



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #391

Transfer Information Technology Positions to DOA (Insurance and Administration -- Transfers)

[LFB 2017-19 Budget Summary: Page 39, #3 and 258, #4]

CURRENT LAW

The Office of the Commissioner of Insurance (OCI) conducts insurance market regulation and insurance financial reviews and manages state-operated insurance funds. OCI has 151.50 positions (7.10 FED positions, 131.65 PR positions, and 12.75 SEG positions) and a total base budget of \$110,666,700 (\$18,887,400 PR and \$91,779,300 SEG).

GOVERNOR

Insurance. Delete 14.50 positions (-2.00 FED positions, -11.50 PR positions, and -1.00 SEG position), beginning in 2017-18, to reflect the transfer of OCI's information technology positions to the Division of Enterprise Technology (DET) in the Department of Administration (DOA). Transfer funding that currently supports salary and fringe benefits costs for these positions (\$155,800 FED, \$1,076,300 PR, and \$77,100 SEG in 2017-18 and \$207,700 FED, \$1,435,000 PR, and \$102,700 SEG in 2018-19) to supplies and services budget lines, to provide OCI with the budget authority to purchase information technology support services from DOA.

Administration. Provide \$1,344,500 PR annually and 14.50 positions, beginning in 2017-18, to reflect the transfer of the OCI positions. Specify that, on October 1, 2017, 14.50 positions and incumbent employees holding those positions in OCI who are performing IT functions, as determined by the Secretary of DOA, would be transferred to DET. Specify that the transferred employees would have all the rights and the same status in DET as they enjoyed in OCI immediately before the transfer and that no transferred employee who has attained permanent status is required to serve a probationary period following the transfer. Specify that the assets and liabilities, tangible personal property, records, contracts, rules and orders, and pending matters of OCI that are primarily related to IT functions, as determined by the Secretary of DOA, would

transfer to DET.

DISCUSSION POINTS

1. OCI's IT personnel perform data management functions, office equipment maintenance and support, and application development for the agency. Under the proposed transfer, OCI's IT employees would become employees of DOA's Division of Enterprise Technology (DET) on or around October 1, 2017. OCI would then be assessed by DET for the cost of IT services provided to the agency.

2. The administration indicates that many of positions would remain physically located in OCI's offices, allowing them to work closely with OCI personnel. Others may be relocated to DET offices. The administration indicates that decisions on the assignment of IT personnel would be based on assessment of how best to utilize staff resources to meet organizational needs.

3. The administration asserts that the transfer of the current OCI IT positions would provide more efficient and effective information technology support to the agency. OCI would be able to access DET expertise that OCI IT personnel may not have. OCI indicates that the agency often must contract for application development when it does not have the IT expertise on staff. With centralization of IT functions, OCI may be able to instead use DET programming resources to complete some of these projects, since DET is able to draw on a broader IT skillset.

4. The administration indicates that the OCI IT centralization initiative would be similar to a 2013-15 biennial budget initiative, which transferred IT personnel of the Department of Safety and Professional Services to DET.

5. Subsequent to the introduction of the bill, DOA submitted an erratum for this item, requesting two modifications. First, the administration has reassessed the positions that would be transferred from OCI to DOA under this initiative. Although the total number of transferred positions would remain the same, the total salary and fringe benefits for the transferred positions would be slightly different. Making this change results in a smaller shift of OCI's funding from salary and fringe benefit budget lines to the supplies and services budget line. Relative to the bill, the transfer would be reduced by \$51,100 PR in 2017-18 and \$68,100 in 2018-19. The second modification would correct errors in the calculation of salary and fringe benefit funding in DET. In particular, as introduced, the bill would provide DOA nine, rather than 12 months of salary and fringe benefit funding for these positions in 2018-19. Making these corrections results in an increase, relative to the bill, of \$46,700 PR in 2017-18 and \$510,400 PR in 2018-19. If the Committee adopts the Governor's recommendation to transfer OCI IT positions to DOA (Alternative 1), these changes should be incorporated in the bill to accurately reflect the administration's intent.

6. The centralization of administrative functions in DOA, such as IT functions, removes direct control of these functions from the transferring agency. In some circumstances, this loss of control may have unforeseen negative consequences or may not be in the best interest of the agency or the agency's constituencies. For instance, OCI may lose some ability to direct the IT resources in the manner that the Insurance Commissioner feels is most appropriate to accomplish the agency's

mission. Since the Insurance Commissioner is ultimately responsible for the insurance market regulatory functions, as well as for the budget for the agency, this loss of direct control may hinder OCI's ability to effectively serve these purposes. If the Committee determines that agencies should maintain direct control of IT functions in the interests of full accountability, it can delete the Governor's recommendation (Alternative 2).

ALTERNATIVES

1. Adopt the Governor's recommendations to transfer OCI IT positions and functions to DOA, with the funding changes described in Discussion Point #5.

ALT 1	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
OCI				
FED	\$0	- 2.00	\$0	0.00
PR	0	- 11.50	0	0.00
SEG	<u>0</u>	<u>- 1.00</u>	<u>0</u>	<u>0.00</u>
Total	\$0	- 14.50	\$0	0.00
DOA				
PR	\$3,246,100	14.50	\$557,100	0.00

2. Delete provision.

ALT 2	Change to Base		Change to Bill	
	Funding	Positions	Funding	Positions
OCI				
FED	\$0	0.00	\$0	2.000
PR	0	0.00	0	11.50
SEG	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>1.00</u>
Total	\$0	0.00	\$0	14.50
DOA				
PR	\$0	0.00	- \$2,689,000	- 14.50

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