

Fiscal Estimate - 2011 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-2243/1	Introduction Number AB-0219
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Description
 Funding postretirement health care benefits of local government employees.

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease 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"/> Decrease Costs
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Local:

No Local Government Costs
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
DPI/ Michael Bormett (608) 266-2804	Michael Bormett (608) 266-2804	9/26/2011

Fiscal Estimate Narratives

DPI 9/26/2011

LRB Number	11-2243/1	Introduction Number	AB-0219	Estimate Type	Original
Description Funding postretirement health care benefits of local government employees.					

Assumptions Used in Arriving at Fiscal Estimate

Currently, cities, villages, towns, counties, school districts, and technical college districts (local governments), provide health care benefits for their employees. Some also provide postretirement health care benefits for their employees.

This bill prohibits a local government from providing health care benefits to any employee hired on or after the bill's effective date for use upon the employee's retirement unless the cost of the benefit is fully funded on an actuarial basis.

State:

Under current law, school districts may establish an "Employee Benefit Fund" (Fund 73). There are requirements that apply to a Wisconsin school district when providing for postemployment benefits by contributions to a legally established irrevocable trust.

The Codification of Governmental Accounting and Financial Reporting Standards (GASB Cod. Sec. P20) issued by the Governmental Accounting Standards Board, "GASB," has identified acceptable cost methods to determine the annual required contribution (ARC) necessary to fund government employee benefit plans on an actuarial method. When establishing a trust under Fund 73, the department requires districts to provide a copy of the actuarial annual required contribution or other acceptable cost method calculation.

As of September 2011, 185 districts have established a Fund 73 trust for postemployment benefits. Contributions to a trust can impact a districts general school aid calculation.

The bill does not impact the total amount of state general school aid, but reallocation of such aid could occur under the bill due to any required increased actuarial based postretirement benefit contributions. The department does not have information to calculate the cost to districts of making such actuarial based contributions, thus the reallocation impact is indeterminate.

Local:

As noted above, under this bill, no district would be able to provide health care benefits to any employee hired on or after the bill's effective date for use upon the employee's retirement unless the cost of the benefit is fully funded on an actuarial basis.

The bill does not impact the total amount of state general school aid, but reallocation of such aid could occur under the bill due to any required increased actuarial based postretirement benefit contributions. The department does not have information to calculate the cost to districts of making such actuarial based contributions, thus the actual cost to districts and/or possible general school aid reallocation impact is indeterminate.

Long-Range Fiscal Implications