



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #117

### **Self-Funded Portal Appropriation and Annual Report (Administration -- Information Technology)**

[LFB 2017-19 Budget Summary: Page 46, #5]

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#### **CURRENT LAW**

The state operates several websites and web-based services developed and managed under a contract between the Department of Administration (DOA) and a private entity. The current contract specifies that the vendor receive compensation through fees that are charged to customers for certain services. Such fee revenue is then disbursed as payment to the vendor from DOA's annual self-funded portal appropriation. Information relating to these websites and web-based services can be accessed from the state's main website ("portal"). Base funding for the appropriation is \$7,107,800 PR annually.

#### **GOVERNOR**

Modify DOA's information technology and communication services self-funded portal appropriation from an annual appropriation to a continuing appropriation and increase estimated expenditures by \$751,300 PR in 2017-18 and \$926,200 PR in 2018-19. Require DOA to submit to the Legislature an annual report on the administration of the self-funded portal. The bill does not specify other details regarding the content of the report.

#### **DISCUSSION POINTS**

1. The self-funded portal appropriation exists for the purpose of receiving and disbursing fee moneys received by the state to provide web-based technology services for state agencies, state authorities, units of the federal government, local governmental units, tribal schools, individuals, and entities in the private sector. In May, 2013, the state signed a contract with the Wisconsin

Interactive Network (WIN), a subsidiary of NIC Inc. (formerly the National Information Consortium) to provide web-based government services to the above organizations or individuals. There have been no changes or amendments to the contract since it was signed in 2013. According to WIN's portal business plan, some services provided through the portal are free of charge, while other services may charge users a fee. Under the contract, all portal fee revenues received by the state, less any statutory fees, merchant processing fees, state revenue sharing portal fees, and any liquidated damages, must be paid to the vendor for the services provided.

2. Currently, self-funded portal spending in a given year may not exceed the amounts in the schedule of appropriations because the appropriation is annual. Under the bill, the amounts in the schedule would represent the best estimate of expenditures because the appropriation would be continuing (other than sum certain). Therefore, expenditures could exceed these amounts if estimated revenue to the appropriation is sufficient.

3. Table 1 below summarizes the portal fees, fee amounts that were invoiced from January through December, 2016, and the type of customer that pays each fee (business, individual, or government). As noted previously, some portal services are provided that do not charge users a fee. This includes many website redesign services such as the virtual Capitol tour website, which was updated in February, 2017. State revenue sharing fees are generated from \$0.10 of every \$2 per-record service fee charged to businesses for obtaining and searching for driving records through the Department of Transportation's (DOT) Public Abstract Request System, which is administered by the portal vendor. State revenue sharing fee moneys were used in 2016 for activities such as improving the state's one-stop business website. Other state agencies with services that charge a portal fee include: (a) Financial Institutions (DFI); (b) Natural Resources (DNR); and (c) Safety and Professional Services (DPS). In 2016, invoices for portal fees totaled \$7,521,600. Of the total, \$242,800 was associated with state revenue sharing fees.

**TABLE 1**

**Self-Funded Portal Fees Assessed in Calendar Year 2016**

<u>Service</u>	<u>Agency</u>	<u>Portal Fee</u>	<u>Amount Invoiced</u>	<u>Customer Paying Fee</u>
Wholesale Driver Records	DOT	\$1.90/record	\$4,043,253	Business
State Revenue Share	DOA	\$0.10/record	242,798	Business
Go Wild	DNR	\$0.65/hunt transaction \$0.35/vehicle transaction	1,644,925	Individual
Driver Record Monitoring	DOT	\$0.03/record	1,495,204	Business
Crash Reports	DOT	\$1/report (electronic transfer) \$0.88/report (credit card)	39,149	Business or Individual
Credential/License List	DSPS	33% per transaction	30,963	Business
Licensee Verification Service	DSPS	\$3/record	23,874	Government and Business
One Stop Business	DFI	\$1/filing	<u>1,469</u>	Business or Individual
	<b>Total</b>		<b>\$7,521,636</b>	

4. Table 2 summarizes appropriated expenditure authority for the self-funded portal from 2013-14 to 2016-17, as established through biennial budget acts; increases to expenditure authority under passive review requests; and estimated expenditures for 2017-18 and 2018-19 under the Governor's recommended budget. Fee revenue from self-funded portal charges has increased every year since the appropriation was created. The large increase in expenditure authority from 2014-15 to 2015-16 is associated primarily with: (a) revenue growth from DOT driver record monitoring fees; and (b) revenue received in 2014-15 that was disbursed in 2015-16 due to the timing of the receipt and processing of the revenue.

**TABLE 2**

**Self-Funded Portal Appropriation  
Expenditure Authority, 2013-14 to 2016-17**

<u>Fiscal Year</u>	<u>Biennial Budget</u>	<u>Passive Review Request Date</u>	<u>Passive Review Increase</u>	<u>Total Authority</u>	<u>Increase from Prior Year</u>
2013-14	\$2,000,000	October 28, 2013	\$1,900,200	\$3,900,200	
2014-15	2,000,000	October 28, 2013	2,680,200	4,680,200	\$780,000
2015-16	5,624,000	March 11, 2016	1,152,300	6,776,300	2,096,100
2016-17	5,761,500	March 11, 2016	1,346,300	7,107,800	331,500
2017-18*	7,859,100	Not Needed	Not Applicable	7,859,100	751,300
2018-19*	8,034,000	Not Needed	Not Applicable	8,034,000	174,900

\*Governor's Recommendation. Amounts in the Chapter 20 schedule of appropriations would represent estimated expenditures. Actual expenditures could exceed the estimates.

5. As shown in Table 2, DOA submitted two passive review requests for increased expenditure authority for the portal: (a) one request several months after 2013 Act 20 was enacted, when DOA had additional information relating to the amount of estimated revenue that would need to be disbursed to the portal vendor; and (b) another request approximately eight months after 2015 Act 55 was enacted. An objection was raised to the 2013 request, and the request was approved by the Committee on January 8, 2014, at a meeting under s. 13.10 of the statutes.

6. The administration indicates that although the bill does not specify the content of the annual report that would be submitted to the Legislature, DOA anticipates providing information such as: (a) services available through the portal, including the addition of services available; (b) the activity levels of the services provided; and (c) revenues and costs associated with the portal.

7. It could be argued that modifying the appropriation to make it continuing (other than sum certain) would allow DOA to disburse the amount of revenue it is required to submit to the private vendor under contract with a greater degree of certainty and that an annual report regarding the portal would inform the Legislature of important changes to services and fees. Therefore, the Committee could approve the Governor's recommendation to make the appropriation continuing, increase estimated expenditures by \$751,300 PR in 2017-18 and \$926,200 PR in 2018-19, and require that an annual report be submitted to the Legislature relating to the self-funded portal.

[Alternative 1]

8. On the other hand, as the uses of the portal and the amount of revenue generated by portal activity continue to grow, the scope and amount of fees charged to government agencies, businesses, and individuals for services provided by the state could also change. While under current law, the Committee would receive notification by passive review if revenues increase by an amount that would exceed expenditure authority, under the bill such information may not be available to Committee members until an annual report is submitted to the Chief Clerks of each house of the Legislature. In addition, when considering a request for increased expenditure authority, the Committee is presented with an opportunity to review the fees that are in effect and the services provided under contract. Therefore, the Committee may wish to maintain the appropriation as an annual appropriation, while providing increased expenditure authority in the amounts provided under the bill. [Alternative 2]

9. If the Committee wishes to maintain legislative oversight through annual limits on expenditures while also providing additional flexibility over the 2017-19 biennium, it could maintain the annual appropriation and increase expenditure authority above the amounts that DOA estimates will be needed. This would reduce the probability that DOA would need to request additional expenditure authority while also maintaining limits and ensuring the Committee would be notified if fee revenue exceeded these amounts. Under this alternative, the Committee could increase expenditure authority to provide such flexibility in 2017-18 and to establish a higher amount of base funding in 2018-19 that would remain in the agency's base for the 2019-21 biennium. The Committee could provide additional increases of: (a) \$640,900 PR in 2017-18 (authority of \$8.5 million) and \$966,000 PR in 2018-19 (authority of \$9.0 million) [Alternative 3a]; or (b) \$1,140,900 PR in 2017-18 (authority of \$9.0 million) and \$1,466,000 PR in 2018-19 (authority of \$9.5 million) [Alternative 3b].

10. In addition, although DOA anticipates the annual report to the Legislature would provide information such as services available through the portal (including the addition of services available), the activity levels of the services provided, and revenues and costs associated with the portal, the bill would not guarantee that this information would be provided, nor would it require that the report be provided within a particular period of time. Therefore, the Committee could choose to specify that the report: (a) be submitted by October 1 of each year for the fiscal year that ended immediately preceding the date of the report; (b) include a financial statement of the state's self-funded portal revenues and expenditures for the fiscal year; (c) list the services available through the portal, including services introduced since the end of the previous fiscal year; (d) indicate the amount of each fee charged for each of the services; and (e) summarize the activity levels of the services provided. Under this alternative, DOA could additionally include any other information it wished to provide relating to the self-funded portal. [Alternative 4]

11. Finally, the bill would require the annual report to be submitted to the Chief Clerk of each house of the Legislature. The Chief Clerks publish notice of receipt of reports in the Assembly Journal and Senate Journal and periodically provide a list of the reports received to members of the Legislature. Statute specifies that members may obtain copies of the report by marking the reports on the list that they wish to receive and returning the list to the Chief Clerk.

12. Given that the report would relate to state finances and the charging of fees to state agencies, state authorities, units of the federal government, local governmental units, tribal schools, individuals, and entities in the private sector, the Committee could choose to specify that the report also be submitted to the Committee directly. Under this alternative, the Committee would receive the annual report simultaneously with the Chief Clerks of the Assembly and Senate. [Alternative 5]

13. If the Committee wishes to maintain the self-funded portal appropriation as an annual appropriation, delete increased expenditure authority for the appropriation, and delete the reporting requirement, it could delete the provision. Under this alternative, it is likely that DOA would need to submit a passive review request for increased expenditure authority for the appropriation under s. 16.515 of the statutes. [Alternative 6]

**ALTERNATIVES**

1. Approve the Governor's recommendation to: (a) modify DOA's self-funded portal appropriation from an annual to a continuing appropriation; (b) increase estimated expenditures by \$751,300 PR in 2017-18 and \$926,200 PR in 2018-19; and (c) require DOA to submit to the Legislature an annual report on the administration of the self-funded portal.

<b>ALT 1</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
PR	\$1,677,500	\$0

2. Modify the provision to maintain the designation of the appropriation as an annual appropriation. As under the bill, expenditure authority would be increased by \$751,300 PR in 2017-18 and \$926,200 PR in 2018-19.

<b>ALT 2</b>	<b>Change to</b>	
	<b>Base</b>	<b>Bill</b>
PR	\$1,677,500	\$0

3. Modify the provision to maintain the designation of the appropriation as an annual appropriation and increase expenditure authority under the bill in the following amounts for the purpose of providing increased flexibility in 2017-18 and establishing base expenditure authority in 2018-19:

a. \$640,900 PR in 2017-18 (\$8.5 million total) and \$966,000 PR in 2018-19 (\$9.0 million total). Funding of \$9.0 million would be carried forward in DOA's base for the self-funded portal appropriation in the 2019-21 biennium.

ALT 3a	Change to	
	Base	Bill
PR	\$3,284,400	\$1,606,900

b. \$1,140,900 PR in 2017-18 (\$9.0 million total) and \$1,466,000 PR in 2018-19 (\$9.5 million total). Funding of \$9.5 million would be carried forward in DOA's base for the self-funded portal appropriation in the 2019-21 biennium.

ALT 3b	Change to	
	Base	Bill
PR	\$4,284,400	\$2,606,900

4. Modify the provision relating to an annual report to specify that the report: (a) be submitted by October 1 of each year for the fiscal year that ended immediately preceding the date of the report; (b) include a financial statement of the state's self-funded portal revenues and expenditures for the fiscal year; (c) list the services available through the portal, including the addition of services available since the previous fiscal year; (d) indicate the amounts of any fees charged for each of the services; and (e) summarize the activity levels of the services provided. Under this alternative, DOA could include any other information it wishes to provide relating to the self-funded portal.

- 5. Specify that the annual report also be submitted to the Joint Committee on Finance.
- 6. Delete provision.

ALT 6	Change to	
	Base	Bill
PR	\$0	- \$1,677,500

Prepared by: Rachel Janke