



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #380

### Office Space (Insurance)

[LFB 2013-15 Budget Summary: Page 265, #2]

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#### CURRENT LAW

The Office of the Commissioner of Insurance (OCI) regulates the insurance industry in Wisconsin. This includes monitoring the financial solvency of insurance companies, reviewing policy documents submitted by insurers, and addressing consumer complaints. In addition, OCI administers three segregated funds -- the injured patients and families compensation fund, the state life insurance fund, and the local government property insurance fund. The OCI office is located at the General Executive Facility (GEF) 3 State Office Building in Madison.

#### GOVERNOR

Provide \$87,800 PR in 2013-14 and \$89,500 PR in 2014-15 to fund increases in costs OCI will incur by occupying an additional 3,766 square feet of office space at the GEF 3 State Office Building.

#### DISCUSSION POINTS

1. OCI currently occupies 46,293 square feet of space at the GEF 3 State Office Building. When OCI initially moved into this building in 2003, it had 137.0 FTE positions; since then, OCI's workforce has expanded by 33 positions, including contractors and limited-term employees, although the amount of space the agency occupies has not expanded.

2. The Office of the Commissioner of Public Lands formerly occupied 3,766 square feet of office space adjacent to the OCI office. In January, 2012, that office relocated from the GEF 3 building to the Department of Administration building. OCI sought DOA's permission to remodel and occupy the space formerly occupied by the Office of the Commissioner of Public Lands. DOA approved this request, and OCI remodeled and moved into the vacated office space in March, 2013. The agency's information technology (IT) staff now occupy the new space, rather than being split between two floors, and additional conference room space was added.

3. OCI was able to absorb the costs the additional space in its budget for supplies and services for four months in the current year (March through June), partly due to negotiated savings in agency contracts. OCI anticipates that it will realize some contract savings in the 2013-15 biennium, but is not certain what the amount of savings may be.

4. OCI decided to expand into the newly available space prior to requesting additional funding from the Legislature to support the increased costs of apace it now occupies. This decision was driven by OCI's concern that DOA would have provided the space to another agency if OCI had not immediately requested permission to expand. If the newly vacated space was not available, and if OCI determined that it was essential to occupy additional space, the agency may have requested additional funding to move staff to another building. This would have led to additional costs, including setting up a data network for information technology staff that would occupy the new space. In addition, OCI indicates that having all its operations located in the GEF 3 building that already has restricted access ensures the security of its records it keeps on the Wisconsin insurance industry.

5. If the Committee wishes to fully fund the increased costs OCI will incur to lease the additional space it now occupies, it could adopt the Governor's recommendations (Alternative 1).

6. Alternatively, because the agency will absorb one-third of the annualized costs of the additional space in 2012-13 from its base funding budgeted for supplies and services, it may be reasonable to assume that that approximately the same annual amount could continue to be absorbed by the agency. Alternative 2 would reduce the amount of funding that would be provided to OCI to support these additional costs by \$29,300 annually, which would require OCI to absorb a portion of these costs on an annual basis. Base funding for supplies and services in the agency's PR general program operations appropriation is \$4,820,900 PR.

7. Under current law, OCI transfers to the general fund all unexpended revenues that are in excess of 10% of agency expenditure authority at the end of each fiscal year. Under Alternative 2, the projected amount that OCI would transfer to the general fund would increase by \$61,500 (\$32,200 in 2013-14 and \$29,300 in 2014-15) due to the PR expenditure reduction. Under the bill, OCI is projected to transfer a total of \$45.4 million in program revenue from insurance fees to the general fund in the 2013-15 biennium.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to increase funding for OCI by \$87,800 PR in 2013-13 and by \$89,500 PR in 2014-15 to support increases in space costs.

2. Reduce funding in the bill by \$29,300 PR annually to require OCI to continue to absorb a portion of these increased space costs on an annual basis. Increase GPR-earned estimates by \$32,200 in 2013-14 and \$29,300 in 2014-15.

| <b>ALT 2</b> | <b>Change to Bill<br/>Funding</b> |
|--------------|-----------------------------------|
| PR           | - \$58,600                        |
| GPR-Earned   | \$61,500                          |

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