STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: November 8, 2010

TO: Employee Trust Funds Board
Budget and Operations Committee

FROM: Jon Kranz, Director
Office of Budget and Trust Finance

SUBJECT: 2011-2013 Department Biennial Budget Update

This memo is for informational purposes only. No Board action is required.

Attached is a document summarizing the biennial budget request for the Department of Employee Trust Funds. We submitted our request to the Department of Administration in September.

The period covered by the budget request is July 1, 2011 - June 30, 2013. We anticipate the schedule for review and action by the Governor and Legislature will be as follows:

Stage	Anticipated Schedule
Agency Budget Request Due	September 2010
Governor Issues Budget Recommendations	January/February 2011
Review and Action by the Joint Committee on Finance (JCF)	February – June 2011
Action by Full Legislature	June 2011
Final Enacted Budget	July 2011

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature: RJC Date: 11/12/10

Board	Mtg Date	Item #
ETF	12.2.10	5C
BUD	12.2.10	2B

In addition to the biennial budget request, the Department submitted a capital budget request for the authority to acquire a new headquarters facility.

The Department's planned budget request was discussed at the September 16, 2010, Board meeting. The final version of the budget request included one modification from the version that was presented at the September meeting. Under Item # 2 in the attached – *Group Insurance Program Efficiencies* – the proposal to eliminate the statutory requirement for the Group Insurance Board to approve optional insurance plans for state employees was not included in the final submission. It was decided that further analysis was needed prior to proposing this change.

Please contact me at (608) 267-0908 should you desire any additional information. I will also be available at the meeting to answer any of your questions.

Attachment

Department of Employee Trust Funds
Summary of Fiscal 2011-2013 Biennial Budget Request
Updated September 27, 2010

Segregated Trust Fund Dollars Only

	FY 2012		FY 2013	
	FTE	Funding	FTE	Funding
Base Budget (FY 2011)	243.2	$30,322,200	243.2	$30,322,200
ETF Request Over Base*	6.5	$7,249.900	6.5	$8,339,300
Governor's Recommendations				
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

* Includes new initiatives and standard technical adjustments; does not include the $700,000 proposed for the JCF reserve (Dependent Eligibility Audit).

Department Initiatives

1. Continuation of Critical Customer Service Functions

	FY 2012		FY 2013	
	FTE	Funding	FTE	Funding
ETF Request	6.5	$6,330,800	6.5	$7,420,200
Governor's Recommendations				
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

This initiative includes three statutory changes intended to enhance operational flexibility to allow the Department and Board to better administer the Public Employee Trust Fund. It also includes 6.5 permanent positions effective in the first year of the biennium to support on-going operations and to implement aspects of the Department's strategic plan.

The three statutory changes are as follows:

<u>Expenditure Authority Flexibility</u>

- Change the primary appropriation used for general program operations from an "annual" type to a "continuing" type. This will allow the Department to carry any unused expenditure authority to subsequent fiscal years.

- Base expenditure authority on a per participant amount. This per participant amount would be $61.44 for the first year of the biennium and $62.44 for the second year of the biennium. The amount would be adjusted for inflation for subsequent years.
- With Board concurrence, the Department could request that the Joint Committee on Finance (JCF) approve an increase in this amount via a passive review process.

Position Authority Flexibility

- Create a passive review process for creating and deleting position authority based on the active review process (under s.13.10) used during the FY 2009-11 biennium as required by 2009 Wisconsin Act 28 (the budget bill).
- The Department would submit a position request to the JCF and the Governor. The request would be considered passively approved unless the Governor or a member of the JCF objects. In the case of an objection, a meeting would be held to address the request.
- Board approval would be required for any position request that would cause the total position authority for the Department to exceed the amount suggested by the methodology created as part of the FY 2009-11 budget bill used to determine the appropriate position level.
- These provisions would be effective at the beginning of the second year of the biennium (July 1, 2012). For the first year of the biennium, the Department has requested 6.5 permanent positions to address workload needs and to continue implementation of the strategic plan.

ETF Board Appropriation

- Create a new sum sufficient appropriation to be used by the ETF Board for expenses described in s. 40.03 (1c) and (1d).
- These expenses are related to ensuring that the Board can carry out its fiduciary duties and that the Trust Fund is administered in an efficient and effective manner.
- Expenses include actuarial services, auditing services, legal services, and other necessary consulting services.

2. Group Insurance Program Efficiencies

Statutory changes to provide additional efficiencies for the administration of the group insurance programs.

Wellness incentives for the Group Health Insurance Program. This statutory change would allow the Group Insurance Board (GIB) to incorporate a wellness incentive component into the health plans without having to reduce another benefit as currently required by the statutes. This change will allow the GIB to better encourage member participation in wellness and disease management programs developed or sanctioned by the GIB.

Expansion of GIB authority to contact for data collection and analysis services. This change would expand the GIB's authority for obtaining consulting services related to insurance programs offered by the Board. The current authority under this provision is limited to contracting for data collection and analysis related to the health insurance programs.

Additional flexibility to determine long-term care insurance options. This change would allow the GIB to limit the number of long-term care plans offered. Currently, the GIB must offer to employees any plan that meets the standards established by the GIB.

3. New Headquarters Facility

Approval and expenditure authority for the design and construction/purchase of a new Department headquarters facility. Note that the majority of the request associated with this item will be handled via the Governor's Capital Budget request which is anticipated to be released sometime in March 2011.

This item includes a request for a sum sufficient appropriation to fund costs associated with the design and related pre-construction costs. It will also cover other necessary costs associated with the transition to a new facility including fixtures and furniture. The appropriation is requested so that the building-related costs do not compete with the resource needs for day-to-day departmental operations.

4. Dependent Eligibility Audit

	FY 2012	FY 2013
	Funding	Funding
ETF Request	$700,000	$ - - -
Governor's Recommendations		
Joint Committee on Finance		
Legislature		
Final Enacted Budget		

$700,000 of funding placed in the JCF reserve for release under a passive review process for conducting a dependent eligibility audit of our health insurance programs.

The Department intends on conducting a pilot project during the current year to determine if a full-scale audit is needed to ensure that only legally eligible dependents are included as covered parties on the various health plans administered by the Department. Should the pilot project results suggest that a more thorough audit is warranted, the Department, in consultation with the GIB, would request that the JCF release funding to cover the contractor costs. It is anticipated that an extensive audit would cost between $600,000 and $700,000.

Summary of Department FTE Positions by Fund Source

	FY 2011 (Base)	FY 2011-2013 Department Request	FY 2011-2013 Governor	Change Base to Request
SEG Permanent	243.2	249.7		6.5
SEG Project	--	--		--
SEG Total	**243.2**	**249.7**		**6.5**

Summary of Department Budget Request by Fund Source as Proposed (September 13, 2010)

	FY 2012	FY 2013
SEG Funding Adjusted Base (FY 2011)	$30,322,200	$30,322,200
Standard Technical Adjustments	$919,100	$919,100
New SEG Funded Initiatives*	**$6,330,800**	**$7,420,200**
Total SEG Funded Budget Request*	**$37,572,100**	**$38,661,500**
GPR Funding Adjusted Base (FY 2011)	$641,600	$641,600
Standard Technical Adjustments	($86,400)	($181,000)
Total GPR Funded Budget Request*	**$555,200**	**$460,600**
All Funds Total	**$38,127,300**	**$39,122,100**

* Does not include the proposed $700,000 for the JCF reserve (Dependent Eligibility Audit).

FY = Fiscal Year: the state fiscal year begins July 1 and ends June 30.

FTE = Full-time Equivalent position.

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

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

JCF = Joint Committee on Finance