



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #605

Operations Funding Transfer (OSER)

[LFB 2009-11 Budget Summary: Page 493, #3]

CURRENT LAW

The Office of State Employment Relations (OSER) was created in the 2003-05 biennial budget to replace the former Department of Employment Relations. Under current law, OSER provides support to other state agencies in human resources management. The Office oversees the state civil service system, negotiates state labor contracts, manages labor relations, and leads the state's affirmative action and equal opportunity employment programs.

OSER is provided base funding of \$6,498,300 and 55.5 FTE positions, as follows: (a) \$5,350,900 GPR and 50.0 GPR positions for general program operations; and (b) \$1,437,400 PR and 5.5 PR positions in several program revenue appropriation accounts.

One of OSER's continuing program revenue accounts (s. 20.545(1)(k) titled funds received from other state agencies) is for all moneys received from other state agencies for the purpose of providing employment services and materials to state agencies. The appropriation account is authorized \$325,000 in base funding.

GOVERNOR

Convert OSER operations and staff from GPR to PR funding and transfer human resources staff from executive branch state agencies [excluding the University of Wisconsin System (UW System)], to OSER in the 2009-11 biennium. Repeal the Office's sum certain annual GPR appropriation account for general program operations and delete \$5,420,400 GPR and 50.0 GPR positions annually. Repeal and recreate the Office's PR appropriation account for providing employment services and materials to state agencies as a PR continuing appropriation account for general program operations. Provide this appropriation account with \$5,420,400 PR and 50.0

PR positions annually.

Provide that the Director of OSER and the administrator of OSER's Division of Merit Recruitment and Selection may provide any services and materials to agencies and may charge the agencies for providing the services and materials. Provide that all moneys received from the charges shall be deposited in the PR continuing appropriation account for general program operations.

DISCUSSION POINTS

1. Under current law, the primary employment relations functions performed by OSER are GPR-funded. OSER utilizes 50.0 GPR positions to provide support to other state agencies in human resources management and oversees the state civil service system, negotiates state labor contracts, manages labor relations, and leads the state's affirmative action and equal opportunity employment programs. The agency's PR positions (5.5 FTE) provide certain employee development and training services (1.05 FTE), collective bargaining grievance arbitrations (1.0), services to non-state governmental units (2.7 FTE), and publications (0.75 FTE).

2. DOA budget officials indicate that the proposal to convert the office's GPR funding and positions to program revenue is based on the view that OSER provides services to other state agencies and it is appropriate for agencies to pay for these services. Officials view the situation as analogous to DOA services that are currently charged back to agencies; these include, for example, procurement, accounting and finance, printing, fleet services, risk management, and facilities management. The provision was not requested by OSER in its 2009-11 biennial budget request.

3. The costs of OSER operations under the bill, beginning in 2009-10, would be charged back to executive branch state agencies (including the UW System). No charge-back mechanism is specified in the bill and DOA budget officials indicate that a method for charging state agencies has not been developed to date. It is indicated, however, that any charge-back would need to be formulated on a real-cost basis. While the bill would specify that the Director of OSER and the administrator of OSER's Division of Merit Recruitment and Selection would be authorized to charge agencies for providing services and materials, there is no requirement under the bill that administrative rules be promulgated relating to these charges. The Committee may want to add this requirement so that the Legislature can review the charging mechanism at a later date. [Alternative 4]

4. Under current law, the OSER's general program operations appropriation is funded under a sum certain annual appropriation account. An annual appropriation is expendable only up to the amount shown in the schedule and only for the fiscal year for which made.

5. Under the bill, general program operations would be funded from a PR continuing appropriation account. Under the type of continuing appropriation provided in the bill, the authorized expenditure amount would consist of the unencumbered balance in the appropriation account at the end of the previous fiscal year, if any, together with any revenues received during the

fiscal year that are directed by law to be credited to the appropriation account. Therefore, the amounts to be expended are limited only by the available revenues from which the appropriation is made.

6. It can be argued that the Legislature would have greater oversight of the appropriation account if it was a sum certain appropriation, because changes in expenditure authority from year-to-year would need to be justified and approved in each biennial budget cycle. Under current law, there are other DOA program revenue appropriation accounts that provide services funded through charges to agencies; some are established as continuing and some as sum certain appropriations. Two examples of DOA appropriation accounts that are sum certain appropriations are: (a) financial services; and (b) printing, mail, communication, and information technology services for agencies. If the Committee modified the PR appropriation account to a sum certain, annual appropriation, it would be consistent with OSER's GPR general program operations appropriation account under current law. [Alternative 3]

[Under this alternative, the bill's repeal and recreation of the program revenue appropriation account would be deleted and replaced with an appropriation account that is created as a sum certain program revenue annual appropriation.]

7. While the provision would shift the costs of OSER's administrative costs from GPR to state agency budgets, no expenditure authority is provided under the bill for these state-agency costs. Therefore, the service charges that would be imposed would be equivalent to a budget reduction for the affected agencies and may affect the level of services provided by state agencies. No evaluation has been made by DOA to assess how these costs can be absorbed by state agencies or the programmatic consequences this may have.

8. In the absence of a clear method for the charge-back to state agencies of OSER's employment services costs, it is difficult to assess potential costs to state agencies. For the purpose of this analysis, it is assumed that the charge-back would be made on the basis of authorized FTE positions. That is, each state agency affected by the provision would pay a proportionate share of OSER operating costs depending on its relative share of FTE. The analysis is based on authorized positions in the adjusted base for each affected agency and takes funding source into account. The Legislature and judicial system are excluded from the analysis because these branches are not defined as an "agency" under state employment relations law (Chapter 230 of the statutes). Because the table utilizes base budget data, it does not reflect position authorization changes proposed under AB 75. The attached table summarizes the results of this analysis.

9. Under this approach, executive branch agencies would be assessed a total of \$5,420,400 comprised of \$2,719,000 GPR, \$782,500 FED, \$1,502,000 PR, and \$416,900 SEG. It can be seen from these results that the conversion of OSER operations funding from GPR to PR reduces GPR expenditures by \$5,420,400 annually, but would redirect \$2,719,000 GPR from other agencies to pay for these employment services. The programmatic consequences for state agencies that would result from the payment of these charges is not known.

10. The Committee could delete the provision to convert OSER operations from GPR to

PR funding if it concludes that state agencies should not be further burdened by these additional costs or that the provision currently lacks adequate assessment of the capacity of agencies to pay the full cost of OSER services and the potential programmatic impact of such payments. [Alternative 5] This alternative would require an additional \$5,420,400 GPR annually in the 2009-11 biennium to restore general program operations to GPR funding.

11. It could also be argued that OSER employment relations services relating to GPR funded agency positions should be directly GPR funded. Under this approach, the agency charge-backs would only be authorized for FED, PR, and SEG funded personnel. This alternative would modify the Governor's provision and retain the agency's GPR general program operations appropriation account and provide \$2,719,000 GPR and 25.0 GPR positions annually to the appropriation account. In addition, \$2,719,000 PR and 25.0 positions annually would be deleted from the PR appropriation account recreated under the bill. Under this approach, the PR appropriation account would be authorized \$2,701,400 PR and 25.0 PR positions annually. [Alternative 2]

ALTERNATIVES

1. Approve the Governor's recommendation to convert OSER operations and staff from GPR to PR funding and transfer human resources staff from executive branch state agencies [excluding the University of Wisconsin System (UW System)], to OSER in the 2009-11 biennium. Repeal the Office's sum certain annual GPR appropriation account for general program operations and delete \$5,420,400 GPR and 50.0 GPR positions annually. Repeal and recreate the Office's PR appropriation account for providing employment services and materials to state agencies as a PR continuing appropriation account for general program operations. Provide this appropriation account with \$5,420,400 PR and 50.0 PR positions annually.

Provide that the Director of OSER and the administrator of OSER's Division of Merit Recruitment and Selection may provide any services and materials to agencies and may charge the agencies for providing the services and materials. Provide that all moneys received from the charges shall be deposited in the PR continuing appropriation account for general program operations.

2. Modify the Governor's provision and retain the agency's GPR general program operations appropriation account and provide \$2,719,000 GPR and 25.0 GPR positions annually to the appropriation account. Delete \$2,719,000 PR and 25.0 positions annually from the PR appropriation account recreated under the bill. Under this alternative, OSER would be authorized to charge agencies only for employment relations services relating to FED, PR, and SEG personnel.

ALT 2	Change to Bill	
	Funding	Positions
GPR	\$5,438,000	25.00
PR	<u>-5,438,000</u>	<u>-25.00</u>
Total	\$0	0.00

3. In addition to Alternative 1 or 2, delete the provision to repeal and recreate the Office's PR appropriation account for providing employment services and materials to state agencies as a PR continuing appropriation account for general program operations. Instead, create a program revenue sum certain annual appropriation for general program operations.

4. In addition to Alternative 1, 2, or 3, require OSER to promulgate rules specifying the manner in which agency charges for OSER services will be determined.

5. Delete the provision.

ALT 5	Change to Bill	
	Funding	Positions
GPR	\$10,840,800	50.00
PR	<u>- 10,840,800</u>	<u>- 50.00</u>
Total	\$0	0.00

Prepared by: Art Zimmerman
Attachment

ATTACHMENT

Potential Agency Charges for OSER Operations Under 2009 Assembly Bill 75

<u>Agency</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>SEG</u>	<u>Total</u>
Administration	\$7,361	\$6,651	\$67,645	\$1,090	\$82,747
Agriculture, Trade and Consumer Protection	17,820	6,166	14,896	7,782	46,664
Arts Board	321	401	80	0	801
Board for People with Developmental Disabilities	0	621	0	0	621
Board on Aging and Long-Term Care	1,244	0	1,480	0	2,724
Child Abuse and Neglect Prevention Board	80	80	401	0	561
Children and Families	13,830	19,711	17,411	0	50,953
Commerce	4,952	4,355	16,406	5,913	31,627
Corrections	760,753	240	71,767	160	832,920
District Attorneys	30,521	0	3,606	0	34,127
Educational Communications Board	3,000	0	1,982	0	4,982
Employee Trust Funds	0	0	0	17,692	17,692
Employment Relations Commission	1,522	0	401	0	1,923
Financial Institutions	0	0	11,141	0	11,141
Government Accountability Board	1,146	0	276	0	1,422
Governor	2,985	0	0	0	2,985
Health Services	169,021	75,755	196,640	160	441,576
Higher Educational Aids Board	841	0	0	0	841
Historical Society	8,506	510	1,402	1,084	11,502
Insurance Commissioner	0	0	9,635	1,022	10,657
Investment Board	0	0	9,095	0	9,095
Justice	28,692	2,752	14,728	220	46,393
Lieutenant Governor	321	0	0	0	321
Lower Wisconsin State Riverway Board	0	0	0	160	160
Military Affairs	7,117	22,556	4,951	0	34,624
Natural Resources	23,786	38,650	21,405	136,153	219,994
Office of State Employment Relations	4,006	0	441	0	4,447
Public Defender	42,504	0	401	0	42,905
Public Instruction	20,950	23,245	6,405	0	50,601
Public Lands Commissioners	0	0	681	0	681
Public Service Commission	0	80	12,500	401	12,981
Regulation and Licensing	0	0	9,160	0	9,160
Revenue	71,825	0	8,221	9,683	89,730
Secretary of State	0	0	601	0	601
State Fair Park Board	0	0	2,356	0	2,356
State Treasurer	0	0	925	252	1,178
Technical College System	2,424	2,953	1,218	0	6,595
Tourism	3,077	0	0	240	3,317
Transportation	0	68,158	1,282	206,904	276,344
University of Wisconsin System	1,478,757	418,523	679,381	10,088	2,586,748
UW Hospitals and Clinics Board	0	0	211,467	0	211,467
Veterans Affairs	0	1,082	78,113	9,579	88,774
Workforce Development	<u>11,668</u>	<u>89,969</u>	<u>23,530</u>	<u>8,297</u>	<u>133,464</u>
Total	\$2,719,030	\$782,457	\$1,502,030	\$416,883	\$5,420,400