

### Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>11-1383/2</b>	<b>Introduction Number</b> <b>SB-011 (JR1)</b>				
<b>Description</b> 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					
<b>Fiscal Effect</b>					
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs					
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <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					
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					
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><b>Fund Sources Affected</b></td> <td style="width: 50%;"><b>Affected Ch. 20 Appropriations</b></td> </tr> <tr> <td> <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                         </td> <td></td> </tr> </table>		<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>	<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	
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<b>Agency/Prepared By</b> DOA/ David Schmiedicke (608) 266-1353	<b>Authorized Signature</b> Dawn Soletski (608) 266-6497				
<b>Date</b> 2/14/2011					

## Fiscal Estimate Narratives

DOA 2/14/2011

LRB Number	11-1383/2	Introduction Number	SB-011	Estimate Type	Original
		(JR1)			
<b>Description</b> 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 in 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
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<b>LRB Number</b> 11-1383/2	<b>Introduction Number</b> SB-011 (JR1)	
<b>Description</b> 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		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
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).		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
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		
<b>TOTAL State Costs by Category</b>	<b>\$22,100,000</b>	<b>\$-308,630,000</b>
<b>B. State Costs by Source of Funds</b>		
GPR	22,100,000	-119,620,900
FED		-40,887,700
PRO/PRS		-125,817,500
SEG/SEG-S		-22,303,900
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$-286,530,000	-\$481,738,572
NET CHANGE IN REVENUE	\$	\$

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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