

# 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: June 19, 2018

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 June 19, 2018.

Please review the material and notify **Senator Darling** or **Representative Nygren** no later than **Monday, July 9, 2018**, 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



STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor  
Ellen Nowak, Secretary  
Gregory L. Gracz, Division Administrator

June 14, 2018

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

JUN 19 2018  
St. Finance

Dear Senator Darling and Representative Nygren,

2015 Wisconsin Act 150 initially established a \$6 million fund to supplement available funding for the state's discretionary merit compensation (DMC) award program for FY'2017. This funding was reestablished for Fiscal Years 2018 and 2019 in the current state budget. The funds are specifically established to supplement general purpose revenue (GPR) funded agencies. The funds are assigned to the Division of Personnel Management (DPM) in the Department of Administration for distribution and management. Specifically, s. 20.865(1)(dm), Wis. State. 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 is critical to enable all agencies to participate in the award process in an equal fashion. Traditionally, agencies with GPR revenue as the predominant source of 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) in the Wis. State 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. Each fiscal year DPM issues additional guidelines based on budgetary needs, timeline, etc. to provide direction to all agencies. DPM issued FY'2018 guidelines in March of 2018. In short, all agencies were directed to provide lump sum awards

in the amount of \$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.

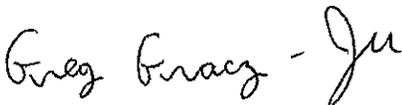
DPM provided each agency with a proportional allocation of the \$6 million. The allocation was based on the amount of GPR funds assigned to salary costs at each agency as a proportion of the total amount of GPR funds used for salary within all of state government. For example, the Department of Corrections' 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 \$3.72 million of the available \$6 million. Department of Transportation receives almost no GPR for salary and thus received no supplemental funds from the \$6 million.

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'2018.

Attached is a report showing the \$6 million distribution and actual spend for FY'2018. DPM allocated all \$6 million dollars and agencies spent \$5.6 million of those dollars. The residual amount is \$410,213. DPM has asked the State Budget Office to return the residual amount to the general fund.

Finally, thank you for the additional funds initially provided through the 2015 Wisconsin Act 150, and reestablished in the current state budget. As noted earlier, the funds were instrumental to creating a mechanism which allowed all agencies participated in the DMC program. This year, state government recognized approximately 4,700 employees through this effort, and an increase from the nearly 4500 awards provided in FY2017. 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,

A handwritten signature in black ink that reads "Greg Gracz - Ju". The signature is written in a cursive style with a large, stylized "J" at the end.

Greg Gracz, Administrator  
Division of Personnel Management

cc: DOA, DPM, Bureau of Compensation and Employment Relations  
DOA, Division of Executive Budget and Finance

**SUMMARY OF FISCAL YEAR 2018 DISCRETIONARY MERIT COMPENSATION (DMC) LUMP SUM  
EXPENDITURES BY AGENCY**

<b>Totals:</b>	<b>\$ 6,000,000</b>	<b>\$ 5,589,787</b>	<b>\$ 6,020,980</b>	<b>\$ 410,213</b>	<b>4,698</b>
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<b>Agency</b>	<b>Distribution of \$6.0 mil (GPR)</b>	<b>Act 150 GPR-funded DMC Awards</b>	<b>Other Funds Used for DMC</b>	<b>Unused Act 150 GPR Funding</b>	<b># of DMC Awards*</b>
Administration	\$ 24,530	\$ 19,860	\$ 384,494	\$ 4,670	150
Ag, Trade & Consumer Protctn	\$ 84,978	\$ 52,635	\$ 93,575	\$ 32,343	101
Bd for People with Dev Disab	\$ -	\$ -	\$ 2,500		1
Bd of Commiss of Public Lands	\$ -	\$ -	\$ 4,991		2
Bd on Aging & Long Term Care	\$ 6,302	\$ 6,300	\$ -	\$ 2	6
Child Abuse & Neglect Prev Bd	\$ -	\$ -	\$ 2,500		1
Children and Families	\$ 94,939	\$ 86,925	\$ 215,575	\$ 8,014	121
Commissioner of Insurance	\$ -	\$ -	\$ 30,000		12
Corrections	\$ 3,717,646	\$ 3,515,275	\$ 153,625	\$ 202,371	1,480
Educational Communications Bd	\$ 10,598	\$ 5,786	\$ 10,000	\$ 4,812	6
Elections Commission	\$ 3,680	\$ 3,680	\$ 9,216		5
Employee Trust Funds	\$ -	\$ -	\$ 99,876		40
Employment Relations Comm	\$ 3,607	\$ 3,037	\$ -	\$ 570	1
Ethics Commission	\$ 1,496	\$ 1,496	\$ 1,004		1
Financial Institutions	\$ -	\$ -	\$ 21,250		12
Health Services	\$ 1,057,204	\$ 980,381	\$ 1,330,669	\$ 76,823	939
Higher Education Aids Bd	\$ 3,245	\$ -		\$ 3,245	0
Historical Society	\$ 37,622	\$ 37,471	\$ 4,188	\$ 151	21
Justice	\$ 137,609	\$ 136,279	\$ 128,406	\$ 1,329	94
Labor & Industry Review Comm	\$ 614	\$ -	\$ 614	\$ 614	2
Military Affairs	\$ 31,954	\$ 30,008	\$ 158,028	\$ 1,945	75
Natural Resources	\$ 109,403	\$ 100,000	\$ 860,000	\$ 9,403	384
Public Instruction	\$ 100,527	\$ 97,713	\$ 210,455	\$ 2,814	100
Public Service Commission	\$ -	\$ -	\$ 52,500		21
Revenue	\$ 421,929	\$ 363,950	\$ 86,050	\$ 57,979	180
Safety & Professional Services	\$ -	\$ -	\$ 75,000		30
Secretary of State	\$ -	\$ -	\$ 2,828		1
State Fair Park Board	\$ -	\$ -	\$ 20,758		6
State Public Defender Board	\$ 76,022	\$ 76,022	\$ 13,978		36
Technical College System Board	\$ 10,405	\$ 10,405	\$ 18,678		9
Tourism	\$ 8,764	\$ 6,760	\$ 2,000	\$ 2,004	4
Transportation	\$ -	\$ -	\$ 1,155,000		462
Veterans Affairs	\$ -	\$ -	\$ 480,000		192
Workforce Development	\$ 56,926	\$ 55,803	\$ 393,221	\$ 1,123	203

\*# of DMC Awards is the total count of lump sum awards from all fund sources.

**Notes**

*All lump sum awards went to classified employees; no unclassified employee, other than the staff members of the State Fair Park, received a lump sum DMC.*

*Four unclassified employees received a base-building DMC outside of the Act 150 program.*

*Agencies not listed because they have no eligible GPR-funded classified positions include the Lower WI State Riverway Bd, the District Attorneys, the Governor's Office, the Lieutenant Gov's office, the State of WI Investment Bd, and the State Treasurer.*