



## Fiscal Estimate Narratives

DOA 4/7/2011

LRB Number	11-1618/1	Introduction Number	AB-0058	Estimate Type	Original
<b>Description</b> State finances, compensation and fringe benefits of public employees, the Medical Assistance program, granting bonding authority, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

AB 58 adjusts fiscal year 2010-11 appropriations to address immediate shortfalls. The bill increases appropriations to the State Public Defender (\$3.5 million) and 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. The bill appropriates \$42.7 million GPR for capitation payments

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.

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 attachment 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.

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

### Long-Range Fiscal Implications

The bill makes significant changes to public employee compensation practices that reduce state and local government personnel costs in the long-term.

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.

2011 AB 58 Fiscal Effect Compared with LFB January 31, 2011 Memo

	GPR Increase	GPR Decrease	Total GPR	SEG Increase	PR Increase	All Funds
<b>Departmental Revenues</b>						
Tribal Gaming						
Other						
Reduce Act 20 Lapse			0			0
Employee Contribution Lapse		27,891,400	27,891,400			27,891,400
Income Augmentation Transfers			0			0
<b>Total Available</b>	<b>0</b>	<b>27,891,400</b>	<b>27,891,400</b>	<b>0</b>	<b>0</b>	<b>27,891,400</b>
<b>Expenditures</b>						
<b>Gross Appropriations</b>						
Medicaid Appropriation Changes	145,700,000	(3,100,000)	142,600,000	6,700,000		149,300,000
Medicaid Capitation Payments	42,700,000		42,700,000			42,700,000
Medicaid-Milwaukee Indigent Care	6,800,000		6,800,000			6,800,000
Department of Corrections	19,537,900		19,537,900			19,537,900
Remove Remaining OWM Supplement			0			0
ETC - Increased TANF		(37,000,000)	(37,000,000)		37,000,000	0
Public Defender	3,500,000		3,500,000			3,500,000
<b>Less Estimated Lapses</b>						
Reduce Fuel/Utilities Lapse	2,000,000		2,000,000			2,000,000
Empl Cont Lapse Leg/Cis/Gov		(1,908,600)	(1,908,600)			(1,908,600)
Debt Service Restructuring		(165,000,000)	(165,000,000)			(165,000,000)
<b>Total Expenditures/Net Appropriations</b>	<b>220,237,900</b>	<b>(207,008,600)</b>	<b>13,229,300</b>	<b>6,700,000</b>	<b>37,000,000</b>	<b>56,929,300</b>
<b>Balance</b>	<b>(220,237,900)</b>	<b>234,900,000</b>	<b>14,662,100</b>	<b>(6,700,000)</b>	<b>(37,000,000)</b>	<b>(29,037,900)</b>

General Fund Condition under 2011 AB 58

	<u>FY11</u>
Opening Balance	25,718,100
<b>Revenues</b>	
General Fund Taxes, January 31 estimate	12,691,400,000
Departmental Revenues	
Tribal Gaming	22,330,300
Other	833,733,300
Reduce Act 20 Lapse	
Employee Contribution Lapse	27,891,400
Income Augmentation Transfers	<u>0</u>
<b>Total Available</b>	<b>13,601,073,100</b>
<b>Expenditures</b>	
Gross Appropriations	14,109,283,800
Medicaid Appropriation Changes	142,600,000
Medicaid Capitation Payments	42,700,000
Medicaid-Milwaukee Indigent Care	6,800,000
Department of Corrections	19,537,900
Remove Remaining OWI Supplement	
Public Defender	3,500,000
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	<u>(165,000,000)</u>
<b>Total Expenditures/Net Appropriations</b>	<b>13,465,048,200</b>
<b>Balance</b>	
Gross Balance	136,024,900
Less Required Statutory Balance	<u>(65,000,000)</u>
Net Balance	<b>71,024,900</b>

**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.

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> 11-1618/1	<b>Introduction Number</b> AB-0058	
<b>Description</b> State finances, compensation and fringe benefits of public employees, the Medical Assistance program, 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>		
<p>Net fiscal year 2010-11 GPR appropriations are increased by \$13.2 million. GPR-earned in fiscal year 2010-11 is increased by \$27.9 million. Under the bill, the estimated gross general fund balance is estimated to be \$136.0 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).</p>		
<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)		
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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