

**SUMMARY – Department of Employee Trust Funds
2005-2007 Biennial Budget Request**

I. Direct Service Staffing

Member Services Bureau Staffing – Continue to meet the service needs of a growing population of active, inactive and retired participants. By 2007, as the impact of the aging “baby boom” generation will hit the Wisconsin Retirement System (WRS) in full force, the number of active WRS participants eligible to retire is estimated to be 91,002, a 79% increase over the 50,850 active WRS members that were eligible to retire during 1996. By adding positions, the Department expects to provide more timely and accurate information to all WRS participants about employee benefit programs, as well as process applications and pay benefits more expeditiously. For instance, the Department’s goal is to provide retirement estimates to 25% of WRS eligible-to-retain population within 15 days of receiving the request and disability estimates within five days of request. Additionally, the Department’s goal is to have members schedule an appointment within three weeks of contacting the Department.

Requested: \$253,800 SEG in the first year (\$198,000 ongoing/\$55,800 one time) and \$209,700 SEG in the second year and 4.5 FTE SEG permanent positions (includes conversion of 3.5 FTE GPR positions).

Governor’s Recommendation: *\$120,800 SEG in the first year and \$116,300 SEG in the second year and 2.5 FTE SEG permanent positions (conversion of 3.5 FTE GPR positions denied).*

Customer Service Call Center – Continue support of the Customer Service Call Center, which provides critical “one-stop” telephone services to members. The Department has experienced, and expects to continue to experience, unprecedented demand for services and growth. Developing and maintaining a highly qualified, well-trained staff is one of the most important factors in the success of the Call Center. The addition of positions will allow more member phone calls (about 31,400 calls per year) to be directed to trained personnel in a reasonable amount of time while reducing the average time on hold.

Requested: \$107,200 SEG in the first year and \$142,800 SEG in the second year and 2.5 FTE SEG permanent positions.

Governor’s Recommendation: *\$64,300 SEG in the first year and \$85,700 SEG in the second year and 1.5 FTE SEG 4-year project positions.*

Board	Mtg Date	Item #
PEC	03/17/2005	2
JI	03/18/05	4

Privacy and Security Officer – Continue the need for a full-time Privacy and Security Officer as required under and to maintain compliance with the federal Health Insurance Portability and Accountability Act (HIPAA). The request converts the existing project position to permanent to ensure the Department’s privacy policies and procedures remain compliant with federal and state regulations while protecting the interests of our members.

Requested: \$36,900 SEG in the first year and \$73,900 SEG in the second year and the conversion of 1.0 FTE SEG project position to permanent.

Governor’s Recommendation: *\$36,900 SEG in the first year and \$73,900 SEG in the second year and the conversion of 1.0 FTE SEG project position to permanent effective 1/1/06.*

II. New Initiatives

Value-Based Health Care Purchasing – Seek resource and funding flexibility for the Department to evaluate the long-term value, effectiveness and quality of current and potential health care cost containment initiatives for state and local government employees. The Department’s health insurance program is the largest single non-federal health plan in the state and provides coverage to over 230,000 state and local government employees, retirees, and their dependents with annual expenditures of over \$900 million. The Department’s ability to purchase services to research, evaluate and propose value-based strategies can provide positive long-term effects on health care quality and cost containment. Such value-based initiatives may include assessing Centers of Excellence, establishing best practices in disease management, and evaluating compliance with copayment levels under the Pharmacy Benefit Manager program.

Requested: \$23,400 SEG in both years (for limited-term employees and supplies and services) and statutory language changes to the Health Insurance Data Collection and Analysis appropriation to provide flexibility to purchase services for health care cost containment and quality improvement initiatives.

Governor’s Recommendation: *\$23,400 SEG in both years for limited-term employees and supplies and services. Statutory language changes to provide flexibility denied.*

III. Other

Statutory Cost To Continue Increases – Provide funding for increases associated with hearings and appeals services of the Division of Hearings and Appeals at the Department of Administration and for required actuarial audits conducted by the Legislative Audit Bureau, including the five-year audit of the WRS and annual audits of the Department’s financial statements and accounting controls.

Requested: \$192,700 SEG (\$65,000 one time) in the first year and \$135,300 SEG in the second year.

Governor's Recommendation: *\$192,700 SEG in the first year and \$135,300 SEG in the second year.*

Sum Sufficient Appropriation – Re-estimate of GPR funding requirements for annuity supplements and payments due to the reduction in number of eligible recipients.

Requested: \$1,908,800 GPR in the first year (-\$451,400) and \$1,549,000 GPR (-\$811,200) in the second year.

Governor's Recommendation: *\$1,908,800 GPR in the first year and \$1,549,000 GPR in the second year.*

IV. Governor's Initiatives

Streamlining Administrative Services (Server Consolidation) – Reduces information technology, human resources, and purchasing staffing and funding in various agencies and consolidates these functions in the Department of Administration to gain operational efficiencies and savings. Some or all of the associated funding will remain in agency budgets to purchase the consolidated services from the Department of Administration.

Governor's Recommendation: *Reduce ETF position authority by 1.65 FTE SEG related to server and network consolidation effective 7/1/06. No associated funding will be removed.*

Attorney Consolidation – Reduces attorney positions in various state agencies and consolidates legal services in the Department of Administration. The associated funding remains in each affected agency to purchase legal services from the Department of Administration.

Governor's Recommendation: *Transfer 1.0 FTE SEG attorney position to the Department of Administration effective 1/1/06. The associated funding will remain in ETF's base to purchase legal services from the Department of Administration.*

Budget Efficiency Measures – Reduce expenditure and position authority in various state agencies to create additional operating efficiencies.

Governor's Recommendation: *Reduce 1.60 FTE SEG positions and \$69,100 in each year.*

Domestic Partner Health Insurance Coverage – Modifies the definition of dependent for the purposes of health insurance for employees covered under the state plan to allow coverage for domestic partners.

Governor's Recommendation: Same as above.

State Historical Society Foundation Inc. Health Insurance Coverage – Requires that employees of the State Historical Society Foundation Inc. who were previously employees of the State Historical Society be eligible for health insurance coverage under the state employee plan administered by the Group Insurance Board.

Governor's Recommendation: Same as above.

Health Care Quality and Patient Safety Board – Creates a new board attached to the Department of Administration for the purpose of promoting the use of technology by providers to enhance quality and patient safety. The various duties include awarding up to \$10,000,000 in grants and loans to providers to encourage the use of technology. The ETF Secretary is named as a member of this new board.

Governor's Recommendation: Same as above.

V. Statutory Language Changes

- A. **Insurance Program Flexibility** – Allows the Group Insurance Board (GIB) to contract with any public or private entity for administrative services for group insurance plans administered by the GIB. The language changes the current annual appropriation to a continuing appropriation for funding through the Public Employee Trust Fund.

Governor's Recommendation: *This item was not included in the budget.*

- B. **Administrative Appropriation Flexibility** – Changes the current annual appropriation to a continuing appropriation for funding of all administrative expenses from the Public Employee Trust Fund. This provides flexibility to the Department to increase funding based upon needs of our participants.

Governor's Recommendation: *This item was not included in the budget.*

- C. **Position Control Flexibility** – Provides the Department flexibility to create positions by seeking approval through the Joint Committee on Finance's 14-day passive review process. The Department currently may only request position

authorization through the biennial budget process or the emergency s. 13.101 process.

Governor's Recommendation: *This item was not included in the budget.*

- D. **Litigation Costs Funding Change** - Permits any future costs of legal representation of the Employee Trust Funds Board by special counsel to be paid directly from the trust funds instead of being billed to the Department of Justice's GPR special counsel appropriation.

Governor's Recommendation: *This item was included in the budget in a modified form. As recommended, these provisions would have costs paid directly from the Trust Fund but Governor's approval of special counsel would still be required (may change summary after the bill language is available).*

- E. **Office Maintained by the Department** – Deletes the requirement in law to always maintain an office in Milwaukee. This change provides the Department with the flexibility to better serve the needs of members throughout the state by using a variety of strategies to provide information and counseling.

Governor's Recommendation: *This item is included in the budget as submitted.*

- F. **Gifts and Grants Appropriations** – Creates the ability to receive and expend both federal and non-federal gift and grant dollars.

Governor's Recommendation: *This item is included in the budget.*

VI. Fiscal and Position Summary

Summary of Changes To Base Budget (excludes standard budget adjustments)	Employee Trust Funds Request		Governor's Recommendations	
	FY 2005-06	FY 2006-07	FY 2005-06	FY 2006-07
Positions (FTE) Requested	4.5*	4.5*	2.4	0.75

New Permanent	3.5	3.5	2.5	2.5
Converted from Project to Permanent	1.0	1.0	1.0	1.0
New Project			1.5	1.5
Permanent Cut – Governor’s Initiatives			-2.6	-4.25
Ongoing SEG Funding Requested	\$493,200	\$585,100	\$438,100	\$434,600
One-Time Funding Requested	\$120,800	\$0	Includes on-going and one-time	Includes on-going and one-time
Base Cut – Gov. Initiatives			-\$69,100	-\$69,100
Total Budget (SEG) <small>Note 1</small>	\$614,000	\$585,100	\$369,000	\$365,500
Total Budget (GPR) – Benefit Supplements for Older Annuitants <small>Note 1</small>	\$1,908,800	\$1,549,000	\$1,908,800	\$1,549,000

Position Summary By Fund Source			
	FY 2005 (Current)	FY 2006-07 Requested	FY 2006-07 Gov. Rec
SEG Perm.	191.35	199.35	190.60
SEG Proj.	3.50	0.00	1.50
SEG Total	194.85	199.35	192.10
GPR Perm	3.50	0.00	3.50
All Funds Total	198.35	199.35	195.60

*The positions (FTE) do not include 3.5 FTE GPR positions that are requested for conversion from the existing base GPR to SEG. *The Governor’s recommendations did not include the conversion of the GPR positions to SEG.*

GPR = General Purpose Revenues – represents appropriations from the general fund; these are primarily funds derived from income and sales taxes.

SEG = Segregate Funds – for ETF, this represents appropriations from the Public Employee Trust Fund; the source of funds included employer/employee contributions and investment earnings.

Note 1: These figures represent items shown in the budget summary. The Department’s total SEG budget (as requested), including all positions, supplies, etc., is \$20,705,000 for fiscal year

2006 and \$20,650,800 for fiscal year 2007. This reflects an increase of 1.6% in operational costs over the prior budget (SEG). The Department's GPR budget decreased 26.75%.

The Department's total SEG budget, as recommended by the Governor, is \$20,437,800 for fiscal year 2006 and \$20,409,000 for fiscal 2007. These recommendations reflect a 0.35% increase in operational costs over the prior budget (SEG). The Department's GPR budget reflects a 26.75% decrease.