

Fiscal Estimate Narratives

OCI 9/25/2003

LRB Number	03-1808/1	Introduction Number	SB-1 (JR3)	Estimate Type	Original
Subject					
Budget Adjustment Bill Companion to 03-1722					

Assumptions Used in Arriving at Fiscal Estimate

SB1 (LRB 03-1808/1), 2003 January Special Session, would lapse amounts from OCI's appropriation 20.145(1)(g) to the General Fund in the amount of \$5,556,200. SB1 would also transfer the following:

From 20.145(2)(u), Patients Compensation Fund (PCF), the amount of \$35,900
From 20.145(3)(u), Local Government Property Insurance Fund (LGPIF), the amount of \$33,700
From 20.145(4)(u), State Life Insurance Fund (SLIF), the amount of \$27,700

The laps from appropriation 20.145(1)(g) would represent a reduction in a program revenue account, specifically from OCI's general program operations fund. The transfers from PCF, LGPIF, and SLIF represent transfers from SEG fund accounts, specifically amounts appropriated for administration of the three funds.

Long-Range Fiscal Implications

Appropriation 20.145 (1)(g) - General Program Operations:

The revenue sources for this appropriation include appointment fees, licensing fees, filing fees, and examination assessments. This revenue is used to fund OCI's costs of regulating the insurance industry in Wisconsin. This bill will transfer \$5,556,200 of the revenue received for regulation of the industry and transfer it to the state's general fund for use in reducing the state budget deficit.

This appropriation began the 2001-03 biennium with a cash balance of \$12,495,200. The appropriation has been required to make the following cash lapses during this biennium:

FY 2002 FY 2003

Act 16 \$653,500 \$653,500

Act 25 6,500 6,500

Act 109 5,457,500 653,500

Loan to General Fund 850,000

Budget Adj. Bill 5,556,200

Total \$6,117,500 \$7,719,700

With the general operational costs of regulating the industry and with the large lapses required under 2001 Wisconsin Acts 16, 25, 109, and this bill, the ending balance for this appropriation is projected to be \$334,900. A small cash balance limits OCI's ability to absorb the increasing costs of regulating the insurance industry without implementing a fee increase. Therefore, OCI may need to increase licensing and other regulatory fees in order to continue its mandated regulatory functions.

Appropriation 20.145 (2)(u) - Patients Compensation Fund - Administration:

The Patients Compensation Fund (PCF) was created in 1975 to provide excess medical malpractice insurance for Wisconsin health care providers. The revenue source for the PCF is annual assessments charged to the health care providers that are covered by the Fund. The assessments cover the costs of the malpractice claims paid by the Fund as well as the administrative cost of administering the Fund.

This bill will transfer \$35,900 that is held in trust for the insureds and other proper claimants of the Fund and transfer it to the state's general fund for use in reducing the state budget deficit. This will reduce the amount of money available to pay malpractice claims in the future and could result in increased assessments to

health care providers.

Appropriation 20.145 (3)(u) - Local Government Property Insurance Fund - Administration:

The purpose of the Fund is to make reasonably priced property insurance available for tax-supported local government property such as government buildings, schools, libraries, and motor vehicles. The Fund provides policy and claim service to the policyholders. The revenue source of the Fund is the premiums paid by local governmental units that participate in the Fund.

This bill will transfer \$33,700 that is held in trust for the insureds and other proper claimants of the Fund and use the funds to reduce the state budget deficit. This will reduce the amount of money available to pay property insurance claims. The policyholders in this Fund have already experienced large premium increases due to the large amount of claim payments and the high reinsurance cost that the Fund has experienced.

Appropriation 20.145 (4)(u) - State Life Insurance Fund - Administration:

The State Life Insurance Fund is a segregated fund located within OCI. The Fund offers a maximum of \$10,000 of life insurance to state residents. Operating as a mutual insurance company, the Fund is supervised by the Commissioner. The revenue source of the Fund is the premiums paid by state residents who participate in the Fund.

This bill will transfer \$27,700 that is held in trust for the insureds and other proper claimants of the Fund and use the funds to reduce the state budget deficit. The money transferred from the Fund is the property of the policyholders. This transfer may increase the premium rates of the participants as well as reduce the amount of the annual dividends to which the policyholders might otherwise be entitled.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-1808/1		Introduction Number SB-1 (JR3)	
Subject			
Budget Adjustment Bill Companion to 03-1722			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
Reduction in PRO expenditures of \$5,556,200. Reduction in SEG expenditures of \$97,300.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			-5,653,500
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$-5,653,500
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			-5,556,200
SEG/SEG-S			-97,300
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$-5,653,500	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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