



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #127

Consolidation of Telecommunications and IT Appropriations (DOA -- Information Technology)

[LFB 2015-17 Budget Summary: Page 44, #4]

CURRENT LAW

The Department of Administration (DOA) maintains separate annual PR appropriations, as required under statute, for providing information technology services and telecommunications services to state agencies. Revenue to each appropriation is from assessments to state agencies for services provided. The Department's appropriation for printing, mail, communication, and information technology services to state agencies appropriation is funded \$100,934,100 PR in 2014-15. The Department's appropriation for telecommunications services to state agencies and veterans services is funded \$18,261,200 PR in 2014-15.

GOVERNOR

Rename DOA's annual appropriation for printing, mail, communication, and information technology services to state agencies to consolidate the appropriation with DOA's annual telecommunications services to state agencies and veterans services appropriation. The renamed appropriation would remain an annual appropriation.

Transfer \$18,371,000 PR in 2015-16 and \$18,371,700 PR in 2016-17 and 7.1 PR positions annually to the consolidated appropriation for printing, mail, communication, and information technology services to state agencies and veterans services. Repeal the telecommunications services to state agencies and veterans services appropriation. Modify the consolidated appropriation language to incorporate the additional revenue sources and expenditure purposes of the repealed telecommunications appropriation.

DISCUSSION POINTS

1. The bill provision consolidating DOA's IT services and telecommunications services to state agencies appropriations would transfer all base funding and position authority, including standard budget adjustments, from the telecommunications appropriation to the IT services appropriation. No net increase in expenditure or position authority is provided under the proposal.

2. The statutory language of the consolidated appropriation would be modified to include the existing statutory language of the telecommunications appropriation, including language regarding veterans services.

3. The administration indicates that the purpose of the consolidation is to improve the efficiency of accounting for revenues and expenditures relating to telecommunications and IT services. According to DOA, telecommunications services are increasingly being transitioned from analog-based services to data-based services. As a result, DOA indicates that although the services now commonly resemble one another, and share infrastructure such as broadband connections, the determination of which expenses are attributable to telecommunications and which are attributable to IT continues to be performed to conform to the separate appropriations under state statute. The administration argues that this practice is otherwise unnecessary and inefficient. Therefore, the Committee could approve the Governor's recommendation to consolidate the appropriations, including funding and position authority. [Alternative 1]

4. Funding to DOA's telecommunications services to state agencies and veterans services appropriation is \$18,261,200 PR in 2014-15. This appropriation supports the costs of telecommunications services and DOA staff associated with these services. Historical data relating to expenditure authority and actual expenditures for the appropriation are shown in the table below.

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Expended or Encumbered</u>	<u>Unobligated Authority</u>
2009-10	\$20,393,300	\$17,970,000	\$2,423,300
2010-11	20,393,300	15,785,300	4,608,000
2011-12	18,301,900	6,803,200	11,498,700
2012-13	18,301,900	4,451,700	13,850,200
2013-14	18,261,200	3,378,900	14,882,300

5. As shown in the table, from 2011-12 through 2013-14 statutory expenditure authority for DOA's telecommunications services appropriation has exceeded actual expenditures and encumbrances by more than \$10 million annually. In addition, expended or encumbered funds for the appropriation decreased by \$1 million to \$2 million every year for the past five years. According to DOA, expenditures from the agency's telecommunications appropriation have decreased over time due to a change in billing practices for telecommunications services. Prior to 2011-12, DOA paid telecommunications invoices for state agencies and billed agencies individually for their expenses. Beginning in 2011-12, agencies were billed directly for telecommunications services by the state's service provider. The administration argues that expenditure authority for the appropriation should not be reduced because the state's contract with its telecommunications provider expires at the end of 2015-16, and the terms of the new contract are unknown at this time.

6. However, it could be argued that, until the terms of the contract are known, expenditure authority for the appropriation should be reduced to more closely align expenditure authority with actual expenditures. In addition, if the consolidation of DOA's telecommunications and IT appropriations is approved, the agency's main IT services to state agencies appropriation would be provided excess expenditure authority that could be used for purposes unrelated to telecommunications services. Therefore, the Committee could choose to reduce expenditure authority for the appropriation by some amount, such as: (a) \$12 million PR annually [Alternative 2a]; (b) \$10 million PR annually [Alternative 2b]; or (c) \$8 million PR annually [Alternative 2c]. A funding reduction could be applied to the consolidated appropriation under Alternative 1, or to the telecommunications appropriation if the consolidation provision is not approved. If expenditure authority is reduced by the Committee and the terms of the state's future contract for telecommunications services ultimately requires an increase in expenditure authority, DOA could submit a request to the Committee under the 14-day passive review process specified in s. 16.515 of the statutes at that time.

7. Finally, if the Committee wishes for DOA to continue separately identifying revenues and expenditures associated with telecommunications services to state agencies and IT services to state agencies, it could delete the provision. [Alternative 3]

ALTERNATIVES

1. Approve the Governor's recommendation to rename DOA's annual appropriation for printing, mail, communication, and information technology services to state agencies to consolidate the appropriation with DOA's annual telecommunications services to state agencies and veterans services appropriation. The renamed appropriation would remain an annual appropriation. Transfer \$18,371,000 PR in 2015-16 and \$18,371,700 PR in 2016-17 and 7.1 PR positions annually to the consolidated appropriation for printing, mail, communication, and information technology services to state agencies and veterans services.

2. Reduce expenditure authority for DOA's telecommunications services to state agencies by:

a. \$12.0 million PR annually;

ALT 2a	Change to Bill
PR	- \$24,000,000

b. \$10.0 million PR annually; or

ALT 2b	Change to Bill
PR	- \$20,000,000

c. \$8.0 million PR annually.

ALT 2c	Change to Bill
PR	- \$16,000,000

3. Delete provision.

Prepared by: Rachel Janke