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Program Revenue Base Spending Levels (Office of State Employment Relations)

[LFB 2005-07 Budget Summary: Page 385, #5 (part)]

CURRENT LAW

The Office of State Employment Relations (OSER) has one general program operations appropriation funded from GPR and several PR appropriations established to fund certain limited activities or functions of the Office. Two of these PR appropriations are established for the following purposes: (1) one for employee development and training services (the provision of off-the-job employee development and training activities related to state employment relations and collective bargaining); and (2) another for publications (for the cost of producing periodicals and other publications relating to state employment relations). The adjusted base budget level for each of these appropriations is: $263,100 PR for the training program (excluding the separate state employment options component) and $166,400 PR for the publications program. The appropriations for each of these programs are sum certain, annual appropriations.

GOVERNOR

Continue base level funding for each of programs plus required standard budget adjustments. For the training program, discontinue funding for the separate state employment options program so that in 2006-07 only funding for the employee training program remains (this change is described on page 387, #2, of the LFB summary document). In addition, require that the Secretary of Administration lapse to the general fund in 2005-06 the following amounts from the indicated PR appropriations for the Office: (1) $10,000 from the employee development and training services appropriation; and (2) $10,000 from the publications appropriation.

DISCUSSION POINTS

1. In general, program revenue appropriations are intended to operate so that the cost of the activities and functions of the program are covered by the obtaining of dedicated revenues in an amount sufficient to equal or exceed the appropriated level for the program. Program revenues typically come from fees that are assessed the consumers who purchase the products or services provided by the program revenue operation. These customers may include other units of the agency or other state agencies. One of the budget mechanisms used as a part of the budget development process to monitor such programs is the requirement for an agency to prepare a revenues and balance form which provides actual and projected revenues for the individual program. The form then provides for projections, based on recommended appropriation levels, indicating whether it is estimated that there will be sufficient revenues to cover those proposed appropriation levels in the forthcoming budget.

2. Subsequent to the introduction of the Governor's budget, OSER provided updated revenue and balances forms for these two appropriations to reflect the Governor's recommendations and to provide updated revenue projections for each program.

3. Where the revenue stream for a program may not be consistent because the actual revenues received are highly dependent upon the number of customers choosing to use the services of the program, actual revenue collections can easily vary from projected levels. The agency's revised projections for each of these appropriations are reviewed in the following discussion points.

4. For the training program (excluding the SEO program which is proposed to be discontinued and has always received revenues from the Department of Workforce Development equal to that program's cost), the actual revenue training revenues received in 2003-04 were $85,535 and the projected revenues for the current fiscal year are estimated at $150,000. The agency now projects annual revenue growth above the current year base level of $30,000 in each of the next two years (total revenues of $180,000 in 2005-06 and $210,000 in 2006-07). However, year to date (thru March 24) actual revenues collected totaled $69,227). Because more training courses may yet occur before the close of the fiscal year, final revenues for the program for the current fiscal year will likely be higher. However, it is open to question whether they will total the projected $150,000. The agency indicates that the demand for training courses has declined somewhat, presumably due to the tight budget situation facing state agencies who are required to pay the course costs for their employees.

5. In addition to these lowered revenue projections for 2005-07, under AB 100 the training program would be required to lapse $10,000 from its program revenue balance to the general fund in 2005-06. The net result of these changes, relative to the budgeted expenditure level for the program under the Governor's budget, is that there would be a projected deficit in the program balance of $17,000 in 2005-06 and an additional deficit of $59,400 in 2006-07, even with the projected increased revenues. However, OSER now proposes to address this situation by assuming that it would actually underspend the proposed appropriated level for the program by $50,000 PR in 2005-06 and by $30,000 PR in 2006-07, if additional revenues do not materialize.

Since any funds not spent serve to leave a higher balance, OSER's revised balance statement under these assumptions indicates a positive ending balance at the end of the biennium of $3,600.

6. For the publications program, the actual revenues received in 2004-05 were $90,876 and the projected revenues for the current fiscal year are estimated at $115,000. Actual revenues received as of March 24 totaled $71,712. Additional revenues may come in from additional sales of printed publications. It is possible, however, that total revenues collected will not meet the projected total. The agency now projects annual revenue growth above this base level of $10,000 in each of the next two years (a total of $125,000 in 2005-06 and $135,000 in 2006-07).

7. In addition to these lowered revenue projections for 2005-07, under the Governor's budget the publications program would also be required to lapse $10,000 from its program revenue balance to the general fund in 2005-06. The net result of these changes, relative to the budgeted expenditure level for the program under the Governor's budget, is that there would be a projected deficit in the program balance of $5,100 in 2005-06 and an additional deficit of $32,600 in 2006-07. OSER proposes to address this potential deficit by making the assumption that it would actually underspend the proposed appropriated level for the program by $26,000 in 2005-06 and by $14,000 in 2006-07, if additional revenues do not materialize. Since any funds not spent serve to leave a higher balance, OSER's revised balance statement indicates a positive ending balance at the end of the biennium of $2,300.

8. As noted above, the Governor has recommended lapses of $10,000 from the balances of each of these programs' appropriations in 2005-06. Given the small ending balances projected for each of the programs under the Governor's budget and OSER's revised balance statement for the programs, the Committee could delete the requirement for the 2005-06 program revenue lapse. This would increase the projected ending balance for each of the programs by the amount of the proposed lapses. It would, however, also have the effect of reducing planned lapse amounts flowing to the general fund in 2005-06 as one-time revenues by $20,000.

9. In addition, given the relative weakness of recent actual and projected revenues for these two programs relative to proposed appropriation levels, the Committee could modify the Governor's recommended funding level for each of the programs as follows:

Training Program: (a) Reduce the proposed appropriation level for this program by $50,000 PR in 2005-06 and $30,000 PR in 2006-07; or (b) place $50,000 PR in 2005-06 and $30,000 PR in 2006-07 in unalloted reserve within the training appropriation for release upon approval by DOA that sufficient revenues are available to fund the additional expenditures.

Publications Program: (a) Reduce the proposed appropriation level for this program by $26,000 PR in 2005-06 and $14,000 PR in 2006-07; or (b) place $26,000 PR in 2005-06 and $14,000 PR in 2006-07 in unalloted reserve within the publications appropriation for release upon approval by DOA that sufficient revenues are available to fund the additional expenditures.

ALTERNATIVES

1. Approve the Governor's recommendation.

Note: Alternative 2 may be selected without any other action. Alternative 3 or Alternative 4 may also be selected without any other action or either may be selected in addition to Alternative 2.

2. Delete the required lapse in 2005-06 of: (a) $10,000 from the training program PR appropriation; and (b) $10,000 from the publications PR appropriation

Alternative 2	GPR-REV
2005-07 REVENUE (Change to Bill)	- $20,000

3. Place $50,000 PR in 2005-06 and $30,000 PR in 2006-07 of proposed funding for the training program appropriations and $26,000 PR in 2005-06 and $14,000 PR in 2006-07 of proposed funding for the publications program in unallotted reserve for release by the Department of Administration upon a determination that sufficient revenues are available to fund the proposed additional expenditures.

4. Reduce the appropriation for the training program by $50,000 PR in 2005-06 and by $30,000 PR in 2006-07 and reduce the appropriation for the publications program by $26,000 PR in 2005-06 and by $14,000 PR in 2006-07.

Alternative 4	PR
2005-07 FUNDING (Change to Bill)	- $120,000

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