Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2009 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 09-4123/1	Introduction Number AB-0907

Description
Funding postretirement health care benefits of local government employees

Fiscal Effect

State:

☒ No State Fiscal Effect
☐ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☒ Indeterminate
1. ☒ Increase Costs
   ☐ Permissive ☒ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☒ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

WTCS 4/7/2010

LRB Number **09-4123/1**	Introduction Number **AB-0907**	Estimate Type **Original**
Description Funding postretirement health care benefits of local government employees		

Assumptions Used in Arriving at Fiscal Estimate

AB 907 would require local units of government that provide post-employment health insurance benefits in accordance with employee contracts to fully fund on an actuarial basis the cost of these benefits for all new employees. Under state statutes, technical college districts are classified as local units of government.

Historically, technical college districts have funded the cost of post-employment health insurance and other benefits on a pay-as-you-go basis, paying the current costs of health insurance premiums for covered retirees each year.

AB 907 would require that technical college districts set aside funds sufficient to cover the future costs of post-employment health insurance premiums for individuals hired by the districts after the effective date of the bill. Projecting these costs will require complex actuarial analyses that include assumptions about the probability of occurrence of events far into the future, including employment status, mortality, and health care cost trends.

The bill would increase technical college districts' costs by requiring the districts to annually set aside the projected cost of future post-employment health insurance premiums. In addition, meeting the requirements of AB 907 would also increase technical college districts' costs because it would likely result in districts contracting for actuary services to estimate the annual cost of post-employment health insurance premiums for projected retirees, and establishing trust funds for maintenance and preservation of these funds.

Long-Range Fiscal Implications

Current public accounting standards do not require technical college districts to separately project the costs to the district for new employees' "other post-employment benefits (OPEB), which exclude pensions, but could include other benefits such as health, dental, and life insurance. As a result, such projections would require additional actuarial analyses and are not currently available from the districts.

However, the districts are required to project OPEB costs on an aggregate basis for all current employees. As an example, Waukesha County Technical College had a total OPEB liability –which reflects projected costs for all employees, past and present – of $7.3 million in 2008-09. Of this amount $2.9 million was for current employees.

The long-range fiscal implication of AB 907 is that each technical college district eventually would be required to annually fund an amount comparable to the $2.9 million that Waukesha County Technical College identified as the post-employment benefit cost for current employees. In the case of Waukesha County Technical College, these costs include dental and life insurance costs, which are considerably less than the cost of health insurance premiums, and which are not covered under AB 907.