



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #655

Additional 5% Reduction to General Program Operations Funding (DPI -- Administrative and Other Funding)

[LFB 2009-11 Budget Summary: Page 537, #4]

CURRENT LAW

The Department of Public Instruction (DPI) has a GPR general program operations appropriation to fund staff and other costs associated with its administration of the various state programs for which it has responsibility, excluding the state residential schools, which are funded from separate appropriations. Base level funding under DPI's GPR administrative appropriation totals \$12,054,200 GPR annually and there are 94.44 positions funded from this appropriation. The allocation of this base funding to broad spending categories is shown in Table 1.

TABLE 1

Annual Base Administrative Funding

<u>Category</u>	<u>Annual Base Funding</u>
Salaries	\$6,384,600
Fringe benefits	2,705,500
Limited-term employees	28,400
Supplies and services	2,778,700
Permanent property	100,000
Unallotted reserve	<u>57,000</u>
Total	\$12,054,200

GOVERNOR

The Governor's budget recommendations would make several funding modifications to DPI's GPR administrative appropriation, including: (a) standard budget adjustments; (b) a 5% reduction to create additional operational efficiencies and balance the budget; (c) an across-the-board 1% reduction; and (d) an additional 5% reduction. Table 2 shows each of these funding modifications.

TABLE 2
AB 75 Funding Adjustments

<u>Category</u>	<u>Annual Funding</u>
Base funding	\$12,054,200
Standard budget adjustments	
Turnover reduction	-191,600
Full funding of salary and fringe benefits	345,400
Overtime	10,700
Night and weekend differential	500
Full funding of lease costs and moves	123,500
Operational efficiencies -- 5% reduction	-602,700
1% Across-the-board reduction	-120,500
Additional 5% GPR reduction	<u>-602,700</u>
Total	\$11,016,800

Under the second 5% reduction, it is indicated in the Executive Budget Book that: "The Governor also recommends providing the Secretary of the Department of Administration the authority to allocate funds that may be received from federal economic recovery legislation that are intended to stabilize state budgets, as prescribed in that legislation, to offset reductions to agencies." This second 5% reduction would also apply to several other appropriations under DPI, including its appropriation for pupil assessments (-\$155,500 annually) and to several smaller appropriations for aids to individuals and organizations.

DISCUSSION POINTS

1. Staff from the Department of Administration (DOA) indicate that the first 5% reduction would largely make permanent spending reductions imposed in 2008-09 to meet the overall 2007 Act 20 lapse and transfer requirement. The first 5% reduction of approximately \$600,000 is somewhat less than the approximate \$700,000 lapse imposed by the Secretary of DOA on this appropriation in 2008-09 under the Act 20 provision. The 1% across-the-board reduction would be imposed on many appropriations in state agencies from all types of funding except FED. The additional GPR reduction (5% in most cases) would be imposed on appropriations in 19 agencies, with the same statement as cited above, relating to the potential use of federal stabilization

moneys to offset this additional reduction.

2. The State Superintendent was invited to appear before the Joint Committee on Finance as part of its agency briefings. In her testimony before the Committee, she did not address the proposed reductions to DPI supplies and services funding. Staff from DPI indicate that the testimony before JFC related to the state's school finance system, rather than DPI's operating budget.

3. The various budget reductions to DPI's GPR administrative appropriations would all reduce supplies and services funding. As shown in Table 1, annual base level supplies and services funding is \$2,778,700. Table 3 shows the proposed modifications to the supplies and services line under this appropriation. As shown in Table 3, there would be \$1,633,300 of annual supplies and services funding provided under AB 75.

TABLE 3

Supplies and Services Funding

	<u>Annual Funding</u>
Base funding	\$2,778,700
Lease costs -- standard budget adjustments	123,500
Transfer from unallotted reserve	57,000
First 5% reduction	-602,700
1% across-the-board reduction	-120,500
Second 5% reduction	<u>-602,700</u>
Total	\$1,633,300

4. Staff from DPI indicate that there are a number of costs that supplies and services moneys under this appropriation are used to fund. Major expenditure categories include space rental, data processing, telephone service, postage, and in-state travel. After consideration of charges funded through allocations from other administrative appropriations, net expenditures on supplies and services from this appropriation totaled approximately \$2.55 million in 2007-08. If costs in the 2009-11 biennium would be similar to actual expenditures in 2007-08, it appears that the proposed level of supplies and services funding would be an estimated \$900,000 less than expenditures.

5. Funding can be transferred between the various spending allocations under an operations appropriation. However, most of the funding under this appropriation is associated with the salary costs associated with the 94.44 GPR positions supported by this appropriation. These positions administer the various state programs under DPI, which would not be modified under AB 75. In order to shift salary funding to support supplies and services costs, DPI would need to generate additional vacancies in its staff. Based on the most recent vacancy report, there are currently 5.03 vacant positions out of the 94.44, for a vacancy rate of 5.3%. However, the turnover reduction under standard budget adjustments reduces salary funding by 3%, so the salary savings associated with a 3% vacancy rate have already been deducted. To generate an additional \$900,000

of annual savings that could be used to support supplies and services costs, DPI would need to hold up to approximately 16 positions vacant, depending on the type of position and the treatment of related fringe benefits funding, including the current five vacancies.

6. The Committee could consider adopting the Governor's recommendations to reduce supplies and services funding by an additional \$602,700 annually. Under the proposed federal appropriation under Program Supplements, DPI could be provided \$602,700 annual in federal government services stabilization funding to offset these reductions, at the discretion of the Secretary of DOA. While it is unclear how DPI would operate with this supplies and services GPR funding in the 2011-13 biennium, the Legislature will revisit the agency's funding during the 2011-13 budget process.

7. Alternatively, the Committee could provide \$602,700 FED annually for supplies and services under DPI from federal government services stabilization funding and reduce the federal appropriation receiving stimulus funds under Program Supplements by \$602,700 annually. This would provide additional funding for DPI in the 2009-11 biennium, but it would be one-time funding. As a result, GPR supplies and service funding for the 2011-13 biennium would be determined as part of the 2011-13 budget process, but base level funding would be lower by \$602,700 compared to restoring the reduction using GPR (Alternative 2).

8. Finally, the Committee could also consider restoring the additional 5% GPR funding reduction of \$602,700 GPR annually. This alternative would restore a portion of the funding deleted under AB 75 from the agency's base GPR supplies and services funding and eliminate the need for federal stimulus funding. This alternative would, however, increase GPR funding in 2009-11. Under this alternative, supplies and services funding in the 2010-11 base year that will be used as the starting point for the 2011-13 biennium would be increased by \$602,700 (Alternative 3).

ALTERNATIVES

1. Approve the Governor's recommendations to reduce funding for DPI supplies and services by an additional 5% (-\$602,700 annually).

2. Modify the Governor's recommendations by providing \$602,700 FED annually under a federal appropriation under DPI. Reduce the proposed federal appropriation receiving stimulus funds under Program Supplements by \$602,700 FED annually.

3. Delete the Governor's recommendations to reduce funding by an additional 5%, which would restore \$602,700 GPR in 2009-10 and in 2010-11 supplies and services funding under this appropriation.

ALT 3	Change to Bill Funding
GPR	\$1,205,400

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