



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #456

### Position Reductions (Insurance)

[LFB 2003-05 Budget Summary: Page 281, #14]

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#### CURRENT LAW

The Office of the Commissioner of Insurance (OCI) is authorized 135.0 positions, which includes 121.25 PR positions and 13.75 SEG positions. The 121.25 PR positions are funded from revenue the agency receives from licensing fees, listing fees and examination assessments. The SEG positions administer three segregated funds -- the patients compensation fund, the local government property insurance fund, and the state life insurance fund -- and are supported by premiums paid into the these funds.

#### GOVERNOR

Delete 4.0 PR positions, beginning in 2003-04, which are funded from the general program operations appropriation.

#### DISCUSSION POINTS

1. This item is part of the Governor's initiative to reduce the number of positions in state government. Because the administration has not identified specific positions that would be deleted, OCI would make this determination, based on its review of the agency's staffing priorities. It is likely that OCI would attempt to avoid staff layoffs by not filling positions as they become vacant, then reallocating positions and employees to the agency's highest priority activities.

2. The bill would not delete salary and fringe benefit funding associated with these positions because these positions have not yet been determined. The Department of Administration has indicated its intent to allow OCI to delete 4.0 PR positions by June 30, 2004. As each position is deleted, the salary and fringe benefits cost savings would be placed in unallotted reserve. As part

of the 2005-07 budget bill, this funding would be deleted from the agency's budget as a standard budget adjustment that removes nonrecurring costs.

3. This recommendation would not result in savings to the state's general fund, since the revenue that currently supports these positions would remain as unallocated revenue in the agency's PR appropriation. However, the bill contains two items that would use program revenue collected by OCI to improve the general fund balance. First, the bill would eliminate the requirement that the general fund repay the \$850,000 loan made by OCI to support administrative costs of the private employer health care coverage program. Second, the bill would lapse \$1,226,800 PR in both 2003-04 and 2004-05 from OCI's general program operations appropriation to the general fund. Further, 2003 Wisconsin Act 1 transferred \$5,653,500 PR from the unallocated balance of the agency's general program operations appropriation to the general fund.

4. The effect of eliminating these positions and generating PR savings would, to a small extent, partially offset these PR transfers to the general fund as a means of improving the projected PR fund balance. Under the Governor's bill, OCI projects this balance to be -\$191,100 at the end of the 2004-05 fiscal year. Because this projected deficit does not take into account the savings that would result by deleting the 4.0 PR positions, the PR appropriation balance would likely have a small positive balance.

5. In addition to these PR transfers, as a way of improving the general fund balance, the bill would: (a) delete \$218,200 SEG annually from the local government property insurance fund (\$75,100 annually), the state life insurance fund (\$59,500 annually), and the patients compensation fund (\$83,600 annually) and transfer this amount to the general fund; and (b) transfer \$200,000,000 from the patients compensation fund to a new segregated fund, the health care provider and cost control fund, which would support a portion of the state's share of medical assistance costs budgeted in the Department of Health and Family Services.

6. OCI staff have indicated that no decisions have been made as to which positions would be deleted. However, OCI currently has 2.5 PR positions that are vacant: (a) 1.0 communications specialist; (b) 1.0 administrative manager; and (c) 0.5 insurance examiner. The salaries and fringe benefits costs for these positions total \$186,200 PR annually. Assuming that the vacant positions would not be filled, and assuming that the remaining 1.5 PR positions would have average salaries and fringe benefits for positions funded with program revenue in 2003-05 (\$65,000 PR annually), the estimated annualized savings of not filling the current 2.5 vacant positions and deleting 1.5 additional positions would be \$283,700 PR annually.

7. The Committee could reduce OCI's budget by \$283,700 PR annually to reflect the projected savings of deleting all of these positions, beginning July 1, 2003.

8. Alternatively, the Committee could reduce OCI's budget by \$186,200 PR in 2003-04 and by \$283,700 PR in 2004-05 to reflect the estimated cost savings of: (a) deleting the 2.5 PR positions that are currently vacant; and (b) permitting OCI to delete the remaining 1.5 PR positions by July 1, 2004.

9. Finally, the Committee could delete the Governor's provision from the bill for several reasons. First, the provision would not directly result in GPR savings and is not needed to improve the general fund balance. Second, eliminating 4.0 current positions would reduce OCI's current staff resources for regulating the insurance industry.

## ALTERNATIVES

1. Approve the Governor's recommendation to delete 4.0 PR positions by June 30, 2004.

2. Modify the Governor's recommendation by reducing OCI's budget by \$186,200 PR in 2003-04 and by \$283,700 PR in 2004-05 to reflect the estimated savings that would result if 2.5 PR positions that are currently vacant were eliminated beginning July 1, 2003, and 1.5 PR positions were eliminated beginning July 1, 2004.

<b>Alternative 2</b>	<b>PR</b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$469,900

3. Modify the Governor's recommendation by reducing OCI's budget by \$283,700 PR annually to reflect the estimated savings that would result if all of the positions were eliminated on July 1, 2003.

<b>Alternative 3</b>	<b>PR</b>
<b>2003-05 FUNDING</b> (Change to Bill)	- \$567,400

4. Delete provision.

<b>Alternative 4</b>	<b>PR</b>
<b>2004-05 POSITIONS</b> (Change to Bill)	4.00

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