



Legislative Fiscal Bureau

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April 30, 2013

Joint Committee on Finance

Paper #156

Fringe Benefit Rate Calculation - Errata (Budget Management and Compensation Reserves)

[LFB 2013-15 Budget Summary: Page 72, #1]

CURRENT LAW

Every two years full fringe benefit rates are developed by the Department of Administration (DOA) for each state agency to use in the calculation of fringe benefit costs in the agency budget requests and the development of the Governor's budget bill.

GOVERNOR

In the development of the 2013-15 agency fringe benefit rates, a spreadsheet formula error resulted in an incorrect calculation of fringe benefit rates for most state agencies. The Secretary of DOA identified the error in his "budget errata" letter to the Co-chairpersons of the Joint Committee on Finance on April 23, 2013, indicating that an additional \$6,046,200 GPR annually would be required to address the error.

DISCUSSION POINTS

1. The fringe rates developed for budgeting purposes every two years include all state employee fringe benefits and are based on a detailed review of expenditures in the prior fiscal year and calculated as a percentage of salaries paid in the prior fiscal year. For the 2013-15 calculation of the fringe benefit rates, a column of data in the spreadsheets inadvertently referenced incorrect spreadsheet cells.

2. As a result, 30 agencies are affected by the error. There are 16 agencies that are over-budgeted for fringe benefit costs by a total of \$412,300 GPR, and 14 agencies that are under-budgeted by a total of \$6,458,500 GPR. The amounts net to the \$6,046,200 indicated in the

Secretary's budget errata letter. A listing of the affected agencies is attached. The Department of Agriculture, Trade, and Consumer Protection and the Department of Veterans Affairs were not affected by the error.

3. Many of the agency amounts are minor, but others are more significant, notably the Department of Corrections, which is \$5.2 million under-budgeted. For those agencies that are over-budgeted, the funds would be effectively recouped at the end of each year of the biennium in that these agencies would require less supplementation from the compensation reserves. However, those agencies that are underfunded for fringe benefits costs would likely have higher supplementation requests as a result of the error. To the extent that the compensation reserves did not provide the supplements necessary to cover the fringe benefit costs, these expenses would need to be addressed internally by the affected agencies.

4. Given the inadvertent nature of the error, the Committee may wish to address the fringe benefit rate errata item by placing an additional \$6,046,200 GPR annually in the compensation reserves. This alternative would provide the necessary funds for fringe benefit supplements in 2013-14 and 2014-15, if such supplements are required. As provided under current law, a final determination of the release of funding for pay plan supplements from compensation reserves would be made by the Committee under a 14-day review process in June or July of 2014 and 2015. [Alternative 1]

5. If additional supplemental funding is not provided, agencies would be required to cover any potential fringe benefit shortfalls resulting from the calculation error through internal budget adjustments. [Alternative 2]

ALTERNATIVES

1. Provide \$6,046,200 GPR annually to the general fund compensation reserves to address the fringe benefit errata item identified by the Secretary of DOA in his budget errata letter sent to the Co-chairpersons on April 23, 2013.

ALT 1	Change to Bill Funding
GPR-Reserves	\$12,092,400

2. Take no action.

Prepared by: Art Zimmerman
Attachment

ATTACHMENT

Fringe Benefit Errata in Assembly Bill 40

<u>Agency</u>	<u>Over-Budgeted</u>	<u>Under-Budgeted</u>
Administration		-\$4,001
Board on Aging and Long-Term Care	\$8,143	
Child Abuse and Neglect Prevention Board	47	
Children and Families	500	
Circuit Courts		-260,011
Corrections		-5,220,113
Court of Appeals	6,323	
District Attorneys	93,151	
Educational Communications Board	23,759	
Employment Relations Commission	16,103	
Government Accountability Board	1,017	
Governor, Office of the	232	
Health Services		-345,405
Higher Educational Aids Board		-15,171
Historical Society		-54,913
Judicial Commission	219	
Judicial Council	54	
Justice		-97,454
Legislature		-224,901
Lieutenant Governor, Office of the		-631
Military Affairs		-47,292
Natural Resources		-161,957
Public Defender Board	119,645	
Public Instruction	4,729	
Revenue		-23,500
Safety and Professional Services	6	
Supreme Court	137,689	
Tourism		-2,234
Wisconsin Technical College System		-887
Workforce Development	<u>649</u>	<u> </u>
Total	\$412,263	-\$6,458,469
Net Error		-\$6,046,206