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Joint Committee on Finance

Paper #112

Resources to Support Employee Trust Funds Information Technology Project (Administration -- General Agency Provisions)

[LFB 2023-25 Budget Summary: Page 24, #9]

CURRENT LAW

The Department of Administration (DOA) provides payroll and benefits administration for most executive branch agencies through the Division of Personnel Management. The State Controller's Office within DOA performs financial and accounting services that include functions encompassing all of state government, such as preparing the state's annual comprehensive financial report. The Department's Division of Enterprise Technology provides certain information technology services to state agencies. The Department assesses state agencies for the cost of various services, including payroll and benefits administration, financial and accounting services, and information technology services.

The Department of Employee Trust Funds administers a number of employee benefit programs, including health insurance plans available to all state employees and to some local governmental employees under the Wisconsin public employers' group health insurance program.

DISCUSSION POINTS

1. The Department of Employee Trust Funds is in the process of implementing a new insurance administration system, which will be used to administer health insurance, life insurance, and income continuation insurance, as well as several supplemental benefits. In addition, the system will be used by members, including state employees, for benefits enrollment.

2. Currently, employees of non-UW state agencies utilize the state's enterprise resource planning system, known as STAR, for benefits enrollment. After the insurance administration system is operational, state employees (including UW System employees) will utilize the new system to

enroll in benefits and make changes to benefit selections during open enrollment periods, which generally occur in October of each year. The system is expected to be functional by July, 2024.

3. Following the installation of the core system (which was completed in June, 2022), system implementation is scheduled to occur in four phases: (a) UW System; (b) local governments; (c) retirees; and (d) DOA (for other state agencies, including the Courts and the Legislature) and UW Hospitals and Clinics Authority (UW Health). The implementation phase for DOA and UW Health is scheduled to occur from May, 2023 (pre-planning activities), to January, 2024 (conclusion of user acceptance testing).

4. According to DOA, the replacement of the insurance administration system may incur increased workload and costs for DOA, for which Assembly Bill 43/Senate Bill 70 would provide the following amounts of funding and position authority: \$731,600 PR in 2023-24, \$783,500 PR in 2024-25, and 3.0 PR positions annually (1.0 permanent and 2.0 project). Funding and position authority would be provided to the following appropriations in DOA: (a) personnel management general program operations, \$362,600 in 2023-24, \$399,200 in 2024-25, and 2.0 project positions annually; (b) printing, mail, communication, document sales, and information technology services to state agencies, \$300,000 annually; and (c) financial services, \$69,000 in 2023-24, \$84,300 in 2024-25, and 1.0 permanent position annually.

Each component of funding and position authority that would be provided under the bill is described in further detail in the following sections.

Personnel Management

5. The Division of Personnel Management (DPM) will be working with ETF to provide information for configuration of the insurance administration system and to test functionality of the system. In addition, DPM will need to modify current payroll and benefits processes, assist human resources staff as they learn to use the new system, and educate employees who will be making benefits elections in the system. The funding that would be provided to DOA's personnel management general program operations appropriation would support the cost of 2.0 project positions classified as payroll and benefit systems coordinator-senior and \$200,000 annually for estimated premium overtime expenses associated with 5.0 existing payroll and benefits systems coordinators. The proposed end date for the project positions is October 1, 2025. Funding for overtime was estimated based on an assumption of 15 hours of overtime worked per position each week and the average hourly salary for the positions.

6. Base funding for the appropriation is \$40,792,900 PR and 381.85 PR positions annually, including 5.0 payroll and benefit systems coordinator positions (as noted above). The source of funding for the appropriation is charges to executive branch agencies for "enterprise" services, based on the number of full-time equivalent (FTE) positions of each agency, and charges to agencies defined as "shared services" agencies under s. 16.004(20) of the statutes, based on estimated shared services expenses allocated by the number of FTE of each shared services agency.

7. The Department believes that project positions and funding for overtime would be necessary to perform the functions required for insurance administration system implementation

while also maintaining DPM's current level of services to state agencies. Therefore, the Committee could provide \$362,600 PR in 2023-24, \$399,200 PR in 2024-25, and 2.0 PR project positions annually to DOA's appropriation for personnel management general program operations. [Alternative A1] If the Committee wished to provide funding for only 1.0 project position, in addition to funding for overtime, it could provide \$296,700 PR in 2023-24, \$315,000 PR in 2024-25, and 1.0 PR project position annually. [Alternative A2]

8. Alternatively, if the Committee wished to provide staff support on a temporary basis, without providing project positions, it could provide funding for four limited-term employees, each authorized to work for 1,040 hours annually, in addition to the estimated overtime funding. It should be noted that, under this alternative, DOA may experience more difficulty in recruiting limited-term employees, compared to project positions, due to the part-time nature of limited-term employment and limited eligibility for benefits. (Limited-term employees are only eligible for benefits such as health insurance under certain circumstances. Therefore, fringe benefits for such employees are generally budgeted at a lower rate, accounting only for federal payroll taxes.) [Alternative A3]

9. It could be argued that the number of overtime hours the existing payroll and benefit systems coordinator positions would actually perform is uncertain. Therefore, the Committee could modify funding under Alternatives A1, A2, or A3 to specify that \$200,000 PR annually be provided to compensation reserves for this purpose, rather than to DOA directly. Under this alternative, DOA could request that the personnel management general program operations appropriation be provided additional expenditure authority through the current law pay plan supplementation process based on demonstrated need, subject to passive review approval by the Committee. [Alternatives A4a, A4b, and A4c]

10. If the Committee does not provide resources for DPM to manage workload associated with implementation of the insurance administration system, DOA is concerned payroll and benefits services to state agencies will be reduced and system implementation could be adversely affected. [Alternative A5] Under this alternative, DOA could later submit a passive review request for expenditure authority or positions under s. 16.515/505 of the statutes.

Enterprise Technology

11. Under AB 43/SB 70, \$300,000 PR annually would be provided to DOA's appropriation for IT services to state agencies associated with ongoing software licensing payments that DOA would intend to incur directly and assess ETF to recover costs. The funding would be for identity management (\$100,000 annually) for additional Okta licensing through Carahsoft, under an existing state contract and identity proofing licensing (\$200,000 annually) for a technology that "has yet to be identified." The reason for purchasing licensing at the "enterprise level" and assessing each agency for the agency's share of costs is it allows the state to take advantage of volume discounts and provide flexibility in assigning licenses to agencies as needed. Base funding for DOA's appropriation for IT services to state agencies is \$103,851,100 PR and 251.55 PR positions annually.

12. The Administration indicates that the funding for identity management (\$100,000 annually for Okta licensing) relates to its MyWisconsin ID initiative to centralize online services provided by the state to residents in Wisconsin through "single sign-on" technology. According to the

Department, the Division of Enterprise Technology (DET) intends to implement its "planned activities for Identity and Access Management strategy ahead of schedule" because the insurance administration system project "will add a significant customer base and will require the state to procure additional licensing" more quickly than was originally planned for the DET initiative.

13. Note that the MyWisconsin ID project is described in further detail in a separate budget paper (#149) under "Administration--Information Technology" relating to the "Wisconsin Front Door initiative" for which the bill would provide \$2,465,500 GPR to DOA over the biennium, in a newly created GPR appropriation. As noted in the paper, while DOA indicates that it does not have sufficient resources to pursue the online customer service hub project as proposed by the Administration without GPR funding, the MyWisconsin ID project is already in the process of being implemented and efforts will continue to integrate state applications using the single sign-on technology. In addition, the insurance administration system would utilize the Okta identity management product, independent of the initiative to centralize online services.

14. Separately, the bill would provide \$200,000 annually for identity proofing licensing, though a specific product has not been identified. Identity proofing refers to verifying an individual's identity and utilizing the individual's "proofed" identity in software applications. The Department indicates that the insurance administration system project would be "the first application that requires a different type of modern identity proofing, although the technology will be required by many other state business apps and services in the future."

15. The Committee could choose to provide \$300,000 PR annually to DOA's appropriation for IT services to state agencies for both identity management licensing and identity proofing licensing. [Alternative B1] However, it could be argued that providing funding for identity proofing would be premature, given that DET has not yet identified an identity proofing technology. Therefore, the Committee could choose to provide only \$100,000 PR annually for identity management licensing that will be utilized by the insurance administration system. Under this alternative, if progress is made with regard to the procurement of identity proofing technology, DOA could later submit a passive review request for funding under s. 16.515 of the statutes. [Alternative B2] If the Committee takes no action regarding funding for licensing at this time, as under Alternative B2, DOA could later submit a passive review request for funding. [Alternative B3]

State Controller's Office

16. The Department indicates that funding and position authority would support a permanent payroll and benefit systems coordinator-senior position in the State Controller's Office (SCO). The Department anticipates the SCO will experience ongoing workload increases resulting from the implementation of the new insurance administration system, relating to new processes such as transactional and reporting activities. A portion of staff time would be committed to rewriting inbound and outbound interfaces with the state accounting system (the enterprise resource planning system, STAR), documenting new business processes, training staff to use the new system, and creating new task management protocol in lieu of the current tools used to monitor and correct issues with employee benefits.

17. Base funding for DOA's financial services appropriation is \$10,047,900 PR and 50.65

PR positions annually, including 5.0 positions in the payroll and benefit systems coordinator classification series. The newly-created payroll and benefit systems coordinator position would be funded from charges to agencies under the financial services assessment, since the position would be performing payroll processing and benefit duties for all employees of state agencies within the Central Payroll Section of the SCO. Given the tasks that will need to be performed by SCO to ensure successful implementation of the insurance administration system, the Committee could provide \$69,000 PR in 2023-24, \$84,300 PR in 2024-25, and 1.0 permanent PR position annually to DOA's appropriation for financial services. [Alternative C1] On the other hand, it could be argued that some portion of the tasks to be performed appear to be temporary in nature. Therefore, the Committee could choose to provide funding for 1.0 project position, rather than a permanent position. [Alternative C2]

18. The Committee could take no action. [Alternative C3] Under this alternative, the SCO may not be able to accommodate potential workload increases it anticipates will result from the implementation of the insurance administration system. In particular, DOA is concerned that, if an additional position is not provided to the SCO, there could be "complications and potentially delays to payroll processing." However, DOA could subsequently submit a passive review request to the Committee for expenditure authority or positions under s. 16.515/505 of the statutes.

ALTERNATIVES

A. Division of Personnel Management

1. Provide \$362,600 PR in 2023-24, \$399,200 PR in 2024-25, and 2.0 PR project positions annually to DOA's appropriation for personnel management general program operations for project position salaries, fringe benefits, supplies and services, and overtime for existing positions.

ALT A1	Change to Base	
	Funding	Positions
PR	\$761,800	2.00

2. Provide \$296,700 PR in 2023-24, \$315,000 PR in 2024-25, and 1.0 PR project position annually to DOA's appropriation for personnel management general program operations for project position salary, fringe benefits, supplies and services, and overtime for existing positions.

ALT A2	Change to Base	
	Funding	Positions
PR	\$611,700	1.00

3. Provide \$337,700 PR in 2023-24 and \$366,100 PR in 2024-25 to DOA's appropriation for personnel management general program operations for limited-term employee salaries, payroll taxes, supplies and services, and overtime for existing positions.

ALT A3	Change to Base
PR	\$703,800

4. Modify funding under Alternatives A1, A2, or A3 to provide funding for overtime costs, including variable fringe benefits, to compensation reserves rather than to DOA's appropriation for personnel management general program operations.

a. Provide \$131,900 PR in 2023-24, \$168,500 PR in 2024-25, and 2.0 PR project positions annually to DOA's appropriation for personnel management general program operations for project position salaries, fringe benefits, and supplies and services. Provide \$230,700 PR annually to compensation reserves for overtime for existing positions.

ALT A4a	Change to Base	
	Funding	Positions
<u>DOA</u>		
PR	\$300,400	2.00
<u>Comp Reserves</u>		
PR	\$461,400	
Total	\$761,800	2.00

b. Provide \$66,000 PR in 2023-24, \$84,300 PR in 2024-25, and 1.0 PR project position annually to DOA's appropriation for personnel management general program operations for project position salary, fringe benefits, and supplies and services. Provide \$230,700 PR annually to compensation reserves for overtime for existing positions.

ALT A4b	Change to Base	
	Funding	Positions
<u>DOA</u>		
PR	\$150,300	1.00
<u>Comp Reserves</u>		
PR	\$461,400	
Total	\$611,700	1.00

c. Provide \$107,000 PR in 2023-24 and \$135,400 PR in 2024-25 to DOA's appropriation for personnel management general program operations for limited-term employee salaries, payroll taxes, and supplies and services. Provide \$230,700 PR annually to compensation reserves for overtime for existing positions.

ALT A4c	Change to Base
<u>DOA</u>	
PR	\$242,400
<u>Comp Reserves</u>	
PR	\$461,400
Total	\$703,800

5. Take no action.

B. Division of Enterprise Technology

1. Provide \$300,000 PR annually to DOA's appropriation for IT services to state agencies for ongoing identity management and identity proofing software licensing payments that DOA would intend to incur directly and assess ETF to recover costs.

ALT B1	Change to Base
PR	\$600,000

2. Provide \$100,000 PR annually to DOA's appropriation for IT services to state agencies for ongoing identity management software licensing payments that DOA would intend to incur directly and assess ETF to recover costs.

ALT B2	Change to Base
PR	\$200,000

3. Take no action.

C. State Controller's Office

1. Provide \$69,000 PR in 2023-24, \$84,300 PR in 2024-25, and 1.0 permanent PR position annually to DOA's appropriation for financial services to support transactional and reporting activities performed by the State Controller's Office.

ALT C1	Change to Base	
	Funding	Positions
PR	\$153,300	1.00

2. Provide \$69,000 PR in 2023-24, \$84,300 PR in 2024-25, and 1.0 PR project position annually to DOA's appropriation for financial services to support transactional and reporting activities performed by the State Controller's Office.

ALT C2	Change to Base	
	Funding	Positions
PR	\$153,300	1.00

3. Take no action.

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