



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #808

### Internal Departmental Appropriation Modifications and Reorganizations (Transportation -- Departmentwide)

[LFB 2023-25 Budget Summary: Page 662, #8 and #9]

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#### CURRENT LAW

Adjusted base appropriations for Department of Transportation (DOT) management and operations, which are used to provide funding and positions for a variety of department-wide operational and administrative functions, are \$70,025,800 SEG and 378.62 SEG FTE, \$16,330,700 FED and 50.65 FED FTE, and \$369,000 SEG-L. The adjusted base SEG appropriation for Division of Motor Vehicles (DMV) general operations is \$70,989,400 and 378.62 FTE.

#### DISCUSSION POINTS

1. This paper discusses two provisions of Assembly Bill 43/Senate Bill 70 (AB 43/SB 70) to reallocate resources among DOT appropriations: (a) decreasing FED and SEG-L funding, and providing a corresponding increase of SEG funds for DOT departmental management and operations; and (b) reallocating one position, and associated funding, from DMV's general operations appropriation to DOT departmental management and operations.

##### **A. Modifications to Department Management and Operations Appropriations**

2. Agency appropriations have various allotment lines within each appropriation, which are used to delineate specific categories of expenditures. The state accounting manual identifies the following eight standard allotment lines for appropriations: (a) permanent and project position salaries (position salaries); (b) limited-term employee and miscellaneous salaries; (c) fringe benefits; (d) supplies and services and permanent property; (e) debt service; (f) local assistance and aids to individuals and organizations; (g) special purpose; and (h) cost allocations. In addition, individual appropriations can also carry supplementary allotment lines for other agency and appropriation-

specific purposes. Typically, each allotment line under an appropriation is either \$0 or a positive dollar amount, with the total of all lines equaling the appropriation total.

3. The Department indicates that the recommended modification corresponds to an error that occurred during the state government-wide transition to the PeopleSoft accounting system, which the Department converted to in 2016-17. Previous to the PeopleSoft conversion, the Department indicates that its SEG, FED, and SEG-L departmental management and operations appropriations functioned as both funding and clearing appropriations. Under s. 20.904(1) of the statutes, state agencies, through the Department of Administration (DOA), are authorized to use clearing appropriations when at the time of the receipt of disbursement the state agency does not have sufficient information to distribute a revenue or expenditure to the appropriate appropriation. DOT most frequently utilizes clearing appropriations to assess Department overhead costs to project funded under its various state and local highway program appropriations.

4. After the PeopleSoft conversion, DOT's departmental and management appropriations continued to function as funding appropriations, but not clearing appropriations. However, the appropriations were not correctly adjusted to correspond to this accounting treatment. The Department indicates that the recommended reallocation would return the appropriation's budget authority to the level that existed prior to the change in the state accounting system. The Department indicates that the difference in net funding for the appropriations (\$249,800 annually) reflects increases in the appropriations that have accumulated due primarily to standard budget adjustments that should have occurred since the accounting transition, but have not due to the incorrect treatment of the appropriations in PeopleSoft.

5. Prior to the 2016-17 change in the state's accounting system, DOT had a negative adjustment to a line within the Department's SEG appropriation and corresponding positive adjustments to lines within the FED and SEG-L clearing appropriations. The transition to PeopleSoft deleted the adjustments to the clearing appropriations, but retained the negative adjustment to the line within the Department's SEG management and operations appropriation and the positive adjustments to the Department's FED and SEG-L appropriations. As a result, the SEG appropriation now has \$6,988,900 less expenditure authority than it had prior to 2016-17. The recommendation would delete the remaining negative adjustment to the SEG general operations appropriation line, which would have the effect of increasing the Department's SEG expenditure authority by \$6,988,900.

6. AB 43/ SB 70 would also delete the remaining positive adjustment to the departmental management and operations appropriations of \$6,370,100 FED and \$369,000 SEG-L. The Department indicates that it has not been receiving or spending this amount of additional federal funds since the PeopleSoft transition in 2016, due to the funding authority being misallocated and thus not reflecting the Department's actual budget. In addition, the Department indicates that it would be unable to spend the \$6.4 million in additional FED due to the eligibility restrictions that exist on federal transportation funding.

7. As a result, AB 43/SB 70 would provide \$6,988,900 SEG annually, and make corresponding annual decreases of \$6,370,100 FED and \$369,000 SEG-L to DOT's department management and operations appropriations. This would result in a net funding increase of \$249,800 annually. This recommendation was included in the bill, but was not contained in DOT's 2023-25

agency budget request. [Alternative A1]

8. The Department included an identical request for adjusting its departmental management and operations appropriations in its 2021-22 federal appropriations adjustment plan, which was presented to the Committee in April, 2022. The Committee approved the larger plan, but deleted the requested adjustment. However, the Department indicates that approval of this recommendation through the budget process would permanently correct for the error, with these adjustments being incorporated into the appropriations' base funding levels.

9. As previously described, the Department has been effectively operating with a reduced SEG departmental management and operations appropriation since 2016-17. DOT indicates that DOA has required the Department to allocate the negative allotment line to the appropriation's position salaries allotment line. This has resulted in DOT's salary budget for department-wide administration to be reduced by \$7.0 million annually. If the Committee chose not to approve the AB 43/SB 70 request, it could instead direct that funding to be added to the existing negative allotment lines within the DOT SEG departmental management and operations appropriation, and make a corresponding reduction to the position salaries allotment line of the appropriation of \$6,988,900 annually. This adjustment would align DOT's SEG departmental management and operations allotment lines with the way DOA has requested the Department to utilize the appropriation in practice since the PeopleSoft transition. This would result in the same level of funding that was provided in the 2021-23 biennium, but there would no longer be a negative line within DOT's management and operations appropriation. The Committee could also approve the recommended reductions to DOT's FED and SEG-L departmental management and operations appropriations, which would also adjust these appropriations to reflect DOT's actual budget. [Alternative A2]

10. Given that the Department has demonstrated the ability to successfully operate within its SEG budget authority for the departmental management and operations appropriation since its 2016-17 conversion to PeopleSoft, the Committee could also choose to not provide the recommended funding. Under current law, DOA could continue to reallocate funding among DOT's departmental management and operations appropriation allotment lines, as described above, through a procedure outside of the budget process. [Alternative A3]

## **B. Internal Reorganization of Position and Funding**

11. AB 43/SB 70 also contains a provision, included in DOT's agency budget request, to reallocate \$131,500 SEG and 1.0 SEG position annually from the DMV general operations appropriation to DOT's department management and operations appropriation. The Administration indicates that this would reallocate funding and position authority for an agency equity and inclusion policy advisor to an appropriation that is a better fit for the position's agency-wide responsibilities. [Alternative B1]

12. If the Committee took no action on the recommendation, the position would continue to be allocated under the Department's DMV general operations appropriation. [Alternative B2]

## ALTERNATIVES

### A. Modifications to Department Management and Operations Appropriations

1. Provide \$6,988,900 SEG annually and make corresponding annual decreases of \$6,370,100 FED and \$369,000 SEG-L to DOT's department management and operations appropriations.

ALT A1	Change to Base
FED	-\$12,740,200
SEG	13,977,800
SEG-L	<u>-738,000</u>
Total	\$499,600

2. Delete the existing negative adjustment allotment lines within the DOT SEG departmental management and operations appropriation and reduce the position salaries allotment line of the SEG appropriation by \$6,988,900 annually. This would result in no net effect to base level funding for the SEG appropriation. Approve the recommended annual decreases of \$6,370,100 FED and \$369,000 SEG-L to DOT's department management and operations appropriations.

ALT A2	Change to Base
FED	-\$12,740,200
SEG-L	<u>-738,000</u>
Total	-\$13,478,200

3. Take no action.

### B. Internal Reorganization of Position and Funding

1. Reallocate \$131,500 SEG and 1.00 position annually from the Division of Motor Vehicles general operations appropriation to DOT's department management and operations appropriation.

2. Take no action.

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