Legislative Fiscal Bureau

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May 2, 2001　　　　　　Joint Committee on Finance　　　　　Paper #541

Information Technology -- Programming Services (Insurance)

[LFB 2001-03 Budget Summary: Page 425, #4]

CURRENT LAW

1999 Wisconsin Act 9 (the 1999-01 biennial budget act) provided the Office of the Commissioner of Insurance (OCI) $740,400 PR in both 1999-00 and 2000-01 in one-time funds to contract for programming services to improve information systems used by OCI's regulatory and administrative staff. This funding actually represents $370,200 in annual funding available for contracted programming services because of the manner in which OCI charges administrative and support services costs to its general program operations budget, resulting in these costs being "double-counted" in the agency's budget. This one-time funding is removed in the Governor's 2001-03 budget bill as a standard budget adjustment. Consequently, OCI has no ongoing base funding for contracted programming services.

GOVERNOR

Provide $354,200 in 2001-02 and $413,000 in 2002-03 to fund applications development services. The funding budgeted in the agency's general program operations budget to support these costs ($177,100 in 2001-02 and $206,500 in 2002-03) is equal to the costs of supporting 3.0 state positions (2.0 information systems programmer analyst positions and 1.0 information systems (IS) specialist position), beginning in 2001-02, to provide these services. The administration indicates that OCI would purchase these programming services from the Department of Electronic Government, which would be created under the bill. Funding would be budgeted in both the agency's general program operations appropriation and the Division of Administrative Services program revenue-service appropriation to reflect the transfer of these funds under OCI's administrative charge-back system.

DISCUSSION POINTS

1.　　OCI currently has 10.5 information services staff positions, including 2.0 positions

for technical support (1.0 IS specialist/network administrator and 1.0 IS Senior/LAN administrator), 1.0 IS entry Webmaster/forms manager, 4.5 applications development positions (1.0 IS application manager, 0.5 IS project manager, 2.0 programmer analysts and 1.0 programmer/analyst for PCF), 1.0 telecommunications worker, 1.0 data base manager and 1.0 information technology (IT) manager.

2.	In each of the last three biennial budget acts, OCI has received one-time funding to contract for programming services to supplement the work its permanent staff perform to improve OCI information systems.

3.	Funding provided in the 1999-01 budget act was assumed to provide 5,289 hours of programming annually. In addition, OCI was directed to reallocate 1.0 FTE position if the agency wished to complete all of the IT projects recommended by the Governor. OCI staff indicate that other information systems workload demands did not allow the agency to reallocate the position. OCI is currently contracting with 3.0 programmers with the funding provided in Act 9.

4.	The projects that were funded in the last biennium were based on OCI's annual information technology strategic plan. The plan is dynamic, and changes based on emerging technologies, costs–benefit analysis of projects, on-going implementation and workload considerations, regulatory requirements and funding. An OCI team meets monthly to monitor progress and direct information technology work efforts.

5.	Part of the funding provided in the last biennium was to convert OCI's current information technology from a Wang minicomputer to a client/server technology. OCI had hoped that much of the conversion would be completed by January 1, 2000, so that the agency would not have to make the Wang system Year 2000 compliant. However, this was not possible, and much of the first six months of the first year of the biennium was spent making the Wang system Year 2000 compliant.

6.	Because of the delay due to year 2000 compliance and the fluctuating nature of technology planning, a number of projects that were anticipated to be funded in 1999-01 will not be completed in this biennium. Upon further analysis, OCI determined that some of the projects were not necessary. Because of reassessments of OCI needs, funding constraints and changing priorities, OCI delayed other projects. Some of these projects continue to be a high priority for OCI, and therefore continue to be included in OCI's information technology strategic plan.

7.	The attachment lists the projects included in the IT plan for the 2001-03 biennium. Many of the projects relate to completing the conversion to the client/server system. These projects need to be completed by January, 2002, because DOA indicates that OCI will move to GEF 3 at that time. According to OCI, the current system is not stable enough to move, therefore, all systems must be converted before OCI relocates to GEF 3. Other projects in the plan focus on continuing efforts to enhance the administration of the agency and regulation of the insurance industry, such as creating an improved producer licensing and tracking system, improving company licensing and tracking, automating the taxes, dues and fees system and allowing OCI to match information

electronically with the Departments of Workforce Development and Revenue. OCI's plan also includes projects that it will complete after the 2001-03 biennium. A number of these projects would allow OCI to conduct more business over the Web, including filing complaints, ordering brochures, downloading company financial data, displaying company and legal information for the public and keeping online budget information.

8. While the current plan sets priorities for OCI, it does not represent what the agency intends to complete over the next two years. OCI staff estimate that an additional 74,600 hours of programming time would be required to complete all of the projects on the current list. Based on this estimate, it would require the equivalent of 25 programmers in 2001-02 and 14 programmers in 2002-03 to complete the entire list of projects.

9. The Governor did not recommend that specific projects be completed in the 2001-03 biennium. Instead, the bill includes funding that reflects the estimated costs of supporting 3.0 state information technology positions to conduct these programming services under contract. OCI staff indicate that current staff cannot oversee more than 3.0 contracted positions. Based on estimates of time required to complete the projects identified in the strategic plan, many of these projects will not be completed in the 2001-03 biennium and would, instead, be completed in future biennia if the agency is authorized funding for this purpose.

10. Given that the level of funding is not based on projects to be funded, the Committee could provide a lesser amount of funding and continue to support the level of programming that was approved in the 1999-01 biennium, or 5,289 hours of programming annually. To maintain this level, assuming that OCI would contract with state employees, as provided under the bill, would require $306,800 in 2001-02 and $350,000 in 2002-03, a reduction to the bill of $47,400 in 2001-02 and $63,000 in 2002-03. Because of the manner in which OCI accounts for administrative costs, the actual cost of these services would be $153,400 in 2001-02 and $175,000 in 2002-03. However, the level of programming provided in 1999-01 assumed that OCI could reallocate an existing position to provide additional programming services that OCI was not able to do. Therefore, the Committee may not want to reduce the number of contract hours provided under the bill.

11. The Committee could deny the additional funds for programming. However, OCI indicates that the funding would allow the agency to continue to enhance staff efficiencies. An August, 2000, Consumer Federation of America report gave Wisconsin a ranking of "C" in terms of resources as a percentage of revenues collected. At the same time, the organization consistently ranks OCI among the best insurance regulators in the nation in providing consumer insurance information. OCI attributes their capabilities, in part, to their information systems, without which agency officials indicate OCI would need significantly more staff.

12. The Committee could also consider modifying the Governor's recommendation to authorize OCI 3.0 permanent programming positions instead of requiring OCI to contract with DOA. Under the bill, in future years, OCI's purchasing power for contract services would erode as increases in state salaries and fringe benefits cause the costs of contracts to increase. If OCI were authorized positions, these costs would be funded as standard budget adjustments. In addition,

contractors may require more supervision and training than contracted staff because of the temporary nature of their work. For these reasons, and in light of the significant amount of programming work that OCI has currently identified, the Committee may wish to consider providing additional staff to OCI to conduct these programming activities, rather than to provide funding for contracted programming services.

13.   Alternatively, if the Committee supports the Governor's proposal to create a Department of Electronic Government, or comparable proposal to provide centralized information technology services to state agencies, it may be more appropriate for OCI to contract with the proposed organization for the provision of these types of services, as recommended by the Governor.

14.   The amount of funding provided in the bill for 2001-02 includes one-time funds for a workstation, desktop computer, software and equipment replacement. OCI currently has 3.0 contractors for which this equipment is already available. Therefore, any new or contracted programmers for 2001-03 would not need additional equipment, and the funding could be reduced by $42,600 in 2001-02 (the actual funding available for one-time expenses is $21,300). However, because of the uncertainty as to how a Department of Electronic Government would function, how contracts would be administered or where the staff would be located, it may be more prudent to provide the funding, and if it is not needed, OCI could contract for some additional services in 2001-02.

15.   If the proposal to create a Department of Electronic Government, or a comparable proposal to provide central information technology services to state agencies is not approved, OCI would have to contract with private vendors for these services. Funding under the bill would support an estimated 2,214 programming hours in 2001-02 and 2,591 programming hours in 2002-03, assuming an average hourly contract cost of $80/hour for programmers. This would provide less than half the number of programming hours intended under the bill. Therefore, if the Committee approves the Governor's recommendation, the Committee may want to consider approving an alternative to provide that if the new Department of Electronic Government, or a comparable proposal is not approved under the bill, OCI would be provided 3.0 programming positions.

16.   The Committee could also modify the bill to continue to approve one-time funding for programming projects and reassess application development needs in the next biennium, as has been done in past biennia. Alternatively, if the Committee recommends providing state positions to support this function, it could authorize two-year project positions, rather than permanent positions. However, given that OCI has planned projects that extend well beyond the 2001-03 biennium, and the nature of the evolution of technology, providing the funds as permanent, as recommended by the Governor, would enable OCI to complete current projects and respond to the continuing need to make programming changes as necessary to the agency's information systems.

ALTERNATIVES

1.   Approve the Governor's recommendation to provide $354,200 in 2001-02 and $413,000 in 2002-03 to fund applications development contracts.

2.   Approve the Governor's recommendation, but provide that if the Governor's recommendation to create a new Department of Electronic Government, or a comparable proposal for the provision of centralized information technology services to state agencies is not approved, OCI would be authorized 3.0 additional programmer positions, beginning in 2001-02. Funding would be transferred from supplies and services to salaries and fringe benefits to support these positions, but total funding would not change.

Alternative 2	PR
2001-03 FUNDING (Change to Bill)	$0
2002-03 POSITIONS (Change to Bill)	See Text

3.   Modify the Governor's recommendations by reducing funding by $47,400 in 2001-02 and $63,000 in 2002-03 to reduce the number of contracted programming hours funded to 5,289 to reflect the number of contracted hours that were funded in the 1999-01 biennium.

Alternative 3	PR
2001-03 FUNDING (Change to Bill)	**-** $110,400

4.   Modify the Governor's recommendation by authorizing 3.0 programming positions for OCI, instead of requiring OCI to contract for these services. Transfer funding provided in the bill from the agency's supplies and services budget to its salaries and fringe benefits budget to reflect this change.

Alternative 4	PR
2001-03 FUNDING (Change to Bill)	$0
2002-03 POSITIONS (Change to Bill)	3.00

5.   In addition to adopting Alternatives (1), (2), (3) or (4), provide the funding for programming services on a one-time basis. If the Committee approves state positions to perform this function under Alternatives (2) or (4), specify that these positions be two-year project positions.

6.   In addition, to adopting Alternatives (1), (2), (3), (4) or (5), reduce funding by $42,600 in 2001-02 to eliminate one-time funds included in the bill to support permanent

property to reflect that the current contracted programming staff currently have permanent property that could be used by new staff.

Alternative 6	PR
2001-03 FUNDING (Change to Bill)	**-** $42,600

7.   Maintain current law.

Alternative 7	PR
2001-03 FUNDING (Change to Bill)	**-** $767,200

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Attachment

ATTACHMENT

OCI Information Technology Project Summary 2001-03 Biennium

- Integrate and improve producer licensing and tracking system for agents

- Convert and enhance revenue collection system

- Automate assessment application

- Create interface for data entry of financial information for certain companies

- Automate annual report on new system

- Convert and enhance policy approval tracking system

- Convert and enhance rate filing system

- Continue upgrade of patient compensation fund system

- Implement state life insurance fund financial management system

- Combine registered agent information with service of process information

- Continue automation and integration of financial analysis applications

- Allow access and update of producer application information from other states

- Interface licensing information with information from the Departments of Revenue and Workforce Development

- Create legal access reports to report writer

- Improve company license and tracking system

- Automate financial exam scheduling and tracking

- Improve financial bureau reporting system

- Install annual statement software for the state life insurance fund

- Upgrade patient compensation fund provider system