



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 #305

Information Technology Modernization (Financial Institutions)

[LFB 2019-21 Budget Summary: Page 131, #3]

CURRENT LAW

With certain exceptions, fees and assessments imposed on regulated entities and individuals by the Department of Financial Institutions (DFI) are deposited in DFI's general program operations appropriation. Base funding of \$17,519,200 PR is provided for DFI's general program operations. Any balance in this appropriation at the close of a fiscal year transfers to the general fund.

GOVERNOR

Provide \$320,750 PR in 2019-20 and \$369,700 PR in 2020-21 to DFI's general program operations appropriation to modernize its information technology systems and improve its cybersecurity.

DISCUSSION POINTS

1. DFI is responsible for the regulation, examination, and licensure of banks and other financial institutions in Wisconsin. The Department offers several automated systems on its website to aid regulated entities in submitting necessary reports, filings, and fees. According to DFI, these systems need to be modernized to ensure the safety and soundness of financial institutions in Wisconsin and to protect individuals' confidential information.
2. The Department states that much of its information technology infrastructure is outdated, including the operating systems used by its employees and the web servers used by the public and regulated entities. According to DFI, these systems need to be upgraded to improve their security and

reliability.

3. Under the Governor's recommendation, \$100,000 would be directed over the 2019-21 biennium (\$50,000 in each year) towards upgrading the computers and operating system used by DFI employees. Specifically, the Department would be provided a Windows 10 operating system and Office 365 productivity suite. DFI notes that the \$50,000 annual cost is expected to be incurred for Microsoft licensing fees on an ongoing basis.

4. The Governor's recommendation would provide \$222,000 in 2019-20 and \$7,000 in 2020-21 to secure and modernize the infrastructure used to build and install the electronic systems that DFI provides on its website for regulated entities. For example, DFI offers a system that allows corporations to submit their annual reports online. The system is written in source code that is then built, packaged, and installed on DFI's website, and the Department states that the infrastructure related to such systems needs to be upgraded. According to DFI, the \$7,000 provided in 2020-21 represents annual fees for the software service systems that would be upgraded under the request.

5. To upgrade the hardware used to house DFI's web servers, the Governor's request would provide \$145,000 in 2020-21. In addition, the request would provide funding of \$21,450 in 2020-21 for DFI to fully migrate its file servers to the enterprise service offering within the Division of Enterprise Technology (DET) at the Department of Administration. DFI notes that this migration would enhance the Department's resistance to hacks and other system compromises. Finally, the request would provide \$48,750 in 2019-20 and \$146,250 in 2020-21 to migrate DFI user data to DET servers.

6. The Department expects that its information technology priorities will change on an annual basis, and that the funding being requested will afford it the flexibility to adapt to evolving technological needs and challenges on an ongoing basis. For this reason, DFI states that the requested funding is not meant to be limited to the current biennium. If the Committee approved the Governor's request, the \$369,700 that would be provided in 2020-21 would be included in DFI's base funding for the 2021-23 biennium.

7. Alternatively, the Committee could consider providing the requested funding on a one-time basis, except for those items listed in "3" and "4" that would require ongoing funding for software licensing fees. Alternative 2 would provide only \$57,000 in DFI's base funding for the 2021-23 biennium.

8. As noted, funding for DFI is primarily derived from fees and assessments paid by regulated entities and individuals. With certain exceptions, DFI transfers any unexpended amount from its general program operations appropriation at the close of a fiscal year to the general fund. Therefore, additional spending authority granted to DFI results in a corresponding decrease in amounts transferred to the general fund. The alternatives below provide adjustments to the estimated general fund transfer amounts from DFI.

ALTERNATIVES

1. Approve the Governor's request. As a result, the estimated year-end transfer to the general fund from DFI would be reduced by \$320,750 in 2019-20 and \$369,700 in 2020-21 and annually thereafter.

ALT 1	Change to	
	Base	Bill
PR	\$690,450	\$0
GPR-REV	- \$690,450	\$0

2. Approve the requested funding on a one-time basis, but provide ongoing base funding of \$57,000 for annual software fees. As a result, the estimated year-end general fund transfer would be reduced by \$320,750 in 2019-20, \$369,700 in 2020-21, and \$57,000 annually thereafter.

ALT 2	Change to	
	Base	Bill
PR	\$690,450	\$0
GPR-REV	- \$690,450	\$0

3. Take no action. Increase the estimated year-end transfer to the general fund from DFI under the bill by \$320,750 in 2019-20 and \$369,700 in 2020-21 and annually thereafter.

ALT 3	Change to	
	Base	Bill
PR	\$0	- \$690,450
GPR-REV	\$0	\$690,450

Prepared by: Dan Spika