F

To:	Joint Committee on Finance
From:	Bob Lang, Director Legislative Fiscal Bureau

ISSUE

Minor Policy and Technical Changes (ETF)

A. STANDARD BUDGET ADJUSTMENTS

[LFB Summary: Page 212, #1]

Governor

Provide total standard budget adjustments for the agency of -$2,261,700 SEG in 1997-98 and -$2,257,900 SEG in 1998-99 and -3.0 project positions. Included in the standard budget adjustments is $16,300 SEG annually for full funding of lease costs for the agency.

Modification to Bill

Delete $16,300 SEG annually provided as a standard budget adjustment for full funding of agency lease costs.

Explanation: As part of the base year reconciliation process used to develop the agency's adjusted base level of funding for each fiscal year of the 1997-99 biennium, $16,300 SEG annually was added to the agency's adjusted base for lease cost increases. Consequently, the identical additional amounts provided as standard budget adjustments are duplicative and may be deleted.

Modification	SEG
1997-99 FUNDING (Change to Bill)	- $32,600

B. RETIRED EMPLOYES' BENEFITS SUPPLEMENT REESTIMATE

[LFB Summary: Page 214, #7]

Governor

Reduce base level funding by $39,800 GPR in 1997-98 and $73,900 GPR in 1998-99 to reflect the reduced amounts necessary to fund benefit supplements for retirees who first began receiving annuities prior to 1974. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths.

Modification to Bill

Make the following reestimates:

1997-98			1998-99		
Budget Bill	Revised	Change	Budget Bill	Revised	Change
$299,700	$300,000	$300	$265,600	$268,400	$2,800

Explanation: This new sum sufficient reestimate under the modification is based on the most recent projections of the supplements to be paid out in 1997-99.

Modification	GPR
1997-99 FUNDING (Change to Bill)	$3,100

C. BASE LEVEL FUNDING REDUCTION

Governor

Continue base level funding of $15,000 SEG annually in unallotted reserve for contractual legal services relating to federal tax matters.

Modification to Bill

Delete base level funding of $15,000 SEG annually budgeted in unallotted reserve for contractual legal services.

Explanation: The 1995-97 biennial budget act provided one-time legal services funding of $10,000 SEG in 1995-96 and $15,000 SEG in 1996-97. The funding was placed in unallotted reserve for release by DOA after ETF identified its legal assistance needs relating to conforming the operation of the Wisconsin Retirement System to the requirements of the Internal Revenue Code. This review has now been completed with many of its results enacted as part of 1995 Wisconsin Act 302.

The 1996-97 one-time legal services funding amounts should have been deleted as a standard budget adjustment but were instead retained in the agency's base during the base year reconciliation process. This modification deletes these one-time funds.

Modification	SEG
1997-99 FUNDING (Change to Bill)	-$30,000

Prepared by: Tony Mason

MO# modifications A, B, C

1 BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Information Technology Funding (ETF)

[LFB Summary: Page 212, #2]

CURRENT LAW

Base Level IT Funding. The Department's general administrative appropriation includes base level supplies and services IT funding of $965,200 SEG annually to support on-going maintenance, data entry, contract programming, software and user charges for the agency's IT operations.

Applications Development Funding. The Department's long-term information systems upgrade project, the Wisconsin Employe Benefits System (WEBS), and its current optical imaging project are funded from a separate, continuing appropriation provided solely to support expenditures associated with the actual design and implementation of automated data systems for the agency. One-time funding of $1,866,600 SEG in 1995-96 and $1,291,500 SEG in 1996-97 was provided to fund the installation of the agency's new optical imaging system.

GOVERNOR

Base Level IT Funding. Provide $452,300 SEG in 1997-98 and $601,200 SEG in 1998-99 to fund increased costs of on-going maintenance, data entry, contract programming and software licenses, IT user charges by DOA and to establish a permanent property base for IT hardware replacements. Of the amounts provided, $31,500 SEG in 1997-98 and $20,000 SEG in 1998-99 would be one-time funding for software purchases.

Applications Development Funding. Provide $649,000 SEG in 1997-98 and $614,400 SEG in 1998-99 to support contractor and LTE costs associated with the processing of rollovers disbursements from other tax-qualified retirement plans into the Wisconsin Retirement System (WRS), the installation of an interactive voice response system and the development of thirteen projects ("reengineering projects") to convert a variety of annuity files and related processing activities into ETF's comprehensive database system (WEBS). Of the amounts provided, $129,900 SEG in 1997-98 would be one-time funding for new hardware and software purchases and $90,000 SEG annually would be placed in unallotted reserve for release by DOA pending a final determination on how the Department will track rollovers into the WRS.

A. BASE LEVEL IT FUNDING

Discussion Points

1. The Department has identified total base level supplies and services IT funding in its general program operations appropriation of $965,200 SEG annually. Included in these identified base level amounts are $415,200 SEG annually appropriated in unallotted reserve. Provisions of the 1995-97 biennial budget act originally placed in unallotted reserve all amounts in the agency's general administrative appropriation (as well as the applications development appropriation) identified as relating to the support and implementation of the agency's electronic documents imaging system for retirement system records. These funds could not be released to the agency until the Secretary of DOA had conducted a thorough review of the project and the Secretary's report had been submitted to the Joint Committee on Finance under a 14-day passive review mechanism. Pursuant to these procedures, the funding in unallotted reserve was released to ETF on January 10, 1996.

2. During the base reconciliation process for developing the 1997-99 biennial budget base funding level, the agency continued these base level funds in unallotted reserve. The base level funds in unallotted reserve actually support: (a) the salary, fringe benefits and related costs of the optical imaging project manager ($51,900 SEG annually); (b) salaries, fringe benefits and related costs of 2.0 project positions associated with the optical imaging project ($94,300 SEG annually); (c) programming costs ($104,300 SEG annually); and (d) IT user charges payable to DOA ($164,700 SEG annually).

3. The optical imaging project positions and associated funding have been deleted elsewhere in the ETF's budget proposal as a standard budget adjustment. However, comparable funding amounts for these positions have been continued incorrectly as part of these base level amounts budgeted in unallotted reserve. Further, the agency's total base level funding requirements for on-going IT resources do not identify a continuing need for the funds associated with these project positions. The Committee could, therefore, delete $94,300 SEG annually of base level funding still in unallotted reserve attributable to these project position costs.

4. It would also be appropriate to reallocate the remaining base level funding amounts from unallotted reserve to the appropriate expenditure lines within the agency's administrative appropriation. The funds associated with the imaging system project manager ($51,900 SEG annually) should be reallocated to the appropriate permanent salary, fringe benefits and supplies and services lines, and the amounts attributable to programming costs ($104,300 SEG annually) and IT user charges ($164,700 SEG annually) should be reallocated to the supplies and services line.

5. Following the above adjustments, the agency's base level resources (supplies and services) for on-going IT activities would be reestablished at $819,000 SEG annually.

6. The Governor has recommended additional funding for the agency's IT base budget (supplies and services and permanent property) as follows:

TABLE 1

Recommended 1997-99 IT Base Funding Increases
(SEG Funds)

Funding Category	1997-98	1998-99
Communications Links	$ 43,100[a]	$ 29,100
Software/Hardware Maintenance	37,100	50,900
DOA IT Mainframe User Charges (Imaging Project)	183,400	334,400
Data Entry (Imaging Project)	16,600	16,600
Software Purchases	31,500[b]	20,000[b]
Hardware Purchases[c]	140,600	150,200
TOTAL	$452,300	$601,200

[a]Includes $14,000 of one-time funding.
[b]One-time funding.
[c]Funding to establish a base to support a four-year hardware replacement cycle.

7. In the context of the agency's overall budget for on-going IT-related activities, the proposed increased funding generally appears to be reasonable. The preponderance of the increased funding ($808,600 SEG of the total biennial increase of $1,053,500 SEG) is related to two items:

• First, a significant increase in user charges to ETF for increased access to the DOA mainframe computer is expected as the agency implements its new records imaging system.

• Second, in accordance with DOA IT infrastructure standards, additional funding is provided to establish a funding base to allow for replacement of the agency's IT infrastructure equipment on an average four-year cycle.

8. However, the Committee could make the following modifications to the Governor's recommendations for base level IT funding relating to these to items:

• The budget detail supporting the agency's identified hardware needs for the 1997-98 fiscal year totals to $129,600 SEG rather than the $140,600 SEG recommended in the budget. Accordingly, the Committee could delete $11,000 SEG in 1997-98 for hardware purchases.

• The amounts recommended by the Governor include one-time funding of $31,500 SEG in 1997-98 and $20,000 SEG in 1998-99 attributable to software purchase costs. However, $14,000 SEG of the $43,100 SEG identified in 1997-98 for communications links is also one-time funding associated with a cable line installation. Accordingly, the Committee could place that $14,000 SEG in 1997-98 also in the one-time funding category.

9. Finally, it may be noted that ETF is heavily involved on an on-going basis in both the operation of its existing comprehensive database system (WEBS) and a variety of applications development projects requested in this and previous biennial budgets to modify and enhance that system. As a result, it is reasonable to assume that the agency's base supplies and services and permanent property costs for IT services will continue to be increased in future budgets. To facilitate the Legislature's ability to monitor and review these expenditures, the Committee could adjust the agency's budget structure to establish a separate numeric appropriation within ETF's single statutory appropriation for general administrative operations. If the changes outlined above are adopted, a total of $1,260,300 SEG in 1997-98 and $1,420,200 SEG in 1998-99 would be shifted within the agency's general administrative appropriation to a new numeric appropriation for IT funding. This new numeric appropriation would be used solely for IT supplies and services and permanent property expenditures. ETF would still have the flexibility to expend its total statutory appropriation total as it determined was necessary, but it would have to request approval from the State Budget Office to transfer funds between the two numeric account appropriations that would be established under this approach. With a separate numeric for IT costs, year to date and total annual expenditures for IT supplies and services and permanent property costs would be readily ascertainable. IT funding would also be automatically base budgeted under the biennial budget process.

Alternatives to Bill

A1. Approve the Governor's recommendation to provide $452,300 SEG in 1997-98 and $601,200 SEG in 1998-99 for increased base level funding for agency IT supplies and services and permanent property costs.

A2. Modify the Governor's recommendation by deleting : (a) $94,300 SEG annually of base level funding in unallotted reserve budgeted for expiring IT project positions; and (b) $11,000 SEG in 1997-98 of excess hardware acquisition funding;

Alternative A2	SEG
1997-99 FUNDING (Change to Bill)	- $199,600

A3. Modify the Governor's recommendation by: (a) reallocating from base level unallotted reserve funding $51,900 SEG annually to the appropriate permanent salary, fringe benefits and supplies and services lines under the agency's general administrative appropriation; (b) reallocating from base level unallotted reserve funding $104,300 SEG annually for programming costs and $164,700 SEG annually for IT user charges to the supplies and services line under the agency's general administrative appropriation; and (c) shifting $14,000 SEG in 1997-98 from base-building supplies and services funding to one-time funding.

A4. Modify the Governor's recommendation by establishing a separate appropriation numeric for ETF's IT supplies and services and permanent property expenditures and shift $1,260,300 SEG in 1997-98 and $1,420,200 SEG in 1998-99 within the agency's general administrative appropriation to this new appropriation numeric for IT funding.

B. APPLICATIONS DEVELOPMENT FUNDING

Discussion Points

10. The agency's IT system applications development and installation costs are funded from a separate, continuing appropriation. One-time funding provided to this appropriation in the 1995-97 biennial budget has been removed from the base budget appropriation as a standard budget adjustment. However, under a continuing appropriation, even if no additional funds are appropriated in a subsequent biennium, any funds previously appropriated continue to remain available until expended.

11. At the end of April, a total of $2,717,100 SEG remained available in this appropriation. Of this amount, $2,200,000 SEG is reserved for contracted costs associated with the actual implementation of the agency's optical imaging records conversion project, which is expected to commence in the next several weeks. The remaining funds are budgeted for nine systems development projects associated with WEBS and reengineering projects associated with recent legislation affecting federal tax compliance issues (1995 Wisconsin Act 302) and converting certain WRS-covered educational staff from a calendar year to a fiscal year basis for determining annual earnings (1995 Wisconsin Act 381).

12. The Governor has recommended providing additional funding in the 1997-99 biennial budget for the agency's applications development appropriation, as follows:

TABLE 2

Recommended 1997-99 IT Applications Development Funding Increases (SEG Funds)

Funding Category	1997-98	1998-99
Rollover Project		
Conversion Funding	$90,000	$90,000
Interactive Voice Response (IVR) System		
One-time Hardware and Software Purchases	106,900	-0-
On-Going Operating Support	63,200	82,200
Reeingineering Projects		
LTE Staffing	38,000	26,700
Development Costs	256,400	320,000
Contract Programming Costs	71,500	95,500
One-time Hardware and Software Purchases	23,000	-0-
TOTAL	$649,000	$614,400

13. *Rollover project.* The Governor has recommended that $90,000 SEG annually be appropriated in unallotted reserve to fund the costs associated with the development of a separate accounting subsystem for account balances disbursed from other tax-qualified retirement plans that are rolled into the WRS. Provisions of 1991 Wisconsin Act 141 directed the agency to develop such a capability; however, the requirement does not actually go into effect until ETF develops and promulgates implementing administrative rules. Because of a complex number of interest crediting issues, the agency has determined that a separate accounting subsystem will likely be required to track these balances. Until the subsystem is in place, ETF will be unable to promulgate the necessary administrative rules.

14. The agency's budget request narrative discussed three possible solutions to the development of such a subsystem:

• Incorporation of the required system changes into the WEBS system. The agency's request indicated that this first option would be the "most administratively-practical" method and identified a system development cost of $109,700 SEG (although a need for other unspecified system testing and implementation costs was also mentioned);

• Development of a customized, stand-alone system under contract with a systems development vendor. ETF indicated that preliminary estimates under the second option for contracting for these services ranged from $138,000 SEG to $229,000 SEG. A more recent estimate from the agency puts the figure at $182,900 SEG. The Governor has recommended total funding of $180,000 SEG for the project split evenly between two fiscal years;

• Purchase of an off-the-shelf accounting package was indicated as a third possibility. It was suggested that such a package could cost considerably less than the development of a customized subsystem (either in-house or by a vendor). However, ETF indicated that staff had yet to identify such a suitable available system.

15. It appears there could be cost-effective options available to the agency that have not been fully explored with respect to implementing the rollover accounting subsystem. Therefore, a complete review of the options would seem desirable before the Legislature commits funding for the project. The Committee could transfer $90,000 SEG annually from unallotted reserve under ETF's automated operating systems appropriation and place the total amount of this funding ($180,000 SEG) in the Committee's supplemental SEG appropriation in 1998-99 for release under s. 13.10. The Department could submit a request for release of these funds once it had thoroughly reviewed and identified the most cost-effective approach for developing the accounting subsystem for tax-qualified disbursements from other retirement plans.

16. *Interactive voice response (IVR) system.* With respect to the interactive voice response system support costs of $63,200 SEG in 1997-98 and $82,200 SEG in 1998-99, these proposed expenditures appear to relate more to the operation of the system once it has been installed than to system acquisition and development. Accordingly, the Committee could provide these funds under ETF's general administrative appropriation rather than under its automated operating systems appropriation.

17. *Reengineering projects.* With respect to these recommended expenditures: (a) the LTE funding would provide temporary staffing back-up for permanent employes who would be detailed to a project team involved in the two reengineering projects associated with automation of the retirement annuity calculation process and the accumulated sick leave conversion process for state employe annuitants; and (b) the one-time hardware and software purchases would fund acquisitions related to the development of on-line access to WRS employer administrative manuals. These components of the agency's request appear reasonable and justified by the supporting budget detail.

18. With respect to the systems reengineering activities for which ETF is requesting funds for development costs, the agency has listed thirteen different projects that it wishes to undertake to make modifications to its database system to incorporate files and processes that are

not currently operating on that system. The agency has identified the following specific reengineering projects: (a) automated retirement annuity re-calculations; (b) conversion of annuity files; (c) conversion of accumulated sick leave conversion credits files; (d) enhancement of its database system for annuity functions; (e) automated calculation of retirement benefit estimates; (f) system-generated retirement application mailers; (g) automated retirement annuity check processing; (h) retirement annuity file maintenance; (i) year-end tax processing of annuity payments; (j) automation of mailers and extracts for annuitants; (k) on-line access for general inquiries for employer manuals; and (l) general inquiries for forms and documents on-line access. These twelve projects for which the development funds are being requested seem reasonable.

19. In addition to the above twelve projects, ETF listed as a thirteenth reengineering project a funding request for $48,000 SEG annually for various applications enhancement projects to WEBS. Costs associated with these projects include funding needed for computer usage and for staff to test the operational reliability and validity of each completed system enhancement. A further review of the detail associated with these WEBS enhancements has identified likely total biennial project costs of $79,400 SEG rather than the biennial total of $96,000 SEG recommended by the Governor. Since these enhancements are all one-time activities, the Committee could provide the revised total funding of $79,400 SEG on a one-time basis in 1997-98 rather than providing $48,000 SEG annually. This modification would result in net biennial savings of $16,600 SEG. [Although the funding would be provided on a one-time basis, it would remain available to the agency under a continuing appropriation until expended. Further, it would not be base building for the purpose of the next biennial budget.]

20. With respect to the contract programming funding of $71,500 SEG in 1997-98 and $95,500 SEG in 1998-99, recommended by the Governor, the Department had originally requested 2.0 FTE project programmers to assist with the 13 database conversion projects. The Governor's recommendation denied the project positions. Instead, the salary and fringe benefits funding associated with these positions was instead reallocated to the appropriation's supplies and services line for the purpose of contracting for the necessary programming assistance for these projects. Since ETF views these programming efforts as limited in duration (hence, the request for project positions), the question may be raised whether these funds should be provided as one-time funding or on-going, base-building basis. Accordingly, the Committee may wish to provide the $71,500 SEG in 1997-98 and $95,500 SEG in 1998-99 for contract programming as one-time funding. The Committee could then review any continuing need for this level of contract programmer funding as part of the 1999-2001 biennial budget process.

Alternatives To Bill

B1. Approve the Governor's recommendation to provide $649,000 in 1997-98 and $614,400 SEG in 1998-99 for new application development funding.

B2. Modify the Governor's recommendation by deleting $48,000 SEG annually that is recommended for WEBS enhancement project and instead providing $79,400 SEG as one-time funding for this purpose in 1997-98.

Alternative B2	SEG
1997-99 FUNDING (Change to Bill)	- $16,600

B3. Modify the Governor's recommendation by: (a) providing $71,500 SEG in 1997-98 and $95,500 SEG in 1998-99 for contract programming as one-time rather than base level funding; (b) providing $63,200 SEG in 1997-98 and $82,200 SEG in 1998-99 of on-going operational funding for the proposed interactive voice response system under ETF's general administrative appropriation rather than under its automated operating systems; and (c) transferring $90,000 SEG annually from unallotted reserve under ETF's automated operating systems appropriation to the Committee's supplemental SEG appropriation in 1998-99 with the understanding that the Department could submit a request under s. 13.10 for a supplementation from these funds once it has thoroughly reviewed and identified the most cost-effective approach for developing an accounting subsystem for tax-qualified disbursements from other retirement plans.

Prepared by: Tony Mason

MO# B2,3

1 BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

MO# A2,3,4

1 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
2 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Employe Health Insurance Data Collection Activities (ETF)

[LFB Summary: Page 213, #3]

CURRENT LAW

A separate health insurance data collection and analysis appropriation is provided under ETF to enable the Group Insurance Board to contract for these services relating to the development of enrollment and membership information for the state group health insurance program. The funding provided in the 1995-97 budget for this appropriation was designated as one-time funding.

GOVERNOR

Provide $320,900 SEG in 1997-98 and $300,900 SEG in 1998-99 to continue health insurance data collection activities for the Group Insurance Board. The recommended funding would provide for: (a) vendor contracts to maintain ETF's state employe health care enrollment database; (b) actuarial services in connection with the negotiation of premium rates with state employe health care providers; (c) annual surveys of employe participant satisfaction with their health plans; and (d) a one-time study of the sources of complaints concerning employe health plans.

DISCUSSION POINTS

1. The agency's separate health insurance data collection and analysis appropriation was first established in the 1992 budget adjustment act and was originally funded at $80,000 SEG

in 1991-92 and $300,000 SEG in 1992-93 and in each fiscal year thereafter through 1994-95. As part of its 1995-97 biennial budget request, ETF again sought a continuation of the $300,000 SEG base funding level in this appropriation in both 1995-96 and 1996-97.

2. However, during the Committee's deliberations on ETF's 1995-97 budget, a review of actual health insurance data collection and analysis expenditures indicated that this appropriation had been consistently overbudgeted in prior years relative to the agency's actual needs. In addition, ETF was only able to identify potential 1995-96 health data collection and analysis costs of $257,000 SEG which would be funded from this appropriation. Finally, it was determined that no detailed budget had been developed for this appropriation for the 1996-97 fiscal year.

3. As a result of this analysis, the Committee reduced base level funding by $43,000 SEG in 1995-96 to provide a total of $257,000 SEG in that fiscal year. For 1996-97, the entire $300,000 SEG of base level funding was deleted with the understanding that ETF could return to the Committee with a supplementation request under s. 13.10 of the statutes, after a detailed 1996-97 budget had been developed. ETF subsequently proposed a 1996-97 budget of $290,700 SEG for activities funded from the appropriation. On June 27, 1997, the Committee approved the requested supplementation, but specified that the funds be considered one-time in nature rather than base-building. This action was taken so that the Committee could review the detailed funding needs for the appropriation as part of its deliberations on the 1997-99 biennial budget.

4. ETF's health insurance data collection and analysis budget for the 1997-99 biennium, as recommended by the Governor, is summarized in the table below. Each component of the recommended budget is then reviewed in the discussion points which follow the table.

Recommended 1997-99 Health Data Collection and Analysis Budget (SEG Funds)

Type of Contractual Service	1997-98	1998-99
Actuarial Services for Negotiation of Health Care Provider Premium Rates	$41,400	$41,400
Data Entry Services for Health Insurance Enrollment Database	67,700	67,700
Database Maintenance and Access Services	120,400	120,400
Annual Survey of Participant Satisfaction with Group Health Insurance Plans	71,400	71,400
Complaint Database Development	20,000	-0-
TOTAL	$320,900	$300,900

5. *Actuarial Services.* The Department retains a consulting actuary to assist the Group Insurance Board in the annual negotiation of premium rates with health plan providers. The consulting actuary utilizes information in the membership enrollment database to develop utilization and cost targets for each plan. The actuary then compares these target premium rates with the actual bids submitted by each health plan. Where the proposed bid and the target premium rates fall outside an established range, negotiations may be undertaken with selected plans regarding the submitted bids. While plans are not required to revise their bids, ETF indicates that some have done so, resulting in lower premium rates. Since the development of the Department's budget request for the actuarial services funded from this appropriation, a new actuary has been selected at a reduced cost of $37,500 SEG annually, rather than the original estimate of $41,400 SEG annually. Accordingly, the Committee could delete $3,900 SEG annually from the budgeted levels recommended by the Governor.

6. *Data Entry Services.* Currently, ETF contracts with a vendor to provide in-house data entry of health insurance enrollment and subscriber information. The current enrollment database contains, for each state group health insurance plan participant, comprehensive information on such items as the identity of each subscriber and dependents of the subscriber, relevant demographic data for the subscriber and dependents, employer data, all relevant health plan coverage information for the subscriber and dependents, data on third party coverage, source of premium payments and complaint filings. Whenever this information changes, the revised data is incorporated into the database. Since the development of the Department's budget request for the health insurance data collection and analysis appropriation, a new vendor has been selected to provide these data entry services at a reduced cost of $40,500 SEG annually, rather than the original estimate of $67,700 SEG annually. Accordingly, the Committee could delete $27,200 SEG annually from the budgeted levels recommended by the Governor.

7. *Database Maintenance and Access Services.* The actual health insurance membership enrollment database is operated on a proprietary system owned by the contract administrator (Grant Thornton). The administrator maintains the database and provides ETF with ongoing access to it. Data in the system is constantly being revised and permits the preparation of a series of monthly status, trend, and error-control reports which ETF uses in the overall management of the health insurance program. The Department has identified approximately three dozen types of reports which are now generated on a monthly basis from the enrollment database. The budgeted database maintenance and access costs ($120,400 SEG annually) reflect estimated computer usage, storage, access and printing charges associated with data input and the development of staff reports. These budgeted costs also include technical assistance fees charged by Grant Thornton. These fees are incurred when ETF staff require assistance in the redesign of the existing database in order to prepare special reports.

8. Since the development of the Department's budget request for this appropriation, increased funding requirements of $31,100 SEG annually have been identified by ETF to meet estimated additional usage charges associated with accessing the database. The agency is

proposing to meet these newly identified increased costs by applying the savings identified from the actuarial and data entry services vendor cost decreases previously noted.

9. Following inquiries concerning the nature of these additional usage charges, ETF now indicates that much of the increase has been identified by Grant Thornton but has not been passed on to ETF because of conditions in the current vendor contract. Further, to the extent that additional user charges are ultimately passed on to the Department, a question may also be raised as to whether a portion of this increased usage is attributable to the agency's staff accessing information in the database in the furtherance of their regular oversight and administrative duties. If this is the case, to the extent that the increased costs are passed on to the Department in the future, an argument can be made that such costs should be supported instead from the agency's general program operations appropriation. Thus, until it is determined: (a) how much, if any, of the increased usage costs will be passed on to the agency; and (b) whether any such costs should be apportioned to ETF's administrative appropriation, a case can be made that no additional funding for database maintenance and access services above the amount recommended by the Governor should be budgeted at this time.

10. However, if the Committee believes the $31,100 SEG annually should be provided, it could so by approving the Governor's recommendation. This action would allow ETF to keep the equivalent amount of savings identified above that would be realized from reduced actuarial and data entry contractor costs and apply these amounts to the data base maintenance and access function.

11. *Annual Participant Survey.* The Department proposes expending $71,400 SEG annually to contract with a vendor to continue its annual survey of health plan subscribers. The survey asks a random sample of insured participants about their perceptions of the care and services provided by their health plan. The results of the survey are published annually as plan "report cards" which are included in the information provided to employes and annuitants as part of the annual health insurance dual choice enrollment process. The budgeted figure is based on the cost of prior year's survey done by the UW Survey Research Lab, adjusted to accommodate anticipated inflationary increases. ETF indicates that a new DOA procurement bulletin lists several vendors who might be available to perform the survey in addition to the Survey Research Lab; however, no potential cost savings have yet been identified as a result of the increased vendor competition to perform the survey.

12. *Development of a Complaint Database.* The Department has proposed using one-time funding of $20,000 SEG in 1997-98 to contract for the development of an enrollee complaint database. This funding would be used to hire a consultant to evaluate the best way of collecting and reporting information on state group health insurance plan enrollees' complaints. This proposal is an outgrowth of a Legislative Audit Bureau audit report of the state group health insurance program issued in March of 1996. The audit recommended implementing procedures to: (a) document and analyze all complaints received by ETF from plan participants; and (b)

ensure that complaints regard the state employe group health insurance plan that are received by the Office of the Commissioner of Insurance also be collected and analyzed by ETF.

13. Since the time ETF developed its original budget proposal on this item, the agency has begun an examination of the feasibility, potential costs and possible benefits for agency user access of transferring the health insurance enrollment database from the proprietary system operated by Grant Thornton to the agency's own comprehensive database system currently being used for Wisconsin Retirement System. It appears that a thorough examination of this option is warranted, especially in view of the access charge question raised above.

14. Thus, it could be argued that providing funding to begin a complaint database project may not be the most efficient use of resources by ETF at this time. This is because the new health insurance enrollee complaint management database would reside on the Grant Thornton proprietary system and there is a reasonable potential that an in-house alternative to that system may be selected as a result of the agency's review. If the Committee believes that this view has merit, it could deny providing $20,000 SEG in 1997-98 for the complaint database project.

15. Alternatively, the Committee could place the funds in its supplemental SEG appropriation for future release to ETF in 1998-99 under s. 13.10 following the conclusion of the agency's review of what is the most cost effective location of the employe health care database.

16. Further, to ensure that the Committee has an opportunity to review as soon as possible the issue of the potential transfer of the employe health insurance enrollment database to ETF, the Committee could choose to not provide ETF at this time with the $120,400 SEG in 1998-99 recommended for database maintenance and access services. Instead, these funds could also be placed in the Committee's supplemental SEG appropriation for future release to ETF under s. 13.10 following the submission of a report by ETF on the results of the agency's review of the best location for the employe health care database. Addressing this issue before the release of continued funding for 1998-99 for the current system would help to ensure that if it is determined that the development of an in-house system would be cost-effective, steps could begin to be taken in 1998-99 to plan for the conversion.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $320,900 SEG in 1997-98 and $300,900 SEG in 1998-99 for continued health care data collection activities.

2. Modify the Governor's recommendation by adopting one or more of the following alternatives:

a. Delete $27,200 SEG annually from the funds recommended for data entry services and $3,900 SEG annually from the funds recommended for actuarial services to reflect decreased contract costs.

Alternative 2a	SEG
1997-99 FUNDING (Change to Bill)	- $62,200

b. Adopt either b.(1) or b.(2):

(1) Delete $20,000 SEG of one-time funding recommended in 1997-98 for the development of a health insurance enrollee complaint management system.

Alternative 2b	SEG
1997-99 FUNDING (Change to Bill)	- $20,000

(2) Place $20,000 SEG of one-time funding in 1997-98 in the Committee's supplemental SEG appropriation in the 1998-99 fiscal year for release to ETF under s. 13.10 following the conclusion of the agency's review of what is the most cost-effective location of the employe health care database.

c. Place the funds recommended in 1998-99 for database maintenance and access services for the current proprietary database system in the Committee's supplemental SEG appropriation for release to ETF under s. 13.10 following its submission of a report to the Committee on the feasibility, possible benefits and potential costs of shifting the employe health insurance database from the current vendor's proprietary system to the agency's own database system.

MO# 2a, B2, C

1 BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

Prepared by: Tony Mason

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Supplies and Services Cost Increases -- Mailing and Forms Production Volume Increases

[LFB Summary: Page 214, #6]

CURRENT LAW

ETF has base level supplies and services funding of $420,400 SEG annually for participant and annuitant forms costs and associated mailing expenses.

GOVERNOR

Provide $21,000 SEG in 1997-98 and $22,100 SEG in 1998-99 to meet costs associated with a projected 5% annual increase in the volume of participant and annuitant forms and associated mailing expenses.

DISCUSSION POINTS

1. Since 1993, the rate of annual increase in the total number of participants and annuitants under the Wisconsin Retirement System has never exceeded 2.25% per year.

2. In addition, the forms volume increase actually experienced during the last two-year period for which data is available was less than 0.7% annually.

3. Accordingly, the Committee could modify the bill by deleting $10,500 SEG in 1997-98 and $11,100 SEG in 1998-99 for volume-driven forms production and mailing cost

increases. This modification would result in providing total additional funding of $10,500 SEG in 1997-98 and $11,000 SEG in 1998-99 which would be sufficient for ETF to accommodate an overall 2.5% annual volume-driven cost increase.

MODIFICATION TO BILL

Modify the bill to provide $10,500 SEG in 1997-98 and $11,000 SEG in 1998-99 for increased participant and annuitant forms costs and associated mailing expenses.

Modification	SEG
1997-99 FUNDING (Change to Bill)	- $21,600

Prepared by: Tony Mason

MO# modification

1 BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

EMPLOYE TRUST FUNDS

LFB Summary Items for Which No Issue Papers Have Been Prepared

Item #	Title
4	Additional Staff for Creditable Service Determinations
5	Space Rental Cost Increases
6	Supplies and Services Cost Increases -- Mail Room Courier Service

LFB Summary Items for Introduction as Separate Legislation

Item #	Title
8	Withholding from Public and Private Pension Plans Lump Sum Distributions and Annuity Payments
9	Access to Individual Medical Information Contained in Agency Records

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Employment Relations

(LFB Budget Summary Document: Page 217)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
2,3	Minor Policy and Technical Changes (Paper #370)
4	Additional Collective Bargaining Position (Paper #371)
5,8	Training Position Funding Conversion and Associated Expenditure Authority (Paper #372)
-	Excess Division Administrator Appointment Authority (Paper #373)

Budget Memo

Agency: Employment Relations

Staff Recommendations:

Paper No. 370: Alternative A - Approve Modification
Alternative B - Approve Modification

Paper No. 371: Alternative 2

Comments: There's no need for this additional position - to represent management - and you can save some GPR here. (see paragraph 10 for support of our recommendation)

Paper No. 372: Alternatives 2 & 3 (together) Burke Jensen

Comments: (see paragraphs 9 & 11 for support of our recommendations)

Paper No. 373: Alternative 1

Comments: (see paragraphs 2 & 4 for support of our recommendation)

Budget Memo

Agency: Employment Relations

Staff Recommendations:

Paper No. 370: Alternative A - Approve Modification
Alternative B - Approve Modification

Paper No. 371: Alternative 2

Comments: There's no need for this additional position - to represent management - and you can save some GPR here. (see paragraph 10 for support of our recommendation)

Paper No. 372: Alternatives 2 & 3 (together)

Comments: (see paragraphs 9 & 11 for support of our recommendations)

Paper No. 373: Alternative 1

Comments: (see paragraphs 2 & 4 for support of our recommendation)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Minor Policy and Technical Changes (Employment Relations)

A. BASE LEVEL FUNDING AND POSITION REDUCTIONS

[LFB Summary: Page 217, #2]

Governor

Make the following annual reductions to the agency's base level budget: (1) delete $107,400 GPR of base level salary and fringe benefits funding and eliminate 2.0 GPR positions (1.0 management information manager and 1.0 equal opportunity specialist); (2) delete $1,100 GPR of LTE salary ($1,000 GPR) and fringe benefits ($100 GPR) funding; and (3) reduce the agency's supplies and services base budget by $500 GPR.

Modification to Bill

Restore the $1,000 GPR annually deleted from the agency's LTE salary line and instead delete an additional $1,000 GPR annually from the agency's fringe benefits line.

Explanation: A total of $15,600 GPR annually should have been removed from the agency's fringe benefits line in conjunction with the recommended deletion of the salary amounts for the management information manager position. When this adjustment was actually made, only $14,600 GPR annually was deleted from the fringe benefits line and an additional $1,000 GPR annually was erroneously deleted from the LTE salary line. The modification restores the deleted LTE salary funding and deletes the required $15,600 GPR annually from the fringe benefits line.

B. INFORMATION TECHNOLOGY FUNDING

[LFB Summary: Page 218, #3]

Governor

Provide additional funding for the following agency information technology (IT) activities:

IT Migration Costs: $25,000 GPR annually for general hardware and software upgrades to continue the agency's move toward full compliance with statewide IT infrastructure standards established by DOA. The funding would be base-building.

DOA Mainframe User Charges: $12,000 GPR annually for increased user charges associated with the migration of agency systems to DOA's Division of Information Technology Services mainframe. The funding would be base-building.

Software Licensing Fees: $5,200 GPR in 1997-98 and $7,000 GPR in 1998-99 as one-time funding for increased software licensing fees for the agency's Unisys mainframe.

Continue base level funding of $69,500 GPR annually in unallotted reserve for master lease payments and other IT expenses associated with the Department's new local area network.

Modification to Bill

Provide $12,000 GPR annually for increased DOA mainframe user charges as one-time rather than base funding. In addition, transfer to one-time financing the $69,500 GPR annually of base level funding currently budgeted to unallotted reserve for the agency's IT master lease payments and other IT expenses.

Explanation: During the 1997-99 biennium, DER will continue to migrate applications from its own in-house mainframe computer system to those supported by DOA's mainframe. This usage shift is expected to result in increased expenditures during the transition period when considerable parallel testing and increased data storage will be required. Some offsetting maintenance cost reductions are also anticipated following this conversion.

Base level funding of $69,500 GPR annually appropriated to unallotted reserve is currently being use primarily to make master lease payments of $57,238 GPR towards the purchase of a new local area network for the agency. The last payment on the master lease is scheduled for August 1, 1999.

The additional software licensing fees provided in the budget bill (along with base level funding of $20,000 GPR annually which is continuing as "one-time" financing) for the Department's Unisys mainframe will no longer be needed after the end of the 1997-99 biennium.

The modification shifts all IT funding associated with the increased DOA user charges during the transition period and the base level unallotted reserve amounts for the agency's IT master lease payments to one-time financing. These one-time costs, along with all of the one-time amounts being earmarked for software licensing fees, would therefore, not continue as on-going funding for the purpose of developing DER's cost to continue budget for the 1999-2001 biennium. The agency would be required to identify and rejustify its additional IT usage, leasing and licensure costs at that time.

Prepared by: Tony Mason

MO# Modifications a + b

1	BURKE	Y	N	A
	DECKER	Y	N	A
	GEORGE	Y	N	A
	JAUCH	Y	N	A
	WINEKE	Y	N	A
	SHIBILSKI	Y	N	A
	COWLES	Y	N	A
	PANZER	Y	N	A
	JENSEN	Y	N	A
2	OURADA	Y	N	A
	HARSDORF	Y	N	A
	ALBERS	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	LINTON	Y	N	A
	COGGS	Y	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Additional Collective Bargaining Position (Employment Relations)

[LFB Summary: Page 218, #4]

CURRENT LAW

Staff of the Division of Collective Bargaining in the Department of Employment Relations (DER) represent the state as employer in labor negotiations with its state employe collective bargaining units and in grievance arbitrations arising out of the enforcement provisions of state employe collective bargaining contracts. Division staff also provide employment relations training several times a year to state agency managers. The Division has base level funding of $731,800 GPR annually and is authorized 11.0 GPR positions (9.0 labor relations specialist positions and 2.0 support staff positions).

GOVERNOR

Provide $33,900 GPR in 1998-99 and authorize 1.0 GPR labor relations specialist position.

DISCUSSION POINTS

1. The principal justification advanced by DER in support of its request for a new labor relations specialist position in 1998-99 is that its Division of Collective Bargaining has experienced workload increases in recent years without any adjustment in the total number of authorized labor relations staff (9.0 FTE positions). DER argues that these workload increases

are sufficient to justify the additional position and are primarily attributable to the following factors:

- the overall number of state employe bargaining units has increased from 12 in 1985 to 19 (effective with the 1997-99 contract period);

- the number of grievance arbitrations arising from the operation of state employe contract provisions has also increased;

- the length of the bargaining process has expanded and has become more complex, with bargaining now including such matters as the assignment of classifications to pay ranges; and

- the need and demand for employment relations training has grown.

2. The position description developed for the proposed labor relations specialist indicates that the position would be assigned a variety of specific duties, in accordance with the following estimated overall time commitment priorities: (a) representation of management in grievance arbitrations (55% time commitment); (b) collective bargaining negotiations (20% time commitment); (c) contract implementation and administration (15% time commitment); (d) training activities (5% time commitment); and (e) special projects and assignments (5% time commitment).

3. As previously noted, Division staff represent the state and its agencies in state employe contract grievances which have been appealed to arbitration. A major assigned responsibility of the proposed new position (55% in terms of projected overall time commitment) would be associated with the development and preparation of the state's position in grievance arbitrations. Therefore, it is appropriate to review available case management statistics for these arbitration proceedings in order to assess the degree to which current staff appears to be able to handle the existing caseload. The total number of grievance arbitration appeals processed during the last three each fiscal years is summarized below:

Grievance Arbitration Appeals Activity
(1994-95 through 1996-97)

Fiscal Year	Appeals Received	Appeals Closed[a]	Appeals Pending
1994-95	954	758	1,784
1995-96	914	1,249	1,449
1996-97[b]	611	840	1,220

[a]Includes appeals decided, settled, withdrawn or remanded
[b]Through March 31, 1997

4. During the past two years, the number of appeals pending has dropped from a high in 1994-95 of 1,784 to the current level (through March 31, 1997) of 1,220, a decrease of 31.6%. Further, now that the UW Hospitals and Clinics has been converted to an Authority (effective July 1, 1996) and is no longer a state agency, an important source of grievance appeals (approximately 250 to 300 appeals annually) has been eliminated and should further favorably affect appeals backlog figures once the remaining hold-over appeals are decided.

5. In addition, the existence of a large arbitration appeals backlog may not necessarily be attributable solely to the assumption that DER has too few labor relations specialist staff to assist with the appeals. Since the 1988-89 fiscal year, the Division has consistently had at least 1,000 grievance arbitration appeals pending annually. Arguably, the following factors not related to overall staffing levels in the Division have been at least as significant in determining how quickly pending appeals may be processed: (a) it is often difficult to coordinate scheduling for the state, the grievant, the grievant's agency and the arbitrator for a common hearing date; (b) some cases are appealed but will never in fact be pursued any further by the grievant, yet these cases may continue to be classified as pending matters (nonetheless, some 272 cases were actually withdrawn in 1994-95, 845 cases were withdrawn in 1995-96 and 480 cases have been withdrawn so far during the current fiscal year); and (c) budgetary considerations (particularly prior to 1995-96 when the arbitration appeals function was entirely GPR-funded) have occasionally limited the Division's ability to hire the necessary arbitrators and court reporters. [This program is now entirely PR funded, and the budget bill proposes an additional $10,000 PR annually to support an increased number of arbitrations.]

6. Another third of the time of the new position is expected to include collective bargaining contract negotiations (20% time commitment) and contract implementation and administration activities (15% time commitment). Currently, for bargaining 1997-99 contracts, Division staff are assigned almost exclusively to one of three major negotiating teams, each of which is responsible for negotiating with five or six bargaining units. (There are also two small specialized teams for two of the bargaining units.) Each team is staffed with a chief negotiator and the other assigned team members provide back-up support. In addition, management representatives from several state agencies typically will also serve on the management bargaining team.

7. DER has argued that it is particularly important to provide additional staffing to the state's negotiating teams, especially given the fact that there are now a total of 19 collective bargaining unit contracts which must be negotiated each biennium.

8. However, DER will meet this negotiation workload for the 1997-99 contract cycle with its existing complement of labor relations staff. This is because the recommended new position would not actually be authorized until July 1, 1998. Further, for the past twelve months, DER has been carrying a vacant senior level labor relations specialist position in the Division. If the Division is able to enter into the current contract negotiation cycle with a continuing labor

relations specialist position vacancy, it is open to question whether there is justification for yet an additional position based solely on workload considerations.

9. Finally, a minor portion of the proposed new position's responsibilities (5% time commitment) would be assigned to assist with the design and implementation of training programs. Currently, the Division provides advanced labor-management training to agency managers and supervisors during one-week periods, five times a year. While the proposed new position would likely become involved in these training activities and provide back-up support as a minor part of its assigned duties, it has not been indicated that by providing the position, any additional training sessions would actually result.

10. Since trends in grievance arbitration caseload management do not suggest the need for additional staffing in that area because DER has unused base level staffing capacity in the Division which is available for contract negotiations (as well as for grievance arbitrations), the Committee could delete the requested position and associated funding.

ALTERNATIVES

1. Approve the Governor's recommendation.

2. Maintain current law.

Alternative 2	GPR
1997-99 FUNDING (Change to Bill)	- $33,900
1998-99 POSITIONS (Change to Bill)	- 1.00

MO# Alt 2

Prepared by: Tony Mason

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
1 OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
2 KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 15 NO 1 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Training Position Funding Conversion and Associated Expenditure Authority (DER)

[LFB Summary: Page 218, #5 and Page 219, #8]

CURRENT LAW

The employe development and training services appropriation under the Department of Employment Relations (DER) contains base level expenditure authority of $386,300 PR annually. This appropriation currently funds 4.25 PR authorized positions (3.25 training officers and 1.0 program assistant).

GOVERNOR

Shift from PR to GPR in 1998-99, 50% of the funding and position authority ($22,000 and 0.5 FTE position) for the 1.0 FTE training officer position associated with DER's public employe training function. Delete $15,800 PR annually of excess supplies and services and permanent property expenditure authority for public employe development and training activities.

DISCUSSION POINTS

1. The employe development and training services appropriation currently supports two principal employe development and assistance functions in DER:

• The Office of Employe Development and Training, which formulates, coordinates and offers training programs for state and other governmental employes, including supervisory training and advanced labor management training, coordination of state-sponsored training programs and monitoring of state agency training programs; and

• The state employment options program which provides training to AFDC recipients in order to help them obtain state civil service employment.

2. Revenues to support these activities derive from:

• Fees charged to state and other governmental agencies whose employes participate in employe development and training programs; and

• Reimbursement received from the Department of Workforce Development for costs associated with the state employment options program.

3. As part of the 1995-97 biennial budget, the 1.0 FTE training officer position associated with the agency's governmental employe training function was converted from a 50% GPR/50% PR funding split to the current 100% PR funding allocation as a budget efficiency measure designed to reduce GPR spending. The Governor's current recommendation would restore the position to the former split funding. All of the other positions currently associated with the employe development and training services appropriation would continue to be entirely PR-funded.

4. The Department has advanced two primary reasons for the requested return of the training officer position to split GPR/PR funding:

• Projected revenues and expenditures for the governmental employe training function for the 1997-99 biennium indicated that total program expenditures would exceed estimated total training revenues collected in each of the two fiscal years. Further, at the end of the 1998-99 fiscal year, the program account would have an actual negative balance due to exhausting the account's carry-over balances from previous years. However, this projected ending deficit of $16,700 would be erased if $22,000 in PR expenditures for the half of the training officer position were switched to GPR funding.

• The addition of some GPR funding for the position would also reduce pressure on the training officer to generate revenue for the program by ensuring the direct offering to agencies of training courses by DER either directly or through the use of contract vendors. The agency argues that this would free-up a portion of the incumbent's time to perform other administrative and oversight functions related to employe training activities.

5. Revenues for the training function have been declining in recent years from $195,950 in 1993-94, to $169,721 in 1994-95 and to $129,856 in 1995-96. Estimated revenues for 1996-97 are currently projected at a slightly increased level of $133,800. The Department believes that the decline in training revenues is attributable to the following factors:

• State agencies are setting aside reduced amounts in their budgets for employe training;

• There has been a reduced rate of hiring new employes and a slower turnover at the supervisory level with the results that there has been less demand for the new employe and basic supervisory training courses that DER offers directly; and

• Alternative training opportunities are available to state agencies. Many of the larger agencies secure their staff training needs by working directly with vendors, rather than using DER services to provide vendor contractor courses, with the result that DER collects no revenues for those course offerings.

6. As a result of these factors, participation in the Department's training courses has fallen. Of the 152 scheduled training course offerings during 1995-96, 63 courses (41.4%) had to be canceled because of insufficient enrollments. An additional 33 courses had fewer than 10 enrollees each. In some cases, enrollments in courses taught by outside vendors were not high enough to cover total costs. At least six courses lost from as little as $24 to as much as $1,314 each. One of these, a course which was not even offered due to insufficient enrollments, still had to make a required vendor payment of $1,000.

7. Using updated revenue and expenditure projections provided by DER for the current fiscal year, an analysis indicates that, based on the Governor's recommendation, the employe training and development appropriation will be in a negative program position of -$32,300 PR in 1997-98 and -$37,200 PR in 1998-99. This deficit situation is now projected to occur, even with the proposed conversion of 0.5 FTE of the training officer position from PR to GPR funding.

8. However, included in the program's authorized expenditure authority under the bill is $38,900 PR annually of salary and fringe benefits funding associated with 1.25 PR long-term vacant positions (1.0 PR program assistant position, vacant for over one year and 0.25 PR training officer position, vacant for more than three years). During the period of the program assistant vacancy, the training function has been provided clerical support through the agency's Division of Administrative Services. Also included under the bill is $5,000 PR annually for permanent property. The proposed budget from DER for the appropriation did not indicate any expenditures for permanent property during the next biennium.

9. The Committee could delete: (a) the 1.25 PR long-term vacant positions and $38,900 PR annually in associated salary and fringe benefits expenditure authority; (b) $5,000 PR annually of permanent property funding; and (c) the conversion 0.5 FTE training officer from PR to GPR funding in 1998-99. With the removal of expenditure authority for the deleted positions, total PR funding could be continued for the remaining training officer position and the appropriation would still have a projected positive program position of $12,000 PR in 1997-98 and $29,900 PR in 1998-99. This action would also allow the deletion of $22,900 GPR in 1998-99 that was recommended by the Governor.

10. Finally, the Committee may wish to note that the Governor's Commission on the Reform of the State Human Resource System has made a number of recommendations in its final report relating to state employe training. Among its recommendations on this area were the following:

• DER should provide centralized coordination of statewide employe training but should minimize its role in the direct provision of training.

• A state agency training council should be established by DER to explore the consolidation of training functions; and

• DER and the proposed training council should explore the development of training programs to provide core basic skills to supervisors, managers and executives. While DER should coordinate the provision of these training programs, the actual training should be provided by other agencies and organizations.

11. The Department indicates that it has not completed a review of these and other recommendations of the Commission to determine what, if any, changes should be incorporated into its current training functions. Accordingly, the Committee may wish to include session law language directing DER to submit a report to the Governor and the Legislature, prior to the submittal of its 1999-2001 biennial budget request (September 1, 1998), analyzing: (a) whether DER should continue any role in the direct provision of training courses; (b) what DER's role should be in employe training and whether its current statutory requirements in this area should be modified; (c) whether continued staffing should be provided in DER for training activities; and (d) how any such functions might be made reliably self-supporting. These recommendations could then provide further guidance to the Governor, Committee and the Legislature as a part of legislative review of the 1999-2001 biennial budget for DER.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.

2. Increase 1997-98 PR funding and position authority by $22,000 and 0.5 FTE training officer position and decrease GPR funding by an equivalent amount to retain the position entirely on PR funding. In addition, delete $38,900 PR annually of salary and fringe benefits funding and $5,000 PR annually of permanent property funding and 1.25 PR long-term vacant positions.

Alternative 2	GPR	PR	TOTAL
1997-99 FUNDING (Change to Bill)	- $22,000	- $65,800	- $87,800
1998-99 POSITIONS (Change to Bill)	- 0.5	- 0.75	- 1.25

3. Include session language requiring the Department of Employment Relations to submit to the Governor and the Legislature by September 1, 1998, a report analyzing: (a) whether DER should continue any role in the direct provision of training courses; (b) what DER's role should be in employe training and whether its current statutory requirements in this area should be modified; (c) whether continued staffing should be provided in DER for training activities; and (d) how any such functions might be made reliably self-supporting.

Prepared by: Tony Mason

MO# Alt 2

1 BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

MO#

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE ____ NO ____ ABS ____

Representative Harsdorf

EMPLOYMENT RELATIONS

Paper #372 -- Substitute to Alternative #3

Motion:

Move to include session law language requesting the Joint Legislative Audit Committee to direct the Legislative Audit Bureau to conduct a financial and performance evaluation audit of DER regarding: (a) whether DER should continue to have any role in the direct provision of training courses; (b) what DER's role should be in employe training and whether its current statutory requirements in this area should be modified; (c) whether continued staffing should be provided in DER for training activities; and (d) how any such functions might be made reliably self-supporting. Request that the audit report be submitted by September 1, 1998.

Note:

This motion would provide that the Legislative Audit Bureau review and prepare a report on the questions raised in Alternative 3 of Paper #372 rather than having a report on these questions be prepared by DER.

MO# 605

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

Motion #605