

Fiscal Estimate - 2011 Session

Original Updated Corrected Supplemental

LRB Number 11-1383/2	Introduction Number SB-011 (JR1)
-----------------------------	---

Description
 State finances, collective bargaining for public employees, compensation and fringe benefits of public employees, the state civil service system, the Medical Assistance program, sale of certain facilities, granting bonding authority, and making an appropriation

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input checked="" type="checkbox"/> Increase Existing Appropriations	<input checked="" type="checkbox"/> Decrease Existing Appropriations	
<input checked="" type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>special districts</u> <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input checked="" type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS Multiple	

Agency/Prepared By	Authorized Signature	Date
DOA/ David Schmiedicke (608) 266-1353	Cathleen Connolly (608) 261-2292	2/15/2011

Fiscal Estimate Narratives

DOA 2/15/2011

LRB Number	11-1383/2	Introduction Number	SB-011	Estimate Type	Updated
		(JR1)			
Description State finances, collective bargaining for public employees, compensation and fringe benefits of public employees, the state civil service system, the Medical Assistance program, sale of certain facilities, granting bonding authority, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

LRB 1383/2 adjusts fiscal year 2010-11 appropriations to address immediate shortfalls. The bill increases appropriations to the Departments of Corrections (\$21.5 million) and Health Services (\$156.1 million). Temporary Assistance for Needy Families (TANF) block grant funding is allocated under the bill to fund the state's earned income tax credit (\$37 million PR-F / PR-S), resulting in a commensurate reduction in GPR funding for that program.

A requirement of the Department of Administration Secretary to lapse \$200 million in the 2009-11 biennium is reduced by \$79 million under the bill. The Departments of Health Services and Children and Families are authorized to use currently available income augmentation revenue to meet lapse requirements under 2009 Act 28. The bill lapses \$4.6 million from the Joint Committee on Finance appropriation to reflect expenditure projections related to 2009 Act 100 (operating while intoxicated enforcement and penalty changes).

The bill increases the employee's share of costs for pension and health insurance benefits, brings pension calculations for elected officials and executive and appointed employees in line with general occupational employees and teachers, limits collective bargaining for certain public employees to base wages, mandates union certification votes, prohibits employer collection of union dues, limits contracts to one year periods, and eliminates collective bargaining for the University of Wisconsin Hospitals and Clinics Authority. The bill also repeals collective bargaining for University of Wisconsin System faculty and academic staff and child care and home health care workers.

The bill repeals the University of Wisconsin Hospitals and Clinics Board and eliminates the estimated 2,600 FTE state positions in the clerical, blue collar, trades, security and public safety and technical collective bargaining units. Incumbents in those positions are transferred to the University of Wisconsin Hospitals and Clinics Authority.

Estimates of state agency employee compensation savings for fiscal year 2010-11 are based on data from DOA central payroll and UW System payroll. Health insurance premiums are paid two months in advance for central payroll agencies and one month in advance for UW System payroll; the increase in employee contributions will affect one month (two months for UW System payroll) of fiscal year 2010-11. The bill directs the Department of Administration to lapse \$27,891,400 from GPR and PR appropriations to the general fund related to these savings. The bill also requires that \$1,908,600 be lapsed from appropriations to the Courts, Legislature and Governor related to these savings. See attached technical memo for further information.

Estimates of municipal, county and school district compensation savings are based on data from the Department of Employee Trust Funds (ETF) Comprehensive Annual Financial Report (CAFR) for 2009. The proposed 50% employee share of annual Wisconsin retirement system costs (estimated at 11.6% of payroll in calendar year 2011) was applied against covered payroll provided in the ETF 2009 CAFR. For Milwaukee County, savings from employee contributions are based on data from the Milwaukee County CAFR for 2009. For the City of Milwaukee, savings from employee contributions is based on the City of Milwaukee CAFR for 2009. Estimates for municipalities and counties were adjusted to exclude local law enforcement and fire personnel costs. Estimates for state government were adjusted to remove State Patrol troopers and inspectors (see attached technical memo for further information).

The bill requires the group insurance board to implement measures, including health risk assessments, wellness programs and employee co-pays, to reduce state employee health insurance cost inflation by 5%, beginning in 2012. Reserves in the health insurance and pharmacy purchasing programs that are in excess of industry standards must be used to reduce premium costs during 2011.

During a state of emergency, the bill authorizes appointing authorities to terminate state employees for unexcused absences of three or more days or for participating in organized actions to disrupt work activities and public services.

Additional bonding authority is authorized in the bill to allow restructuring of principal payments on outstanding general obligation bonds.

The bill authorizes unclassified positions in cabinet agencies to perform specific management functions (legal, communications, legislative relations); an equal number of classified positions are eliminated. Employees in the state government career executive classification could be transferred between agencies with the assent of the respective agency heads. Limited-term employees will no longer be eligible for participation in the state's pension system or health insurance programs. As of January 24, 2011, 1,537 LTE's were participating in the Wisconsin retirement system and 385 LTE's were participating the the state health insurance plan. The employer share of health insurance for LTE's was \$428,822 for that month.

Long-Range Fiscal Implications

The bill makes significant changes to public employee labor relations and compensation practices. The Departments of Administration and Employee Trust Funds and the Office of State Employment Relations are directed to study long-term changes to the Wisconsin Retirement System and the state's health insurance program to ensure program effectiveness and to fully understand long-term liabilities.

The bill also allows the Department of Health Services, with legislative approval, to implement plan design and other measures to contain costs in the state's Medicaid program.

The Department of Administration is authorized under the bill to sell the state's heating plants. Net proceeds from any sale will be deposited in the budget stabilization fund.

Restructuring of principal payments on general obligation bonds will increase debt service costs by \$7.4 million in FY12 and \$22.1 million in FY13 through FY21.

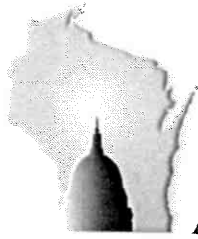
Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-1383/2	Introduction Number SB-011 (JR1)	
Description State finances, collective bargaining for public employees, compensation and fringe benefits of public employees, the state civil service system, the Medical Assistance program, sale of certain facilities, granting bonding authority, and making an appropriation		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
Net fiscal year 2010-11 GPR appropriations are reduced by \$37.6 million. GPR-earned in fiscal year 2010-11 is reduced by \$51.1 million. Under the bill, the estimated gross general fund balance is estimated to be \$107.8 million on June 30, 2011. Federal appropriations are increased by \$37 million in fiscal year 2010-11. Segregated fund appropriations are increased by \$6.7 million in fiscal year 2010-11. State health insurance premium costs will be reduced by \$28 million between July 1, 2011 and December 31 2011. Increased contributions from state employees for Wisconsin retirement system and health insurance benefits are expected to reduce costs by \$69.1 million all funds in fiscal year 2010-11 (\$25.1 million GPR, \$26.2 million PR, \$6.7 million SEG, and \$11.1 million FED).		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$-308,630,000
(FTE Position Changes)	(35.0 FTE)	(-36.0 FTE)
State Operations - Other Costs	22,100,000	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$22,100,000	\$-308,630,000
B. State Costs by Source of Funds		
GPR	22,100,000	-119,620,900
FED		-40,887,700
PRO/PRS		-125,817,500
SEG/SEG-S		-22,303,900
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$-286,530,000	-\$481,738,572
NET CHANGE IN REVENUE	\$	\$

Agency/Prepared By	Authorized Signature	Date
DOA/ David Schmiedicke (608) 266-1353	Cathleen Connolly (608) 261-2292	2/15/2011



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR
MIKE HUEBSCH
SECRETARY

Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

February 14, 2011

Background Information for Fiscal Estimate related to LRB 11-1383/2 (2011 Budget Adjustment Bill)

Fiscal Year 2010-11 Fiscal Effect Compared with Legislative Fiscal Bureau January 31, 2011 Memo

	<u>GPR Increase</u>	<u>GPR Decrease</u>	<u>Total GPR</u>	<u>SEG Increase</u>	<u>PR Increase</u>	<u>All Funds</u>
Departmental Revenues						
Tribal Gaming						
Other						
Reduce 2007 Act 20 Lapse	(\$79,000,000)		(\$79,000,000)			(\$79,000,000)
Employee Contribution Lapse		27,891,400	27,891,400			27,891,400
Income Augmentation Transfers						-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Available	(\$79,000,000)	\$27,891,400	(\$51,108,600)	\$0	\$0	(\$51,108,600)
Expenditures						
Gross Appropriations						
Medicaid Appropriation Changes	142,600,000		142,600,000	6,700,000		149,300,000
Medicaid-Milwaukee Indigent Care	6,800,000		6,800,000			6,800,000
Department of Corrections	19,537,800		19,537,800			19,537,800
Remove Remaining OWI Supplement		(4,590,400)	(4,590,400)			(4,590,400)
EITC - Increased TANF		(37,000,000)	(37,000,000)		37,000,000	-
						-
Less Estimated Lapses						
Reduce Fuel/Utilities Lapse	2,000,000		2,000,000			2,000,000
Empl Cont Lapse Leg/Cts/Gov		(1,908,600)	(1,908,600)			(1,908,600)
Debt Service Restructuring	<u>-</u>	<u>(165,000,000)</u>	<u>(165,000,000)</u>	<u>-</u>	<u>-</u>	<u>(165,000,000)</u>
Total Expenditures/Net Appropriations	\$170,937,800	(\$208,499,000)	(\$37,561,200)	\$6,700,000	\$37,000,000	\$6,138,800
Balance	\$249,937,800	(\$236,390,400)	\$13,547,400	\$6,700,000	\$37,000,000	\$57,247,400

General Fund Condition under LRB 1383/2 (Fiscal Year 2010-11 Budget Adjustment Bill)

	<u>FY11</u>
Opening Balance	25,718,100
Revenues	
General Fund Taxes, January 31 estimate	12,691,400,000
Departmental Revenues	
Tribal Gaming	22,330,300
Other	833,733,300
Reduce 2007 Act 20 Lapse	(79,000,000)
Employee Contribution Lapse	27,891,400
Income Augmentation Transfers	0
Total Available	13,522,073,100
Expenditures	
Gross Appropriations	14,109,283,800
Medicaid Appropriation Changes	142,600,000
Medicaid-Milwaukee Indigent Care	6,800,000
Department of Corrections	19,537,800
Remove Remaining OWI Supplement	(4,590,400)
Compensation Reserve	95,962,700
Biennial Appropriation Adjustment	(242,677,200)
Sum Sufficient Reestimates	(121,637,800)
EITC - Increased TANF	(37,000,000)
Less Estimated Lapses	(389,112,600)
Reduce Fuel/Utilities Lapse	2,000,000
Empl Cont Lapse Leg/Cts/Gov	(1,908,600)
Debt Service Restructuring	(165,000,000)
Total Expenditures/Net Appropriations	13,414,257,700
Balance	
Gross Balance	107,815,400
Less Required Statutory Balance	(65,000,000)
Net Balance	42,815,400

Fiscal Year 2010-11 and Annual Fiscal Effect of Proposed State Employee Contribution Changes

	<u>FY11</u>			<u>Annual</u>		
	<u>WRS</u>	<u>Health Insurance</u>	<u>Total</u>	<u>WRS</u>	<u>Health Insurance</u>	<u>Total</u>
GPR	21,758,300	3,383,000	25,141,300	89,149,600	30,471,300	119,620,900
PR	22,382,000	4,920,700	27,302,700	90,178,400	35,639,100	125,817,500
SEG	6,084,600	522,100	6,606,700	15,957,500	6,346,400	22,303,900
FED	<u>9,875,600</u>	<u>1,188,300</u>	<u>11,063,900</u>	<u>30,989,600</u>	<u>9,898,100</u>	<u>40,887,700</u>
Total	60,100,500	10,014,100	70,114,600	226,275,100	82,354,900	308,630,000

LRB 1383/2 includes provisions to lapse \$29.8 million to the general fund from fiscal year 2010-11 GPR and PR appropriations related to proposed increases in employee contributions to WRS and health insurance costs.

Estimated Savings from 50% Municipal and School District Employee Contribution toward Pension Costs

	<u>Covered Payroll</u>	<u>50% Contribution</u>
Schools	\$4,891,040,495	\$283,680,349
Technical Colleges	581,671,698	33,736,958
Municipalities	1,911,876,396	64,039,753
Counties	1,792,968,603	91,287,246
Special Districts	<u>155,073,563</u>	<u>8,994,267</u>
Total	\$9,332,630,755	\$481,738,572

Estimates for municipalities and counties have been adjusted to remove covered payroll for law enforcement and fire personnel.