR from using the expertise of these same employees in these same agency committees.

7. One could argue that, if DOR does not expect its human resources, payroll, and benefit services to be affected, nor does the Department anticipate most of the positions proposed to be transferred from being physically relocated, no reason exists to transfer the positions. The Committee

could choose to delete the Governor's request and retain these positions at DOR.

J. Alternatives -- Revenue

1. Exempt the Department of Revenue from the from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT J1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DOR</u>				
GPR	\$0	0.00	\$0	9.95
PR	0	0.00	0	0.80
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.25</u>
Total	\$0	\$0.00	\$0	12.00
<u>DOA</u>				
PR	\$0	0.00	- \$1,189,400	- 12.00

K. PUBLIC DEFENDER BOARD

Discussion Points

1. The cost of providing counsel to the indigent in Wisconsin is generally the responsibility of the state through the SPD. The Office is primarily funded through general purpose revenue, which is utilized to support trial and appellate staff attorneys as well as reimbursements to private bar attorneys who are assigned indigent legal defense cases. Base resources for the SPD are \$84,620,300 GPR and \$1,348,200 PR, as well as 614.85 GPR positions and 5.0 PR positions. Of the 586.2 positions employed by the SPD, 372.2 positions are assistant state public defenders (ASPDs).

2. Under the bill, functions related to human resources, payroll, finance, budget, and procurement would be transferred to DOA, and DOA would be authorized to assess SPD for providing these services. Under the proposal, 4.95 positions in the SPD have been identified as positions to be eliminated, including: (a) 1.95 human resources specialists; (b) 2.0 payroll and benefits specialist; and (c) 1.0 human resources manager. These positions are budgeted under general program operations (4.95 positions). The current funding associated with these positions, which totals \$473,400 (\$333,300 salary and \$140,100 fringe) would not be reduced, but reallocated to supplies and services to pay shared agency services charges assessed by DOA. The administration indicates that, although the positions would be transferred to DOA, the individuals holding those positions would continue to be located at the SPD but would become DOA employees rather than employees of the SPD.

3. The Department of Administration has indicated that the SPD was included in HR shared services provision because the SPD is an executive agency that is already receiving some support from DOA (primarily IT support). The administration indicates that it "would expect that as part of the transition we would work with the SPD and the Supreme Court rules to develop or modify confidentiality rules that would apply to HR staff performing services for SPD which could potentially include requiring assigned HR staff to sign confidentiality agreements." Given the

information provided by DOA, the Committee could choose to adopt the provision.

4. The Wisconsin Supreme Court establishes rules of conduct applicable to attorneys and the legal profession. Under Supreme Court Rule (SCR) 20:5.3, attorneys are required:

"to make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the conduct of any non-lawyer employed, retained, or associated with the firm is compatible with the professional obligations of the lawyer."

5. The SCR further explains, a lawyer:

"may use nonlawyers outside the firm to assist the lawyer in rendering legal services to the client. Examples include the retention of an investigative or paraprofessional service, hiring a document management company to create and maintain a database for complex litigation, sending client documents to a third party for printing or scanning, and using an Internet-based service to store client information. When using such services outside the firm, a lawyer must make reasonable efforts to ensure that the services are provided in a manner that is compatible with the lawyer's professional obligations. The extent of this obligation will depend upon the circumstances, including the education, experience and reputation of the nonlawyer; the nature of the services involved; the terms of any arrangements concerning the protection of client information; and the legal and ethical environments of the jurisdictions in which the services will be performed, particularly with regard to confidentiality. See also Rules 1.1 (competence), 1.2 (allocation of authority), 1.4 (communication with client), 1.6 (confidentiality), 5.4(a) (professional independence of the lawyer), and 5.5(a) (unauthorized practice of law). When retaining or directing a nonlawyer outside the firm, a lawyer should communicate directions appropriate under the circumstances to give reasonable assurance that the nonlawyer's conduct is compatible with the professional obligations of the lawyer."

6. The American Bar Association (ABA) has model professional conduct rules for attorneys upon which Wisconsin and all other state's rules are based. While, each state may have its own slight modifications to ABA rules, there are significant similarities between the ABA rules and every state. Under the rules of professional conduct as set out in Wisconsin SCR 20:1.6, any lawyer or firm has an obligation to protect their client's confidentiality. The rule specifically states, "[a] lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, except for disclosures that are impliedly authorized in order to carry out the representation." Exceptions include imminent and substantial danger to body or property and when an attorney defends themselves against allegations concerning the lawyer's representation of the client. In addition, the "lawyer shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client." Besides in circumstances specific to the exceptions, a client's right to confidentiality may only be waived by the client through their written informed consent.

7. The obligation to protect a client's confidentiality extends from the attorney or firm to non-attorney staff, including HR and payroll, who work at the firm. While some firms may contract out for particular services for the firm that may involve handling of client information, the attorneys in the firm are responsible for making sure that the agency hired is following Supreme Court Rules. This involves the attorneys maintaining a level of supervision over the people or entities they contract with, including hiring and firing individuals and entities that provide the services.

8. If an attorney does not make reasonable efforts to protect a client's confidentiality that attorney may be subject to Office of Lawyer Regulation (OLR) sanctions. Additionally, if staff that the attorney is responsible for does not make reasonable efforts to protect client confidentiality, the responsible attorney may be subject to OLR sanctions. Further, failure to maintain client confidentiality may waive the attorney-client privilege.

9. The Office of the State Public Defender is both a state agency and a law firm within the confines of Supreme Court Rules. As a result, the SPD must follow the responsibilities statute and Supreme Court Rules dictate that law firms have in relation to non-lawyer assistance. Just as in a law firm as explained above, the agency is obliged to maintain client confidentiality and ensure that staff observe same requirements under the Rules of Professional Conduct.

10. Given that the administration indicates that confidentiality would be an issue in so far as agreements would need to be signed or Supreme Court Rules modified, the SPD transition may take longer than July 1, 2018. A part of this agreement could involve the level of supervision the SPD would retain in order to comply with Supreme Court Rules. Therefore, the Committee may wish to modify statute to require an agreement between SPD and DOA to comply with Supreme Court rules part of which would be a separate confidentiality agreement for DOA HR staff working at SPD, and to require such an agreement prior to the transitioning of staff from SPD to DOA. Due to potential changes in Supreme Court Rules, the agreement could be reviewed at specified time periods, such as every biennium. In addition, the Committee may wish to include a provision that if DOA is found to not be following Supreme Court rules by the SPD, the HR staff will become SPD staff once again. Subsequent to adoption of the agreement, the SPD could become part of the HR shared agency services. [Alternative K1]

11. Under s. 977.05(1), the Office of the State Public Defender (SPD) must be headed by a lawyer who is a member of the State Bar of Wisconsin. The State Public Defender, under s. 977.05(4) supervises the operation, activities, policies and procedures of the office and is the chief legal officer of the Office. Therefore, the State Public Defender is required under SCR 20:5.3 to provide "appropriate instruction and supervision" concerning the ethical aspects of their employment, particularly regarding confidentiality rules.

12. Presently, because HR staff are SPD staff, they are supervised by attorneys who ensure that staff maintain client confidentiality and observe other rules under SCR. Due to this supervision, staff are able to view and discuss confidential client information. Human resources staff may at times need access to client information when they are conducting an investigation into a staff member's actions or discussing with managers possible work rule violations related to staff interactions with clients.

13. As indicated previously, in order to protect client confidentiality, the SPD cannot share client-specific information with non-staff professionals without informed consent. In the absence of an explicit agreement between DPM and the SPD regarding compliance with SCRs, it may be argued that if the HR staff were DOA employees, these individuals would not be able to view any document with SPD client information. Further, SPD staff would need to redact or remove any client information from a document before a DOA employee could view that document. According to the SPD, this limitation could create an undue burden on the SPD, because there are times when client

information is germane to the HR issue being investigated. This information may include client statements and documents related to representation of clients.

14. In addition to SPD HR involvement in disciplinary issues, staff are able to visit local offices to learn about client interactions through agency operations and to consult with local staff and managers about client interactions. Visits to local offices occur when meetings with a regional manager is needed, to use HR time instead of regional manager time for travel, so as to help allow the regional manager position the ability to maintain their caseload level. If the HR staff are no longer employed by SPD, the ability to learn and consult with staff and managers about client interactions could be significantly curtailed due to the need to preserve client confidentiality. Finally, there is a possibility of disclosure of client information during the normal course of business when HR staff share space and equipment with SPD attorneys and staff.

15. As indicated previously, DOJ is excluded from the HR shared agency services proposal. Like the SPD, DOJ may be considered a "law firm." Since DOJ is exempted from the HR shared services provisions, an argument can be made to treat the SPD in a similar manner.

16. A mutually agreeable arrangement between DOA and the SPD may be difficult to obtain and maintain. Attorney client confidentiality is essential to the operation of the SPD. Without such confidentiality, a client's constitutionally guaranteed right to counsel could be impaired. Therefore, given the unique confidentiality, attorney-client, supervision, and other issues related to this provision, the Committee may choose to exempt the SPD from the provision. Under this alternative, the positions would remain at SPD. [Alternative K2]

K. Alternatives -- Public Defender Board

1. Modify the provision to add a requirement for DOA and the SPD to have an agreement, reviewed on a biennial basis, to comply with Supreme Court Rules prior to transfer of positions. In addition, create a requirement for DOA to maintain compliance with SCR. If compliance is not maintained the transferred HR positions would revert to the SPD. *This alternative may be chosen in addition to Alternatives A1 or A2.*

2. Exempt the Public Defender Board from the from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT K2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>SPD</u>				
GPR	\$0	0.00	\$0	4.95
<u>DOA</u>				
PR	\$0	0.00	-\$514,700	- 4.95

L. SAFETY AND PROFESSIONAL SERVICES

Discussion Points

1. The Governor's recommendation, as modified by the administration's errata, would transfer the position authority for 9.0 human resource, and payroll and benefits positions from the Department of Safety and Professional Services (DSPS) to DOA.

2. Beginning in 2017-18, the Governor's proposal would delete 4.0 vacant human resource, and payroll and benefits positions and correspondingly reduce funding for DSPS by \$262,200 annually. An additional 5.0 human resource, and payroll and benefit positions would be deleted from DSPS in 2018-19 but without a reduction in funding since these filled positions would become DOA employees funded by the DSPS supplies and services budget.

3. DSPS does not identify any specific concerns related to the transfer of the 9.0 human resource, and payroll and benefits positions but rather indicates their support for the shared services concept as proposed by the Governor.

L. Alternatives -- Safety and Professional Services

1. Exempt the Department of Safety and Professional Services from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT L1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DSPS</u>				
PR	\$0	0.00	\$524,400	9.00
<u>DOA</u>				
PR	\$0	0.00	- \$1,022,800	- 9.00

M. STATE FAIR PARK BOARD

Discussion Points

1. State Fair Park (SFP) is a 190-acre site located in West Allis and Milwaukee primarily associated with hosting the annual Wisconsin State Fair. Park grounds include the Milwaukee Mile racetrack, the Wisconsin Exhibition Center, the Tommy G. Thompson Youth Center, Park offices, and several other agricultural barns and exhibition spaces. State Fair Park's operations are funded with revenues generated by the Wisconsin State Fair and other events at Park facilities throughout the year. Revenues mostly come from admissions and parking fees, facility rentals, and a percentage of sales made by vendors and food and beverage concessionaires. Receipts are deposited into program revenue continuing appropriations for general operations, capital improvements and debt retirement costs on certain Park facilities.

2. The Park is currently authorized 48.0 PR permanent positions, all of which are in the

unclassified service. State Fair Park also employs approximately 2,000 limited-term employees (LTEs) during the annual Fair and has an average staff of approximately 200 during off-peak times. Park human resources positions include 1.0 permanent human resources director and 2 full-time equivalent LTEs dedicated entirely to human resources. Additionally, 3.95 full-time equivalent positions worth of human resources-related work is performed by other LTEs in a variety of departments across the Park.

3. The bill would delete the 1.0 permanent human resources director position and transfer it to DOA. Additionally, funding of \$113,300 in salary and fringe benefits would be reallocated to supplies and services to pay shared services charges assessed by DOA. Additionally, the errata letter would reallocate an additional \$78,500 in LTE salaries and \$6,000 in fringe benefits to supplies and services, for shared services charges. The administration indicates the FTE human resources director and 2 full-time equivalents of LTEs would remain located at State Fair Park.

4. Functions of the human resources director include: (a) managing payroll for all Park staff and benefits for eligible employees; (b) managing recruitment for new employees, primarily LTEs; (c) arranging new employee orientation; (d) monitoring compliance on applicable labor laws; and (e) developing internal employee policies or employee development, in conjunction with Park management.

5. SFP's human resources functions have alternated between the Park and DOA multiple times in recent biennia. Beginning in 2006-07, 1.8 PR permanent positions were transferred from SFP to DOA for human resources and payroll functions executed by the Park at the time. However, 2011 Act 32 restored 1.0 PR permanent position beginning in 2012-13 for human resources functions. Regardless of which agency was responsible for providing human resources functions, incumbents have typically been stationed at SFP. When a similar provision was considered in 2015, Park officials reported HR functions were satisfactory under each arrangement while positions were stationed at the Park.

6. Park officials express concerns about applying a shared services model to Park HR functions due to the irregular schedule and workload of park employees during the peak season, which typically runs April to October. As a largely seasonal employer, SFP hires approximately 1,000 new employees annually, in addition to returning seasonal staff. Such activities increase time spent on HR functions such as recruiting, interviewing, paperwork completion, scheduling, payroll, and orientations during peak periods. The Park's roughly 5.95 full-time equivalent of LTE work dedicated to HR functions provide flexibility to administer the variability in HR functions during the year. In the event that the Secretary of DOA exercises his or her discretion to transfer further HR functions under the shared services program, it is uncertain to what extent DOA would provide for such staffing and where HR personnel would be stationed.

7. In 2016, during preparation for the annual Wisconsin State Fair, DOA provided HR services to SFP due to a vacancy in the human resources director position. Park officials indicate DOA had difficulties with Park-specific paperwork and data entry, and that staff were not available for on-site activities such as training and scheduling.

8. It could be argued that transferring SFP's human resources functions to another agency

could inconvenience the Park's seasonal hiring activities, particularly if HR personnel were stationed elsewhere. Conversely, the administration intends for such concerns to be addressed by keeping the human resources director and two associated full-time equivalent worth of LTEs at the Park.

9. As DOA has provided State Fair Park with on-site HR services in the past, and generally without significant concerns over service delivery, the Committee could adopt the Governor's recommendation with respect to State Fair Park. If the Committee wishes to maintain all HR functions on-site because of seasonal staffing considerations and distance from DOA's office in Madison, it could require DOA-provided HR positions to remain on-site [Alternative M1]. Conversely, if the committee wished to retain HR personnel at SFP, it could restore the 1.0 human resources director position and delete shifts in expenditures [Alternative M2].

M. Alternatives -- State Fair Park Board

1. Include the State Fair Park in the HR shared service program, but require all proposed and future shared services positions provided by DOA remain on-site at State Fair Park. *This alternative may be chosen in addition to Alternative A1 or A2.*

2. Exempt the State Fair Park from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT M2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>State Fair Park</u>				
PR	\$0	0.00	\$0	1.00
<u>DOA</u>				
PR	\$0	0.00	-\$202,500	- 1.00

N. TRANSPORTATION

Discussion Points

1. As introduced, the bill deletes 55.18 positions in 2018-19 in DOT associated with human resource services and payroll and benefit services and transfers the positions to DOA. These positions would remain at DOT. Positions would be deleted from the following appropriations: (a) departmental management and operations, state funds (35.45 SEG positions); (b) vehicle registration, inspection, and maintenance, driver licensing, and aircraft registration, state funds (0.23 SEG position); (c) vehicle inspection, traffic enforcement and radio management, state funds (7.50 SEG positions); (d) highways, bridges and local transportation clearing account (7.70 SEG positions); and (e) highways, bridges and local assistance clearing account, federally funded positions (4.30 FED positions). Funding associated with the positions in DOT (\$3,934,500 SEG and \$276,600 FED) would not be reduced, but rather reallocated to supplies and services to pay shared agency services charges assessed by DOA.

2. This office asked DOT about any concerns that may exist concerning the transfer of

departmental positions under the shared service model. In response, DOT affirmed its support of the Governor's recommendation.

3. DOT also provided the following information, "All of the Division of Transportation System Development (DTSD) human resources coordinators, DTSD and State Patrol payroll and benefits specialists, and a DTSD human resources assistant [included under the recommendation] perform tasks that will not be included in the shared services [model]." The tasks performed by the persons in these positions that would not be provided under shared services are equivalent to about 6.85 positions. Examples of the types of duties currently performed by these staff that are unrelated to the work included under the shared services model, include administrative duties related to health and safety programs (such as continuity of operations planning), tracking of open records requests, and regional purchasing assistance. Under the Governor's recommendation, DOT would need to reallocate existing staff in order to continue to provide these and other existing functions.

4. Subsequently, the administration submitted an errata that would recommend deleting the transfer of the 2.50 SEG positions to State Patrol associated with \$77,400 SEG in salary and \$34,800 SEG in fringe benefits, for a total of \$112,200 annually. As a part of this errata, the administration also recommends reallocating LTE funding of \$9,000 SEG in salary and \$700 SEG in fringe benefits in the departmental management and operations, state funds appropriation, to the supplies and services within the same appropriation. The errata would fund \$9,000 of these LTE costs in DOA.

5. The errata would also decrease the shared services expenditure authority by a total of \$30,900 annually to reflect the net effect of the following: (a) a reduction in expenditure authority associated with restoring the State Patrol positions (-\$107,300 annually [the change in expenditure authority is different due to a lower DOA fringe benefits rate]); and (b) an increase in expenditure authority increases in expenditure authority related to funding certain DOT information technology contracts (\$67,400 annually) and LTE costs (\$9,000 annually).

6. The Committee could include DOT in the shared services proposal, as recommended by the Governor. On the other hand, the Committee could exempt DOT from the shared services proposal if it believes that HR services should continue to be provided by DOT staff [Alternative N1]

N. Alternatives - Transportation

1. Exempt the Department of Transportation from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT N1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DOT</u>				
FED	\$0	0.00	\$0	4.30
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>48.39</u>
Total	\$0	0.00	\$0	52.68
<u>DOA</u>				
PR	\$0	0.00	- \$4,573,600	- 52.68

O. VETERANS AFFAIRS

Discussion Points

1. A total of 25.0 positions (15.64 PR positions and 9.36 SEG positions) in the Department of Veterans Affairs (DVA) would be transferred to DPM. The PR positions are budgeted in the appropriation that supports the state veterans homes institutional operations, while the SEG positions are budgeted in the Department's appropriation that supports the administration of DVA loans and grants.

2. The Department has a total of nearly 1,300 positions, of which approximately 90% staff and support the state veterans homes. The homes provide skilled nursing care and assisted living services to over 900 residents. The demands of providing 24-hour nursing care entail significant personnel management issues, making the human resources staff integral to the operation.

3. During testimony before the Committee in March, the Department Secretary addressed several measures recently implemented by DVA related to personnel management at the homes, including recruitment and retention, mandatory overtime and overtime scheduling, and non-wage incentives. The fact that there was considerable discussion of these issues during the testimony suggests that personnel management is a significant part of the Department's duties with respect to the state veterans homes.

4. The Department has not raised any particular concerns regarding the proposal to transfer human resources positions to DPM. Nevertheless, the transfer of human resources staff to DPM entails some loss of direct control by DVA of a function that could be viewed as integral to the execution of the Department's duties. The full implications for this change, either under the current administration or in the future, would be uncertain.

5. If the Committee has concerns regarding the transfer of DVA's human resources positions to DPM, the bill could be amended to exempt the agency from the transfer (Alternative ?2?). Under this alternative, DVA's authorized positions would be increased by 15.64 PR and 9.36 SEG in 2018-19, and DOA's position authorization would be decreased by 25.0 in 2018-19. Funding for DOA would be reduced by \$2,006,200 PR in 2018-19. Finally, the supplies and services funding that the bill would provide in DVA for purchasing human resources services (\$1,122,200 PR and \$807,200 SEG) would be restored to the salaries and fringe benefit budget lines.

O. Alternatives -- Veterans Affairs

1. Exempt the Department of Veterans Affairs from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT O1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DVA</u>				
PR	\$0	0.00	\$0	15.64
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>9.36</u>
Total	\$0	0.00	\$0	25.00
 <u>DOA</u>				
PR	\$0	0.00	- \$2,006,200	- 25.00

P. WORKFORCE DEVELOPMENT

Discussion Points

1. The Department of Workforce Development's (DWD) primary responsibilities include providing training and employment assistance to people looking for work, and assisting employers with finding the necessary workers to fill current job openings. DWD is also responsible for protecting and enforcing worker's rights, processing unemployment claims and ensuring workers compensation claims are paid in accordance with the law. The Department's adjusted budget includes \$362,603,200 (\$43,814,500 GPR, \$211,462,200 FED, \$77,149,800 PR, and \$30,176,700 SEG) and 1,639.55 positions (148.87 GPR, 1,183.13 FED, 240.25 PR, and 67.30 SEG).

2. Under the proposal, positions related to human resources, payroll, and benefit services would be transferred from DWD to DOA. Under the proposal, 21.0 positions (0.05 GPR, 19.0 PR, and 1.95 FED) have been identified as positions to be transferred, and would be deleted from the following DWD appropriations: (a) general program operations (-0.05 GPR position); (b) interagency and intra-agency agreements (0.1 PR position); (c) administrative services (-18.9 PR positions); (d) workforce investment and assistance (-0.95 FED position); and (e) employment assistance and unemployment insurance administration (-1.0 FED position). Funding associated with the positions (\$3,300 GPR, \$1,837,500 PR, and \$164,100 FED) would not be reduced, but rather reallocated to supplies and services to pay shared agency services charges assessed by DOA. The 21.0 positions would become DOA positions beginning July 1, 2018. The administration indicates that, although these positions would be transferred to DOA, the individuals holding the positions would continue to be located at DWD but would become DOA employees. Of the 21.0 positions transferred under the bill, 1.0 position is currently vacant. DWD indicates that it is currently recruiting to fill the position.

3. The bill would also delete \$86,500 PR and 1.0 vacant PR position annually associated with human resource services and payroll and benefit services. Funding and position authority would be deleted from DWD's administrative services appropriation (-\$86,500 PR and -1.0 PR positions annually). The position authority would be transferred to DOA for the human resources shared agency services program. The administration indicates that the vacant PR position deleted from DWD and transferred to DOA would become an employee who is located at the Division of Personnel Management in DOA.

4. DWD officials have stated that the 22.0 FTE positions transferred from DWD to DOA

include personnel with classifications that require the large majority of position responsibilities to be focused on HR and Payroll functions. DWD officials indicate they have identified no specific concerns on the issue of shared human resources services. DWD projects that the transition to the Governor's budget proposal would be "transparent and seamless" in terms of DWD's operational activities. The Committee could choose to adopt the Governor's recommendation.

5. One could argue that, if DWD does not expect its human resources, payroll, and benefit services to be affected, nor does the Department anticipate most of the positions proposed to be transferred from being physically relocated, no reason exists to transfer the positions. The Committee could choose to delete the Governor's request and retain these positions at DWD.

P. Alternatives -- Workforce Development

1. Exempt the Department of Workforce Development from the HR shared services program. *This alternative may be chosen in addition to Alternative A1 or A2.*

ALT P1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DWD</u>				
GPR	\$0	0.00	\$0	0.05
PR	0	0.00	173,000	20.00
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.95</u>
Total	\$0	0.00	\$173,000	22.00
 DOA				
PR	\$0	0.00	- \$2,352,300	- 22.00

Prepared by: Michael Steinschneider
Attachment

ATTACHMENT

Alternatives in Paper #110

A. OVERVIEW

Alternatives A1 through A5 relate to the HR shared services proposal under the budget bill, on a statewide basis. Alternatives A1, A2, and A3 approve of the HR shared services proposal, in some form, while Alternatives A4 and A5 delete the HR shared services proposal. Individual sections on certain agencies that are affected by the shared services proposal follow these alternatives. The individual sections provide points discussing the effect of shared services on the individual agency, and provide alternatives specific to that agency. If the Committee approves of the shared services proposal under Alternatives A1, A2, or A3, the Committee may wish to review the individual agency sections that follow. If the Committee deletes the shared services proposal under Alternatives A4 or A5, the Committee could refrain from reviewing the individual agency sections.

1. Approve the Governor's recommendation regarding HR shared agency services, as modified by the errata, to require that the Division of Personnel Management in DOA to administer HR services and payroll and benefit services for each shared services agency. Authorize DOA to charge shared services agencies in accordance with a methodology determined by DOA for these services. Provide that, on July 1, 2018, assets and liabilities, positions and employees, personal property, and contracts in shared services agencies relating to HR and payroll and benefits, as determined by the Secretary of DOA, would be transferred to DOA.

Increase funding and position authority in DOA by \$515,600 PR and 7.0 PR positions in 2017-18 and \$33,809,400 PR and 382.04 PR positions. [As a result of the errata, these amounts are lower than the amounts in the bill, as introduced, by \$26,000 PR in 2017-18, and \$2,328,600 PR and 31.1 PR positions in 2018-19.] Funding and position authority would be provided to DOA in the following appropriations: (a) \$455,500 PR and 6.0 PR positions in 2017-18 and \$33,539,200 PR and 379.04 PR positions in DPM's general program operations PR appropriation; (b) \$60,100 PR and 1.0 PR position annually in DOA's financial services PR appropriation; and (c) \$210,100 PR and 2.0 PR positions in 2018-19 in DOA's materials and services to state agencies and certain districts PR appropriation. Require DOA to lapse \$2,800,000 from DPM's general program operations appropriation to the general fund in 2018-19.

Reduce funding and position authority across all other shared services agencies by \$467,500 and 7.0 positions (all funds) in 2017-18 and \$467,500 and 382.04 positions (all funds) in 2018-19. [As a result of the errata, this reduction to state agencies is less than the reduction under the bill by \$26,000 PR annually and 31.1 positions (all funds).] In addition, reallocate \$30,318,800 (all funds) across shared services agencies from salaries and fringe benefits to supplies and services.

ALT A1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DOA</u>				
PR	\$34,325,000	382.04	- \$2,354,600	- 31.10
<u>All Other Agencies</u>				
GPR	\$0	- 168.77	\$0	15.55
PR	- 935,000	- 115.90	52,000	2.25
FED	0	- 18.88	0	3.80
SEG	<u>0</u>	<u>- 78.49</u>	<u>0</u>	<u>9.50</u>
Total	- \$935,000	- 382.04	\$52,000	31.10

2. Approve the Governor's recommendation regarding HR shared agency services, as modified by the errata, except provide that HR shared services would be administered by the newly created, independent Office of State Employment Relations, as opposed to the Division of Personnel Management in DOA. Eliminate the Division of Personnel Management within DOA, and recreate the Office of State Employment Relations, separate from DOA. Attach OSER to DOA for administrative purposes only.

Provide that the Director of OSER would be appointed by and serve at the pleasure of the Governor at the advice and consent of the Senate. Associated with the recreation of OSER: (a) recreate the Bureau of Merit Recruitment and Selection in DPM as the Division of Merit Recruitment and Selection in OSER; (b) recreate the Council on Affirmative Action in DPM as the Council on Affirmative Action in OSER; and (c) recreate the State Employees Suggestion Board under DPM as the State Employees Suggestions Board in OSER. This alternative would also transfer all assets and liabilities, positions and employees, personal property, and contracts in DPM to OSER.

Transfer the following existing annual PR appropriations in DOA's supervision and management program to OSER: (a) DPM's general program operations; (b) services to nonstate governmental units; (c) employee development and training services; (d) publications; and (e) collective bargaining grievance arbitrations. Adjusted base funding and position authority associated with these five appropriations totaling \$6,479,800 PR and 52.80 PR positions annually would be transferred from DOA to OSER.

Associated with providing that OSER administer HR shared services, increase OSER's general program operations appropriation by \$455,500 PR and 6.0 PR positions in 2017-18 and \$33,539,200 PR and 379.04 PR positions in 2018-19. Require OSER to lapse \$2,800,000 from its general program operations PR appropriation in 2018-19.

Reduce funding and position authority across all other shared services state agencies by \$467,500 and 7.0 positions (all funds) in 2017-18 and \$467,500 and 382.04 positions (all funds) in 2018-19. In addition, reallocate \$30,318,800 (all funds) across shared services state agencies from salaries and fringe benefits to supplies and services.

ALT A2	Change to Base			Change to Bill		
	Revenue	Funding	Positions	Revenue	Funding	Positions
<u>DOA</u>						
GPR		\$0	0.00	-\$2,800,000	\$0	0.00
PR		<u>- 12,959,600</u>	<u>- 52.80</u>		<u>- 49,639,200</u>	<u>- 465.94</u>
Total		- \$12,959,600	- 52.80		- \$49,639,200	- 465.94
<u>OSER</u>						
GPR		\$0	0.00	\$2,800,000	\$0	0.00
PR		<u>46,954,300</u>	<u>431.84</u>		<u>46,954,300</u>	<u>431.84</u>
Total		\$46,954,300	431.84		\$46,954,300	431.84
<u>All Other Agencies</u>						
GPR		\$0	- 168.77		\$0	15.55
PR		- 935,000	- 115.90		52,000	2.25
FED		0	- 18.88		0	3.80
SEG		<u>0</u>	<u>- 78.49</u>		<u>0</u>	<u>9.50</u>
Total		- \$935,000	- 382.04		\$52,000	31.10

3. Require that, by April 15th of each year, DOA or OSER submit a report to the Joint Committee on Finance identifying the assessments that it will charge each state agency for HR shared services in the upcoming fiscal year. Require DOA or OSER to include in its report the number of positions that DOA or OSER is utilizing to administer HR shared services, including the number of vacant positions the agency no longer requires to administer HR shared services. Provide that this report is subject to a 14-working day passive review process. *This alternative may be chosen in addition to Alternatives A1 or A2.*

4. Delete the Governor's recommendation and maintain current law.

ALT A4	Change to Base			Change to Bill		
	Revenue	Funding	Positions	Revenue	Funding	Positions
<u>DOA</u>						
GPR		\$0	0.00	-\$2,800,000	\$0	0.00
PR		<u>0</u>	<u>0.00</u>		<u>- 36,679,600</u>	<u>- 413.14</u>
Total		\$0	0.00		- \$36,679,600	- 413.14
<u>All Other Agencies</u>						
GPR		\$0	0.00		\$0	184.32
PR		0	0.00		987,000	118.15
FED		0	0.00		0	22.68
SEG		<u>0</u>	<u>0.00</u>		<u>0</u>	<u>87.99</u>
Total		\$0	0.00		\$987,000	413.14

5. Delete the Governor's recommendation, but transfer 7.0 positions annually from DHS, DSPS, and DWD to DOA in order to assist DOA with the implementation of the STAR project. Associated with this transfer, increase DOA's base funding and position authority by \$515,600 PR and 7.0 PR positions annually, as follows: (a) \$455,500 PR and 6.0 PR positions to DPM's general program operations appropriation; and (b) \$60,100 PR and 1.0 PR position to DOA's financial services appropriation. In addition, reduce funding and position authority in DHS, DSPS, and DWD by \$467,500 PR and 7.0 PR positions annually (for DHS, -\$118,800 PR and -2.0 PR positions annually; for DSPS, -\$262,200 PR and -4.0 PR positions annually; and for DWD, -\$86,500 PR

and -1.0 PR position annually).

ALT A5	Change to Base			Change to Bill		
	Revenue	Funding	Positions	Revenue	Funding	Positions
<u>DOA</u>						
GPR		\$0	0.00	-\$2,800,000	\$0	0.00
PR		<u>1,031,200</u>	<u>7.00</u>		<u>- 35,648,400</u>	<u>- 406.14</u>
Total		\$1,031,200	7.00		- \$35,648,400	- 406.14
<u>All Other Agencies</u>						
GPR		\$0	0.00		\$0	184.32
PR		- 935,000	- 7.00		52,000	111.15
FED		0	0.00		0	22.68
SEG		<u>0</u>	<u>0.00</u>		<u>0</u>	<u>87.99</u>
Total		- \$935,000	- 7.00		\$52,000	406.14

B. AGRICULTURE, TRADE AND CONSUMER PROTECTION

1. Exempt the Department of Agriculture, Trade and Consumer Protection from HR shared agency services. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT B1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DATCP</u>				
GPR	\$0	0.00	\$0	5.70
PR	0	0.00	0	1.50
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.00</u>
Total	\$0	0.00	\$0	8.20
<u>DOA</u>				
PR	\$0	0.00	-\$822,200	- 8.20

C. CHILDREN AND FAMILIES

1. Include the Department of Children and Families in the shared services proposal, but restore 2.0 training positions in DCF that were identified for transfer under the Governor's errata. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT C1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DCF</u>				
PR	\$0	- 9.60	\$0	2.00
<u>DOA</u>				
PR	\$0	9.60	-\$163,500	- 2.00

2. Exempt the Department of Children and Families from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT C2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DCF</u>				
PR	\$0	0.00	\$0	11.60
<u>DOA</u>				
PR	\$0	0.00	- \$1,122,200	- 11.60

D. CORRECTIONS

1. Exempt the Department of Corrections from HR shared agency services. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT D1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Corrections</u>				
GPR	\$0	0.00	\$0	115.75
PR	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>4.50</u>
Total	\$0	0.00	\$0	120.25
<u>DOA</u>				
PR	\$0	0.00	- \$9,952,300	- 120.25

E. HEALTH SERVICES

1. Exempt the Department of Health Services from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT E1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>For DHS</u>				
GPR	\$0	0.00	\$0	25.12
PR	0	0.00	237,600	52.11
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>4.63</u>
Total	\$0	0.00	\$237,600	81.86
<u>For DOA</u>				
PR	\$0	0.00	- \$7,460,500	- 81.86

F. HIGHER EDUCATIONAL AIDS BOARD

1. Exempt the Higher Educational Aids Board from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

G. HISTORICAL SOCIETY

1. Modify the Governor's recommendation with one or more of the following changes. *Alternatives G1a and G2a may be chosen in addition to Alternatives A1 or A2.*

a. Restore 1.0 FED position and LTE FED position and reallocate associated funding (\$79,700 FED) from supplies and services to salaries and fringe benefits to exclude positions funded with federal grants from the provision.

ALT G1a	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Historical Society</u>				
GPR	\$0	- 4.00	\$0	0.00
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.00</u>
Total	\$0	- 4.00	\$0	1.00
<u>DOA</u>				
PR	\$380,000	4.00	- \$87,300	- 1.00

b. Restore 1.0 GPR position and reallocate associated funding (\$52,400 GPR) from supplies and services to salaries and fringe benefits to restore a maritime archaeologist position that is currently identified as an HR position in STAR.

ALT G2b	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Historical Society</u>				
GPR	\$0	- 3.00	\$0	1.00
FED	<u>0</u>	<u>- 1.00</u>	<u>0</u>	<u>0.00</u>
Total	\$0	- 4.00	\$0	1.00
<u>DOA</u>				
PR	\$407,200	4.00	- \$60,100	- 1.00

2. Exempt the Historical Society from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT G2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>Historical Society</u>				
GPR	\$0	0.00	\$0	4.00
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.00</u>
Total	\$0	0.00	\$0	5.00
<u>DOA</u>				
PR	\$0	0.00	- \$467,300	- 5.00

H. NATURAL RESOURCES

1. Exempt the Department of Natural Resources from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT H1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DNR</u>				
GPR	\$0	0.00	\$0	3.00
FED	0	0.00	0	6.00
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>19.50</u>
Total	\$0	0.00	\$0	28.50
<u>DOA</u>				
PR	\$0	0.00	- \$2,637,500	- 28.50

I. PUBLIC SERVICE COMMISSION

1. Exempt the Public Service Commission from the from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

J. REVENUE

1. Exempt the Department of Revenue from the from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT J1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DOR</u>				
GPR	\$0	0.00	\$0	9.95
PR	0	0.00	0	0.80
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.25</u>
Total	\$0	0.00	\$0	12.00
<u>DOA</u>				
PR	\$0	0.00	- \$1,189,400	- 12.00

K. PUBLIC DEFENDER BOARD

1. Modify the provision to add a requirement for DOA and the SPD to have an agreement, reviewed on a biennial basis, to comply with Supreme Court Rules prior to transfer of positions. In addition, create a requirement for DOA to maintain compliance with SCR. If compliance is not maintained the transferred HR positions would revert to the SPD. *This alternative may be chosen in addition to Alternatives A1 or A2.*

2. Exempt the Public Defender Board from the from the HR shared services program. *This*

alternative may be chosen in addition to Alternatives A1 or A2.

ALT K2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>SPD</u> GPR	\$0	0.00	\$0	4.95
<u>DOA</u> PR	\$0	0.00	-\$514,700	- 4.95

L. SAFETY AND PROFESSIONAL SERVICES

1. Exempt the Department of Safety and Professional Services from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT L1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DSPS</u> PR	\$0	0.00	\$524,400	9.00
<u>DOA</u> PR	\$0	0.00	-\$1,022,800	- 9.00

M. STATE FAIR PARK BOARD

1. Include the State Fair Park in the HR shared service program, but require all proposed and future shared services positions provided by DOA remain on-site at State Fair Park. *This alternative may be chosen in addition to Alternative A1 or A2.*

2. Exempt the State Fair Park from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT M2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>State Fair Park</u> PR	\$0	0.00	\$0	1.00
<u>DOA</u> PR	\$0	0.00	-\$202,500	- 1.00

N. TRANSPORTATION

1. Exempt the Department of Transportation from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT N1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DOT</u>				
FED	\$0	0.00	\$0	4.30
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>48.39</u>
Total	\$0	0.00	\$0	52.68
<u>DOA</u>				
PR	\$0	0.00	- \$4,573,600	- 52.68

O. VETERANS AFFAIRS

1. Exempt the Department of Veterans Affairs from the HR shared services program. *This alternative may be chosen in addition to Alternatives A1 or A2.*

ALT O1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DVA</u>				
PR	\$0	0.00	\$0	15.64
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>9.36</u>
Total	\$0	0.00	\$0	25.00
<u>DOA</u>				
PR	\$0	0.00	- \$2,006,200	- 25.00

P. WORKFORCE DEVELOPMENT

1. Exempt the Department of Workforce Development from the HR shared services program. *This alternative may be chosen in addition to Alternative A1 or A2.*

ALT P1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
<u>DWD</u>				
GPR	\$0	0.00	\$0	0.05
PR	0	0.00	173,000	20.00
FED	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.95</u>
Total	\$0	0.00	\$173,000	22.00
<u>DOA</u>				
PR	\$0	0.00	- \$2,352,300	- 22.00