



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 #105

Modify Postage Expenditure Authority (Administration -- General Agency Provisions)

[LFB 2017-19 Budget Summary: Page 29, #12]

CURRENT LAW

The Department of Administration (DOA)'s sum certain continuing appropriation for postage expenses is funded \$16,536,900 PR in 2016-17. Expenditures are limited to this amount plus any unencumbered revenue balance in the account from the prior fiscal year.

GOVERNOR

Modify DOA's appropriation for postage costs from a sum certain continuing appropriation to a continuing appropriation that is not sum certain. Reduce estimated postage costs by \$826,800 PR annually.

DISCUSSION POINTS

1. The Department anticipates it will reduce postage costs through practices permitted under current law such that estimated expenditures would be lowered by \$826,800 PR annually to \$15,710,100 PR annually. Additionally, DOA plans to conduct a "lean project" in 2018-19 to further reduce postage expenses. "Lean" generally refers to process improvement or continuous improvement business management practices. In 2015-16, DOA expended \$16,136,100 PR from its appropriation for postage.

2. In a given fiscal year, DOA's expenditure authority for its postage appropriation consists of the unencumbered revenue balance in the appropriation at the end of the previous fiscal year, together with the amount authorized in the Chapter 20 schedule of appropriations for the fiscal

year. Under the bill, the appropriation would no longer be sum certain. As such, expenditure authority for postage costs would be limited only to the amount of revenue generated from charges by DOA to state agencies for the cost of postage. Therefore, although estimated expenditures would be lowered under the bill, expenditures could be greater than the amounts shown in the schedule of appropriations.

3. The Department's postage appropriation [s. 20.505(1)(ki)] was created as a sum certain continuing appropriation under the 2015-17 budget act (2015 Act 55). According to the administration, the intent of the Governor in recommending that the appropriation for postage expenses be created was for the appropriation to be a continuing appropriation that is not sum certain. The 2015-17 Executive Budget Book indicated that the recommendation, which was adopted by the Legislature without modification, was "to separate agency postage costs from other expenses in the department's information technology services to state agencies appropriation." The agency's printing, mail processing, and information technology (IT) services appropriation [s. 20.505(1)(kL)] from which expenditure authority was transferred under the act is an annual PR appropriation, for which expenditures are limited to the amounts shown in the appropriation schedule.

4. The administration indicates that modifying the appropriation from sum certain continuing to a continuing appropriation that is not sum certain would provide DOA "the flexibility to respond to fluctuating agency postage expenses; because agency postage expenses exceeded appropriation authority in the postage appropriation in fiscal year 2015-16, DOA had to cover the unexpected additional costs out of the main [Division of Enterprise Technology] appropriation." In total, \$30,500 PR of expenditures was associated with postage costs exceeding expenditure authority. The Department's main IT services to state agencies appropriation is authorized for printing, mail processing, electronic communications, information technology development, management, and processing services. The postage appropriation is designated as the appropriation to which all moneys should be deposited from state agencies for the payment of state agency postage costs.

5. Additionally, the Department indicates that modifying the appropriation would allow the agency to support an increased use of DOA's mailing services by state agencies, relative to agencies' current mailing practices. Based on transactions recorded in the state's accounting system as related to postage, expenditures for postage in 2015-16 by executive branch agencies other than DOA and the UW System totaled \$23.7 million (\$5.3 million GPR, \$6.7 million FED, \$3.4 million PR, and \$8.3 million SEG). The purpose of encouraging agencies to use DOA's mailing services would be to lower mailing expenditures for the state overall, to the extent that DOA could provide services at a lower expense than what agencies currently spend. While the net effect on expenditures across state agencies could be a reduction in costs, it could result in higher expenditures for DOA in particular. The Department would recover costs associated with such expenses through charges to state agencies.

6. Given that DOA estimates expenditures for postage will decrease based on practices it plans to pursue that are permitted under current law, the Committee could choose to approve the Governor's recommendation to reduce expenditure authority that would be shown in the schedule of appropriations by \$826,800 PR annually. Additionally, given that DOA wishes to be provided the

ability to exceed estimated expenditures, and that the agency wishes to increase usage of its mailing services by state agencies which could result in greater expenditures by DOA, the Committee could also approve the Governor's recommendation to remove the appropriation expenditure limitation. [Alternative 1]

7. On the other hand, given that postage costs in 2015-16 were greater than expenditure authority provided to DOA's postage appropriation, and that DOA plans to provide a higher volume of mailing services which could result in increased postage costs, it could be argued that postage expenses may be the same or greater than base funding for the appropriation. As a result, the reestimated expenditure authority shown in the appropriations schedule could understate the amount of actual expenditures. Therefore, the Committee could choose to delete the reestimate of postage expenses while approving the Governor's recommendation to remove the expenditure limitation. [Alternative 2]

8. If the Committee wished to ensure that postage expenditures for DOA would be reduced by \$826,800 PR annually, it could choose to approve the reestimate while maintaining the sum certain designation for the appropriation, which would limit expenditures to the amounts in the appropriations schedule. Under this alternative, if DOA wished to increase the use of its mailing services, the agency would need to manage such services within the budget provided, or request increased PR expenditure authority through a passive review request under s. 16.515 of the statutes. It is also possible that DOA would utilize expenditure authority in its appropriation for printing, mail processing, and IT services to state agencies if it determined postage expenditure authority were insufficient, as the agency did in 2015-16. [Alternative 3]

9. In order to balance expenditure controls with potentially more efficient mailing practices, the Committee could delete the Governor's recommendation to reestimate postage expenses and the recommendation to remove the appropriation's sum certain designation. Because DOA estimates postage expenditures based on current practices will decrease, while the agency also wishes to increase the volume of mailing services it provides to state agencies, which could increase postage expenditures, this alternative would allow for some growth in mailing services that could be offset by reduced expenditures anticipated by DOA. [Alternative 4]

10. Finally, because DOA's postage appropriation was designated under 2015 Act 55 as the appropriation to which all moneys should be deposited from state agencies for the payment of state agency postage costs, it could be argued that supporting postage expenses using the appropriation from which expenditure authority was transferred under the act is not consistent with the intent of the law. Therefore, the Committee could choose to provide additional clarification in statute regarding DOA's use of its appropriation for printing, mail processing, and IT services to state agencies to pay for postage expenses, such that the agency could use the IT services appropriation for mail processing, but not postage expenses as specified under s. 20.505(ki) of the statutes, which governs the authority of the postage appropriation. Under this alternative, DOA could still pay assessments (chargebacks) associated with postage purchases for its own use and funded from the relevant DOA appropriations associated with the agency's duties (such as to pay for the cost to send a letter regarding procurement, paid from its appropriation for procurement services). This alternative could be chosen in combination with any other alternative. It should be noted that if DOA's postage appropriation maintains its designation as sum certain and, additionally,

the agency is prohibited from using the IT services appropriation for postage expenses, the agency would need to manage its plans to increase usage of its mailing services within the budget provided or, alternatively, would need to request additional PR expenditure authority through passive review under s. 16.515 of the statutes. [Alternative 5]

ALTERNATIVES

1. Approve the Governor's recommendation to remove the expenditure limit for DOA's postage appropriation and reestimate postage expenses by -\$826,800 annually.

ALT 1	Change to	
	Base	Bill
PR	- \$1,563,600	\$0

2. Modify the provision by deleting the postage expenditure reestimate. Funding would total \$16,536,900 annually. [Under this alternative, expenditures would not be limited to this amount.]

ALT 2	Change to	
	Base	Bill
PR	\$0	\$1,563,600

3. Modify the provision by maintaining the sum certain expenditure limitation for postage. [The recommended authority reduction would remain.]

ALT 3	Change to	
	Base	Bill
PR	- \$1,563,600	\$0

4. Delete provision.

ALT 4	Change to	
	Base	Bill
PR	\$0	\$1,563,600

5. In combination with any other alternative, specify that no expenditures for postage for other state agencies may be made by DOA from an appropriation other than DOA's appropriation for postage. The Department could expend amounts from other DOA appropriations for assessments (chargebacks) associated with postage purchases for its own use from the relevant fund sources.

Prepared by: Rachel Janke