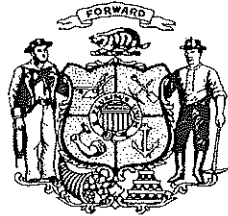


State of Wisconsin

SENATE CHAIR
Howard Marklein

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



ASSEMBLY CHAIR
Mark Born

308 East, State Capitol
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Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: May 8, 2024

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

Attached is a copy of a request from the Department of Administration, received May 8, 2024, 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 **Tuesday, May 28, 2024**, 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

Date: May 8, 2024
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 
Department of Administration
Subject: s. 16.515/16.505(2) Request(s)

MAY 08 2024
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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:

AGENCY	DESCRIPTION	2023-24		2024-25	
		AMOUNT	FTE	AMOUNT	FTE
DFI 20.144(1)(g)	General program operations			\$318,900*	

* Ongoing expenditure authority

As provided in s. 16.515, the request(s) will be approved on May 30, 2024, 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



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary

Date: May 6, 2024

To: Kathy Blumenfeld, Secretary
Department of Administration

From: Jessie Martin
Executive Policy and Budget Analyst

Subject: Request under s. 16.515 from the Department of Financial Institutions to provide additional funding for the Uniform Commercial Code and Trademark Filing System Technology Project.

Request

The Department of Financial Institutions requests additional expenditure authority of \$318,900 PR in fiscal year 2024-25 in the department's general program operations appropriation under s. 20.144(1)(g) to complete the Uniform Commercial Code and Trademark Filing System Technology Project. The requested expenditure authority would be ongoing.

Revenue Source for Appropriation

The revenue deposited to the department'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

In 2019, the department signed a contract with a third-party vendor to replace its in-house system for the processing and filing of documents required under the Uniform Commercial Code, maintaining the statewide Uniform Commercial Code lien system, and processing trademark registrations. Original costs included a one-time implementation fee of \$630,000 and an annual software service fee of \$189,600. The initial term of the contract was five years, with two options to extend the contract by one year upon mutual agreement of both parties. Both options have been exercised, and the contract will end on March 15, 2025.

The department identified several issues with the current third-party software vendor and concluded the best path forward would be to search for a new vendor that would provide timely resolution to production issues, provide for bulk filer onboarding, and support a core system with regular maintenance and upgrades. In anticipation of this search for a new vendor, the department received \$724,500 in fiscal year 2024-25 for one-time implementation costs in the 2023-25 Biennial Budget.

Since the enactment of the 2023-25 Biennial Budget, the department issued a Request for Proposal (RFP) for a new vendor. The process resulted in the lowest-cost vendor charging a one-time implementation fee of \$1,043,600 and an annual software service fee of \$318,900.

Kathy Blumenfeld, Secretary
Page 2
May 6, 2024

Analysis

The department is requesting additional expenditure authority to enable the department to enter into a contract with the new vendor identified in the RFP process. Without securing full funding for the entire life cycle of the new contractual period, the department cannot sign a contract to begin the transition to the new vendor. In addition, the department is requesting this additional expenditure authority for fiscal year 2024-25 at this time for two reasons – to provide certainty on the project's funding as it negotiates with potential vendors and to maximize the time period within fiscal year 2024-25 to conduct the project prior to the termination of the existing contract.

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 its initial request, the department did not include the estimated annual software service costs, which would be \$318,900 with the new vendor, beginning in fiscal year 2025-26. Approval of this request would cover these ongoing maintenance and support costs.

Additionally, the anticipated lowest-cost, one-time implementation fee of the new vendor, \$1,043,600, is \$319,100 more than the amount approved in the 2023-25 Biennial Budget for this purpose (\$724,500). The additional expenditure authority requested, \$318,900, would almost entirely close the gap in funding available for the one-time implementation cost in fiscal year 2024-25. The department states it can absorb the \$200 remaining gap. Consequently, the \$318,900 of ongoing expenditure authority requested will first address the funding gap between the current and previously anticipated implementation cost and then provide the necessary amount for the ongoing annual software support costs.

The department's general program operations appropriation has more than adequate program revenue to support this request. Revenues to this appropriation routinely exceed expenditures by over \$85 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 \$318,900 annually beginning in fiscal year 2024-25, this would have only represented about 0.3 percent of the \$93.2 million GPR-earned that the department generated for the benefit of the general fund balance in fiscal year 2022-23.

In fiscal year 2021-22, filings and examinations under the Uniform Commercial Code and trademarks brought in \$1,596,000 in program revenue.

Recommendation

Approve the request.

CORRESPONDENCE/Memorandum

State of Wisconsin
Department of Administration

Date: May 6, 2024
To: Brian Pahnke
From: Jessie Martin
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>2023-24</u>		<u>2024-25</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DFI 20.144(1)(g)	General program operations			\$318,900*	

* Ongoing expenditure authority

AGENCY REQUEST:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>2023-24</u>		<u>2024-25</u>	
		<u>AMOUNT</u>	<u>FTE</u>	<u>AMOUNT</u>	<u>FTE</u>
DFI 20.144(1)(g)	General program operations			\$318,900*	

* Ongoing expenditure authority

BP APPROVAL 



State of Wisconsin
Department of Financial Institutions

Tony Evers, Governor

Cheryll Olson-Collins, Secretary

DATE: April 8, 2024

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 pursuant to s. 16.515 from the Department of Financial Institutions for increased program revenue (PR) expenditure authority for Uniform Commercial Code and Trademark Filing System Technology Project

Request:

The Department of Financial Institutions requests continuing annual expenditure authority of \$318,900 PR, starting in fiscal year 2024-25.

Revenue Source for Appropriation:

The source of funding will be from appropriation s. 20.144(1)(g), General Program Operations. This is a Program Revenue (PR) appropriation, which has sufficient funding to support this request.

Background:

On March 15, 2018 the Department of Financial Institutions signed a contract with a third party vendor to replace an in-house legacy system for filing documents under the Uniform Commercial Code, maintaining the statewide Uniform Commercial Code lien system, and processing trademark registrations. The one-time implementation fee was \$630,000 with an annual Software as a Service cost of \$189,600. The initial term was for five years and with two options to further extend the contract by one year upon mutual agreement of both parties. Both parties agreed to extend the contract twice and the contract ends on March 15, 2025.

Due to the contract's expiration, the department is currently pursuing a Request for Proposal to continue to support these departmental functions again through a third-party vendor. Pursuant to 2023 Wisconsin Act 19, the department received one-time expenditure authority of \$724,500 PR, in fiscal year 2024-25, for this purpose. When making this request, the department provided a conservative estimate that assumed the implementation fee would increase by fifteen percent, from its previous contract.

At this stage in the Request for Proposal process, the department's lowest costing option has been revealed to be a one-time implementation fee of \$1,043,600, with an annual Software as a Service cost of \$318,900.

Analysis:

The department cannot make a commitment to a third-party vendor without securing full funding for the entire lifecycle of a new contractual period. The department requests continuing annual expenditure authority of \$318,900 PR, starting in fiscal year 2024-25. This will close the gap (minus \$200 the department will absorb) between the proposed one-time implementation fee of \$1,043,600 and the \$724,500 PR expenditure authority already provided, pursuant to 2023 Wisconsin Act 19. It will also cover the annual Software as a Service costs going forward. The department notes it previously did not request funding for annual Software as a Service costs, in the 2023-2025 biennial budget, as the costs were unknown at the time.

Conclusion:

Approval of this request will allow the department to enter into a contract with a third-party vendor, starting in fiscal year 2024-25, consistent with action taken in 2023 Wisconsin Act 19. While the initial funding was provided based upon expectations (excluding the ongoing maintenance costs) at that time, actual costs will clearly be higher. Rejection of this request puts the department into an untenable situation as it has no other mechanism to support funding for a new contract or to replace these functions with an internal software solution.

Contact Information:

If you have any questions regarding this request or need more information, please contact the Department of Financial Institutions Budget and Policy Manager, Amy Moran, at amy.moran@dfi.wisconsin.gov.