

State of Wisconsin

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Joint Committee on Finance

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: July 14, 2017

Re: 14-Day Passive Review Approval – DOA

Pursuant to s. 20.928(2m), Stats., attached is a 14-day passive review request from the Department of Administration, received on July 14, 2017.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Wednesday, August 2, 2017**, if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AD:JN:jm



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

SCOTT A. NEITZEL
SECRETARY

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July 14, 2017

The Honorable Alberta Darling, Co-Chair
Joint Committee on Finance
317 East, State Capitol
Madison, WI 53707-7882

The Honorable John Nygren, Co-Chair
Joint Committee on Finance
309 East, State Capitol
Madison, WI 53708-8953

JUL 14 2017
St. Finance

Dear Senator Darling and Representative Nygren,

2015 Wisconsin Act 150 established a \$6 million fund to supplement available funding for the state's discretionary merit compensation (DMC) award program. The funds were specifically established to supplement general purpose revenue (GPR) funded agencies. The funds were assigned to the Division of Personnel Management (DPM) in the Department of Administration for distribution and management. Specifically, s. 20.865(1) (dm), Wis. Stats., was created as follows:

s.20.865 (1) (dm) Discretionary merit compensation program. The amounts in the schedule to supplement the appropriations to state agencies for the cost of discretionary merit compensation awards approved by the division of personnel management in the department of administration under s. 20.928 (1f).

This funding was critical to enable agencies to participate in the award process in an equal fashion for the first time. Traditionally, agencies with GPR as a predominant source funds are more limited by available funding and thus distribute disproportionately fewer awards or smaller dollar value awards as compared to agencies with non-GPR funding. Most importantly, this influx of funding established a mechanism for DPM to create provisions which assured a more balanced strategy across state government.

2015 Act 150 also created s.20.928(1f) Wis. Stats., which establishes a process by which each agency requests a portion of the \$6 million fund to supplement available funding. The language is as follows:

s.20.928 (1f) Each state agency head shall certify to the administrator of the division of personnel management in the department of administration, at such time and in such manner as the administrator prescribes, the sum of money needed from the appropriations under s. 20.865 (1) (dm) for the state agency to make lump sum discretionary merit compensation awards to its classified employees. Upon receipt of the certifications together with such additional information as the administrator prescribes, the administrator shall determine the amounts required from the appropriation to supplement state agency budgets. The administrator may not approve an agency request for money from the appropriation under s. 20.865 (1) (dm) for a discretionary merit award that increases an employee's base compensation.

The rules for the DMC program are established by the State Compensation Plan. In each of the past two fiscal years, DPM issues additional guidelines based on budgetary needs, timeline, etc., to provide direction to all agencies. DPM incorporated this new funding mechanism in our FY'2017 guidelines which were issued

in February of 2017. In short, all agencies were directed to provide lump sum awards (no base building DMC awards were allowed) in amounts up to \$2500 or two (2) within range pay steps (each pay step is approximately 3% of the assigned pay range minimum) to up to 15% of eligible employees. Unclassified employees were excluded from eligibility.

DPM provided each agency with an initial estimate of its proportional allocation of the \$6 million. The allocation was based on the amount of GPR funds assigned to salary costs at each agency as a proportion of the total amount of GPR funds used for salary within all of state government. For example, the Department of Corrections' salary is almost entirely GPR funding and comprises more than 50% of all GPR allotted to salary for the state. Thus, DOC was assigned approximately \$3.67 million of the available \$6 million. The Department of Transportation receives no GPR for salary and thus received no supplemental funds from the \$6 million of GPR.

Agencies that received no supplement from the \$6 million, or received less than the amount needed to make awards to 15% of eligible employees, were instructed to use their available funding to ensure all agencies participated equally in the DMC program for FY'2017.

Attached is a report showing the \$6 million distribution of GPR and amounts spent for FY'2017 by each agency. DPM allocated all \$6 million and agencies spent \$5.4 million of those dollars. The residual amount is \$607,550. DPM has asked the State Budget Office to return the residual amount to the general fund.

As this was the first year with the new funding, we made several estimates to spend all funds as intended by the Legislature and the Governor. This was also the first time the merit award process has had established begin and end dates to ensure all agencies make the awards within the same time frame. We can make further improvements to this process for FY'2018.

The report also shows the total amount of money spent on DMCs from all other funding sources by agencies. Agencies spent nearly an equal amount of non-GPR in their effort to award up to 15% of their eligible staff for meritorious work. We are pleased that the GPR funds created the ability to balance availability of awards across agencies, regardless of fund source.

Finally, thank you for the additional funds provided through the 2015 Wisconsin Act 150. As noted earlier, the funds were instrumental to creating a mechanism which allowed all agencies to participate in the DMC program. State government was able to recognize approximately 4,500 employees through this effort. Taking a prudent and fiscally responsible approach also allowed a portion of the funds to be returned to the taxpayers. We appreciate the legislature's continued support.

Sincerely,


Greg Gracz, Administrator
Division of Personnel Management

cc: Waylon Hurlburt, Administrator, Division of Executive Budget & Finance

| Summary of Fiscal Year 2017 Discretionary Merit Compensation (DMC) Expenditures Under Act 150 by Agency | | | | | |
|---|---------------------------------|--------------------------|--------------------------|--------------------|---------------|
| Totals: | \$ 6,000,000 | \$ 5,392,449 | \$ 5,614,529 | \$ 607,550 | 4,513 |
| Agency | Distribution of \$6.0 mil (GPR) | Act 150 GPR Used for DMC | Other Funds Used for DMC | Act 150 GPR Unused | # DMC Awards* |
| 115- DATCP | \$ 91,501 | \$ 50,025 | \$ 97,660 | \$ 41,476 | 95 |
| 144- DFI | \$ - | \$ - | \$ 20,500 | \$ - | 11 |
| 145- OCI | \$ - | \$ - | \$ 57,500 | \$ - | 23 |
| 155- PSC | \$ - | \$ - | \$ 55,000 | \$ - | 22 |
| 165- DSPS | \$ - | \$ - | \$ 76,702 | \$ - | 33 |
| 225- ECB | \$ 13,694 | \$ 6,829 | \$ 8,500 | \$ 6,865 | 6 |
| 235- HEAB | \$ 3,325 | \$ 1,000 | \$ - | \$ 2,325 | 1 |
| 245- WHS | \$ 44,271 | \$ 35,833 | \$ 11,668 | \$ 8,439 | 19 |
| 255- DPI | \$ 107,639 | \$ 107,639 | \$ 188,097 | \$ - | 100 |
| 292- WTCS | \$ 14,576 | \$ 14,186 | \$ 14,073 | \$ 390 | 9 |
| 292- EAB | \$ - | \$ - | \$ 3,500 | \$ - | 1 |
| 370- DNR | \$ 113,343 | \$ 74,650 | \$ 737,852 | \$ 38,693 | 325 |
| 380- Tourism | \$ 12,046 | \$ 12,046 | \$ 454 | \$ - | 5 |
| 385- Kickapoo | \$ - | \$ - | \$ - | \$ - | 0 |
| 395- DOT | \$ - | \$ - | \$ 1,140,000 | \$ - | 455 |
| 410- DOC | \$ 3,673,004 | \$ 3,394,750 | \$ 223,875 | \$ 278,254 | 1,464 |
| 425- WERC | \$ 6,493 | \$ 2,500 | \$ - | \$ 3,993 | 1 |
| 427- LIRC | \$ 967 | \$ - | \$ - | \$ 967 | 0 |
| 432- BOALTC | \$ 5,966 | \$ 3,190 | \$ 2,774 | \$ 2,776 | 6 |
| 433- CANPB | \$ - | \$ - | \$ 2,500 | \$ - | 1 |
| 435- DHS | \$ 1,047,865 | \$ 924,638 | \$ 1,326,737 | \$ 123,227 | 919 |
| 437- DCF | \$ 97,777 | \$ 97,777 | \$ 183,131 | \$ - | 120 |
| 438- BPDD | \$ - | \$ - | \$ 2,249 | \$ - | 1 |
| 445- DWD | \$ 56,521 | \$ 56,500 | \$ 325,248 | \$ 21 | 173 |
| 455- DOJ | \$ 156,464 | \$ 156,464 | \$ 51,644 | \$ - | 74 |
| 465- DMA | \$ 31,595 | \$ 31,595 | \$ 123,078 | \$ 0.20 | 65 |
| 485- DVA | \$ - | \$ - | \$ 460,000 | \$ - | 184 |
| 505- DOA | \$ 34,633 | \$ 34,633 | \$ 358,625 | \$ - | 152 |
| 507- BCPL | \$ - | \$ - | \$ - | \$ - | 0 |
| 510- Elections | \$ 5,501 | \$ - | \$ 11,357 | \$ 5,501 | 5 |
| 515- ETF | \$ - | \$ - | \$ 52,500 | \$ - | 21 |
| 521- Ethics | \$ 1,849 | \$ - | \$ - | \$ 1,849 | 0 |
| 550- SPD | \$ 78,515 | \$ 78,515 | \$ 26,485 | \$ - | 42 |
| 566- DOR | \$ 402,454 | \$ 309,680 | \$ 52,820 | \$ 92,774 | 180 |
| 575- SOS | \$ - | \$ - | \$ - | \$ - | 0 |

*This is the total count of DMC awards from all fund sources, not just GPR.
 Excludes: State Fair (190), UW (285), Lower WI St Riverway Bd (360), DA (475), Gov (525), Lt. Gov (540), SWIB (536), Treasurer (585) -- no classified positions.

