9

Senator Burke

ELECTRONIC GOVERNMENT

Remove UW System

[Amendment to Motion # 223]

Motion:

Move to exclude the University of Wisconsin System from the group of executive branch agencies over which the new Department of Electronic Government has oversight authority. Do not place the President of the University of Wisconsin System or his or her designee on the Information Management Technology Board.

MO#____________

1 BURKE	Y	N	A
2 DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 9 NO 7 ABS 0

ELECTRONIC GOVERNMENT

Creation of the Department of Electronic Government

[LFB Paper #400 Substitute Alternative]

Motion:

Move to modify the bill as follows related to creation of the Department of Electronic Government:

a. Create the new Department of Electronic Government headed by a Chief Information Officer, but require that all of the new 4.0 PR unclassified positions associated with the Department (1.0 Chief Information Officer, 1.0 Deputy Secretary, 1.0 Executive Assistant and 1.0 additional division administrator) be reallocated from those resources transferred from DOA. Create 4.0 PR unclassified positions and delete 4.0 PR classified positions. Delete the increased funding and position authority associated with the new unclassified positions ($409,800 PR and 3.0 PR positions annually). *[Alternative A2]*

b. Provide $161,900 PR in 2001-02 and $155,900 PR in 2002-03 and 4.0 PR positions annually in the new Department associated with budgeting, financial management, procurement and personnel services. Reduce PR funding and position authorizations in the Department of Administration's supervision and management appropriations by a corresponding amount. *[Alternative A4]*

c. Approve the Governor's recommendation to expand the powers, duties and authorities of the Department of Electronic Government as identified in the bill, but: (1) delete the funding and position transfer authority granted to the Chief Information Officer; (2) require that the methodologies used by the new Department for establishing fees be promulgated as administrative rules; and (3) maintain the current requirements related to Joint Committee on Finance review and approval of major IT acquisitions. *[Alternatives B1, B3b, B3c and B3d]*

d. Approve the Governor's recommendation related to appropriations structure, except: (1) maintain separate appropriations for information technology processing, telecommunications, BJIS justice information system fee and BJIS Byrne grant funding, delete the modification to the definition of program revenue-service, proportionally divide the expenditures and positions associated with support positions and unclassified positions between the information technology processing appropriation and the telecommunications appropriation; (2) change the continuing appropriations created in the bill (other than the gifts, grants and bequests appropriation and the federal aid appropriation) to annual appropriations; and (3) delete the provision allowing the new Department to expend additional amounts equal to the value of depreciated assets. *[Alternatives C2a, C2d and C2e]*

e. Approve the Governor's recommendation to create an Information Technology Management Board, except: (1) place four legislators (the Co-chairs of the Joint Committee on Information Policy and Technology, or their designees who are legislators, and one minority party member from each house) on the Board; and (2) include the President of the University of Wisconsin System or his or her designee as a member of the Board. *[Alternatives D2a (modified) and D2e]*

f. Require the Department of Electronic Government annually, by March 31, to develop performance measures for the executive branch related to financial aspects of information technology, personnel utilization in information technology and information technology customer satisfaction. Require that a report regarding the performance measures and executive branch achievement be submitted to the Joint Committee on Information Policy and Technology and the Information Technology Management Board.

Note:

This motion incorporates the following alternatives from Legislative Fiscal Bureau Paper #400 related to creation of the Department of Electronic Government: A2, A4, B1, B3b, c and d, C2a, d and e, and D2a (modified) and e. The motion places four legislators and the President of the University of Wisconsin System or his or her designee, on the Information Technology Management Board. Finally, the motion creates a requirement that the new Department develop information technology performance measures.

[Change to Bill: -$819,600 PR and -3.0 PR positions]

MO#__________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

Senator Wirch
Senator Shibilski

ELECTRONIC GOVERNMENT

TEACH Board-Related Modifications

Motion:

Move to modify the bill to require the Technology for Educational Achievement in Wisconsin (TEACH) Board to work in cooperation with the Department of Electronic Government regarding: (a) the delegation of procurement authority to TEACH Board to make purchases of educational technology equipment for use by school districts, cooperative educational service agencies and public educational institutions with the approval of the Department of Electronic Government; (b) rules promulgated by the TEACH Board establishing an educational telecommunications access program to provide educational agencies with access to data lines and video links; (c) procurement standards and specifications, established by the TEACH Board related to the purchase of educational technology hardware and software by educational agencies; and (d) the TEACH Board's ability to purchase or permit educational agencies to purchase or lease educational technology equipment.

Note:

Under the bill, the following modifications are made to provisions related to the TEACH Board: (a) DOA may only delegate procurement authority to the TEACH Board to make purchases of educational technology equipment for use by school districts, cooperative educational service agencies and public educational institutions with the approval of the Department of Electronic Government; (b) rules promulgated by the TEACH Board, in consultation with DOA, establishing an educational telecommunications access program to provide educational agencies with access to data lines and video links, are subject to approval by the Department of Electronic Government; (c) procurement standards and specifications, established by the TEACH Board in cooperation with DOA, related to the purchase of educational technology hardware and software by educational agencies are subject to the approval of the Department of Electronic Government; and (d) with the approval of the Department of Electronic Government, the TEACH Board would be allowed to purchase or permit educational agencies to purchase or lease educational technology equipment.

The motion modifies the bill to remove Department of Electronic Government approval authority related to the TEACH Board and instead requires that the TEACH Board work cooperatively with the new Department.

Motion #456

MO#____________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
2 SHIBILSKI	Y	N	A
PLACHE	Y	N	A
1 WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS ____

Senator Wirch
Senator Shibilski

ELECTRONIC GOVERNMENT

Contract and Purchasing Decisions

Motion:

Move to specify that contracts and purchasing decisions between the Department of Electronic Government and local units of government are completely voluntary.

Note:

Under the bill, the new Department may establish master contracts for the purchase of materials, supplies, equipment, or contractual services relating to information technology or telecommunications for use by agencies, authorities, local governmental units, or entities in the private sector and require any executive branch agency to make any purchases of materials, supplies, equipment, or contractual services included under the contract pursuant to the terms of the contract.

This motion would specify that local units of government would not be required, but rather would be allowed, to enter into master contracts.

MO#________

2 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
1 WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

Motion #455

Representative Coggs
Senator Plache

ELECTRONIC GOVERNMENT/ADMINISTRATION

Privacy Officer

Motion:

Move to create a privacy officer in the Department of Justice to monitor personal information housed within the Department of Electronic Government. Transfer $46,700 PR in 2001-02 and $53,700 PR in 2002-03 and 1.0 PR attorney position annually from DEG to DOJ to create an attorney position in DOJ. Specify that the privacy officer recommend and enforce a state information procedure for the handling of personal information maintained in state agencies. Require that the procedure: (a) prohibit the secondary use of data that is not specifically authorized by state or federal law; (b) specify that the Department of Electronic Government is not a custodian of state open records; (c) establish a privacy policy for employees who handle personal information; (d) set limitations for the use of personal information without consent of the individual who is the subject of the information; and (e) establish penalties for state agencies violating the state information procedure. Specify that the privacy officer has the authority to bring suit against the Department of Electronic Government to enforce privacy procedures.

Note:

The motion creates a privacy officer in DOJ to monitor personal information housed in the new Department of Electronic Government.

MO#

BURKE	Y
DECKER	Y
MOORE	Y
SHIBILSKI	Y
PLACHE	Y
WIRCH	Y
DARLING	N
WELCH	N
GARD	N
KAUFERT	N
ALBERS	N
DUFF	N
WARD	N
HUEBSCH	N
HUBER	Y
COGGS	Y

AYE 8 NO 8 ABS 0

Motion #226

Senator Plache

ELECTRONIC GOVERNMENT

Creation of the Department of Electronic Government

[LFB Paper #400 Substitute Alternative]

Motion:

Move to make the chief information officer a nonvoting member of the Board, who serves as the Board Secretary and remove the CIO as vice-chair of the Board.

MO#________________

2 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
1 PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

Motion #225

Representative Gard
Representative Albers

ADMINISTRATION -- INFORMATION TECHNOLOGY
AND ELECTRONIC GOVERNMENT

Electronic Notification of State Agency Administrative Rules Changes

Motion:

Move to require that the Department of Administration, as one of its statutory duties, ensure that each state agency with the authority to promulgate administrative rules create a web site: (a) allowing individuals interested in specific rules to register their electronic mail addresses in order to receive automatic notification that the rules are under revision; (b) providing information about where and when rules hearings will be held regarding specific rules changes; (c) providing information about the date by which comments must be provided to the agency regarding a specific proposed rule change; (d) providing a summary of parties or categories of parties who are affected by the proposed rule modification; and (e) providing an estimate of any costs associated with the proposed administrative rule, by affected party or category of parties. Specify that agencies are not required to accept comments regarding proposed rules changes by electronic mail. *[Note: If the Committee creates the Department of Electronic Government, the statutory duties specified in the motion would apply to the new Department.]*

MO#__________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 5 NO 11 ABS ____

Motion #430

AGENCY: Employee Trust Funds

LFB PAPER #: 410

ISSUE: Benefits payment System Redesign

ALTERNATIVE: 2

SUMMARY:

The WRS annuity payment system is currently undergoing a redesign. WRS hired a consultant to estimate the time and cost of this redesign project. That consultant came up with 3 scenarios, ranging in cost of $4.124 million and taking 4 years to complete to a cost of $8.33 million and taking 3 years to complete.

The Department chose the option in the middle which will cost approximately $6.588 million and take 3 years to complete. The governor went with this option as well, but instead of spreading the funding out over the 3 years, he proposed funding the biggest portion, the Consultant costs of $3.46 million all up front in the first year.

LFB has a better plan which is Alternative 2 and is explained on page 5 paragraphs 12-14. This option will cost $5.176 million and it's up to ETF to come up with a detailed implementation plan for the project.

LFB suggests we release $97,100 and 2.5 SEG positions to ETF annually to work on the redesign project, also to restore 1.0 SEG positions that were erroneously deleted from the budget. The remainder of the money, $2.095 million in 2001-02 and $2.887 million in 2002-03, will be put in the JFC s. 20.865 appropriation for future release to ETF under 13.10 once they've submitted the implementation plan for the project.

BY: Cindy

Wirch wants Alt. 1 or Alt. 2 w/ passive review.
Everyone else wants Alt. 2

2 okay

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

May 4, 2001 | Joint Committee on Finance | Paper #410

Benefits Payment System Redesign (ETF)

[LFB 2001-03 Budget Summary: Page 275, #2]

CURRENT LAW

The Department of Employee Trust Funds (ETF) has base level supplies and services funding of $1,552,400 SEG annually to support the on-going IT-related maintenance, data entry, contract programming, software and user charge costs of the agency. In a separate appropriation that supports the development of automated operating systems, the Department has additional base level funding of $272,000 SEG annually.

GOVERNOR

Provide $5,461,600 SEG in 2001-02 and $887,600 SEG in 2002-03 and 1.0 SEG permanent and 2.5 SEG two-year project positions annually to enable the agency to continue the redesign of its current Wisconsin Retirement System (WRS) annuity payment system. Of the amounts provided, $5,364,500 SEG in 2001-02 and $790,500 SEG in 2002-03 would be budgeted in unallotted reserve for release by DOA, once ETF has developed and submitted a detailed implementation plan for the project. Included in the amounts placed in unallotted reserve is funding for the 1.0 new permanent position ($58,300 in 2001-02 and $79,500 in 2002-03). The remaining $97,100 SEG annually and 2.5 SEG two-year project positions would extend expiring project positions associated with the current benefits payment redesign effort. Funding for these continuing project positions would not be placed in unallotted reserve. To recognize expected efficiencies due to the new system, delete position authority for 1.0 undesignated permanent position on June 30, 2003. The budget erroneously deletes the position authority for 1.0 permanent position for the entire 2002-03 fiscal year.

DISCUSSION POINTS

1. The 1999-01 biennial budget provided ETF with $319,900 SEG in 1999-00 and $375,400 SEG in 2000-01 and 2.5 SEG financial specialist two-year project positions to begin the planning and redesign efforts associated with the agency's payment system redesign effort. The purpose of the annuity system redesign effort is to: (a) integrate annuity payment activities into ETF's single database management system (WEBS) that supports all participant account information; (b) improve data maintenance, integration and updating capabilities; and (c) provide on-line viewing and accessing of annuity data by ETF staff with the associated integration of these annuity payment functions into both the agency's electronic image and workflow system and its interactive voice response (IVR) system and call center functions.

2. The Department's initial project plan called for the planning and design activities to begin by September 15, 1999, with design and testing completed by June 30, 2001, and implementation by the spring of 2002. A budget request for the remaining conversion and implementation aspects of the project was anticipated for the 2001-03 biennium.

3. The project was not able to begin on the schedule envisioned by the Department because of delays in the enactment of the 1999-01 state budget and the need to redeploy agency staff to deal with Y2K compliance concerns. Contract programmers and related resources were not finally contracted until January, 2000, with the result that nearly $97,400 SEG of the amounts originally budgeted for the project for 1999-00 ultimately lapsed.

4. Shortly after the initial design phase of the project began, the Department determined that "the effort required to complete the project had been significantly underestimated when the project plan and budget were developed." It also became apparent that given the complexities of the proposed system, the database architectures of the proposed system would also have to be modified to increase system security, flexibility and integration capabilities.

5. Then, in July, 2000, ETF contracted with Complete Business Solutions, Inc. (now known as Covansys), at a cost of $55,700 SEG to review the proposed system redesign and prepare estimates of the effort required to complete its design and development. The contractor, who had annuity payment system design experience with six other public employer retirement systems, estimated that ETF's total project would require at least 58,500 hours to complete, including approximately 49,200 hours of IT developer services and approximately 9,300 hours of ETF staff user involvement.

6. The consultant developed and costed three separate implementation alternatives:

- *Scenario 1.* Current ETF resources would be used to undertake the project. While this alternative appeared to be the least costly to ETF (total project costs were initially estimated at $4,124,100), it would have required the longest amount of time to complete. The consultant estimated that the project would not be completed under this scenario before December, 2004.

- *Scenario 2.* ETF would enter into a partnership with an external consultant for a two-year project. The consultant initially estimated that the project could be completed by *September*, 2003, at a total cost of $8,334,300.

- *Scenario 3.* ETF would enter into a partnership with an external consultant, but the consultant would provide only about 60% of the actual development resources with the remaining 40% contracted "off-shore" using foreign programmers. The consultant initially estimated that the project could be completed by September, 2003, at a total cost of $6,588,600.

7. The Department has chosen to pursue Scenario 3 to enter into an arrangement with a consulting partner, who would, in turn, use some significant amounts of "off-shore" contract programming and some local consulting services for the project. Under the proposed budget developed by Complete Business Solutions, the following costs were projected:

Consultant's Proposed Budget for WRS Benefits Payment System

Cost Component	2001-02	2002-03	2003-04	Three-Year Total
Local Contract Programmers	$128,500	$171,400	$42,800	$342,700
Consulting Partner	1,298,000	1,730,600	435,100	3,463,700
"Off-Shore" Programmers	296,700	395,600	98,900	791,200
IT Resources	168,500	224,700	56,200	449,400
ETF Resources	121,400	164,200	45,900	331,500
ETF Project Manager	66,300	88,400	22,100	176,800
TOTAL	$2,079,400	$2,774,900	$701,000	$5,555,300

8. To this total project budget of $5,555,300, the consultant applied a 15% contingency factor of $833,300 and estimated an additional $200,000 for infrastructure costs to bring the total cost of the initiative to $6,588,600.

9. The Governor's funding recommendations for the WRS benefits payment system were developed utilizing many of the cost factors presented above. The most noticeable changes recommended by the Governor are to provide the following funding amounts in the first year of the project: (a) all of the consulting partner estimated costs ($3,463,700 for the entire three years); (b) the entire 15% project contingency funding amounts ($833,300); and (c) revised data architecture funding and training amounts ($536,000). The Governor's recommended funding for the project's cost components are presented below:

Governor's Recommended New Funding for WRS Benefits Payment System (SEG Funds)

Cost Component	2001-02	2002-03	2003-04	Three-Year Total
Local Contract Programmers	$128,500	$171,400	$42,800	$342,700
Consulting Partner	3,463,700	-0-	-0-	3,463,700
"Off-Shore" Programmers	296,700	395,600	98,900	791,200
DOA IT Charges	48,000	144,000	12,000	204,000
ETF Resources	-0-	-0-	-0-	-0-
ETF Project Manager	58,300	79,500	-0-	137,800
Contingency Funding	833,300	-0-	-0-	833,300
Database Architecture Modifications/Training	536,000	-0-	-0-	536,000
TOTAL	$5,364,500*	$790,500*	$153,700	$6,308,700

*Budgeted in the bill in unallotted reserve.

10. Amounts previously identified by the consultant as "IT Resources" and "ETF Resources" (totaling $289,900 SEG in 2001-02 and $388,900 SEG in 2002-03) would be provided to the project, under the Governor's recommendations, from the agency's current base level resources.

11. In reviewing the recommended funding for the benefits payment system, the Committee may wish to consider the following:

- The Department anticipates circulating a request for proposals for a consulting partner during the spring and early summer. ETF has advised that they expect four or five qualified vendors (all with retirement system experience) to be potential bidders. The agency believes that a "very competitive procurement" is likely. Consequently, it is likely that many of the above cost components on which the Governor's recommendations were made will change.

- A question can be raised whether all of the funding for the consulting partner should be budgeted at the outset of the project. Under the Governor's recommendation, the funding would be provided under ETF's automated operating system continuing appropriation. Funds provided in 2001-02 in such a continuing appropriation would remain available until expended. ETF has indicated that it would prefer the certainty of having all of the major consulting funding provided "up front" for maximum flexibility and to minimize the need to return to the Legislature periodically for additional resources.

- A question may be raised concerning the amount of contingency funding budgeted for the project. The contingency funding appropriated in the first year is based on all three years of the project. Arguably, some of these costs, if needed, should be budgeted in the 2003-05 biennium. Further, the recommended amount of contingency funding is based, in part, on $780,900 SEG of funding over three years for IT and ETF resources. These items are now being funded from the agency's base ($289,900 SEG during 2001-02 and $388,900 SEG during 2002-03, with the remainder expected to be funded in this manner during the 2003-04 fiscal year). Additionally, the contingency amount is based, in part, on $176,800 originally budgeted over three years for an ETF project manager. Under the Governor's recommendation these amounts have been reduced to $58,300 SEG in 2001-02 and $79,500 SEG in 2002-03. Further, with respect to these IT and ETF resource items and the project manager position, it can be questioned whether these types of cost categories should be used to base a project's contingency budget needs.

12. Under the Governor's recommendation, $5,364,500 SEG in 2001-02 and $790,500 SEG in 2002-03 would be budgeted in unallotted reserve for release by DOA once ETF had developed and submitted a detailed implementation plan for the project. The remainder of the funding ($97,100 SEG annually and 2.5 SEG two-year project positions) would extend agency IT staff working on developing the benefits payment project design. The Committee may wish to consider as an alternative, budgeting the project development and implementation funds and the ETF project manager position funding under the Committee's s. 20.865(4)(u) appropriation for possible future release to ETF under s. 13.10 procedures once ETF had developed and submitted a detailed implementation plan for the project.

13. Under this alternative, $5,364,500 SEG in 2001-02 and $790,500 SEG in 2002-03 would be deleted under ETF. A total of $97,100 SEG annually and 2.5 SEG two-year project positions would continue to be provided to ETF as well as 1.0 SEG unfunded project manager position annually. The Governor's budget recommendation proposed the deletion of 1.0 SEG undesignated permanent position in 2002-03 due to the expected efficiencies of the new benefits payment system. The proposed budget erroneously deleted the authority for this is position for the entire fiscal year. That position authority would also be restored under this alternative, and the undesignated permanent position deletion would occur on July 1, 2003.

14. The amounts that would be reserved in the Committee's appropriation at this time ($2,095,200 SEG in 2001-02 and $2,887,300 SEG in 2002-03) would be the sum of the following: (a) the consultant's identified costs for local contract programmers, the consulting partner, "off-shore" programmers and the Governor's projected DOA IT charges for 2001-02 ($1,771,200 SEG) and 2002-03 ($2,441,600 SEG); (b) a 15% allowance for project contingencies based on these amounts ($265,700 SEG in 2001-02 and $366,200 SEG in 2002-03); and (c) funding for the project manager ($58,300 SEG in 2001-02 and $79,500 SEG in 2002-03). Once the project has been bid, the agency could seek a release of some or all of the reserved funds, including any additional supplementation if warranted on the basis of the accepted bid.

15. If the Committee chooses to adopt the Governor's original recommendation, it should provide position authority for 1.0 permanent position erroneously deleted in 2002-03 and instead delete this permanent position authority on July 1, 2003.

ALTERNATIVES TO BASE

1. Provide $5,461,600 SEG in 2001-02 and $887,600 SEG in 2002-03 and 1.0 SEG permanent and 2.5 SEG two-year project positions annually to enable the agency to continue the redesign of its current WRS annuity payment system. Budget $5,364,500 SEG in 2001-02 and $790,500 SEG in 2002-03 in unallotted reserve (including $58,300 in 2001-02 and $79,500 in 2002-03 for the 1.0 new permanent position) for release by DOA, once ETF has developed and submitted a detailed implementation plan for the project. To recognize expected efficiencies due to the new system, delete position authority for 1.0 undesignated permanent position on July 1, 2003. *[This alternative adopts the Governor's recommendation with a minor correction to authorize a permanent position through the 2002-03 fiscal year. The position would be deleted instead on July 1, 2003.]*

Alternative 1	SEG
2001-03 FUNDING (Change to Base)	$6,349,200
[Change to Bill	*$0]*
2002-03 POSITIONS (Change to Base)	3.50
[Change to Bill	*1.00]*

2. Provide ETF with $97,100 SEG and 2.5 SEG project positions annually associated with the agency's efforts to develop the benefits payment project design and authorize 1.0 SEG unfunded project manager position. Place $2,095,200 SEG in 2001-02 and $2,887,300 SEG in 2002-03 in the Joint Committee on Finance s. 20.865(4)(u) appropriation for possible future release to ETF under s. 13.10 procedures once ETF had developed and submitted a detailed implementation plan for the project. To recognize expected efficiencies due to the new system, delete position authority under ETF for 1.0 undesignated permanent position on July 1, 2003.

Alternative 2	SEG
2001-03 FUNDING (Change to Base)	$5,176,700
[Change to Bill	*- $1,172,500]*
2002-03 POSITIONS (Change to Base)	3.50
[Change to Bill	*1.00]*

3. Maintain current law.

Alternative 3	SEG
2001-03 FUNDING (Change to Base)	$0
[Change to Bill	*- $6,349,200]*
2002-03 POSITIONS (Change to Base)	0.00
[Change to Bill	*- 2.50]*

Prepared by: Tony Mason

MO# Alt 2

1 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS ____

Representative Gard
Senator Wirch

EMPLOYEE TRUST FUNDS

Passive Review Release of Benefits Payment System Redesign Funding
Reserved in the Committee's Supplemental Appropriation

[LFB Paper #410]

Motion:

Move to provide that ETF may submit a request to the Joint Committee on Finance for a release of the funds reserved in the Committee's s. 20.865(4)(u) appropriation in 2001-02 and in 2002-03 to the agency's s. 20.515(1)(t) and 20.515(1)(w) appropriations for the benefit payment system redesign project. If the Co-chairpersons of the Committee do not notify the Secretary of ETF within 14 working days after the date of the Department's submittal that the Committee intends to schedule a meeting to review the request, the appropriations accounts shall be supplemented as provided in the request. If, within 14 working days after the date of the Department's submittal, the Co-chairpersons of the Committee notify the Secretary of ETF that the Committee intends to schedule a meeting to review the request, the appropriation accounts shall be supplemented only as approved by the Committee.

MO#________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS ____

Motion #431

Att 2 okay w/ staff

ok

AGENCY: Employee Trust Funds

LFB PAPER #: 411

ISSUE: Participant Services Staffing Increases

ALTERNATIVE: 2 (3 ok too)

SUMMARY:

Since all the boomers are starting to come into retirement age, the WRS staff is swamped with requests for counseling sessions and requests for retirement benefit estimates. With the present staffing level, it takes an average of 84 days to receive a retirement benefit estimate and 10-12 weeks to get an appointment for a face-to-face pre-retirement benefits counseling session. Additionally, actual payment of of disability benefits and to beneficiaries of deceased participants takes approximately 3-4 week.

These time-frames will increase as the number of retirees continues to increase if WRS staff stays at its current level.

WRS is requesting an additional 8.4 FTE staff positions, and 4.6 supervisory positions. Also, they're looking for additional funding for office furniture and computers for the new staff.

The governor is proposing 8 FTE staff positions as well as the requested office furniture & computers.

Alternative 2 is LFB's re-estimate of ETF's staffing needs using their own methodology. LFB believes they can get by with 8 FTE positions and no supervisory positions, as well as less money for the furniture and computers.

If you think 8 positions is too many, Alternative 3 cuts them down to 7 positions, along with corresponding computers & furniture.

BY: Cindy

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May 4, 2001 | Joint Committee on Finance | Paper #411

Participant Services Staffing Increases (ETF)

[LFB 2001-03 Budget Summary: Page 277, #4]

CURRENT LAW

The Department of Employee Trust Funds (ETF) maintains a Member Services Bureau in its Division of Retirement Services to provide benefit counseling, prepare benefit estimates and respond to general retirement-related inquiries for persons preparing to retire under the Wisconsin Retirement System (WRS). Currently, 20.3 SEG positions (17.3 FTE permanent and 3.0 FTE project positions) are assigned to this function. Base level salaries and fringe benefits funding of $1,021,000 SEG annually is budgeted for these positions. The Bureau's project positions and associated funding ($114,100 SEG) expire at the end of the current fiscal year.

GOVERNOR

Provide $376,400 SEG in 2001-02 and $311,400 SEG in 2002-03 and 8.0 SEG positions in the Member Services Bureau to: (1) support the conversion of 4.0 SEG expiring project positions to permanent status at the beginning of the 2001-02 fiscal year ($155,700 SEG annually); (2) support 4.0 SEG new positions ($116,700 SEG in 2001-02 and $155,700 SEG in 2002-03); and (3) provide one-time funding for IT equipment, software and modular furniture for all the positions ($104,000 SEG in 2001-02).

DISCUSSION POINTS

1. The workload of ETF's Member Services Bureau is directly dependent on the growing number of WRS participants who are currently at retirement benefit eligibility age (age 50 and older for protective category WRS participants and age 55 and older for all other categories of WRS participants). The following table shows the projected growth trends in the number of WRS

participants who will be eligible to retire over the next several fiscal years.

Projected Growth of WRS Participants Eligible to Retire

	1999-00*	2000-01	2001-02	2002-03	2003-04	2004-05
WRS Members Eligible to Retire	59,610	61,289	64,672	70,497	75,973	81,036

*Actual member count. All other figures are estimates based on current participant counts and actuarial projections.

2. The agency's Member Services Bureau provides assistance to WRS participants nearing retirement primarily in the following areas: (a) individual face-to-face pre-retirement benefits counseling; (b) retirement benefit and purchase of service estimates; and (c) death and duty disability benefit calculations.

3. Individual pre-retirement counseling for WRS participants is currently encouraged but is not required. Significant numbers of members request these counseling services but must typically wait an average of 10 to 12 weeks before a session can be scheduled with agency staff. In the current fiscal year, ETF projects that it will provide nearly 5,500 hours of participant counseling sessions.

4. WRS participants who request retirement benefit estimates from the Bureau must now wait an average of 84 days to receive the estimate. The agency currently estimates that it prepares pre-retirement benefit estimates for approximately 25% of the "eligible to retire" pool annually. Participants who request estimates for the cost of purchasing prior service credits must wait approximately 10 to 12 weeks for those estimates. The Department believes that more timely responses are essential, since the purchase of prior service must be completed before the participant terminates from WRS-covered employment.

5. The Bureau currently provides benefit estimates and information to participants who are potentially eligible for disability benefits and to beneficiaries of deceased participants. Applications for the actual payment of such benefits currently require approximately three to four weeks to process.

6. The Department believes that these service timelines are not acceptable. A 1999 cost effectiveness study commissioned by the Department compared the agency's service levels to 15 peer retirement systems. The study found that while the Department's overall administrative costs were low compared to the peer retirement systems (ETF was the third least costly system administrator on a per member basis), the agency was ranked at the bottom in terms of the level of service provided to participants.

7. Based on the current number of available staff hours required to provide the member services described above at the indicated levels of timeliness, the Department has developed a series

of projections of the number of additional staff hours that would be required in order to provide counseling sessions and benefits estimates within three weeks of initial contact and death and disability estimates within two weeks of initial contact. The Department believes that these are optimal time lines for the provision of these various member services.

8. In order to provide members services under the optimal timelines, ETF determined that it would require 41,937 staff hours in 2001-02 and 44,839 staff hours in 2002-03. Since the agency is currently staffed at a level that can provide 27,955 staff hours annually in the Member Services Bureau, new positions would be required to provide an additional 13,982 staff hours during 2001-02 and an additional 16,884 staff hours during 2002-03.

9. The agency currently uses an 80% staff productivity factor in determining the number of FTE's required to provided the indicated number of staff hours. The productivity adjustment is designed to factor in the impact of such considerations as annual sick leave and vacation time. Under this methodology, the agency determined that it would initially require 8.4 FTE positions to provide the optimal level of member services. [Additional supervisory and partial position adjustments in the Controller's Office and the Benefit Services Bureau brought the Department's identified staffing need, when rounded, to 13.0 FTE annually.] These resources were requested as part of ETF's biennial budget submission.

10. The Governor has recommended that a total of 8.0 FTE trust fund specialist positions be provided to the agency for member counseling and retirement and other benefit estimate enhancements. No additional supervisory staff or fractional position adjustments in the Controller's Office and the Benefit Services Bureau were recommended. The agency now estimates that the level of staffing recommended by the Governor will likely result in the Member Services Bureau being able to schedule counseling sessions and preparing estimates within a three to five week timeframe.

11. While this level of staffing would appear to move the agency much closer to meeting its desired level of member services, the Committee may wish to consider whether the Department's 80% productivity standard and other factors tend to result in an overstating of its staffing needs. If the Department had not applied this standard, the 8.4 FTE position need in the Member Services Bureau would have been 6.72 FTE. Further, for the 4.0 FTE new staff recommended by the Governor, the agency is projecting only about 50% productivity during 2001-02 and this first year productivity deficit is carried into 2002-03 as a backlog and is incorporated into the staff hour shortfall used to develop position needs for that fiscal year.

12. In addition, the agency's total member services workload projections of 41,937 staff hours in 2001-02 and 44,839 staff hours in 2002-03 include significant, on-going blocks of time for training (7,149 total staff hours in both 2001-02 and 2002-03) and managing over 50,000 "other request" items annually such as miscellaneous information requests and general correspondence (7,700 staff hours in 2001-02 and 8,085 staff hours in 2002-03). An argument can be made that at least some of the time attributed to training activities should instead be accommodated within the 80% productivity standard used by the agency in determining its staffing needs. Further, it would

appear to be difficult to translate the impact of thousands of minor and miscellaneous other request transactions as directly into FTE position needs.

13. If the Committee chooses to discount at least a portion of the 80% productivity standard used by the Department in determining its new staffing needs and also to conclude that some of the other identified workload activities may not translate as directly into the need for additional staff, it could consider reducing the number of new positions authorized for the Member Services Bureau from 8.0 FTE positions to 7.0 FTE positions. Under this alternative, $42,300 SEG in 2001-02 and $38,900 SEG in 2002-03 would also be deleted.

14. If the Committee chooses not to modify the number of new positions recommended for the Member Services Bureau, the one-time funding provided for the 8.0 FTE positions should be reduced by $14,500 SEG in 2001-02 to reflect the fact that certain IT-related printer costs will not actually be incurred for these new positions ($11,500) and existing system furniture can be used to offset some of the new permanent property needs requested. If the Committee provides only 7.0 SEG positions, the amount of this adjustment to one-time funding would be a reduction of $13,100 SEG in 2001-02.

ALTERNATIVES TO BASE

1. Adopt the Governor's recommendation to provide $376,400 SEG in 2001-02 and $311,400 SEG in 2002-03 and 8.0 SEG positions in the Member Services Bureau to: (1) support the conversion of 4.0 SEG expiring project positions to permanent status at the beginning of the 2001-02 fiscal year ($155,700 SEG annually); (2) support 4.0 SEG new positions ($116,700 SEG in 2001-02 and $155,700 SEG in 2002-03); and (3) provide one-time funding for IT equipment, software and modular furniture for all the positions ($104,000 SEG in 2001-02).

Alternative 1	SEG
2001-03 FUNDING (Change to Base)	$687,800
[Change to Bill	*$0]*
2002-03 POSITIONS (Change to Base)	8.00
[Change to Bill	*0.00]*

2. Provide $361,900 SEG in 2001-02 and $311,400 SEG in 2002-03 and 8.0 SEG positions in the Member Services Bureau to: (1) support the conversion of 4.0 SEG expiring project positions to permanent status at the beginning of the 2001-02 fiscal year ($155,700 SEG annually); (2) support 4.0 SEG new positions ($116,700 SEG in 2001-02 and $155,700 SEG in 2002-03); and (3) provide one-time funding for IT equipment, software and modular furniture for all the positions ($89,500 SEG in 2001-02). *[This alternative deletes $14,500 SEG in 2001-02 of excess one-time funding.]*

Alternative 2	SEG
2001-03 FUNDING (Change to Base)	$673,300
[Change to Bill	*- $14,500]*
2002-03 POSITIONS (Change to Base)	8.00
[Change to Bill	*0.00]*

3. Provide $321,000 SEG in 2001-02 and $272,500 SEG in 2002-03 and 7.0 SEG positions in the Member Services Bureau to: (1) support the conversion of 4.0 SEG expiring project positions to permanent status at the beginning of the 2001-02 fiscal year ($155,700 SEG annually); (2) support 3.0 SEG new positions ($87,400 SEG in 2001-02 and $116,800 SEG in 2002-03); and (3) provide one-time funding for IT equipment, software and modular furniture for all the positions ($77,900 SEG in 2001-02). *[This alternative deletes (a) 1.0 SEG position and $42,300 SEG in 2001-02 and $38,900 SEG in 2002-03; and (b) $13,100 SEG in 2001-02 of excess one-time funding.]*

Alternative 3	SEG
2001-03 FUNDING (Change to Base)	$593,500
[Change to Bill	*- $94,300]*
2002-03 POSITIONS (Change to Base)	7.00
[Change to Bill	*- 1.00]*

4. Maintain current law.

Alternative 4	SEG
2001-03 FUNDING (Change to Base)	$0
[Change to Bill	*- $687,800]*
2002-03 POSITIONS (Change to Base)	0.00
[Change to Bill	*- 8.00]*

MO# Alt 2

1 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

Prepared by: Tony Mason

No analysis prepared.
Alts 2+3 per staff

ok

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May 4, 2001 | Joint Committee on Finance | Paper #412

Customer Call Center Enhancements (ETF)

[LFB 2001-03 Budget Summary: Page 277, #5]

CURRENT LAW

The Department of Employee Trust Funds (ETF) operates a customer service call center within its Office of Communications to respond to telephone inquiries from Wisconsin Retirement System (WRS) participants, employers and annuitants concerning any aspect of the benefit programs administered by the agency. Currently, 12.5 SEG positions (4.5 FTE permanent and 8.0 FTE project positions) are assigned to this function. Base level salaries and fringe benefits funding of $530,300 SEG annually is budgeted for these positions. All of the call center's project positions and associated funding ($304,900 SEG) expire at the end of the current fiscal year.

GOVERNOR

Provide $308,000 SEG in 2001-02 and $314,000 SEG in 2002-03 and 2.0 SEG permanent and 4.5 SEG two-year project positions for additional staffing and related enhancements in the agency's customer service call center. The recommended funding would be used to: (1) convert 2.0 SEG of the 8.0 SEG expiring positions to permanent status at the beginning of the 2001-02 fiscal year ($77,700 SEG annually); (2) extend another 4.5 SEG of these 8.0 SEG expiring project positions for another two years ($175,300 SEG annually); and (3) support ongoing call center software enhancements and InfoTech charges ($55,000 SEG in 2001-02 and $61,000 SEG in 2002-03). Under the Governor's recommendation, a total of 11.0 FTE positions would then be assigned to the call center during the 2001-03 biennium.

DISCUSSION POINTS

1. Provisions of 1999 Wisconsin Act 9 authorized 8.0 FTE project positions for ETF's customer call center to enhance the agency's ability to handle an increasing volume of WRS participant, employer and annuitant contacts. Of these positions, 6.0 FTE were provided specifically to address the short-term impact of an expected significantly increased volume of participant inquiries due to the enactment of major retirement benefit improvement legislation (1999 Wisconsin Act 11).

2. The volume of telephone contact to the agency has been rising, in part, because the WRS is still an expanding retirement system with a growing number of participants and annuitants, as well as a steadily increasing number of active and inactive participants eligible to retire. These trends are illustrated in the following table. In addition, there are 1,270 participating employers statewide who must frequently contact the agency.

Projected Growth of WRS Members

WRS Members	1999-00*	2000-01	2001-02	2002-03	2003-04	2004-05
Active Participants	255,661	260,465	265,357	270,316	275,385	280,547
Inactive Participants	107,720	110,177	113,353	116,112	119,055	122,171
Annuitants	106,676	112,383	116,353	120,831	125,768	131,117
TOTAL	470,057	483,025	495,063	507,259	520,208	533,835

*Actual member count. All other figures are estimates based on current participant counts and actuarial projections.

3. During each of the last two calendar years, the call center has received in excess of 230,000 calls. In addition, in May, 2000, the agency began offering toll-free access to the customer call center, which now makes it easier for participants to direct inquiries to the Department.

4. ETF believes that in recent years the large volume of telephone contact to the Department has also been due, in part, to the public's inability to reach an agency representative when calling. Consequently, one or more callbacks have historically been required in order to reach call center staff or other ETF staff. For example, in the 1999 calendar year, some 156,599 of the 233,392 (or 67.1%) telephone calls received by the agency encountered a busy signal or were abandoned by the caller before contact was made with a service representative.

5. A 1999 cost effectiveness study commissioned by the Department showed that ETF, when compared to peer retirement systems, scored low in both service (that is, busy signals, average answer time, hours of operation) and volume of calls actually taken by an agency representative, but very high in the complexity of the calls.

6. The Department now believes that the additional project staff provided in late 1999 as well as the recent (October, 2000) installation of sophisticated call center hardware and software that permits the immediate accessing of agency databases, the on-line updating of participant files and more sophisticated inquiry tracking and routing capabilities will result in significant improvements in the agency's ability to manage its call center volume. This appears to be an accurate assessment. In December, 1999, before the new staff was fully trained and the new software had not yet been installed, only 34.1% of incoming calls were being answered. By December, 2000, fully 90.8% of all in-coming calls were being answered by call center staff.

7. The Department now plans an internal reallocation of an additional 0.5 FTE newly vacant position from its Member Services Bureau to the call center function. This reallocated position, when added to the center's 4.5 FTE base level staffing level and the 6.5 FTE positions recommended by the Governor, will provide a total staffing complement of 11.5 FTE positions for center operations and supervision. Excess base level salary and fringe benefits funding of $16,000 SEG annually budgeted to the reallocated position could be applied to reduce the amount of new funding proposed for the additional call center staff.

8. The principal rationale for providing 4.5 FTE project positions to the agency's call center function at this time is that the combined impact of increased call center staff generally and the recent implementation of sophisticated software and hardware to manage in-coming calls should result in a more efficient handling of such calls. Additionally, once Act 11 matters have been adjudicated by the Supreme Court and implemented by the Department, there should eventually be a reduction in the number of calls to the center relating to that topic. An argument can be made that the Department and the Legislature will be in a better position two years from now to assess the on-going staffing needs for the call center based on a review of the impact of the above factors. Consequently, the Committee could conclude that 4.5 FTE of the new positions should be provided on a project basis at this time, as recommended by the Governor, pending that subsequent review.

9. The agency believes that the 11.5 FTE positions should be adequate to manage the call center's near-term workload needs. [Any near-term additional staffing requirements due to the impact of the Supreme Court's ruling on Act 11 will be addressed as a subsequent matter.] However, at the Committee's March 15, 2001, budget briefing session, the Secretary of ETF requested that 2.0 of the 4.5 call center project positions recommended by the Governor instead be provided to the agency as permanent positions.

10. The Secretary cited two principal reasons for this request: (a) the agency has experienced a 100% turnover rate among the call center project staff provided under Act 9 compared to only a 9.6% turnover rate among permanent call center staff; and (b) complexities of the WRS benefit plans requires time for call center staff to master; consequently, a high turnover rate impedes the efficient operation of the call center function. The agency believes that relatively few employees will want to make the commitment to learn the complexities of the retirement system where the position is of a limited two-year duration. Given this rationale and the volume of calls received, the Committee could choose to provide 2.0 FTE of the 4.5 FTE projects positions recommended by the Governor as permanent call center positions.

ALTERNATIVES TO BASE

1. Adopt the Governor's recommendation to provide $308,000 SEG in 2001-02 and $314,000 SEG in 2002-03 and 2.0 SEG permanent and 4.5 SEG two-year project positions for additional staffing and related enhancements in the agency's customer service call center.

Alternative 1	SEG
2001-03 FUNDING (Change to Base)	$622,000
[Change to Bill	*$0]*
2002-03 POSITIONS (Change to Base)	6.50
[Change to Bill	*0.00]*

2. Provide $292,000 SEG in 2001-02 and $298,000 SEG in 2002-03 and 2.0 SEG permanent and 4.5 SEG two-year project positions for additional staffing and related enhancements in the agency's customer service call center. *[Under this alternative, $16,000 SEG annually of base level salary and fringe benefits funding would be used to offset a portion of the costs of the new call center positions.]*

Alternative 2	SEG
2001-03 FUNDING (Change to Base)	$590,000
[Change to Bill	*- $32,000]*
2002-03 POSITIONS (Change to Base)	6.50
[Change to Bill	*0.00]*

3. *In addition to either Alternative # 1 or Alternative #2,* provide 4.0 SEG permanent positions and 2.5 SEG two-year project positions annually for call center staffing, rather than 2.0 SEG permanent positions and 4.5 SEG two-year project positions annually.

4. Maintain current law.

Alternative 4	SEG
2001-03 FUNDING (Change to Base)	$0
[Change to Bill	*- $622,000]*
2002-03 POSITIONS (Change to Base)	0.00
[Change to Bill	*- 6.50]*

MO# Alts 2 & 3

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE ____ NO ____ ABS ____

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May 4, 2001 | Joint Committee on Finance | Paper #413

Technical Change -- Retired Employees Benefit Supplement Reestimate (ETF)

[LFB 2001-03 Budget Summary: Page 277, #7]

CURRENT LAW

Base level funding of $4,986,500 GPR annually is provided under a sum sufficient appropriation for the payment of benefit supplements to Wisconsin Retirement System retirees who first began receiving annuities prior to October 1, 1974. These supplements have been authorized by the Legislature through the enactment of Chapter 337, Laws of 1973, 1983 Wisconsin Act 394 and 1997 Wisconsin Act 26. Under Article IV, Section 26 of the Wisconsin Constitution, all post-retirement benefit supplements must be GPR-funded.

GOVERNOR

Reduce the base level funding estimate for benefit supplements by $837,000 GPR in 2001-02 and $1,371,900 GPR in 2002-03. The reestimate is due to a declining number of retirees eligible for these supplements due to deaths.

MODIFICATION TO BASE

Make the following reestimates for 2001-02 and 2002-03:

2001-02			2002-03		
Budget Bill	Revised	Increase	Budget Bill	Revised	Decrease
$4,149,500	$4,188,200	$38,700	$3,614,600	$3,573,200	-$41,400

Explanation: The revised sum sufficient estimate is based the latest available projection of the supplements to be paid during the 2001-03 biennium. The revised estimate represents a base level reduction of $798,300 in 2001-02 and $1,413,300 in 2002-03.

Modification	GPR
2001-03 FUNDING (Change to Base)	- $2,211,600
[Change to Bill	*- $2,700]*

Prepared by: Tony Mason

MO#________________

1 BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS ____

modification

ok

AGENCY: Employee Trust Funds

Paper #: 414

ISSUE: Group Insurance Board Authority to Modify or Expand State Employee Group Health Insurance Coverage

ALTERNATIVE: 2 (no action necessary)

SUMMARY:

The governor wants to give the Group Insurance Board flexibility to modify employee health insurance coverage for state (union) employees. Currently, the Board is prohibited from modifying or expanding health insurance coverage in a way that affects premiums. Obviously, this could affect collective bargaining, so the unions are opposed.

Since ETF is a base agency, it will take 9 votes to get this provision in. So, you don't want to make any motion here. Ken Opin from WTF is the only person who has contacted us so far on this, but it's definitely a huge deal to all unions.

BY: Julie

ok w/ staff

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May 4, 2001 Joint Committee on Finance Paper #414

Group Insurance Board Authority to Modify or Expand State Employee Group Health Insurance Coverage (ETF)

[LFB 2001-03 Budget Summary: Page 278, #8]

CURRENT LAW

The Group Insurance Board (GIB) may not enter into any agreements to modify or expand group insurance coverage in a manner which materially affects the level of premiums required to be paid by the state or its employees or the level of benefits provided under any group insurance plan.

GOVERNOR

Create an express exception to this current law provision by authorizing the GIB to enter into an agreement to modify or expand group insurance coverage in a manner that materially affects the level of premiums required to be paid by the state or its employees or the level of benefits provided, if the modification or expansion would reduce the costs incurred by the state in providing group health insurance to state employees.

DISCUSSION POINTS

1. Under current law, state employees become eligible for state group health insurance coverage when they become eligible for participation under the Wisconsin Retirement System (WRS). While most new state employees are eligible for state group health insurance coverage immediately, they generally do not become eligible for state contributions towards health insurance premiums until after six months of service under the WRS. (Major exceptions to this rule are state elected officials and University faculty and academic staff, who become eligible for the state's contribution upon employment.)

2. When the state begins to make contribution towards the costs of an employee's health insurance premiums, it contributes an amount equal to 90% of the premium cost of the Standard Plan or 105% of the premium cost of the lowest cost alternative health care plan (but not more than the total amount of the premium), whichever contribution amount is less, based on the county where the employee receives the medical care.

3. This premium contribution formula provides an incentive to state employees to select coverage from among the available lower cost alternative plans in order to minimize their out-of-pocket premium contributions. In counties where there is a qualified alternative health care plan, there will always be a no-cost group health insurance coverage option available to state employees. Because current law requires that group health insurance agreements continue from year-to-year with their basic benefits structures largely unchanged (except possibly to add additional new mandated benefits), the operation of the state premium contribution formula in an environment of escalating medical insurance costs has had a major impact on total state health insurance expenditures.

4. The following table shows state and state employee estimated total health insurance premium contributions payments for the last five calendar years. The amounts are based on the premium payment levels, the source of the premium payment and the total number of group health insurance coverage contracts in effect for each January of the calendar year indicated:

Estimated Annual State and State Employee Health Insurance Premium Payments

Calendar Year	Employee-Paid Contributions	State-Paid Contributions
1997	$11,637,100	$268,008,900
1998	11,864,900	282,209,500
1999	13,248,500	306,678,800
2000	13,352,500	349,905,200
2001	10,582,500	434,492,700

5. The intent of the proposed modification is to authorize the GIB to include a variety of new coinsurance, copayment and deductible cost-saving provisions under its alternative group health insurance plan offerings. The principal argument for adopting the recommended change is that the modified alternative health insurance plans containing these cost-saving features would be expected to have a smaller net premium cost. Even with the state paying up to 105% of the premium costs of the lowest cost modified alternative plan, the lower overall premiums associated with these modified plans would likely result in important health insurance cost savings for the state.

6. To the extent that an employee did not opt for coverage under the lowest cost modified alternative plan, he or she would be subject to increased out-of-pocket premium payments. However, even if the employee might incur no additional out-of-pocket premium costs by selecting the least costly modified alternative plan, the plan's additional copays and deductibles would represent additional costs to the employee.

7. If the Committee believes that these potential modifications have merit, it could adopt the Governor's recommendation.

8. Current represented state employee contractual provisions will likely affect the degree to which the proposed changes may be implemented and applied to such employees. Represented state employee collective bargaining agreements generally have health insurance provisions comparable to the following contract language: "The Employer agrees that the benefits offered under the Standard Plan and all compensable alternative plans shall be comparable. The parties agree that the alternative plans approved by the Group Insurance Board at its meeting on September 15, 1985, are comparable in benefit levels and shall be considered as examples of comparability." [Health insurance coverage language from s. 13/1/1 of the current WSEU contract with the state.] The contract language goes on to specify that the state will contribute towards the costs of premiums based on the 90%/105% formula, as it relates to those comparable alternative plans, as defined in the agreement.

9. Since alternative health plans with higher deductible, copayment or coinsurance provisions were not being offered by the GIB in 1985, the state would not be able to substitute a modified alternative plan for premium contribution payment purposes for its represented employees.

10. Such a modified alternative plan could still be offered to nonrepresented state employees as part of the biennial compensation plan. However, the state would then have bifurcated its alternative health coverage plans offerings, with more comprehensive coverage being available to its represented employees and less comprehensive coverage (and more out-of-pocket expense) being available to its nonrepresented employees.

11. If the Committee has concerns about these aspects of implementing the proposed modifications recommended by the Governor, it could choose to maintain current law.

ALTERNATIVES TO BASE

1. Adopt the Governor's recommendation authorizing the Group Insurance Board to enter into an agreement to modify or expand group insurance coverage in a manner that materially affects the level of premiums required to be paid by the state or its employees or the level of benefits provided, if the modification or expansion would reduce the costs incurred by the state in providing group health insurance to state employees.

2. Maintain current law.

Prepared by: Tony Mason

MO# Alt 1

2	BURKE	Y	N	A
	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	WELCH	Y	N	A
	GARD	Y	N	A
1	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUEBSCH	Y	N	A
	HUBER	Y	N	A
	COGGS	Y	N	A

AYE 8 NO 8 ABS 0

Representative Kaufert

EMPLOYEE TRUST FUNDS

State Employee Minimum Contribution to Monthly Health Insurance Premiums

Motion:

Move to modify the state group health insurance premium contribution formula to specify that following an initial payment by each covered state employee of $5 per months towards the gross premium cost for group health insurance coverage, the state would contribute an amount equal to 90% of the premium cost of the Standard Plan or 105% of the premium cost of the lowest cost alternative health care plan (but not more than the total amount of the remaining premium), whichever contribution amount is less.

Note:

This motion would require each state employee to pay a minimum of $5 per month towards the gross premium costs of his or her group health insurance coverage. Initially, the provision would apply only to nonrepresented state employees. The provision would apply to represented employees only to the extent provided under applicable collective bargaining agreements.

It is estimated that there are 34,284 FTE nonrepresented state employees. No information is available on the number of such employees who currently pay less than $5 per month for state group health insurance coverage. However, the maximum amount of state employee $5 per month payments under this motion can be determined, if it is assumed that no premium contributions are currently being paid by any of these nonrepresented state employees. Under such a scenario, the maximum amounts collected would be $2,057,000 annually. These employee contribution amounts would offset state group health insurance premium contribution payments from state agency budgeted costs in their fringe benefits lines. The maximum amounts that could be lapsed are $945,400 GPR, $256,300 FED, $693,700 PR and $161,600 SEG annually. Since health insurance premiums are typically paid two-months in advance, there would be only 10 months of $5 per month payments in 2001-02.

[Change to Base: $1,733,200 GPR-Lapse; $469,900 FED-Lapse; $1,271,800 PR-Lapse; and $296,300 SEG-Lapse]
[Change to Bill: $1,733,200 GPR-Lapse; $469,900 FED-Lapse; $1,271,800 PR-Lapse; and $296,300 SEG-Lapse]

Motion #224

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
1 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS 0

ok w/ staff

ok

AGENCY: Employee Trust Funds

LFB PAPER #: 415

ISSUE: Additional Resources for Act 11 Implementation Costs

ALTERNATIVE: 2

SUMMARY:

ETF is looking for more money to deal with the implementation of Act 11 once the Supreme Court makes its ruling. Money was set aside in the last budget for this and is set to sunset on 7/1/01.

Obviously, since the ruling has not come down yet, we need to extend this sunset date so the appropriation and associated positions don't lapse to the general fund.

ETF would like us to make the entire amount of the required supplement immediately available to them so that when the ruling does come down they have the maximum amount of flexibility to start implementing the changes.

However, LFB points out on page 5, paragraph 13, JFC may want to wait until the full nature and extent of the Court's ruling are known before releasing any funding to ETF.

Alternative 2 extends the sunset to 7/1/03, gives ETF one-third of their requested funding up front and places the rest in unallotted reserve for release to ETF by DOA based on the Court's decision, its workload impact on the Department and ETF's actual need for the funds.

BY: Cindy