

Safety and Professional Services

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Legislative Fiscal Bureau

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

May, 2019

Joint Committee on Finance

Paper #635

Professional and Trade Regulation Staff (Safety and Professional Services)

[LFB 2019-21 Budget Summary: Page 373, #2]

CURRENT LAW

The Department of Safety and Professional Services (DSPS) and its boards, councils and affiliated credentialing boards and examining boards are responsible for ensuring the safe and competent practices of a wide range of health, business, and building trades professions. Base funding for DSPS is approximately \$55.3 million, almost all of which is funded from program revenues, and which DSPS collects from fees it charges for credentials, examinations, building plan reviews, and inspections of construction activities. The agency is currently authorized 236.14 PR positions.

For state budgeting purposes, DSPS is divided into two programs: (a) professional regulation and administrative services, which includes staff that assist in the regulation of the health and business professions; and (b) regulation of industry, safety, and buildings. The two programs are supported by separate program revenue sources. Fees collected from health and business professions support regulatory functions related to those professions, while fees involved in buildings and safety support DSPS activities related to the regulation of the trades professions. A portion of departmental program revenue supports certain agency-wide services, including legal, fiscal, and management services.

GOVERNOR

Provide \$1,477,300 PR in 2019-20 and \$1,969,800 PR in 2020-21 and 20.0 PR positions, beginning in 2019-20, to investigate violations and decrease processing times for licenses.

The administration has recommended that the funding and position allocations between programs and functions in the bill be revised to reflect the Governor's intent. The following table

compares the funding and position allocations in the bill with the revisions recommended by the administration. The table shows that net funding in the bill could be reduced by \$2,900 PR in 2019-20 and \$3,900 PR in 2020-21 if these revisions were made. All of the alternatives presented in the paper reflect the revised recommendations.

DSPS Professional and Trade Regulation Staffing Additions

	<u>Funding</u>		<u>Positions</u>	
	<u>2019-20</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2020-21</u>
<i>Governor's Budget Bill</i>				
Program 1				
General Program Operations	\$506,300	\$675,000	7.0	7.0
Medical Examining Board Operations	0	0	0.0	0.0
Examinations; General Program Operations	65,500	87,400	1.0	1.0
Proprietary School Programs	<u>165,400</u>	<u>220,600</u>	<u>2.0</u>	<u>2.0</u>
Subtotal	\$737,200	\$983,000	10.0	10.0
Program 2				
Industry Services Operations	\$740,100	\$986,800	10.0	10.0
Total	\$1,477,300	\$1,969,800	20.0	20.0
<i>Revised Recommendation</i>				
Program 1				
General Program Operations	\$688,200	\$917,600	10.0	10.0
Medical Examining Board Operations	95,000	126,700	1.0	1.0
Examinations; General Program Operations	65,500	87,400	1.0	1.0
Proprietary School Programs	<u>165,400</u>	<u>220,500</u>	<u>2.0</u>	<u>2.0</u>
Subtotal	\$1,014,100	\$1,352,200	14.0	14.0
Program 2				
Industry Services Operations	\$460,300	\$613,700	6.0	6.0
Total	\$1,474,400	\$1,965,900	20.0	20.0
<i>Difference (Change to Bill)</i>				
Program 1				
General Program Operations	\$181,900	\$242,600	3.0	3.0
Medical Examining Board Operations	95,000	126,700	1.0	1.0
Examinations; General Program Operations	0	0	0.0	0.0
Proprietary School Programs	<u>0</u>	<u>-100</u>	<u>0.0</u>	<u>0.0</u>
Subtotal	\$276,900	\$369,200	4.0	4.0
Program 2				
Industry Services Operations	-\$279,800	-\$373,100	-4.0	-4.0
Total	-\$2,900	-\$3,900	0.0	0.0

DISCUSSION POINTS

Professional Regulation

1. Of the 14.0 additional positions the administration recommends be provided for the professional regulation and administration program, 9.0 positions would be provided for the Division of Legal Services and Compliance (DLSC), 3.0 positions would be provided for the Division of Policy Development (DPD), and 2.0 positions would be provided for the Division of Professional Credential Processing (DPCP).

DLSC Positions

2. DLSC provides legal services to professional boards and DSPS regarding the investigation and discipline of licensed credential holders for violations of professional regulations. The Division is also responsible for the complaint intake process, compliance monitoring and a confidential program for impaired professionals. In addition, the Division conducts business compliance inspections and financial audits.

3. DLSC is currently authorized 50.0 full-time equivalent (FTE) positions, including 44.0 who are assigned to investigate complaints. The 9.0 positions that would be provided for DLSC, under the administration's revised recommendations, include: (a) 2.0 attorneys; (b) 4.0 paralegals; (c) 2.0 consumer protection investigators; and (d) 1.0 operations program associate.

4. The additional staff is intended to meet increased workload resulting from an increase in the number of complaints DSPS has received during the past several years. In 2018, DSPS received 3,213 total complaints, covering all regulated professions, an increase from 3,085 complaints in 2017 and 2,913 complaints in 2016. Over the same period, the number of pending investigations has increased by 50%. According to the administration, DSPS has one of the highest turnover rates in state government, which the Department attributes to a high-volume workload.

5. The agency currently measures the performance of DLSC by measuring the percentage of complaints it resolves within 18 months of receiving the complaint. This percentage decreased from 94% in 2017 to 86% in 2018. DLSC does not maintain summarized information on the results of its investigations into these complaints.

6. In February, 2019, the Joint Committee on Finance approved a credential fee schedule recommended by DSPS that reduced initial and renewal credential fees for most non-trades professionals. Based on a review of projected program revenues and expenditure authority that would be provided in the administration's budget recommendations, there is sufficient revenue to support all of the additional positions that would be provided under the administration's revised recommendations.

DPD Positions

7. DPD is responsible for providing administrative support and policy guidance to the professional boards in the state by facilitating board meetings, serving as a liaison between the boards

and the Department, and managing the administrative rule promulgation process for self-regulated professions. The Division manages the administrative rule promulgation process for professions and technical programs that are directly regulated by the Department. The Division is also responsible for continuing education and examination requirements for regulated professions and administration of the Prescription Drug Monitoring Program (PDMP).

8. The administration recommends providing 2.0 additional positions (1.0 school administration consultant and 1.0 program and policy analyst) to increase oversight for the proprietary school program. 2017 Wisconsin Act 59 transferred the program responsibilities of the Educational Approval Board (EAB) to DSPS, beginning on July 1, 2018. The EAB had previously been an independent unit of state government with positions budgeted under the Technical College System. The retitled educational approval program (EAP) approves and supervises for-profit colleges, out-of-state nonprofit colleges and universities, and some in-state, nonprofit institutions, as well as solicitors that recruit students on behalf of an institution. Schools and solicitors representing schools reapply annually for approval from the EAP. Additionally, the EAP investigates student complaints, maintains student records following the closure of a school, and maintains a student protection fund comprised of fees collected from schools.

9. The proprietary school program is currently authorized 6.5 FTE positions. However, two positions (1.0 school administrative consultant position and 1.0 program and policy analyst position) have been vacant since August, 2018. The agency did not seek to fill these positions.

10. As a standard budget adjustment, agencies are required to reduce salary funding for all appropriations that fund more than 50.0 positions to reflect salary turnover savings as vacancies occur during the course of the year. Agencies may choose to reallocate this funding reduction to other appropriations of the same funding source. Rather than apply all of the required funding reduction to the agency's general program operations appropriation, the bill would delete \$92,400 PR in salary funding annually from the EAP, but retain all 6.5 FTE positions for the EAP. Under the Governor's recommended position request, funding would be restored for the EAP salaries, and 2.0 PR additional positions would be authorized, even though the turnover reduction in the bill would not delete the PR position authority. If the Committee wishes to fully fund the salary costs of the 6.5 current positions for the EAP, it could delete the 2.0 PR additional positions that would be authorized under this item.

11. In addition to the two positions described above, the administration recommends that 1.0 additional position be provided for DPD to increase from the number of licensing examination specialist positions from 3.0 to 4.0 positions. This position is intended to meet increasing workload relating to preparing, administering, and grading examinations for professional licensure.

DPCP Positions

12. The administration recommends that 2.0 additional license-permit program associate positions be provided to increase staff for the Division of Professional Credential Processing (DPCP). DPCP is responsible for all credential application processing, including determination of credential eligibility and renewal. DPCP is also responsible for licensure, renewal and verification of health, business, trades and manufactured home owners' credentials, operation of the Department's customer service center and regulation of the state's mixed martial arts/boxing program. The Department cites

several factors that have increased workload for the Division during the past several years, including:

- 2017 Act 135 required licensed practical nurses and registered nurses who received a license after July 20, 2017, to meet additional requirements, including fingerprint FBI criminal background checks in order to receive multi-state licensing privileges. This required DSPS staff to review and process FBI criminal background checks for nurses who request multi-state privilege.
- 2017 Act 113 created a new license for appraisal management companies.
- 2017 Act 278 permits every license applicant to apply for a review of their past convictions prior to submitting a full credential application. This has resulted in staff processing application materials twice -- once for a predetermination, and once for the issuance of a credential.

13. The number of credentials DSPS issues each year continues to increase, but not significantly. For example, in October, 2012, the number of active (non-trade) credentials issued was 367,800, compared with 375,700 as of July, 2018.

14. In October, 2018, the Joint Committee on Finance approved a request by the Department of Administration to authorize 4.0 PR three-year project positions to assist in processing initial and renewal credential applications, including 3.0 PR positions for the DSPS Professional Regulation program. These positions were provided to enable DSPS meet increased workload relating to initial and renewal credentials, and reviewing initial or renewal applications, verifying information provided by the applicant.

Summary and Options -- Professional Regulation

15. The 14.0 additional positions recommended by the administration for the DSPS Professional Regulation program is based on the judgement of agency leadership that additional resources are needed for DSPS to provide more thorough investigations of complaints, and to more promptly review and process credential applications. As there is sufficient program revenue available to support these positions, the Committee could approve the administration's request [Alternatives A1, B1 and C1]. Under these alternatives, the bill would be modified to reflect the administration's proposed revisions to the bill for each of the three DSPS Divisions.

16. Alternatively, the Committee could determine that DSPS has current resources to meet at least some of the workload the agency cites in recommending the funding and position increase. Several options could be considered.

17. First, if the Committee determines that there is not sufficient documentation of increased workload for the Division of Legal Services and Compliance to justify all of the additional positions recommended by the Governor for DLSC, it could fund five of the nine positions recommended by the Governor (1.0 attorney, 2.0 paralegals, 1.0 consumer protection investigator and 1.0 operations program associate) [Alternative A2].

18. Second, as indicated in Discussion Point 10, the bill would authorize 2.0 PR additional positions for the EAP program, but provide funding only for the 6.5 current positions, due to the

deletion of funding under the standard budget adjustment (turnover) for these 2.0 positions. Consequently, the Committee could delete these 2.0 positions (but retain the funding for these positions, since they are not funded as a result of the turnover item) [Alternative B2], or delete all of the additional positions for Division of Policy Development and reallocate the turnover reduction to the agency's general program operations appropriation to maintain support for the current 6.5 EAP positions [Alternative B3].

19. Finally, in light of the 4.0 three-year project positions that were authorized in October, 2018 for the Division of Professional Credential Processing, the Committee could either: (a) delete the 1.0 position that would be budgeted to process license applications [Alternative C2]; or (b) delete the 1.0 position recommended for DPCP, but convert the 3.0 three-year project positions approved in October, 2018, to permanent positions [Alternative C3].

Trade Regulation

20. Program revenue for the recommended Industry Services positions would be provided from the division operations appropriation, which receives revenues from building plan reviews and inspections for several building construction types, and from credentials issued to people who work in the building trades, such as dwelling contractors, electricians, and plumbers. Under the bill, the appropriation would be authorized \$17,985,000 PR in 2019-20 and \$17,283,100 PR in 2020-21 with 115.64 positions. This funding includes the recommended provision of the 10.0 positions and the \$2,995,000 PR in 2019-20 and \$2,030,000 PR in 2020-21 for information technology funding from the appropriation. It is anticipated that the appropriation would have an estimated June 30, 2021, closing balance of \$15.3 million under the bill as introduced. Thus, the appropriation would have a sufficient balance to pay for the funding proposed. The estimated condition of the appropriation under the bill is shown in a separate paper.

21. Under 2017 Act 59, \$543,000 annually and 9.0 positions that the Department had been holding vacant were deleted from the Industry Services appropriation, including an elevator inspector, plumbing consultant, electrical systems consultant, boiler inspector, field operations section chief, program and policy supervisor, program and policy analyst, and two executive staff assistants. The three biennial budget acts prior to 2017 deleted a total of 39.66 vacant positions from the appropriation, including 25.66 in 2011-13, 9.0 in 2013-15, and 5.0 in 2015-17. Some of the positions deleted in 2011-13 had been held vacant to hold expenditures within available revenues during and after construction slowdowns in 2007-08 and 2008-09.

22. In October, 2018, the Joint Committee on Finance approved a DSPS request under ss. 16.505 and 16.515 of the statutes to add 1.0 license and permit program associate project position through June 30, 2022. The position was filled after it was authorized, but became vacant in February, 2019, and was filled in mid-April, 2019. DSPS indicates it has not collected data on the impact of the position on processing times.

23. Subsequent to introduction of the budget, DSPS indicated that it preferred to add 6.0 positions funded from the Industry Services operations appropriation, with funding of \$460,300 PR in 2019-20 and \$613,700 PR in 2020-21. DSPS suggested that the 6.0 new positions include 2.0 section chiefs, 2.0 building systems consultants, and 2.0 licensing and permit program associates. The

administration indicates it agrees with providing 6.0 positions to Industry Services instead of 10.0.

24. Under the 2017 Act 59 deletion of 9.0 vacant positions, DSPS deleted one field operations section chief position. Currently, the Division of Industry Services has six section chief positions, all of which are filled. This includes three in the Bureau of Technical Services, which primarily handles plan reviews, and three in the Bureau of Field Services, which primarily handles safety-related inspections. Section chiefs supervise plan review and inspection staff located throughout the state. Of the six current section chiefs, one each are located in Madison and Hayward, while two are in Waukesha, and two are in Green Bay. DSPS indicates that adding 2.0 section chiefs would lower the average ratio of employees from approximately 12 or 13 staff per supervisor to approximately eight or nine staff per supervisor. In addition, the Department expects adding the section chiefs would improve supervision, employee professional development, staff retention, and career progression. DSPS has not determined to which bureau the section chiefs would be assigned, or which positions would be supervised by the section chiefs. The Department indicates that the average ratio of staff per supervisor in other divisions ranged from 11-to-1 to 5-to-1.

25. The Industry Services operations appropriation currently funds 16.0 building systems consultants, who primarily perform plan reviews, such as for commercial building construction. As of late March, 2019, three of the positions were vacant but were either in the process of being filled or were recently filled with a future start date. DSPS indicates it needs 2.0 additional building systems consultants. The Department indicates its goal is to process plan reviews within two weeks, but some reviews currently take longer. For example, commercial building plan reviews can take up to 12 weeks. DSPS indicates that it does not have information about the current average processing times because of limitations of its information technology system. The Department's stated need for 2.0 additional building systems consultants was based on the current and projected workload, and assumes the three vacant building system consultant positions being filled. Further, the Department indicates that plan review times vary by project, and the Department is not able to project an estimated impact on the processing times of plan reviews if the additional 2.0 building systems consultants are approved.

26. Currently, the Industry Services operations appropriation funds 12.89 permanent licensing and permit program associates, all of which are filled, plus the 1.0 project position approved in October, 2018. The positions are located in the Division of Professional Credential Processing, which processes all credential applications for the Department. The 13.89 positions process license and permit applications for trades-related activities administered by the Division of Industry Services. DSPS indicates it needs 2.0 additional license and permit program associates for trades-related activities. DSPS indicates that current credentials processing times range from six to 34 business days, and vary by type of credential and time of year, based on renewal cycles and graduation time for various professions. However, the Department has not estimated the impact of adding license and permit program associates for trades-related credentials on the length of time it takes to process credentials.

27. It could be argued that adding 6.0 staff to administer trade regulation activities for the Division of Industry Services, and reduce processing times for plan reviews and credential processing by some amount, is appropriate. The Committee could choose to approve providing \$460,300 PR in

2019-20 and \$613,700 PR in 2020-21 with 6.0 positions funded from the Industry Services operations appropriation [Alternative D1].

28. The Committee could consider addressing the time needed to review plans and process licenses and permits, but not the ratio of staff to supervisors, by providing 4.0 positions, including the recommended 2.0 building systems consultants and 2.0 license and permit program associates. This would be expected to decrease by some amount the time it takes for applicants to obtain approval of plan reviews, licenses and permits. The two additional building system consultants would be supervised by one or two of the existing six section chiefs, and the two license and permit program associates would be located in the Division of Professional Credential Processing. Under this alternative, \$260,600 could be provided in 2019-20 and \$347,500 in 2020-21 for the 4.0 positions [Alternative D2].

29. The Committee could consider providing 3.0 positions instead of 6.0, to include 1.0 section chief, 1.0 building systems consultant, and 1.0 license and permit program associate. This would be expected to decrease the ratio of staff to supervisors, and decrease somewhat the amount of time it takes to process plan reviews, licenses and permits. Under this alternative, \$230,200 PR could be provided in 2019-20 and \$306,900 PR in 2020-21 for the 3.0 positions [Alternative D3].

30. Finally, the Committee could consider providing 2.0 positions instead of 6.0, to include 1.0 building systems consultant and 1.0 license and permit program associate. This would be expected to decrease somewhat the amount of time it takes to process plan reviews, licenses and permits, but not the ratio of staff to supervisors. Under this alternative, \$130,300 PR could be provided in 2019-20 and \$173,700 PR in 2020-21 for the 2.0 positions [Alternative D4].

31. It could be argued that because DSPS is not able to estimate the impact of the proposed positions on processing times for plan reviews and credentials, DSPS should continue with the current levels of staffing and processing times for plan reviews, licenses and permits. If the Committee took no action, the Division of Industry Services would continue to have the current ratio of staff to section chiefs, and might continue to experience processing times for building plan reviews, licenses, and credentials that are slower than preferred by the trades professions [Alternative D5]. DSPS would remain authorized to request additional positions under a 14-day passive review at a later time.

ALTERNATIVES

A. Professional Regulation -- DLSC Positions

1. Approve the administration's revised proposal to provide \$693,400 PR in 2019-20 and \$924,500 PR in 2020-21 to fund 9.0 additional positions for the Division of Legal Services and Compliance, beginning in 2019-20. Increase funding in the bill by \$187,100 PR in 2019-20 and \$249,500 PR in 2020-21 and provide 2.0 additional PR positions, beginning in 2019-20.

ALT A1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$1,617,900	9.00	\$436,600	2.00

2. Modify the administration's revised proposal to provide \$364,400 PR in 2019-20 and \$485,900 to fund 5.0 additional positions for the Division of Legal Services and Compliance, beginning in 2019-20. Reduce funding in the bill by \$141,900 PR in 2019-20 and by \$189,100 PR in 2020-21 and delete 2.0 PR positions, beginning in 2019-20.

ALT A2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$850,300	5.00	- \$331,000	- 2.00

3. Take no action by providing no additional positions for the Division of Legal Services and Compliance. Reduce funding in the bill by \$506,300 PR in 2019-20 and by \$675,000 PR in 2020-21 and delete 7.0 PR positions, beginning in 2019-20.

ALT A3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	- \$1,181,300	- 7.00

B. Professional Regulation -- Division of Policy Development

1. Approve the administration's revised proposal to provide \$230,900 PR in 2019-20 and \$307,900 PR in 2020-21 to fund 3.0 PR additional positions for the Division of Policy Development, beginning in 2019-20.

ALT B1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$538,800	3.00	\$0	0.00

2. Approve the administration's revised proposal to provide \$230,900 PR in 2019-20 and \$307,900 PR in 2020-21, but delete 2.0 PR positions that would be provided for the EAP, so that the current 6.5 EAP positions would be fully funded in the 2019-21 biennium.

ALT B2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$538,800	3.00	\$0	- 2.00

3. Modify the administration's revised proposal to provide \$157,900 PR in 2019-20 and \$179,800 PR in 2020-21 to: (a) fund 1.0 PR additional position for the Division of Policy Development, beginning in 2019-20 (\$65,500 PR in 2019-20 and \$87,400 PR in 2020-21); and (b) fund 2.0 current positions for EAP, since funding for these current positions is deleted in the turnover

standard budget adjustment (\$92,400 PR annually).

ALT B3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$337,700	1.00	- \$201,100	- 2.00

4. Provide no additional staff for the Division of Policy Development. Reduce funding in the bill by \$230,900 PR in 2019-20 and \$307,900 PR in 2020-21 and delete 3.0 PR positions for the Division of Policy Development, beginning in 2019-20. In addition, increase funding for EAP by \$92,400 PR annually to restore funding for 2.0 current positions, and reduce funding for the agency's general program operation by \$92,400 PR to reallocate the agency's turnover reduction.

ALT B4	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	- \$538,800	- 3.00

C. Professional Regulation -- Division of Professional Credential Processing

1. Approve the administration's revised proposal to provide \$89,800 in 2019-20 and \$119,800 PR in 2020-21 to fund 2.0 PR additional positions for the Division of Credential Processing, beginning in 2019-20.

ALT C1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$209,600	2.00	\$209,600	2.00

2. Take no action, by providing no additional positions for the Division of Professional Credential Processing.

ALT C2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	\$0	0.00

D. Trade Regulation

1. Approve the Governor's revised recommendation to provide \$460,300 PR in 2019-20 and \$613,700 PR in 2020-21 with 6.0 PR positions beginning in 2019-20 for trade regulation. (This is the DSPS-recommended alternative to the bill.)

ALT D1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$1,074,000	6.00	- \$652,900	- 4.00

2. Modify the Governor's recommendation to provide \$260,600 PR in 2019-20 and \$347,500 PR in 2020-21 with 4.0 PR positions beginning in 2019-20 for trade regulation, including 2.0 building systems consultants and 2.0 license and permit program associates.

ALT D2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$608,100	4.00	- \$1,118,800	- 6.00

3. Modify the Governor's recommendation to provide \$230,200 PR in 2019-20 and \$306,900 PR in 2020-21 with 3.0 PR positions beginning in 2019-20 for trade regulation, including 1.0 section chief, 1.0 building systems consultant and 1.0 license and permit program associate.

ALT D3	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$537,100	3.00	- \$1,189,800	- 7.00

4. Modify the Governor's recommendation to provide \$130,300 PR in 2019-20 and \$173,700 PR in 2020-21 with 2.0 PR positions beginning in 2019-20 for trade regulation, including 1.0 building systems consultant and 1.0 license and permit program associate.

ALT D4	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$304,000	2.00	- \$1,422,900	- 8.00

5. Take no action.

ALT D5	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
PR	\$0	0.00	- \$1,726,900	- 10.00

Prepared by: Kendra Bonderud and Aaron Whitaker



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #636

Information Technology Projects (Safety and Professional Services)

[LFB 2019-21 Budget Summary: Page 374, #3]

CURRENT LAW

The Department of Safety and Professional Services (DSPS) regulates health, business, building, and trades professions. DSPS is funded almost entirely from program revenues (PR), primarily collected from fees for credentials, examinations, building plan reviews, and inspections of construction activity. For state budgetary purposes, program revenues received from the regulation of health and non-building trades professions are tracked separately from the fees collected from the trades professions, credentialing, building inspection, and plan review activities.

DSPS received one-time funding for information technology projects averaging \$732,000 annually in 2013-14 through 2016-17. Funding was provided from both DSPS programs. The Joint Committee on Finance in April, 2018, approved a DSPS request for \$4.4 million in one-time funding during the 2017-19 biennium. All of the 2017-19 funding was provided from the Division of Industry Services operations appropriation, which receives revenues from building plan reviews, inspections, and credentials for buildings and trades professions.

GOVERNOR

Provide \$2,995,000 PR in 2019-20 and \$2,030,000 PR in 2020-21 to support information technology improvement projects in the 2019-21 biennium. Total funding would include: (a) \$2,500,000 in 2019-20 and \$1,500,000 in 2020-21 in one-time funding to replace the trades credentialing system; and (b) \$495,000 in 2019-20 and \$530,000 in 2020-21 in ongoing funding for license and customer portal costs of the system. All of the funding would be provided from the Division of Industry Services operations program revenue appropriation.

DISCUSSION POINTS

One-Time Funding

1. The funding provided under the bill would follow other improvements DSPS began in the 2017-19 biennium. Phase one of three phases of the information technology (IT) modernization project was begun after the Joint Committee on Finance approved \$4.4 million in expenditure authority in April, 2018, under s. 16.515 of the statutes. Phase one was divided into three releases. The first or "pilot" release was completed in October, 2018, and cost \$2.2 million, which has been paid to the vendor who was contracted to perform work under the project. Phase one included development of a replacement for the "regulated objects" system, a 20-year old software application used for commercial building inspection permits, plan reviews, and credentialing by the Division. "Regulated objects" refers to specifically located objects such as buildings, elevators, and boilers subject to the permitting requirements administered by the Division. The new database includes systems for the following programs: (a) municipalities delegated by DSPS to submit applications and renewals for permits for commercial buildings, fire systems, plumbing, private onsite wastewater treatment systems (POWTS), elevators, and boilers; (b) approval of regulated POWTS components, such as individual site designs, sanitary permits, consultation, and miscellaneous review; (c) processing of credentials for manufactured homes, including titling, installers, manufacturers, dealers, salespersons, and communities; and (d) processing of credentials for the following regulated trades: (1) dwelling contractors; (2) soil erosion inspectors; (3) soil testers; (4) uniform dwelling code inspection agencies; (5) building inspectors; (6) electrical inspectors; (7) heating, ventilation and air conditioning inspectors; and (8) plumbing inspectors.

2. DSPS indicates that the remaining \$2.2 million provided in 2018-19 will be used for release two and release three of phase one. Release two includes development of components for the program areas of: (a) amusement rides; (b) anhydrous ammonia systems; (c) fuel; (d) plumbing; (e) plumbing products; (f) pressure vessels and systems; (g) public swimming pools; (h) refrigeration systems; (i) ski lifts and tows; and (j) safety. Release three would include components in the program areas of: (a) buildings and structures; (b) commercial building products; (c) electrical program; (d) elevators; (e) explosives; (f) mines, pits and quarries; and (g) fire dues.

3. In early April, 2019, DSPS indicated it is renegotiating the completion dates for phase one and plans to complete release two in June, 2019 (previously May, 2019) and release three in February, 2020 (previously December, 2019). DSPS has not made any payments from the \$2.2 million provided for 2018-19 to the IT vendor. DSPS plans to expend or encumber all of the \$2.2 million provided in 2018-19, but it is uncertain how much will be expended in 2018-19, and how much will be encumbered for expenditure in 2019-20. DSPS believes that all of the \$2.2 million will be spent by June of 2020 (by the end of 2019-20).

4. DSPS reports that the \$4 million in one-time funding recommended under the bill would support the second of three phases of systems upgrades. The Department indicates that it plans to initiate work on phase two after phase one is completed. The \$4 million would be used to finish replacing trades credentialing functions not completed in phase one, and to create functions in the new system to replace similar tasks performed in the old system, such as issuing a new license or renewing an existing license.

5. The Department indicates the recommended funding amount was determined based on a 2018 "discovery session" under which the vendor currently working on phase one learned about DSPS business practices and applications to estimate the planned scope of work. DSPS indicates the \$4 million cost for phase two was developed by the vendor and the previous administration based on a planned schedule of activities to be delivered. The vendor estimated approximately 26,900 hours of work would be necessary to complete phase two. However, the Department indicates the vendor has not provided further detail about why \$4 million was determined to be the appropriate recommended amount, nor has the vendor provided more detailed itemized estimates of the components included in the recommendation. The Department indicates the estimate includes costs averaging approximately \$148 per hour, but the actual hours and hourly cost may vary, because the \$4 million estimate was based on activities to be completed rather than hours. In comparison, in March, 2018, under the s. 16.515 request for 2017-19 funding, DSPS was estimating that at least \$3.6 million, and up to the entire request of \$4.4 million, would pay for approximately 35,000 hours of contractor time, averaging \$103 to \$125 per hour. Further, DSPS indicates that the specific activities to be performed in each of 2019-20 and 2020-21 have not been determined and would be negotiated with a vendor that will be selected if funding were provided in the budget bill.

6. While DSPS currently intends to begin phase two no sooner than when phase one is completed in February, 2020, the Department anticipates it will complete phase two during the 2019-21 biennium, and will need the full amount of the requested funding in the 17 months between February, 2020, and June, 2021. DSPS indicates that if it does not complete the project during 2020-21, it will encumber any unexpended funds at the end of 2020-21 for expenditure in 2021-22 when the vendor completes project components and submits invoices for payment. The vendor submits invoices when agreed-upon project components are completed, and DSPS pays the vendor after it receives the invoices. DSPS has not decided whether the contract will require payment for discrete deliverable items, as was done for phase one, or use a time-and-materials approach.

7. The potential completion of phase one in February, 2020, would be at least seven months into 2019-20. It could be considered appropriate to provide DSPS with five months of the recommended one-time funding for 2019-20 (\$1,041,700 instead of \$2,500,000), and modify the 2020-21 funding to provide \$2,083,300 instead of \$1,500,000 (including seven months, or \$1,458,300 originally recommended for 2019-20, and \$625,000 for the first five months of funding originally recommended for 2020-21. This would delay provision of recommended funding by seven months, to begin when phase one is completed in February, 2020, and might more closely align the amount of funding to be provided with the fiscal years in which the work would be done [Alternative A2].

8. DSPS anticipates it will not begin the project until February, 2020, and will spend funds after invoices are received. Another option for funding the project would be to approve the requested first year of funding, to provide \$2,500,000 in 2019-20, and not provide the recommended \$1,500,000 in 2020-21 [Alternative A3]. This would allow the Department to begin the project in 2019-20 as planned, and spend the provided funds during the biennium. If the Department would make enough progress on the project during the 2019-21 biennium to need funds exceeding the \$2.5 million, it could request additional funds under s. 16.515 of the statutes.

9. DSPS indicates that if no one-time funding, or a lesser amount than the requested \$4

million, would be provided, the Department would either not be able to move forward with the information technology modernization project, or would not be able to complete the updates for some of the trades programs. The Department indicates that if it does not receive the full funding amount and has to maintain the current system as well as the updated system, there would be an unknown amount of increased and duplicative costs. DSPS also indicates that some of the older technology will no longer be supported in 2020, and the Department does not consider partial modernization to be an option. Finally, DSPS has not considered what lesser amount of funding than the full \$4 million might allow completion of the project.

Ongoing Funding

10. DSPS states that the recommended amounts of ongoing funding were developed by DSPS, the Department of Administration (DOA) and the vendor in 2018, and are intended to reflect estimates available when DSPS submitted its budget request in September, 2018. The funding amounts would pay for licenses for the system itself, as well as for licenses of authorized users, including DSPS staff and external parties. DSPS indicates the recommended amounts are estimates and could fluctuate based on rates negotiated through state contracts.

11. The Department indicates that it does not have detail about the types and amounts of each component included in the \$495,000 recommended in 2019-20 and \$530,000 recommended in 2020-21. When DSPS submitted its March, 2018, request under s. 16.515 for funding in the 2017-19 biennium, it anticipated that licensing costs would be approximately \$380,000 in 2017-18 and \$429,000 in 2018-19, with the larger cost in the second year being due to the need for additional licenses. In early 2017, DSPS had anticipated licensing costs of \$600,000 annually. In 2018, the Department also indicated it spends over \$200,000 annually to maintain the current system being replaced. DSPS reports this includes server costs but the current system does not require any licensing costs. DSPS plans to reallocate that cost to maintenance of the new system after the new system begins operation.

12. If the Committee wishes to provide the full amount of ongoing funded requested without having additional details about the costs of components included in the amounts, the Committee could approve the Governor's recommendation [Alternative B1]. DSPS indicates that if the ongoing funding would be provided as one-time funding instead of ongoing, DSPS would likely have to request this funding again in subsequent biennial budget requests. The Department indicates this could have "a chilling effect on the overall and strategic IT modernization strategies." However, because DSPS does not have additional detail about the components of the ongoing funding, it could be considered appropriate to provide the funding as one-time instead of ongoing, and defer a decision until 2021-23 budget deliberations about the necessary amount of ongoing funding [Alternative B2].

13. If the Committee chooses to delay the provision of one-time funding by seven months, based on the current timeline [Alternative A2], it could also consider delaying the provision of ongoing funding by seven months, and provide \$206,300 in 2019-20 and \$509,600 in 2020-21 as either ongoing funding [Alternative B3] or one-time funding [Alternative B4]. The Legislature could reevaluate the project and timeline during 2021-23 budget deliberations.

14. The proposed funding would be provided from the program revenue appropriation that

**DSPS Division of Industry Services, Regulation of Building Trades Professions,
Program Revenues and Expenditures, 2017-18 through 2020-21**

	2017-18 <u>Actual</u>	2018-19 <u>Estimated</u>	2019-20 <u>Bill</u>	2020-21 <u>Bill</u>
Opening Balance, July 1	\$12,813,100	\$18,038,100	\$16,334,100	\$15,823,400
Revenue				
Building plan reviews and inspections	\$6,928,200	\$6,810,600	\$6,928,200	\$6,810,600
Plumbing licenses	435,800	459,300	435,800	459,300
Plumbing plan reviews	2,511,000	2,465,500	2,511,000	2,465,500
Boiler inspections	1,514,800	1,609,200	1,514,800	1,609,200
Elevator inspections	1,438,700	1,435,100	1,438,700	1,435,100
Private sewage plan reviews and septic tank permits	2,087,400	1,757,800	2,087,400	1,757,800
One- and two-family building permit fees	1,062,700	901,600	1,062,700	901,600
Electrical program fees	964,300	993,300	964,300	993,300
Manufactured home licenses and title fees	501,300	307,100	501,300	307,100
Amusement ride and ski tow inspections	235,900	232,500	235,900	232,500
Mine safety inspections and credentials	149,500	115,600	149,500	115,600
Heating, ventilation, and air conditioning (HVAC) and ozone refrigerant permits, credentials	207,200	186,800	207,200	186,800
Swimming pool plan reviews	162,900	165,800	162,900	165,800
Weatherization fees *	66,900	0	0	0
Other revenues	<u>299,000</u>	<u>243,600</u>	<u>299,100</u>	<u>243,600</u>
Total Revenue	\$18,565,600	\$17,683,800	\$18,498,800	\$17,683,800
Less transfer to private onsite wastewater system grant program	-\$840,000	-\$840,000	-\$840,000	-\$840,000
Total Available	\$30,538,700	\$34,881,900	\$33,992,900	\$32,667,200
Expenditures				
Industry Services operations	\$12,500,600	\$14,059,400	\$14,249,900	\$14,266,300
Information technology projects (one-time)	0	4,400,000	2,500,000	1,500,000
Information technology (ongoing)	0	0	495,000	530,000
Additional staff (separate paper)	<u>0</u>	<u>0</u>	<u>740,100</u>	<u>986,800</u>
Subtotal	\$12,500,600	\$18,459,400	\$17,985,000	\$17,283,100
Compensation and health insurance reserves	0	0	184,500	111,400
Expenditure of prior year encumbrances	<u>0</u>	<u>88,400</u>	<u>0</u>	<u>0</u>
Total Expenditures	\$12,500,600	\$18,547,800	\$18,169,500	\$17,394,500
Closing Balance, June 30	\$18,038,100	\$16,334,100	\$15,823,400	\$15,272,700

* 2017 Wisconsin Act 59 deleted the rental unit weatherization program.

funds almost all of the general operations of the Division of Industry Services. Most of the revenues are received from several categories of plan review and inspections for several types of building construction and components, and for credentials issued for people working in trades professions.

15. Under the bill, the appropriation would be authorized \$17,985,000 PR in 2019-20 and

\$17,283,100 PR in 2020-21 with 115.64 positions. This funding includes the recommended information technology funding as well as \$740,100 in 2019-20 and \$986,800 in 2020-21 for staffing additions discussed in a separate paper. DSPS has not updated estimates of revenues deposited in the appropriation for 2018-19 through 2020-21. However, the Department anticipates that revenue amounts received in 2018-19 and 2020-21 will be similar to revenues received in 2016-17, and revenues received in 2019-20 will be similar to revenues received in 2017-18. The table provides information regarding revenues and expenditures in 2017-18 through 2020-21 for the Industry Services appropriation, based on the general DSPS revenue assumptions. It is estimated that the appropriation would have a June 30, 2021, closing balance of \$15.3 million under the bill as introduced. Thus, it is expected that the appropriation will have a sufficient balance to pay for the funding proposed under the bill.

16. If no one-time or ongoing funding is provided, DSPS could request funding at a later date, including through a 14-day passive review by the Committee under s. 16.515 of the statutes, after it has more specific information about the costs and timing of the project [Alternatives A4 and B5].

ALTERNATIVES

A. One-Time Funding

1. Approve the Governor's recommendation to provide \$2,500,000 PR in 2019-20 and \$1,500,000 PR in 2020-21 in one-time funding for information technology improvement projects to replace the trades credentialing system.

ALT A1	Change to	
	Base	Bill
PR	\$4,000,000	\$0

2. Provide \$1,041,700 PR in 2019-20 and \$2,083,300 PR in 2020-21 in one-time funding for information technology improvement projects. (This would delay funding by seven months.)

ALT A2	Change to	
	Base	Bill
PR	\$3,125,000	-\$875,000

3. Provide \$2,500,000 PR in 2019-20 in one-time funding for information technology improvement projects. (This would approve the first year of recommended funding but not the second year.)

ALT A3	Change to	
	Base	Bill
PR	\$2,500,000	- \$1,500,000

4. Take no action.

ALT A4	Change to	
	Base	Bill
PR	\$0	- \$4,000,000

B. Ongoing Funding

1. Approve the Governor's recommendation to provide \$495,000 PR in 2019-20 and \$530,000 PR in 2020-21 in ongoing funding for information technology improvement projects to be used for license and customer portal costs of the trades credentialing system.

ALT B1	Change to	
	Base	Bill
PR	\$1,025,000	\$0

2. Modify the Governor's recommendation to provide \$495,000 PR in 2019-20 and \$530,000 PR in 2020-21 as one-time funding instead of ongoing.

ALT B2	Change to	
	Base	Bill
PR	\$1,025,000	\$0

3. Provide \$206,300 PR in 2019-20 and \$509,600 PR in 2020-21 as ongoing funding for information technology improvement projects. (This would delay funding for seven months.)

ALT B3	Change to	
	Base	Bill
PR	\$715,900	- \$309,100

4. Provide \$206,300 PR in 2019-20 and \$509,600 PR in 2020-21 as one-time funding for information technology improvement projects. (This would delay funding for seven months, and provide it as one-time funding instead of ongoing.)

ALT B4	Change to	
	Base	Bill
PR	\$715,900	- \$309,100

5. Take no action.

ALT B5	Change to	
	Base	Bill
PR	\$0	- \$1,025,000

Prepared by: Kendra Bonderud



Legislative Fiscal Bureau

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

May, 2019

Joint Committee on Finance

Paper #637

Private Onsite Wastewater Treatment System Grant Program (Safety and Professional Services)

[LFB 2019-21 Budget Summary: Page 374, #4]

CURRENT LAW

The Department of Safety and Professional Services (DSPS) administers the private onsite wastewater treatment system (POWTS) replacement or rehabilitation grant program, also referred to as the Wisconsin Fund. Created in Chapter 418, Laws of 1977, the program provides financial assistance to low- to moderate-income owners of a principal residence occupied at least 51% of the year by the owner, and small commercial establishments who meet certain income and wastewater flow eligibility criteria, to cover a portion of the cost of repairing or replacing a failing POWTS. A POWTS is a sewage treatment and disposal system serving a single structure with a septic tank and soil absorption field located on the same parcel as the structure. Systems are eligible if they were installed before July 1, 1978, which is 41 or more years ago.

Wisconsin counties and tribal governments may voluntarily apply to DSPS to participate in the program. Participation generally is at the discretion of counties, as they are responsible for the regulation of POWTS installations. Persons seeking grant funding apply typically through their participating county. A determination that the POWTS is failing, and thus potentially eligible for replacement under the grant program, happens when: (a) a state or local government employee who is certified to inspect POWTS by DSPS inspects the system and makes the determination; or (b) the owner has been issued a written enforcement order by the appropriate local government, DSPS, or the Department of Natural Resources (DNR), to correct a violation of the POWTS statutes and rules.

Highest priority for grants is provided to category one systems, which fail by discharging sewage to surface water, groundwater, drain tiles, bedrock or zones of saturated soils. Second funding priority is provided to category two systems, which fail by discharging sewage to the

surface of the ground. If there are insufficient funds to pay all category one grants, then these grants are prorated, and no funds are provided for category two grants. If funding in a fiscal year is sufficient to fund 100% of the eligible grant amount for category one systems, category two systems are fully or partially funded, depending on the amount of remaining funds.

The annual family income of a residential property owner may not exceed \$45,000. The maximum grant is \$7,000, or approximately 60% of the cost of replacement or rehabilitation, as determined by DSPS grant funding tables in administrative code, whichever is less. The annual gross revenue of the business that owns the small commercial establishment may not exceed \$362,500, and the commercial establishment must have no more than a daily wastewater flow rate of 5,000 gallons per day. Grants for small commercial establishments are prorated so they do not exceed 10% of the total funds available. The grant funding tables in administrative code Chapter SPS 387 were revised effective for grant year 2019-20.

The grant program is appropriated \$840,000 in 2017-18 and \$840,000 in 2018-19 as a transfer from the Division of Industry Services operations program revenue (PR) appropriation. The Industry Services operations appropriation receives fees from sanitary permits and private onsite wastewater treatment system plan review fees, along with fees from several other building permit, plan review, inspection and credentialing activities.

Under 2017 Wisconsin Act 59, the program was repealed effective June 30, 2021. The statutes specify that counties must submit applications for funding in 2020-21 to DSPS before February 1, 2020.

GOVERNOR

Repeal the June 30, 2021, sunset of the POWTS grant program. Maintain base funding of \$840,000 PR annually.

DISCUSSION POINTS

1. The 2017 Act 59 repeal of the grant program effective June 30, 2021, recognized the number of POWTS in use that are more than 41 years old is decreasing. Act 59 provided about two and one-half years after enactment for potentially eligible households and small commercial establishments to submit POWTS grant applications to counties. Applications for funding in 2017-18 were due to DSPS by February 1, 2017, and potential applicants have between the fall of 2017 and February 1, 2020, to submit applications before the current law repeal.

2. Since the program's first year in 1978-79, through 2018-19, the state has awarded \$108.3 million in grants to assist 43,200 residences and small businesses to replace or rehabilitate private onsite wastewater treatment systems. Prior to 2015-16, the program was funded from GPR with \$2,338,600 annually. In 2015-16, funding was converted from GPR to PR. Funding was reduced to \$1,645,000 in 2015-16, and \$840,000 in each of 2016-17, 2017-18, and 2018-19. The number of grants awarded under the program decreased from 879 in 2011-12 to 146 in 2017-18. In 2018-19, 212

category one and two grants received \$904,021, including 187 principal residences that received 100% of the eligible grant amount, and 25 small commercial establishments that received 84% of the eligible grant amount to stay within 10% of total available funds, including unspent funds carried forward from 2017-18.

3. DSPS received 193 applications for the 2019-20 funding cycle by the February 1, 2019, statutory deadline. The Department's initial estimate is that it will award approximately \$992,200 in 2019-20 grant awards, including unspent funds from the previous fiscal year. DSPS estimates that 167 category one principal residence applicants will be prorated to receive awards of approximately 87% of the eligible grant amount, and 19 small commercial establishment applicants will be prorated to receive 78% of the eligible grant amount to remain within 10% of available funds. Seven category two principal residence applicants will not receive grants due to insufficient funding. DSPS indicates that the number of eligible applications could increase or decrease as the Department reviews and approves applications, and proration of eligible grant amounts may change. DSPS will finalize grant awards to counties by the fall of 2019.

4. The administration's rationale for maintaining the program instead of ending it in 2021 is that there is still an undetermined number of POWTS and lower-income households that qualify for grant funding. Maintaining the program would provide additional time to determine who may still qualify for grant funding and what the continuing need may be for the program.

5. Since the grant program was created, the program has required that the POWTS was installed before July 1, 1978, in order to be eligible for grant assistance. Since 1991, the maximum eligible grant has been provided to households with adjusted gross income below \$32,000, and phased out the grant for households with income between \$32,000 and \$45,000. Since 1989, the maximum grant has been \$7,000, or approximately 60% of eligible POWTS replacement costs, whichever is less. The eligible date of installation has never been updated, and the income and grant limits have not been increased to reflect potential increases in household income or costs of POWTS.

6. Under the current June 30, 2021, repeal date for the grant funding, low- to moderate-income households who discover they have a failing POWTS older than 41 years may find it difficult to pay for replacement or repair of the POWTS. Some may suggest that continuing to provide state assistance to low- and moderate-income homeowners to replace failing POWTS is appropriate in a similar way that the state provides assistance to municipalities for public wastewater treatment system repair and construction. The Committee could consider approving the Governor's recommendation to maintain the current POWTS grant program instead of repealing it [Alternative 1].

7. Under 2017 Wisconsin Act 69, the statutes authorize a city, village, town, or county to rehabilitate, replace, or abandon a failing POWTS with the agreement of the owner of the system. The local government may make a loan at or below the market interest rate, including an interest-free loan, to the owner of the POWTS to rehabilitate, replace, or abandon the system. Further, Act 69 authorizes the local government to recover its costs or collect the loan repayment as a special charge or special assessment, and may collect it in installments. Local governments that choose to use this authority could do so regardless of the age of the POWTS or the income of the owner of the system. It is unknown whether any local governments have used this authority to rehabilitate or replace POWTS. Further, if any local governments choose to establish programs under the provisions of Act

69, it would be up to each local government to structure its program, including: (a) how to prioritize the local government upfront costs of rehabilitating or replacing a POWTS in comparison with other local government costs; (b) which systems would be funded; (c) how to determine eligibility of households; (d) how to recover their costs from the POWTS owner; and (e) what loan interest rate to charge to the POWTS owner.

8. There is no state financial grant assistance other than the current POWTS grant program for these households. There also are few or minimal federal grant assistance programs specifically targeted to these households or POWTS.

9. As July 1, 1978, recedes further into the past, there will be fewer old systems installed before that date in need of replacement and potentially eligible for grants. It is likely that this older date has been a contributing factor to the decline in applications for the program. However, applications continue to be received under the program, demonstrating some homeowners and small commercial establishments continue to have POWTS older than 41 years in age. DSPS indicated it does not have information about how many POWTS in active use were installed before that date, and the Department is not able to estimate how many POWTS older than 41 years old continue to be used. Counties determine the installation date based on local records they maintain. During the past 10 years, approximately 12,000 POWTS have been installed annually, of which 60% were replacement systems and 40% were new.

10. The POWTS grant program could be extended for two years instead of being extended permanently or being repealed in 2021 [Alternative 2]. This could provide two additional years for owners of POWTS older than 41 years to determine if the systems are failing, and, if so, to request state financial assistance for the rehabilitation or replacement of the system.

11. As mentioned earlier, grant applications for 2019-20 funding have been received, are being processed, and will be prorated to remain within available funds. The Committee could choose to provide an additional \$185,000 in 2019-20, which would be expected to fully fund grant applications received before February 1, 2019 [Alternative 3].

12. A properly designed, installed and maintained POWTS can be expected to operate for approximately 25 years before failing. The bill does not change the requirement that owners of failing systems must repair or replace them. In addition, current law and the bill do not provide financial assistance for POWTS that fail and were installed on or after July 1, 1978. It is probable that some systems installed before or since that date have reached the end of their expected lifespan, and have failed or will fail. Those with a failing POWTS between 20 and 41 years old may have a qualifying income under the program, may face POWTS replacement costs in excess of \$12,000 (based on the current maximum grant of \$7,000 funding approximately 60% of costs), and may find it difficult to find funds to replace the system.

13. The program has never been amended to update the POWTS installation date to assist owners with POWTS installed in the 1980s and 1990s. If the Committee chooses to maintain the program, it may wish to also consider whether state grant assistance should be made available to income-eligible homeowners and owners of small commercial establishments who have a failing POWTS less than 41 years old. The program could be continued and could be updated by providing

eligibility to failing systems installed prior to July 1, 1999 [Alternative 4]. This would expand eligibility to failing POWTS currently 20 or more years old. While it is likely that many POWTS between 20 and 41 years old (installed in the 1980s or 1990s) have failed or will fail, it is unknown how many POWTS exist that were installed during these years, how many of them will fail, and when they will fail. Thus, while it is likely that expansion of eligibility to systems between 20 and 41 years old would increase applications under the program, it is uncertain what the extent of that increase in demand would be.

14. The July 1, 2018, opening balance of the Division of Industry Services operations appropriation was \$15.7 million. It is estimated the appropriation will have a June 30, 2021, balance of almost \$15.3 million under the bill as introduced. Estimated revenue in 2020-21 will total \$17.7 million, and, after transferring \$840,000 in each year to the POWTS grant appropriation, authorized expenditures and reserves will total approximately \$17.4 million. Thus, the appropriation is expected to provide sufficient revenue to continue the current practice of using revenues in the Industry Services operations appropriation for the POWTS grant program.

15. Some might argue that the current law repeal of the program should be maintained because: (a) POWTS installed before July 1, 1978, are old enough that they should have been replaced by now; (b) POWTS installed in the 1980s, 1990s, and 2000s have never been covered by the program and should be replaced by the owner if the system fails, as a normal part of the responsibility of owning a property; (c) households that do not have sufficient funds to pay for the cost of POWTS replacement have the option of seeking a loan from a bank or seeking local government loans under the provisions of 2017 Act 69; and (d) the state should not use financial resources from current program funding mechanisms to help lower-income households pay for the replacement of a POWTS. Based on this, the Committee could choose to take no action and maintain the current June 30, 2021, repeal date of the program [Alternative 5].

ALTERNATIVES

1. Approve the Governor's recommendation to repeal the June 30, 2021, sunset of the private onsite wastewater treatment system (POWTS) grant program.
2. Extend the sunset of the POWTS grant program by two years, from June 30, 2021, to June 30, 2023.
3. Provide \$185,000 PR in 2019-20, which would be expended to fully fund applications received for POWTS grants in 2019-20. (This alternative could be moved in addition to one of Alternatives 1 or 2.)

ALT 3	Change to	
	Base	Bill
PR	\$185,000	\$185,000

4. Expand eligibility to systems installed prior to July 1, 1999 (20 years ago), instead of the

current date of July 1, 1978. (This alternative could be moved in addition to one of Alternatives 1 or 2, and also in addition to Alternative 3.)

5. Take no action. Under current law, no grants would be provided after the 2020-21 grant cycle.

Prepared by: Kendra Bonderud



Legislative Fiscal Bureau

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

May, 2019

Joint Committee on Finance

Paper #638

Prescription Drug Monitoring Program Project Positions (DSPS)

[LFB 2019-21 Budget Summary: Page 375, #8]

CURRENT LAW

The Wisconsin enhanced prescription drug monitoring program (PDMP) assists health care professionals in making prescribing and dispensing decisions by providing them with information about controlled substance prescriptions dispensed in the state. The primary purpose of the PDMP is to improve patient care and safety, and to reduce the abuse and diversion of prescription drugs, while ensuring patients with a legitimate medical need for the drugs are not adversely affected. PDMP staff and operations costs are funded by program revenue DSPPS collects from credentialed professionals.

2017 Wisconsin Act 59 provided 5.0 PR additional project positions to administer the program. Two of the positions, an office program associate and an information systems (IS) data specialist, create, run, and distribute reports, as well as ensure that data submitted to and reported from the PDMP is timely and accurate. The other three positions, an attorney and two investigators, are located in the Division of Legal Services and Compliance, and work on investigating and prosecuting cases of critically dangerous conduct by a prescriber or pharmacy identified by the Controlled Substances Board in accordance with 2015 Act 55. These positions are currently scheduled to terminate on June 30, 2020.

GOVERNOR

Provide 5.0 PR project positions in 2020-21.

MODIFICATION

Delete provision.

Explanation: In its agency request, DSPS requested 5.0 positions and \$339,400 in 2020-21 to extend, through June 30, 2021, 5.0 project positions authorized in Act 59. The Executive Budget Book indicates the Governor's intent to deny funding and position authority for this item. However, the 5.0 positions are included in the state's budget system as if the position authority had been recommended by the Governor. (No funding for these positions is provided in the bill.) This modification would delete the position authority from the state budget system.

	Positions Change to	
	Base	Bill
PR	0.00	- 5.00

Prepared by: Aaron Whitaker



Legislative Fiscal Bureau

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

May, 2019

Joint Committee on Finance

Paper #639

Fire Department Dues Distribution Reestimate (Safety and Professional Services)

CURRENT LAW

Any insurer doing fire insurance business in the state must pay fire department dues equal to 2% of the amount of all Wisconsin-based premiums paid to the company for insurance against loss by fire, including insurance on property exempt from taxation. After deductions for certain fire prevention programs at the Department of Safety and Professional Services (DSPS) and the Wisconsin Technical College System (WTCS), DSPS distributes the program revenues (PR) to each city, village or town maintaining a local fire department that complies with state law. Fire dues payments may only be used for eligible activities related to operation of a fire department.

Insurers pay the fire dues to the Office of the Commissioner of Insurance (OCI). OCI is statutorily required to notify DSPS of the fire dues revenue amount by May 1 of each year. DSPS is statutorily required to calculate, by May 1 of each year, the proper amount of fire dues to be paid to each qualifying city, village or town. After DSPS subtracts the appropriated amounts for the DSPS administrative appropriation and the two WTCS fire fighter training appropriations, and makes specified adjustments, the resulting amount is distributed to municipalities. DSPS distributes a proportionate share of the fire dues revenues based on the equalized valuation of real property improvements on land within the qualifying towns, villages and cities. In 2017-18, DSPS distributed \$19.9 million to 1,843 local governments that maintain a fire department. In 2018-19, OCI certified the total gross fire dues revenue is \$23.4 million and DSPS will distribute an estimated \$22.0 million to local governments that maintain a fire department.

GOVERNOR

Maintain the base level estimate of \$20,530,000 PR annually for fire dues distribution.

MODIFICATION

Provide \$1,550,000 in 2019-20 and \$2,030,000 in 2020-21 to reestimate the fire dues distribution as \$22,080,000 in 2019-20 and \$22,560,000 in 2020-21 to local governments that maintain eligible fire departments.

Explanation: The appropriation for fire dues distribution to local fire departments is a continuing appropriation estimated to include the available revenues. Although the Governor's budget has not reestimated this appropriation, the Legislature has included a reestimate in the last several biennial budgets to include the amount expected to be available. Under 2017 Wisconsin Act 59, the Legislature reestimated the fire dues distribution appropriation to \$20,310,000 in 2017-18 and \$20,530,000 in 2018-19. The actual amount of fire dues distributed to local fire departments in 2018-19 will be approximately \$22.0 million. Based on current estimates of available fire dues revenue, approximately \$22,080,000 would be available in 2019-20 for distribution to local governments with eligible fire departments, and \$22,560,000 in 2020-21. The estimates assume growth of about 2% per year in gross fire dues collections, which is approximately half of the average annual revenue growth over the last 10 years.

	Change to	
	Base	Bill
PR	\$3,580,000	\$3,580,000

Prepared by: Kendra Bonderud

SAFETY AND PROFESSIONAL SERVICES

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Standard Budget Adjustments
5	Private Onsite Wastewater Treatment System Regulation
6	PDMP -- Reporting Naloxone Administered by Ambulance Services
7	PDMP -- Opioid Naïve Alerts
9	Chiropractic Examination Appropriation
11	Minor Transfers Between Appropriations

LFB Summary Item Removed From Budget Consideration

<u>Item #</u>	<u>Title</u>
10	Regulation and Licensure of Dental Therapists