



STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: December 15, 2006
TO: Employee Trust Funds Board
FROM: Jon Kranz, Director
Office of Internal Audit and Budget
SUBJECT: FY 2007-09 Department Biennial Budget Update

Attached is a summary of the fiscal year (FY) 2007-09 biennial budget request submitted by the Department on September 22, 2006. The period covered by the submitted budget is July 1, 2007-June 30, 2009. The schedule for review and action by the Governor and Legislature is anticipated to be as follows:

Stage	Anticipated Schedule
Agency Budget Request Due	Submitted September 22, 2006
Governor Issues Budget Recommendations	Late January 2007/Early February 2007
Review and Action by the Joint Committee on Finance (JCF)	March 2007/April 2007
Action by Full Legislature	May 2007/June 2007
Final Enacted Budget	June 2007

Included in the FY 2007-09 biennial budget request are the following six Department initiatives:

1. Continuation of Critical Customer Service Functions
2. Governing Board Operational Flexibility
3. Continuation of Core Processes Reengineering
4. Manager of Medicare Part D
5. Value-Based Health Care Purchasing Initiatives
6. Ombudsperson Services

A description of each initiative, along with the current status, is included in the attachment. In addition, three tables that summarize the total position and funding request by fund source are included. As the budget progresses through the various stages (see above table), the attachment will be updated to include the most recent information. A budget update will be provided at the March 2007 Board meeting.

Please contact me at (608) 267-0908 should you desire any additional information.

Board	Mtg Date	Item #
ETF	12/15/06	7

Department of Employee Trust Funds
Summary of Biennial Budget Request
 Updated November 29, 2006

Segregated Trust Fund Dollars Only

	FTE Positions	FY 2008	FY 2009
Base Budget (FY 2007)	193.10	\$21,513,600	\$21,513,600
ETF Request Over Base*	63.00	9,844,400	5,366,800
Governor's Recommendations			
Joint Committee on Finance			
Legislature			
Final Enacted Budget			

* Includes new initiatives and standard technical adjustments

New Initiatives

1. Continuation of Critical Customer Service Functions

	FTE Positions	FY 2008	FY 2009
ETF Request	51.0	\$4,535,900	\$4,222,800
Governor's Recommendations			
Joint Committee on Finance			
Legislature			
Final Enacted Budget			

Funding and positions to address current work backlogs and anticipated workload growth due to the retirement of the "baby boom" generation. Addresses need to continue core customer service functions. Includes the conversion of 3.5 FTE GPR unfunded positions to SEG positions.

2. Governing Board Operational Flexibility

	FTE Positions	FY 2008	FY 2009
ETF Request	0.0	\$0	\$0
Governor's Recommendations			
Joint Committee on Finance			
Legislature			
Final Enacted Budget			

Board	Mtg Date	Item #
ETF	12/15/06	7

Statutory changes to provide additional operational flexibility to better allow the Department and Board to fulfill their statutory and fiduciary obligations described in Chapter 40 of the Wisconsin State Statutes. Requested changes include:

- The ability to create or delete position authority based on workload demands, including passive review by the Department of Administration and the Joint Committee on Finance (a process similar to one used by other agencies).
- Expenditure authority flexibility to ensure resources are available to meet the terms of the Trust (changing the primary administrative appropriation from an annual to an “all funds” continuing appropriation).
- Contracting flexibility to ensure that the Trust is administered at the lowest reasonable cost. This also includes the ability for the Board to appoint outside legal counsel without the approval of the Governor.
- The ability for the Board to establish and administer a compensation plan for the three unclassified executives of the Department. This will assist in attracting and retaining high quality Department leaders.

3. Continuation of Core Processes Reengineering

	FTE Positions	FY 2008	FY 2009
ETF Request	9.0*	4,936,800	760,700
Governor’s Recommendations			
Joint Committee on Finance			
Legislature			
Final Enacted Budget			

* Includes 6.0 2-year project FTE and 3.0 permanent FTE

Funding and positions to continue the replacement of legacy information technology systems coincident with the reengineering of core agency processes. Projects planned for the FY 2007-09 biennium include the completion of the Lump Sum Payment System and planning for the Health Insurance Eligibility and Enrollment System. In addition, the request includes 3.0 FTE positions for the maintenance of the current system used for health insurance processes. These positions will also be used to maintain the replacement system.

4. Manager of Medicare Part D

	FTE Positions	FY 2008	FY 2009
ETF Request	1.0	\$59,400	\$63,300
Governor's Recommendations			
Joint Committee on Finance			
Legislature			
Final Enacted Budget			

Funding and a position to manage the Medicare Part D prescription drug benefit component of the Department's health insurance programs. This request also relates to the general increase in workload in the Health Benefits and Insurance Plans Bureau.

5. Value-Based Health Care Purchasing Initiatives

	FTE Positions	FY 2008	FY 2009
ETF Request	0.0	\$425,000	\$425,000
Governor's Recommendations			
Joint Committee on Finance			
Legislature			
Final Enacted Budget			

Funding to continue the Department's initiatives related to value-based health care purchasing. Projects planned for FY 2007-09 include continued support for the Wisconsin Health Information Organization's efforts to create a physician office visit database, contracting with the University of Wisconsin Medical School for the provision of medical director services to further Department efforts related to quality and overall value of the provision of care, and pilot projects that offer a high potential for success (to be identified during FY 2007-09).

6. Ombudsperson Services

	FTE Positions	FY 2008	FY 2009
ETF Request	2.0	\$118,800	\$126,500
Governor's Recommendations			
Joint Committee on Finance			
Legislature			
Final Enacted Budget			

Funding and positions to enhance services provided by the Department's ombudsperson function. 1.0 FTE position is associated with the increasing workload related to insurance related inquiries and complaints. 1.0 FTE position is associated with the expansion of this successful service to retirement-related concerns from participants.

Summary of Department FTE Positions By Fund Source

	FY 2007 (Current)	FY 2008-09 Requested	Change
SEG Permanent	193.10	250.10	57.00
SEG Project	0.00	6.0	6.00
SEG Total	193.10	256.10	63.00
GPR Perm	3.50	0.00	(3.50)
All Funds Total	196.60	256.10	59.50

Summary of Department Budget Request By Fund Source

	FY 2008	FY 2009
SEG Funding Adjusted Base (FY 2007)	\$21,513,600	\$21,513,600
Standard Technical Adjustments	(231,500)	(231,500)
New SEG Funded Initiatives	10,075,900	5,598,300
Total SEG Funded Budget Request	\$31,358,000	\$26,880,400
GPR Funding Adjusted Base (FY 2007)	1,832,600	1,832,600
Standard Technical Adjustments	(267,300)	(501,100)
Total GPR Funded Budget Request	\$1,565,300	\$1,331,500
All Funds Total	\$32,923,300	\$28,211,900

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.