



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 9, 2001

Joint Committee on Finance

Paper #440

Technology Initiatives (DFI)

[LFB 2001-03 Budget Summary: Page 295, #2 and Page 296, #3]

CURRENT LAW

1999 Act 9 (the 1999-01 biennial budget) provided the Department of Financial Institutions (DFI) with \$171,200 PR in 1999-00 and \$169,600 PR in 2000-01 for technology initiatives. Act 9 provided funding for: (a) a statewide electronic forms initiative (\$61,600 in 1999-00 and \$57,200 in 2000-01); (b) computer equipment for the Office of Credit Unions (\$22,000 in 1999-00 and \$63,600 in 2000-01); and (c) development of a shared system (administrative information system) to provide administrative functions needed throughout the agency for examination, tracking, billing and receipting functions (\$87,600 in 1999-00 and \$48,800 in 2000-01). Act 9 provided funding for all three initiatives on a one-time basis.

GOVERNOR

Provide \$602,900 PR and 2.0 PR positions in 2001-02 and \$310,200 PR and 1.75 PR positions in 2002-03 for the following technology-related initiatives:

	2001-02		2002-03	
	Funding	Positions	Funding	Positions
<u>Corporation Information Technology Initiatives</u>				
Corporate Registration Information System	\$321,900	1.00	\$85,600	0.00
Business Portal	0	0.00	82,100	1.00
Conversion of Corporation Annual Reports	<u>102,000</u>	<u>0.00</u>	<u>-9,000</u>	<u>-0.25</u>
Subtotal	\$423,900	1.00	\$158,700	0.75
<u>Other Information Technology Initiatives</u>				
Division of Securities Database Server	\$65,900	0.50	\$0	0.00
Electronic Filing of Securities Documents	0	0.00	105,000	0.50
Administrative Information System	<u>113,100</u>	<u>0.50</u>	<u>46,500</u>	<u>0.50</u>
Subtotal	\$179,000	1.00	\$151,500	1.00
Total	\$602,900	2.00	\$310,200	1.75

DISCUSSION POINTS

1. The funding recommended by the Governor for corporation information technology initiatives would be used for the following programs.

a. Corporate Registration Information System (CRIS). The CRIS system would be modified to allow on-line filings of corporate forms and name reservations through DFI's web site. In 1999, DFI processed approximately 1,900 name reservation applications and about 15,800 new domestic records. DFI indicates that the number of applications continues to increase annually and that on-line filing would help to introduce both time and staffing efficiencies to the filing and name reservation process. Funding of \$321,900 and 1.0 project position in 2001-02 and \$85,600 in 2002-03 would be provided for this initiative. In the first year, funding would be provided for three contract positions (\$261,200) and the project position (\$60,700). In the second year, two contract positions would be funded (\$85,600). The work would be conducted primarily by the contract staff; the project position in the first year would assist in project coordination, perform administrative duties and test the system.

b. Business Portal. The Department would develop and implement a "build-your-business" portal to enable new businesses in Wisconsin to complete the necessary application forms on-line and to provide information to potential new businesses. The portal would provide a single entry point for businesses to file application forms with DFI, the Department of Revenue, the Department of Workforce Development, the Department of Natural Resources and other state agencies. Funding of \$80,900 for 1.0 project position and \$1,200 for contractor costs would be provided in 2002-03. The project position would transfer from the CRIS system project in 2002-03 and be responsible for implementation, monitoring and maintenance of the project.

c. Conversion of Corporation Annual Reports. The last seven years of corporation annual reports would be scanned to make them available on-line to the public as well as to state agencies that frequently request the information. Currently, interested parties must submit a written request for each annual report requested. DFI receives about 4,200 requests for annual reports each year. It is estimated that 850,000 documents would be scanned at a cost of \$0.12 per document. Scanning services would be provided by a private vendor at a total cost of \$102,000 in 2001-02. In 2002-03, funding would be reduced by \$9,000 and 0.25 position would be eliminated to reflect anticipated efficiencies from having the information available on-line.

2. The funding recommended by the Governor for other information technology initiatives would be used for the following programs.

a. Division of Securities (DOS) Database Server. The database format used by DOS to maintain licensing information would be converted from cyber-query/cyber-screen (CQCS) to structured query language (SQL). This database houses information on firms, individuals, mutual funds, registrations and exemptions for securities and franchise offerings, and enforcement investigations/administrative actions. Other DFI databases already operate in SQL format. Funding of \$30,400 for the 0.5 project position and \$35,500 for contractor costs would be provided in 2001-02.

b. Electronic Filing of Securities Documents. System modifications would be implemented to enable the Division of Securities to accept required corporate franchise and mutual fund filings electronically. This initiative would begin after conversion of the database outlined in the preceding paragraph. DFI indicates it receives over 600 securities filings and over 900 franchise filings per year. Funding of \$40,500 for the 0.5 project position and \$64,500 for a contracted web developer would be provided in 2002-03.

c. Administrative Information System (AIS). The Department would continue and expand the administrative information system project included in 1999 Wisconsin Act 9. The AIS is an administrative computer network system that supports agency-wide licensing, examination, tracking, billing, and receipting functions. The recommended funds would be used to enable the Department and financial institutions to conduct these activities on-line and to make the system more accessible and user friendly. In 2001-02, \$82,700 in funding would be for contracted system development and testing services; \$30,400 would be for the 0.5 project position. In the second year, \$40,500 would be for the project position and \$6,000 for contractor costs.

3. In its budget submission, DFI identified the following projects as high priorities: (a) the business portal; (b) corporate registration information system; and (c) administrative information system. Funding of \$649,200, or 71% of the \$913,100 recommended for all technology initiatives, would be provided for these three initiatives. Recommended biennial funding for the CRIS alone is \$407,500 -- nearly half of the \$913,100 total for all six initiatives.

4. The following projects were identified as medium priorities: (a) electronic filing of securities documents; (b) DOS database server conversion; and (c) conversion of corporation annual reports. Total recommended funding for these three initiatives is \$263,900 for the biennium.

5. Despite the prioritization assigned to the technology projects by DFI, none of the initiatives is critical to DFI's mission as a state agency. Rather, the projects represent technological enhancements to responsibilities already carried out by the agency.

6. At the end of each fiscal year, the unexpended balance in the Department's PR appropriation for general program operations lapses to the general fund as GPR-earned. Thus, funding decisions affect the general fund. If none of the technology initiatives is funded, \$602,900 would lapse to the general fund at the end of 2001-02 and \$310,200 would lapse to the general fund at the end of 2002-03.

7. One factor cited by DFI in support of its electronic filing of securities documents initiative is a national lobbying effort by the securities industry to persuade Congress to preempt the states from requiring any notice filings or requiring the payment of filing fees. Securities industry firms and related businesses have complained about the cost and difficulty of filing separately in the 50 states. Since such filings raise approximately \$8 million annually in Wisconsin, DFI is concerned about the potential loss of revenue should the industry lobbying efforts succeed. DFI maintains that easing the filing process by acquiring the capability to process on-line filings of securities documents would lessen the security industry's concerns regarding the difficulty of filing and, thereby, ease the pressure on Congress to act.

ALTERNATIVES

1. Approve the Governor’s funding recommendations for all six initiatives.
2. Modify the bill by deleting any of the following technology items. Any deletions would reduce DFI’s PR expenditure authority and increase the year-end lapse to the general fund by the same amount.

	<u>2001-02</u>		<u>2002-03</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
<u>DFI Technology Initiative</u>				
a. Corporate Registration Information System	\$321,900	1.00	\$85,600	0.00
b. Business Portal	-0-	0.00	82,100	1.00
c. Conversion of Corporation Annual Reports	102,000	0.00	-9,000	-0.25
d. Division of Securities Database Server	65,900	0.50	-0-	0.00
e. Electronic Filing of Securities Documents	-0-	0.00	105,000	0.50
f. Administrative Information System	113,100	0.50	46,500	0.50

3. Maintain current law.

Alternative 3	GPR	PR	TOTAL
2001-03 REVENUE (Change to Bill)	\$913,100	\$0	\$913,100
2001-03 FUNDING (Change to Bill)	\$0	- \$913,100	- \$913,100
2002-03 POSITIONS (Change to Bill)	0.00	- 1.75	- 1.75

Prepared by: Drew B. Larson