

Department of Budget and Management
Office of Personnel Services and Benefits
(OPSB)

Fiscal Year 2013 Operating Budget

TESTIMONY OF

T. ELOISE FOSTER
SECRETARY

Senate Budget & Taxation Committee
House Appropriations Committee

February 21, 2012
February 24, 2012

Office of Personnel Services and Benefits

2011 ACCOMPLISHMENTS

- Managed personnel transactions for nearly 43,000 employees in the State Personnel Management System, including position recruitments, appointments, promotions, reclassifications, transfers, and separations.
- Administered the State's benefits program for State employees and retirees that covers more than 230,000 lives.
- Worked with State agencies to improve completion rates for employee performance evaluations, achieving an 85% completion rate in FY 2012.
- Implemented a statewide training program for agency supervisors, covering such topics as employee evaluations, managing medical absences, and other employee relations issues.
- Negotiated benefits plan design changes with the exclusive bargaining representatives which are expected to result in a 5% decrease in State health care spending in FY 2013.
- Negotiated new Memorandums of Understanding with the State Law Enforcement Officers Labor Alliance (SLEOLA) and the Fraternal Order of Police (FOP).
- Provided representation on the Governor's Warrior to Worker Council and initiated extensive outreach efforts to veterans and military spouses through transition assistance programs (TAP.)
- Administered the QUEST internship program for individuals with disabilities and coordinated State agency participation in the YouthWorks summer internship program.

IWIF Fund Transfer

DLS recommends that the BRFA of 2012 be amended to make the transfer and resolution of State claims on IWIF's assets found in Section 11 contingent upon the passage of SB 745 or HB 1017 of 2012.

The Department of Budget and Management (DBM) has no objection to the enactment of legislation severing the State-IWIF financial relationship and establishing IWIF as an independent entity. However, the Department disagrees with the DLS recommendation to make the transfer in the BRFA contingent on enactment of such legislation.

The proposed transfer which DBM negotiated with IWIF was not tied to establishment of IWIF as a separate independent entity. The transfer was instead linked to the State relinquishing any further claims to IWIF's property and assets. The Administration's proposal relieves IWIF of

the uncertainty of periodic State efforts to transfer funds from IWIF's fund balance and frees IWIF from future State claims against its assets. **The amount of the proposed transfer strikes the appropriate balance between maintaining the financial health of IWIF and allowing the State to recoup a portion of the benefits IWIF realized from its nearly 100 year association with State government.**

DBM welcomes an outside evaluation of the benefits that have accrued to IWIF as the actual financial benefits realized by IWIF certainly exceed the \$50 million figure. The value of the premium tax and property tax exemptions that IWIF received over the last 15 years alone exceed \$50 million. The land and structures owned by IWIF are assessed at more than \$15 million and IWIF's own estimate of the value of the State's initial cash investment in IWIF exceeds \$4 million. DBM agreed to a discounted transfer amount to ensure the financial health of IWIF is maintained and due to the provision of the BRFA that leaves open the possibility of the State receiving IWIF funds if the General Assembly were to dissolve IWIF at some future point.

For the reasons stated above, the Department asks the Committee to reject the DLS recommendation to make the BRFA transfer contingent on passage of legislation establishing IWIF as an independent entity. If the committees adopt the DLS recommendation, DBM urges the committees to make SB 745 and HB 1017 contingent on enactment of the provision in the Budget Reconciliation and Financing Act transferring funds from IWIF to the general fund.

RESPONSE TO DLS RECOMMENDATIONS

Recommendation #1: Add language requiring employees/retirees not in collective bargaining units to have a choice on revised medical insurance benefits.

DBM Response:

DBM does not believe the analyst's proposal to allow employees/retirees to choose between the two health plan options is feasible for the upcoming plan year. Given the timing of the decision as part of the budget process, required system programming modifications would not be completed prior to Open Enrollment or the start of the plan year.

As the State develops future health plan options, the Department plans to explore offering employees/retirees a set of distinctly different benefit plans. Going forward with such an option would allow individuals to choose the premium cost share and/or plan design most appropriate to their particular circumstances.

Recommendations #2 - #6:

DBM concurs with the remaining five DLS recommendations.