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Joint Committee on Finance

Paper #121

Facility Security Continuing Appropriation (Administration -- Facilities)

[LFB 2017-19 Budget Summary: Page 48, #5]

CURRENT LAW

The Department of Administration (DOA) provides certain security services through the Division of Capitol Police, which is funded from an annual program revenue (PR) appropriation for facility operations and maintenance and police and protection functions. The Department also manages contracts with private security companies for facilities occupied by state agencies and in some cases pays for such services on behalf of other agencies. State agency tenants reimburse DOA for their share of security services.

GOVERNOR

Create a continuing PR appropriation estimated at \$0 annually under DOA for security services provided to other state agencies at multi-tenant buildings or other state facilities. Specify that DOA may charge other state agencies for the cost of providing security services at multi-tenant buildings or other state facilities.

DISCUSSION POINTS

1. Currently, DOA serves as the lead agency for arranging and paying for private security services at the Milwaukee State Office Building through the agency's annual PR appropriation for materials and services to state agencies. Although the Department is responsible for managing state-owned and leased facilities, DOA is not a tenant in this building. Because DOA takes responsibility for initial payment for security services and receives reimbursement from the tenant agencies, DOA must currently reserve part of its budget for such expenses. The cost of security for the Milwaukee State Office Building is approximately \$72,000 annually.

2. The Department also pays for private security services at the Administration Building on East Wilson Street in Madison, in which DOA, the Board for People with Developmental Disabilities, the Board of Commissioners of Public Lands, and the Wisconsin Women's Council are located. The Department does not charge the other agencies in the building for security services associated with the modest amount of space the agencies occupy. Security services for the Administration Building cost approximately \$32,100 PR annually.

3. Payments for private security services at both the Milwaukee building and the Administration building are made from DOA's appropriation for materials and services to state agencies. This appropriation supports costs such as salaries, fringe benefits, and supplies and services associated with administrative overhead and programs that include: information technology applications development, support for accounting system information technology services, continuity of government planning, intergovernmental relations, and demographic services. In 2015-16, year-end expenditures from the appropriation totaled \$4,699,400 PR. Although expenditure authority in 2015-16 totaled \$6,969,500 PR, the apparent difference between expenditures and expenditure authority reflects accounting practices that involve initial expenditures made from the appropriation that are later transferred to other DOA appropriations (or reimbursed by state agencies) through negative expenditure transactions. For example, security expenses for the Milwaukee building would not be reflected in year-end expenditures that are net of repayment from state agencies because repayments are recorded as negative expenditures. Therefore, expenses for which reimbursement was received would net to \$0. In 2015-16, year-end expenditures reflect initial expenditures of approximately \$8.6 million that were later offset by expenditure transfers or reimbursements of approximately \$3.9 million (including certain security expenses repaid by state agencies). In addition, it should be noted that a separate budget provision would reduce expenditure authority for the appropriation by \$907,000 PR and 7.4 PR positions annually.

4. The Department anticipates that an arrangement similar to that at the Milwaukee building would be used for the group of agencies that will be located at the new Hill Farms State Building Complex, which is estimated to open in state fiscal year 2018-19. The Department of Transportation currently manages the private security services contract for the existing Hill Farms facility. Based on a review of state accounting system information, it is possible that security services for the new facility could cost approximately \$50,000 annually.

5. According to the administration, the purpose of the proposed facility security appropriation would be: (a) to reduce administrative complexity in arranging and paying for private security services in multi-tenant facilities; (b) to improve transparency of budgeting and expenditures for multi-tenant security; and (c) to minimize the lead agency's need to reserve part of its budget to pay security expenses associated with other agencies while waiting for reimbursement from those agencies. The administration argues that the consequence of deleting the provision would be continued administrative inefficiency. Therefore, the Committee could choose to approve the Governor's recommendation to create a continuing PR appropriation estimated at \$0 for security services provided at multi-tenant buildings or other state facilities. [Alternative 1]

6. The administration indicates that DOA would use the newly created appropriation for payment of private security services at all three multi-tenant facilities noted above: the Milwaukee

State Office Building; the Administration Building; and the newly constructed Hill Farms State Building Complex. According to the administration, DOA's Division of Facilities Management "would use this appropriation to administer and pay for building security costs, which would be offset by charges to state agencies that are located in the specific facilities." This process would be similar to DOA's current practice of paying on behalf of all tenants and then charging to recover the cost. Therefore, it could be argued that payment and cost recovery under the proposal would be no less complicated. However, because the newly created appropriation would be separate from DOA's current budget, the agency would not need to reserve part of its expenditure authority for this purpose. In addition, because the appropriation would be a continuing appropriation, expenditures would only be limited to the estimated amount of revenue for the appropriation, which would be generated from charges to tenant agencies.

7. As noted above, one reason for establishing a separate appropriation is to increase transparency of security expenses at multi-tenant buildings. Currently, for the Milwaukee and Administration buildings, such expenditures are paid from DOA's appropriation for materials and services to state agencies. As a result, it is not apparent how much expenditure authority is associated with security services. On the other hand, while the proposed appropriation would be separately identified, the amount of expenditures would not be apparent from the amounts in the Chapter 20 schedule of appropriations, which are set at \$0 PR annually under the bill. With regard to the reason for estimating expenditures for the appropriation at \$0 annually, the administration indicates that "It is not possible to project these costs at this time. The cost would depend on the number of agencies that decided to use contract security services." However, based on prior expenditures it is known with a fair degree of certainty that expenditures would be at least \$100,000 PR annually and could total as much as \$200,000 PR annually or more. Therefore, it could be argued that estimating expenditures at an amount other than \$0 would better accomplish the goal of increasing transparency by providing a figure that more closely matches a reasonable estimate of expenditures.

8. It could further be argued that expenditure authority for security costs under the newly created appropriation should be limited to conserve state resources and maintain legislative authority over expenditures. Under the bill, expenditures would be limited only to the amounts charged to state agencies. Additionally, if expenditure authority were not limited, it is possible that decisions could be made by DOA with less legislative oversight relating to the transition of security services from the Division of Capitol Police to private security services for other state facilities not currently under discussion. If the Committee wishes to limit the amount that could be charged or expended and maintain legislative oversight regarding such expenses, it could modify the provision to create an annual PR appropriation for the same purpose and provide funding in an amount determined by the Committee, such as: (a) \$225,000 PR annually [Alternative 2a]; (b) \$200,000 PR annually [Alternative 2b]; (c) \$175,000 PR annually [Alternative 2c]; or (d) \$150,000 PR annually [Alternative 2d]. Given that the administration has indicated an estimate of expenditures is not possible at this time, the Committee could instead create an annual PR appropriation funded at \$0 PR annually. Under this alternative, there would be no change to base or bill funding. [Alternative 2e] Once it became known what amount, if any, would be needed, DOA could submit a passive review request to the Committee for funding.

9. In addition, the Committee could consider reducing expenditure authority for DOA's materials and services to state agencies appropriation to offset funding provided to the newly created security appropriation. This appropriation is currently used to pay for private security services in multi-tenant buildings and facilities (in addition to other programs and services) and has had authority exceeding year-end expenditures in recent years. If the Department should need to continue using part of its budget to make payments for certain expenses on behalf of other agencies, such as security services, or to continue its current practice of transferring certain expenditures to other DOA appropriations, some degree of "unused" expenditure authority would be needed because such expenses would not be reflected in year-end expenditures that are net of repayment from state agencies and expenditure transfers (negative expenditure adjustments). Therefore, alternatives are provided that would reduce funding by modest amounts that correspond to Alternatives 2a through 2e. Under this alternative, authority could be reduced by any of the following amounts: (a) \$225,000 PR annually [Alternative 3a]; (b) \$200,000 PR annually [Alternative 3b]; (c) \$175,000 PR annually [Alternative 3c]; or (d) \$150,000 PR annually [Alternative 3d].

10. Finally, given that there is not a clear need to create a new appropriation at this time, that DOA could continue performing this function, and that the proposal could have implications for state security services that extend beyond the scope of the stated intent of the proposal, the Committee could delete the provision. [Alternative 4]

11. Under Alternative 2, Alternative 3, or Alternative 4, if additional expenditure authority were needed, DOA and other agencies could use existing resources provided to other appropriations as authorized by law (as is done currently). Alternatively, the Department could submit to the Committee a passive review request for increased expenditure authority under s. 16.515 of the statutes.

ALTERNATIVES

1. Approve the Governor's recommendation to create a continuing PR appropriation estimated at \$0 annually under DOA for security services provided to other state agencies at multi-tenant buildings or other state facilities.

2. Modify the provision by creating an annual PR appropriation under DOA for security services provided to other state agencies at multi-tenant buildings or multi-tenant facilities, funded at the following amount:

a. \$225,000 PR annually.

ALT 2a	Change to	
	Base	Bill
PR	\$450,000	\$450,000

- b. \$200,000 PR annually.

ALT 2b	Change to	
	Base	Bill
PR	\$400,000	\$400,000

- c. \$175,000 PR annually.

ALT 2c	Change to	
	Base	Bill
PR	\$350,000	\$350,000

- d. \$150,000 PR annually.

ALT 2d	Change to	
	Base	Bill
PR	\$300,000	\$300,000

e. \$0 PR in an annual appropriation. Funds could be sought under the 14-day passive review process. [No fiscal change to base or bill.]

3. In addition to any other alternative, reduce expenditure authority to DOA's materials and services to state agencies appropriation by the following amount:

- a. \$225,000 PR annually.

ALT 3a	Change to	
	Base	Bill
PR	- \$450,000	- \$450,000

- b. \$200,000 PR annually.

ALT 3b	Change to	
	Base	Bill
PR	- \$400,000	- \$400,000

c. \$175,000 PR annually.

ALT 3c	Change to	
	Base	Bill
PR	- \$350,000	- \$350,000

d. \$150,000 PR annually.

ALT 3d	Change to	
	Base	Bill
PR	- \$300,000	- \$300,000

4. Delete provision. No fiscal change to base or bill.

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