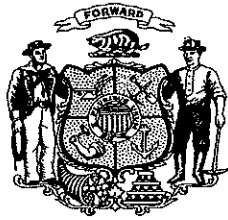


State of Wisconsin

SENATE CHAIR
Howard Marklein

316 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-0703



ASSEMBLY CHAIR
Mark Born

308 East, State Capitol
P.O. Box 8952
Madison, WI 53708-8953
Phone: (608) 266-2540

Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: May 9, 2022

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

Attached is a copy of a request from the Department of Administration, received May 9, 2022, pursuant to s. 16.515/16.505(2), Stats., on behalf of the Department of Financial Institutions.

Please review the material and notify **Senator Marklein** or **Representative Born** no later than **Thursday, May 26, 2022**, 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

HM:MB:jm



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary-designee

Date: May 9, 2022

To: The Honorable Howard Marklein, Co-Chair
Joint Committee on Finance

The Honorable Mark Born, Co-Chair
Joint Committee on Finance

From: Kathy K. Blumenfeld, Secretary-designee
Department of Administration

DS
KB

MAY 09 2022
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>2021-22</u> <u>AMOUNT</u>	<u>FTE</u>	<u>2022-23</u> <u>AMOUNT</u>	<u>FTE</u>
DFI 20.144(1)(g)	General program operations		0	\$411,800*	0

* One-time expenditure authority

As provided in s. 16.515, the request(s) will be approved on May 31, 2022, 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 (608) 266-1353, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

CORRESPONDENCE/ MemorandumState of Wisconsin
Department of Administration

Date: May 6, 2022
To: Brian Pahnke
From: Paul Ziegler
Subject: Section 16.515 Request

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

DOA RECOMMENDATION:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2021-22</u>		<u>2022-23</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DFI 20.144(1)(g)	General program operations			\$411,800*	

* One-time funding.

AGENCY REQUEST:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2021-22</u>		<u>2022-23</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DFI 20.144(1)(g)	General program operations			\$411,800*	

* One-time funding.

BP APPROVAL



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary-designee
Brian Pahnke, Administrator

Date: May 6, 2022

To: Kathy Blumenfeld, Secretary-designee
Department of Administration

From: Paul Ziegler
Executive Policy and Budget Manager

Subject: Request under s. 16.515 from the Department of Financial Institutions for the creation of a homeowners' association database.

Request:

The Department of Financial Institutions requests additional expenditure authority of \$411,800 PR in fiscal year 2022-23 in the department's general program operations appropriation under s. 20.144(1)(g). The requested funding will enable the department to create a homeowners' association database as required under 2021 Wisconsin Act 199. The entire request is for one-time funding.

Revenue Source for Appropriation:

The revenue deposited to the Department of Financial Institution's general program operations appropriation under s. 20.144(1)(g) is comprised of fees from financial institution examinations, fees from business registrations and other fees from entities and professions regulated by the department.

Background:

The Department of Financial Institutions has been assigned a variety of duties to facilitate financial activity in Wisconsin and safeguard the investing public. The department's duties include the regulation and examination of state-chartered banks and credit unions, licensing of financial service providers, registration of securities offerings, issuance of notary commissions and registration of business entities.

Act 199 assigned a new responsibility to the department. Under the act, a homeowners' association (an entity managing rules for properties within a planned residential community) is required to annually report certain information to the department – including the association's name and address, contact information, county and municipal location, and Internet site. The act requires the department to establish and maintain a statewide searchable database of the information received through these notices. The database is intended to allow homeowners, or prospective homeowners, to more easily obtain information pertaining to covenants, restrictions, and assessments to which properties may be subject. The database is to function in a manner similar to the department's corporate record filing system.

The act requires that the department establish the homeowners' association database no later than January 1, 2023.

Kathy Blumenfeld, Secretary-designee
Page 2
May 6, 2022

Analysis:

The department is requesting additional one-time expenditure authority to enable the department to fulfill the Act 199 requirement. Based on its experience in the development of databases with similar functions, the department expects that the creation of the homeowners' association database will cost the department \$411,800 on a one-time basis. The department's request is consistent with its fiscal note on the bill.

The department has limited ability to establish this new database without additional expenditure authority. The broad scope of the department's duties requires ongoing maintenance and support of nearly 100 software applications to which its base-level resources are devoted. In recognition of the department's need for additional resources for the implementation of new information technology projects, 2021 Wisconsin Act 58, the 2021-23 Biennial Budget, provided the department with one-time financing for both the notary and financial integrity modernization efforts. Any reallocation of resources away from these two projects will likely endanger the department's ability to complete these approved efforts before their one-time funding expires. In addition, Act 58's \$1,305,000 permanent reduction to the department's ongoing expenditure authority under its general program operations appropriation significantly limits the department's ability to reallocate resources from existing needs to establish the new homeowners' association database.

The department's general program operations appropriation has more than adequate program revenue to support this request. Revenues to this appropriation exceed expenditures by over \$80 million annually. At the end of each fiscal year, revenues to this appropriation in excess of expenditures lapse to the general fund to become GPR-earned. While approval of the request will reduce GPR-earned by \$411,800 in fiscal year 2022-23, this one-time reduction is only about 0.5 percent of the \$84,191,500 of GPR-earned that the department is expected to generate for the benefit of the general fund balance in fiscal year 2022-23 alone.

Because Act 199 allows the department to establish a homeowners' association filing fee of not more than \$25, some portion of the costs to establish the homeowners' association database should be offset over time by the annual filing fees from these associations. Since the number of active homeowners' associations is unclear, the degree to which these fee collections will reduce the net cost of establishing the database is unknown at this time.

Recommendation:

Approve the request.



State of Wisconsin
Department of Financial Institutions

Tony Evers, **Governor**

Cheryll Olson-Collins, **Secretary**

DATE: April 19, 2022

TO: Brian Pahnke, Administrator
Division of Executive Budget and Finance
Department of Administration

FROM: Cheryll Olson-Collins, Secretary
Office of the Secretary
Department of Financial Institutions

SUBJECT: REQUEST UNDER S. 16.515 FOR DEPARTMENT 144: DEPARTMENT OF FINANCIAL INSTITUTIONS

On behalf of the Department of Financial Institutions, I am submitting the attached request for one-time funding of \$411,800, beginning fiscal year 2022-23, via appropriation 20.144(1)(g).

Thank you for your attention of this matter.

Office of the Secretary

Mail: PO Box 8861 Madison, WI 53708-8861
Courier: 4822 Madison Yards Way, Madison, WI 53705
Voice: (608) 264-7800 Fax: (608) 261-4334 Web: www.wdfi.org

DEPARTMENT OF FINANCIAL INSTITUTIONS

REQUEST UNDER s. 16.515 FOR FUNDING AUTHORIZATION

I. REQUEST

The Department of Financial Institutions (DFI), under s. 16.515, requests one-time funding of \$411,800, beginning fiscal year 2022-23. This funding is needed to create and maintain a statewide searchable filing system for notices filed by homeowners' associations. If approved, this request will be funded via appropriation 20.144(1)(g).

II. BACKGROUND

DFI is dedicated to protecting the safety and soundness of Wisconsin's financial institutions, safeguarding the investing public, facilitating commerce, and increasing financial capability throughout the state.

Under 2021 Wisconsin Act 199, which was enacted on March 8, 2022, homeowners associations within the state will be required to file annual public notices with the department containing contact and other information set forth in statute. The Act requires the department to establish a searchable filing system for these public notices no later than January 1, 2023.

As explained in the department's fiscal estimate for the bill, based on its experience in developing and maintaining similar public databases, the department estimates that there will be a one-time cost of \$411,800 to develop, test, and implement the filing system required by Act 199.

Pursuant to 2021 Wisconsin Act 58, the department received a permanent reduction of \$1,305,000 to its general program operations appropriation, in fiscal year 2021-22, the latest in consecutive annual spending reductions since fiscal year 2017-18. The department needs parallel spending authority to supplement the workload necessary to carry out this new mandate.

III. ANALYSIS

Approving this request allows the department to immediately begin recruiting and scheduling the personnel necessary for creating a statewide searchable filing system so their start date aligns with the funding. This will enable the department to complete the mandated project by the January 1, 2023, deadline.

IV. FISCAL ANALYSIS

Pursuant to 2021 Wisconsin Act 199, the department may establish a fee not to exceed \$25 for filing a notice under s. 710.18(3)(e). This will be one of many different existing sources of program revenue from fees paid by participants. The funding for this request will be provided by program revenue.

The program revenue appropriation is annual, and any remaining balance shall lapse to the general fund. In fiscal year 2020-21, the agency lapsed over \$85 million to the general fund. Accordingly, the department has more than enough revenue in appropriation 20.144(1)(g); it merely lacks sufficient budget spending authority to complete the mandated project.

V. REVENUE SOURCE FOR APPROPRIATION

Under Section 20.144(g) of the Wisconsin Statutes, all moneys received by the Department of Financial Institutions, other than by the Office of Credit Unions and the Division of Banking, and 88 percent of all moneys received by the Office of Credit Unions and the Division of Banking shall be credited to this appropriation, but any balance at the close of a fiscal year under this appropriation shall lapse to the general fund.