

# State of Wisconsin

SENATE CHAIR  
**Alberta Darling**

317 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-5830



ASSEMBLY CHAIR  
**John Nygren**

309 East, State Capitol  
P.O. Box 8593  
Madison, WI 53708-8953  
Phone: (608) 266-2343

## Joint Committee on Finance

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative John Nygren

Date: March 30, 2018

Re: s. 16.515/16.505(2), Stats. Request

Attached is a copy of a request from the Department of Administration, received March 30, 2018, pursuant to s. 16.515/16.505(2), Stats., on behalf of the Department of Safety and Professional Services.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Wednesday, April 18, 2018**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:JN;jm



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor  
Ellen Nowak, Secretary

**Date:** March 30, 2018

**To:** The Honorable Alberta Darling, Co-Chair  
Joint Committee on Finance

The Honorable John Nygren, Co-Chair  
Joint Committee on Finance

**From:** Ellen E. Nowak, Secretary  
Department of Administration

MAR 30 2018  
St. Finance

**Subject:** s. 16.515/16.505(2) Request(s)

Enclosed are request(s) that have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2017-18</u>		<u>2018-19</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DSPS 20.165(2)(j)	Safety and building operations	\$2,200,000*		\$2,200,000*	

\* One-time expenditure authority.

As provided in s. 16.515, the request(s) will be approved on April 20, 2018, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about any of the requests.

Please contact Kirsten Grinde at 266-1353, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

**Date:** March 28, 2018  
**To:** Waylon Hurlburt  
**From:** Sara Hynek  
**Subject:** Section 16.515 Request

Attached is a s. 16.515 request analysis for your approval and processing. Listed below is a summary of the item:

**DOA RECOMMENDATION:**

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2017-18</u>		<u>2018-19</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DSPS 20.165(2)(j)	Safety and building operations	\$2,200,000*		\$2,200,000*	

\* One-time expenditure authority.

**AGENCY REQUEST:**

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2017-18</u>		<u>2018-19</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DSPS 20.165(2)(j)	Safety and building operations	\$2,200,000*		\$2,200,000*	

\* One-time expenditure authority.

WRH APPROVAL WRH (FORWARD TO GAIL TAPPEN)



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor  
Ellen Nowak, Secretary  
Waylon Hurlburt, Administrator

**Date:** March 28, 2018

**To:** Ellen Nowak, Secretary  
Department of Administration

**From:** Sara Hynek  
Executive Policy and Budget Manager

**Subject:** Request under s. 16.515 from the Department of Safety and Professional Services to increase expenditure authority under s. 20.165(2)(j)

**Request:**

Under the statutory provisions of ss. 16.505 and 16.515, the Department of Safety and Professional Services is requesting an increase in expenditure authority of \$2.2 million PR in fiscal year 2017-18 and \$2.2 million PR in 2018-19 to modernize the Division of Industry Service's main information technology platforms.

**Revenue Sources for Appropriation:**

The increase in authority would be provided in the department's safety and building operations appropriation under s. 20.165(2)(j). Revenues that support this appropriation are generated by fees for plan reviews, construction inspections, sewage and septic reviews and building permits. The appropriation typically has carried forward a balance of at least \$8 million PR each year.

**Background:**

The Department of Safety and Professional Services is responsible for ensuring the safe and competent practice of licensed professionals, assuring that public and private buildings are safe and sanitary, and providing centralized administrative services to certain boards, councils and committees. The Division of Industry Services works to assure safe and sanitary buildings. The division has two bureaus: (a) the Bureau of Technical Services, which focuses on commercial building, plumbing and fire suppression plan review, and (b) the Bureau of Field Services, which focuses on inspections of a wide variety of "regulated objects" that include buildings, amusement rides, boilers, elevators, pressurized gas systems, electrical systems and private onsite wastewater treatment systems.

The division currently uses an information technology platform built in 1997 for regulated objects work as well as a "SabApp" (safety and buildings application) that provides an interface to the department's integrated credentialing system for the credentialing activities within the division.

Ellen Nowak, Secretary

Page 2

March 28, 2018

The Governor's 2017-19 executive budget included a proposal for a one-time increase to the department's budget authority by \$2.2 million PR in each of fiscal years 2017-18 and 2018-19 to support modernization of the 1997 platform. The proposal was modified during legislative action on the bill to place the funding in the Joint Committee on Finance's supplemental appropriation and would have required the department to submit a request under s. 13.10 to release the authority back to the department. The provision was partially vetoed by the Governor and the department was directed to request the funds under a 14-day passive review process under s. 16.515.

**Analysis:**

The department states that the regulated object and SabApp systems are outdated and require extensive resources to maintain and troubleshoot. Between fiscal years 2013-14 and 2015-16, the department spent a total of \$1,076,000 maintaining these systems. The systems do not integrate with existing systems within the department or elsewhere in state government, which requires the department to manually enter data or create new workarounds when problems arise. This causes delays in processing times for construction inspections, which in turn may increase costs for the department's construction customers. Other issues include misprinting of credentials and unexplained expiration or reinstatement of credentials. Significantly, the systems are not Web-based and have no capability for three-dimensional plan review.

The department has proposed the modernization project to help staff be more efficient and shorten wait times for the end client, as well as enhance the security of sensitive customer information. By utilizing cloud and mobile services in the field, staff will be able to make filings and updates in real time without needing to manually enter data or documents later at a workstation (which may eventually result in financial, FTE position and office space savings). In addition, customers may receive on-site inspection reports, reducing costs incurred due to report delays. The department indicates that efficiency and customer service experiences will be enhanced, and while the expected improvement is not quantifiable, the project will improve credential processing, manual processes, elapsed time from inspection to inspection report, elapsed time from inspection to permit-to-operate, returned mail, miles driven by field staff, system maintenance time, and more. Further, the department expects to see increases in the number of customers applying or renewing credentials electronically.

The department is anticipating the software licenses will cost approximately \$809,000 during this biennium (although licensing costs will be based on usage, so exact costs are indeterminate), plus an additional \$3.6 million for 35,000 information technology staff hours to build new infrastructure for the software, convert old data (such as data in Microsoft Access databases) into a new format, establish new workflows, train staff and conduct additional activities related to implementation and usage of the new system. In total, this would cost approximately \$4.4 million over the biennium.

The project will be implemented in three phases, which will affect different credentials, interfaces with department or state systems, and consumers. The phased approach to implementation will allow the department and the software vendor to ensure success at each

stage prior to moving to another phase. Additional information on the phases is provided below.

- **Pilot Release:** Includes inspections for one/two-family dwellings, mobile homes, manufactured homes and uniform dwelling codes, as well as related credentials (such as manufactured home dealer or dwelling contractor).
  - Total applications processed: 14,901
  - Total number of customers supported: 478,552
  - Expected to improve interface with the Department of Revenue for taxpayer verification
  
- **Release 2:** Includes inspections of amusement rides, ammonia systems, fuel, plumbing, pressure vessels/systems, swimming pools, refrigeration systems, and safety and ski lifts/tows.
  - Total applications/renewals processed: 56,819
  - Total number of customers supported: 193,647
  - Expected to improve interoperability with STAR
  
- **Release 3:** Includes inspections of commercial building products, fire alarms, electrical and HVAC systems, elevators, explosives, fire dues, mines and quarries.
  - Total applications/renewals processed: 107,445
  - Total number of customers supported: 206,769
  - Commercial building products data converted

To summarize, the following points support approval of the request:

- The department's safety and buildings systems are not Web-based; many states have Web portals that are more customer service-oriented than static, e-mail submission processes. The new technology platform will be more user-friendly for both department staff and customers.
  
- Current systems require duplication of field staff efforts; staff must perform inspections and collect all required data, then enter the data at a workstation. The project will allow the department to lessen the need for field staff to spend time on data entry, which will free up staff time to perform more inspections and reduce wait times.
  
- Current systems are expensive to maintain; they are brittle, meaning they require frequent spot fixes and modifications and sometimes operate erratically. If the system is brittle, it is vulnerable to failure; failure of the system would have a significant negative impact on commercial and residential building projects across the state and for workers in the Wisconsin construction industry.
  
- Updating the regulated objects and SabApp systems will provide the department with a foundation on which to build customer service-oriented systems for professional credentials, which also will improve efficiency and lessen wait times for licensed professionals.

Ellen Nowak, Secretary

Page 4

March 28, 2018

The department is requesting expenditure authority of \$2.2 million PR in each year of the current biennium on a one-time basis, which it can fully absorb within the existing cash balance in the appropriation. The department is anticipating closing balances for fiscal years 2017-18 and 2018-19 to be \$8.07 million and \$6.95 million, respectively. Ongoing costs related to the regulated objects and SabApp systems may be less after the initial implementation. The department already spends an average of \$350,000 PR annually to maintain a brittle system with limited modern functionality; ongoing licensing costs are estimated at \$429,000 in fiscal year 2018-19.

Because the department has sufficient resources to fund the project, and because going forward the licensing costs and reduction in system maintenance costs will at least partially offset, the request to increase the department's expenditure authority in the appropriation under s. 20.165(2)(j) appears reasonable. No additional state GPR or positions will be needed related to this request. The project will help the department better serve its customers in the construction and related industries, and achieve efficiencies and savings internally.

**Recommendation:**

Approve the request.



Scott Walker, Governor  
Laura Gutiérrez, Secretary

---

To: Ellen Nowak, Secretary  
Department of Administration

From: Laura Gutiérrez, Secretary  
Department of Safety and Professional Services

---

**Request:**

The Department of Safety and Professional Services requests an increase in expenditure authority of \$2.2 million in fiscal year 2017-18 and \$2.2 million in fiscal year 2018-19 in the appropriation for safety and building operations under s. 20.165(2)(j) for the agency's modernization of its Division of Industry Services' main IT platforms.

**Background:**

The Department of Safety and Professional Services (DPS) is the agency responsible for the processing, oversight, and enforcement of professional licensing and permitting in the State of Wisconsin. As part of its mission to promote economic growth and stability while protecting the citizens of Wisconsin, the Department requested funding to modernize its information technology platform that is responsible for assisting the DPS purview of professional, buildings, and regulated objects. The customers impacted by the information technology system in question contributed more than \$75 billion in economic activity in Wisconsin in 2013.

DSPS operates on three main legacy applications systems that are inflexible, expensive to maintain, and difficult to update to meet customer expectations and legislative mandates. The out-of-date technologies do not allow for the implementation of business processes consistently across the agency, creating siloes responsible for duplication of efforts and inefficiencies in program areas across the entire agency.

Currently, Regulated Objects (built in 1997) and SabApp are the primary systems used in the Division of Industry Services and manages commercial inspections, plan reviews, credentialing, and auditing. Some of the pitfalls of the systems are as follows:

- High maintenance costs
- Misprinting trades credentials
- Unexplained expiration of credentials
- Reinstatement of credentials without an individual meeting the proper requirements
- Manual data management
- Siloed platform that does not easily communicate with other Department IT systems

Additionally, the agency spends over \$200,000 per year just to maintain the current system which does not support many of DSPS' new strategic plan objectives, nor support the state's initiative to provide a smarter digital government to meet citizen's expectations. The market to provide developers and resources that both know and can support the system are limited and costly and the platform does not have the ability to easily integrate with other IT systems. This modernization project would convert all the data from Regulated Objects along with its associated data from the SabApp system.

**Analysis:**

DSPS entered into a \$100,000 contract with Deloitte Consulting, LLP through funds from DSPS' allocation for IT application development work. The funds for the study were provided in the 2015-17 biennial budget as a one-time earmark for IT modernization. In a period of five months, Deloitte Consulting, LLP performed an in-depth analysis on the following deliverables through a Statement of Work:

- Current Business Architecture
- Application Architecture
- Data Architecture
- Integration Architecture
- Reporting Architecture
- Detailed Operating Cost and Financial Model
- Staff Organizational Plan and Project Governance Approach

When surveying DSPS customers, Deloitte found that 93% of respondents prefer online applications, with 100% willing to use an online service portal.

The IT Modernization Project would take place in three releases over 18 months, with the new project providing services immediately after the pilot release, including the intake and processing of applications/renewals, and supporting account creation for customers and staff.

Breakdown of positive impact on applications, customers, and DSPS/3<sup>rd</sup> Party staff per release:

	<b>Applications/Renewals Processed</b>	<b>Customers Supported</b>	<b>DSPS &amp; 3<sup>rd</sup> Party Staff Supported</b>
<b>Pilot Release</b>	14,901	478,552	25
<b>Release 2</b>	56,819	193,647	41
<b>Release 3</b>	107,445	206,769	74
<b>Phase 1 Totals</b>	<b>179,165</b>	<b>878,968</b>	<b>140</b>

Modernizing the Department's outdated legacy systems will result in efficiencies for both Wisconsin citizens and DSPS employees. The ability to issue credentials more efficiently for some trades professions, resulting in a shorter wait time for credential holders entering the workforce. It will also meet the mobile capability expectations customers have by creating quicker payment processing, data validation, and quicker response times due to the reduction of filing and retrieval of paper records.

Staff working in the field will be able to acquire signatures on-site and will be able to make real-time updates to the database instead of spending time scanning and filing documents in the office.

Technical improvements will allow DSPS staff to configure the system to meet their needs and track cycle times more efficiently to realize efficiencies and performance needs to achieve Department goals. The cloud-based system will not require infrastructure to be created and maintained, instead it will be maintained by the provider with several releases each year to include new features, maintained functionality, and security updates.

This project will not only simplify customer interactions and allow customers to more quickly see revenues and reduce overhead costs in engaging with DSPS, but it will capitalize upon the opportunities created by the 2011 merger by having a system that can function across the agency. Further, this new system will provide additional government accountability to those the agency serves.

### **Fiscal Analysis:**

DSPS has an annual budget of approximately \$53 million per year; \$19 million awarded to local fire departments in dues grants, an average of \$2.2 million per year to the General Fund with 10% of all professional licensing revenues going to GPR-E.

Over the past three fiscal years, DSPS has spent the following on maintaining all the Department's IT applications:

FY 14: \$1.79 million

FY 15: \$2.07 million

FY 16: \$2.19 million

Note: these numbers do not take into consideration staff time that was spent troubleshooting problems, creating workarounds, and changing standard operating procedures, which are significant costs to the Department's lean budget.

In the three fiscal years prior to the budget proposal, DSPS spent \$1,076,000 just to maintain Regulated Objects and SabApp, the two main applications used in the Division of Industry Services. Not only will modernizing Regulated Objects and SabApp provide efficiencies to staff and customers, it will provide cost savings by completely removing Regulated Objects and its ongoing maintenance from DSPS' IT platform.

Yearly licensing costs to support this project will be through the BasicGov platform and will cost the department approximately \$380,000 in the first year and \$429,000 in the second as the enhancements done in the second year will require additional licenses. These licensing costs are between \$171,000 and \$220,000 lower than the yearly \$600,000 price point the Department initially expected would be required at the time of the initial budget proposal.

This request does not require any additional GPR funds, rather monies from operational and agency reserve funds.

### **Recommendation:**

If this system is not constructed, DSPS customers and employees would continue to suffer from longer wait times to receive and renew professional credentials, in turn meaning possible delays in entering the workforce. A catastrophic failure of the current system could also result in losing the ability to provide building plan approval and inspection, significantly delaying economic development in Wisconsin.

The agency would also continue to struggle to offer customers online services that many individuals expect. Additionally, DSPS would not have mobile capabilities to perform work in the field which would result in staff continuing to do work on paper, thus spending every Friday in the office manually entering and filing data. The development of a separate portal for customers to submit and track plan review requests would be costly and add complexity to the agency's already large IT platform.

As previously stated, DSPS' current systems are inefficient and expensive to maintain. The current system is an end-of-life platform, meaning it is increasingly difficult to find developers who know how to perform the fixes to keep it running.

In keeping with the Department's mission of promoting economic growth and stability while protecting the citizens of Wisconsin as designated by statute, the Department recommends approving the funding to address current deficiencies and meet business and customer needs in a way that current systems are incapable of doing.