



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 24, 2003

Joint Committee on Finance

Paper #318

Appropriation for Use of Funds Received From Other State Agencies (Employment Relations)

CURRENT LAW

Under current law, the Department of Employment Relations has a PR continuing appropriation [s. 20.512(1)(k)] for the receipt and expenditures of monies received from other state agencies for the purpose of having the Department provide employment services and/or materials to those agencies.

GOVERNOR

No provision except to relocate the existing DER appropriation to be a new appropriation [s. 20.505 (1)(k)] under the Department of Administration as a result of the proposed transfer of DER functions to DOA.

DISCUSSION POINTS

1. This appropriation was first created in the 1999-01 budget. In that budget, the Governor recommended and the Legislature approved this continuing PR appropriation to allow DER to deal with miscellaneous revenues that it was receiving from other state agencies. In its request for the creation of this new appropriation, DER stated that this appropriation was needed to enable the Department to handle certain specific types of expenditures for which it ultimately would receive revenues from other state agencies to pay (in effect, reimburse) the Department for these expenditures made on their behalf. However, under state accounting rules, such revenues may not be treated as a "refund of expenditures"; rather, the expenditures must be separately directly "expensed" against the revenues received from other state agencies.

2. The type of expenditures which the agency indicated it anticipated being incurred under this new appropriation were: (a) shared obligations such as career fairs or conferences where DER and other agencies would agree to split the costs of the event; (b) special projects where one or more agencies would agree to provide funding for a one-time special project; and (c) situations where an agency would reimburse DER for certain expenses incurred by DER on the agency's behalf. It was further indicated by DER that a continuing, rather than a sum certain, appropriation was required because DER could not predict when such services might be requested or such arrangements would occur. Estimated expenditures of \$16,000 PR annually were requested by the Department and approved by the Governor and the Legislature.

3. Under a continuing PR appropriation, the amounts in the appropriation schedule are not controlling and the agency can expend any amount for which it has sufficient revenues to support the expenditures. However, consistent with the whole concept of a comprehensive biennial budget process, the expectation is that each agency with any such appropriation(s) will include in its biennial budget request a reliable estimate of the amount it expects to expend in the forthcoming biennium based on its programmatic plans.

4. In the 1999-01 biennium, DER actually expended \$237,543 PR in 1999-00 and \$630,320 PR in 2000-01 for on-going operation of a new automated human resources information system processing system known at that time by the acronym "SHRS" for shared human resources system. [At that time, a much more extensive automated system was envisioned as being established. Currently, the scope of the system has been considerably constrained and currently is aimed primarily at the automation of the job application and register creation aspect of the personnel system. With that in view, the revised acronym for the system that is now being used is WISJOBS]. The 1999-00 expenditures were made possible by a transfer of GPR funds into the PR appropriation. However, the 2000-01 expenditures were derived by assessments (under memorandums of understanding) of state agencies for these operating costs. No funding authorization was ever provided by the Legislature for this major on-going continuing activity.

5. Notwithstanding these level of expenditures in the 1999-01 fiscal biennium, the Department, in its budget request submittal for the 2001-03 biennial budget did not submit an expenditure request for this appropriation that reflected both its actual level of spending in the prior biennium and that accurately reflected its program expenditure activity for the forthcoming 2001-03 budget period. Rather, it merely carried forward the expenditure figure of \$16,000 annually that had originally been budgeted in the appropriation in the 1999-01 budget as the agency's indicated expected level of expenditure.

6. In an issue paper prepared for the Committee for the 2001-03 biennial budget, the Committee was apprised of this situation and the fact that the agency was actually expecting to expend a total of \$787,800 PR in both 2001-02 and 2002-03 for operation of this system. Revenues to support these expenditures would again be obtained by assessment of state agencies for operating costs of the system. The Committee acted to modify the budget to provide that: (a) the appropriation be changed from a continuing appropriation to a sum certain annual appropriation; (b) the sum certain appropriation be set at the same \$16,000 expenditure level requested by the agency

in its budget request; and (c) increased expenditure authority for the appropriation would be considered by the Committee under the passive review powers of the Committee at a future date once the Department had provided the Committee with a detailed plan on the costs of operation of the new system, any future development costs, and an explanation of how DER planned to fund the costs of the system in the 2001-03 biennium and beyond. The Legislature concurred in these changes in the final budget as passed.

7. The Governor item-vetoed this entire change, thereby retaining the appropriation as a continuing (open-ended) appropriation, deleting any requirement for the agency to report to the Committee on its expenditure plans and allowing the agency to make such expenditures from the appropriation as it had planned revenues to support such expenditures. The Governor, in his veto message, stated that: "I object to the change in appropriation status because I believe a continuing appropriation is better suited to the requirements of maintaining the system. I am also concerned that the requirements to prepare and submit additional reports as a condition for having supplemental funding requests considered will unnecessarily delay implementation of the shared human resources system."

8. While the view expressed above may be valid from the executive branch's view, it does not represent the Legislature's inherent interest in oversight of state agency programs and activities through the appropriation process.

9. Where the activities to be financed are for administrative operations that are on-going in nature, it can be argued that the need for an open-ended appropriation for such purposes ought to be subject to question. While emergencies do arise from time to time in program operations that may necessitate an increase in expenditure authority, procedures currently exist (the Committee's supplemental appropriation powers under ss. 13.101 and 16.515, for instance) that permit interim adjustments to agencies' original appropriated levels during a fiscal biennium. Further, with an open-ended appropriation, an agency knows that though it is intended that the agency is to submit a budget request for the forthcoming biennium that reflects its best estimate of needed spending authority, there is no legislative control or review over the agency exceeding the expenditure level estimated in the continuing appropriation.

10. Following the Governor's veto of the Legislature's proposed conversion of DER's monies from other state agencies appropriation, the budget level for the appropriation was increased to \$716,500 PR for 2001-02 and \$691,000 PR for 2002-03, based on the agency's then best estimate of what it actually expected to spend from this continuing appropriation.

11. In 2001-02, actual expenditures from this appropriation totaled \$612,558 PR. For this year, expenditures to date (through March 31, 2003) total \$297,146 PR.

12. In its 2003-05 biennial budget request, DER did not submit any proposed change to its adjusted base level of funding for this appropriation. That level was the \$691,000 PR of expenditures estimated for the continuing appropriation set in the appropriation schedule following the Governor's item veto action. However, in the program statement that must accompany each PR

account as a part of the agency's budget submittal, DER projected expenditures from program revenues of only \$325,000 PR in 2003-04 and 2004-05 in this appropriation. The program statement indicated that the reduced projected expenditure for the 2003-05 biennium was expected due to lower costs for continued operation of WISCJOBS on an Internet platform rather than continued operation of the system on the state's computer utility mainframe. When the agency was asked why the appropriation level was not re-estimated as a part of the agency's budget request, the response was that the appropriation was a continuing appropriation.

13. The Committee could re-estimate the expenditure level for appropriation to be \$325,000 PR in each year. This would represent a net reduction to the bill of \$366,000 PR annually. The Committee could also change the existing appropriation to a sum certain, annual appropriation.

ALTERNATIVES

1. Reduce the budgeted level for the appropriation by \$ 366,000 PR annually.

<u>Alternative 1</u>	<u>PR</u>
2003-05 FUNDING (Change to Bill)	- \$732,000

2. In addition to Alternative 1, modify the Governor's recommendation to change the appropriation type for this appropriation from a continuing appropriation to a sum certain, annual appropriation.

3. Maintain current law.

Prepared by: Terry Rhodes