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Continuation of Labor Management Cooperation Project (Employment Relations)

[LFB 2003-05 Budget Summary: Page 158, #2]

CURRENT LAW

Following the expiration of the initial grant funding for joint project of the Department of Employment Relations and the Wisconsin State Employees Union (WSEU), DER has undertaken numerous efforts to obtain additional funding to continue this project. Some additional small grants and cooperative efforts from state agencies have allowed the agency to continue some existing activities and to initiate a few new teams. A search for new funding sources, including s.16.515 requests for use of excess revenues in the employee training and development services appropriation, has been underway for at least the last 16 months.

GOVERNOR

Provide increased expenditure authority of $150,000 PR in 2003-04 and $25,000 PR in 2004-05 in the agency's employee development and training services appropriation to allow continuation and expansion of the agency's labor management cooperation (LMC) project. The increased funding would be used to hire trainers/facilitators/consultants to conduct additional workshops, training conferences, forums, steering committee meetings and work site visits for an estimated 192 additional labor-management teams. The revenues to support these increased expenditures would come from using the cash balance that has been accumulated in the program revenue account that supports the agency's various training activities.

DISCUSSION POINTS

1. In mid-1998, the Department of Employment Relations and the Wisconsin State Employees Union (WSEU) jointly applied for a grant from the Federal Mediation and Conciliation Service to develop a "Best Practices" program for cooperative problem-solving between labor and management groups under a team approach. Subsequently, a $90,000 grant was awarded and the project was formally commenced in January of 1999 when five regional, two-day forums were held. From interest generated at those forums, a total of 40, two-person volunteer teams from 11 different agencies were formed. These teams then, as a part of the project, underwent additional training activities designed to allow the teams to address workplace issues at their individual worksites with the goal of improving labor-management relations.

2. The Department indicates that, subsequent to the original grant funding, it sought additional grant funding from the federal government and other sources such as private foundations to continue the project but was unsuccessful in those efforts. Consequently, some continued funding of this project was obtained in the following ways. In December of 2000, the Wisconsin Employment Relations Commission (WERC) and DER jointly submitted a s. 16.515 request to DOA for an increase in WERC's collective bargaining training appropriation of $50,000 PR in 2000-01. This funding was to be used to allow WERC to contract with DER for continuation of the LMC project. As approved by DOA, the request submitted to the Joint Committee on Finance provided for an increase of $20,200 PR in 2000-01 and $29,800 PR in 2001-02 (in the next fiscal biennium). The Committee approved the requested increase for 2000-01 but directed that the amount requested for 2001-02 be addressed as a part of the 2001-03 biennial budget process. In its s. 16.515 request, DER indicated that it "… intends to seek base funds to make the [LMC] program a permanent portion of labor management training." As a part of the 2001-03 biennial budget process, the Joint Committee on Finance took action to add $29,800 PR in 2001-02 to WERC's collective bargaining training appropriation to allow WERC to further contract with DER for continuation of the LMC project. However, in the final adopted biennial budget that funding was not included.

3. Subsequent to the 2001-03 biennial budget action, DER submitted two s. 16.515 requests to obtain increased spending authority under its employee development and training services appropriation to permit continuation of this project. In each request, the revenues to support the increased PR expenditures would have come not from new revenues assessed the trainees, as is normally the case for training services provided under this appropriation, but rather by using a portion of the available cash balance in the employee development and training services program revenue account.

4. On February 12, 2002, a s.16.515 request from DER for increased funding of $75,000 PR in 2001-02 and $125,000 PR in 2002-03 in DER's appropriation for employee development and training services was submitted to the Joint Committee on Finance. This request was objected to and DER was notified that a meeting of the Committee would be scheduled to consider the request.

5. On June 6, 2002, DER withdrew its original s. 16.515 request and submitted a revised request for funding of $150,000 PR for fiscal year 2002-03 only. (The remaining $25,000 PR funding would have been requested in the 2003-05 budget.) An objection to this second request was also made. In each case, the funding requested was to allow DER to continue development of the LMC project.

6. In the interim period during which these funding requests were pending, DER was able to continue some level of activity in the LMC project by means of the following: (a) it continued to use a loaned project position from the Department of Corrections to serve as assistant director and project coordinator for the program; (b) it obtained a $25,000 grant from AFSCME International and a $8,000 grant for the Wisconsin State Employees Union (WSEU); and (c) DER and the WSEU provided administrative support, office space, furniture and equipment for the project. Most of the current activity was to continue work with the current trained groups, although DER was able to add the UW-Stevens Point campus as a participant in the program. More recently, due to other budget reductions, the Department of Corrections had to lay off the project coordinator and current activities have been limited primarily to work with existing teams.

7. Because the agency's second s. 16.515 request had not been acted upon by the time its biennial budget request for the 2003-05 biennium was due, the Department was advised by DOA to submit its funding request for this project as a part of its biennial budget request. Consequently, DER's 2003-05 budget request included a request for an increase of $150,000 PR in 2003-04 and $25,000 PR in 2004-05 in this same appropriation for continued funding of the LMC project. This budget request was approved by the Governor and is the subject of this issue paper.

8. The Department of Employment Relations indicates that the requested increased funding will be used for meetings, conferences and training. Specifically, the request is for funding to allow DER to offer training to additional state employees (both union and management) in creating what are termed "labor-management cooperation structures". The Department would use the funding to conduct additional workshops to train LMC work site teams and to conduct on-site visits to support those teams efforts. The Department indicates that the LMC steering committee did not expect the many more requests it received from individual work sites and state agencies for even greater LMC training and guidance.

9. Under the LMC project, project staff involve selected employees in workshops, forums, and conferences aimed at providing training in group-problem solving. The workshops are two-day sessions for eight, two-person labor-management teams from local work sites and involve training in such things as problem-solving, conflict resolution and pro-active change strategies. Forums are one-day sessions for selected management representatives where "best practices" in labor-management cooperation are presented and problems in individual agencies are discussed. Following the initial training sessions, one-day follow-up conferences are held for workshop participants at three-months, six-months and twelve months following the initial training. At these conferences, participants share their experiences at the work sites and discuss work site issues and problem-solving.

10. The categorization of the proposed budget is as follows:

Item	Amount 2003-04	Amount 2004-05
Staff costs (LTE trainers, facilitators and consultants)	$92,000	$12,000
Travel and supplies costs	47,000	10,000
Rental of meeting rooms and equipment	11,000	3,000
Total	$150,000	$25,000

11. Under the proposed funding request, it is anticipated that an additional 192, two-person teams would be trained, and that under this funding the project extension would include 30 workshops, 37 forums, 47 training conferences, 35 steering committee meetings and 460 work-site visits. The purpose behind each of the components of the funding request is as follows:

- *Staff Costs -- $104,000.* Would be used to hire LTE trainers, facilitators, or consultants to conduct workshops for labor-management teams, training conferences, forums, steering committee meetings and work-site visits. The amount of funding needed is premised on budgeting approximately $40 per hour for a total of about 2600 hours of project staff time.

- *Staff Travel and Supplies -- $57,000.* Would be used to pay for project staff travel to meetings, training conferences, steering committee meetings and work site visits and for project supplies.

- *Rental Costs -- $14,000***.** Would be used to rent meeting and training rooms away from the work- sites to conduct workshops, training conferences and forums.

12. The revenues to finance this increase in spending authority would come from using a cash balance in the program revenue account that has been built up from fees assessed state agencies in the past for the various employee training programs offered by DER. The actual ending balance in the program revenue account on June 30, 2002, was $264,964 and DER projects the June 30, 2003, account balance to be $282,270.

13. As justification for continuation of the LMC project, DER states that the project has served as a vehicle to improve labor-management cooperation in state government and thereby improve employee morale and boost productivity. Further, DER points to two specific benefits it indicates have been achieved as a result of the project to date: (a) a reduction in the number of grievances being filed (reductions of from 45% to 58% are cited); and (b) a 72% reduction in the backlog of outstanding employee discharge cases submitted to arbitration. The Department estimates that this reduction in grievances resulted in cost avoidances of almost $300,000 and that the reduction in the discharge arbitration backlog resulted in cost avoidances of almost $150,000.

14. Regarding the benefits gained from the project, the most measurable of the claimed benefits are those relating to the reduction in grievances and arbitrations. Although there might be several reasons for any increase or decrease in the number of grievances or discharge arbitrations, DER has developed data comparing the number of grievances filed during the calendar year 1999 and 2000. For instance, DER compared the numbers of grievances filed at: (1) Department of Corrections institutions with trained labor-management teams and at DOC institutions without trained labor management teams; and (2) University of Wisconsin System campuses with trained labor-management teams and at UWS campuses without trained labor-management teams. Between calendar year 1999 and calendar year 2000, DER's data showed a 45% reduction in grievances filed at 11 DOC institutions with teams compared with a 62% increase in grievances filed at six DOC institutions without teams. For the UW System for the same period, DER's data showed a 43% reduction in grievances filed at two campuses with teams compared with a 11% reduction in grievances filed at four campuses without teams.

15. Based on an estimated total reduction in grievances at five state agencies (UW, DOC, DHFS, DOT and DOR) between 1999 and 2000, the Department then estimated the average cost per grievance that was saved by the state and the union combined, based on the average amount of staff hours involved in handling a grievance up to any arbitration hearing. The estimated value of the average total staff time (state and union) involved in the processing of a grievance was then multiplied by the number of grievances that were reduced to arrive an estimated savings of around $300,000. It should be noted, however, that the salary costs for the staff whose time was presumably saved did not lapse or otherwise go unspent. Rather, these were activities that staff did not have to engage in and, therefore, they could devote that time to other activities. Actual state budgetary savings, however, would have been obtained only if the state staff involved would otherwise have received overtime pay or had additional staff paid to do their other duties. Thus, these cost savings can be viewed as cost avoidances.

16. One consideration in regard to this request is the question of desired on-going funding for the program. In the original WERC request in December of 2000 it was indicated that following the use of that requested WERC grant money, "DER intends to seek base funds to make the program a permanent portion of labor management training." In its subsequent February, 2002, s. 16.515 request, DER indicated that it "intends to continue to explore possibilities for funding for LMC beyond this biennium. We will be presenting a continuing funding proposal in our 2003-05 biennial budget request." Similarly, in its June, 2002, PR funding request a similar intent was indicated regarding finding a permanent source of funding for inclusion in its 2003-05 budget request.

17. Now, in its biennial budget request, the Department indicates that the proposed expenditure of $175,000 PR from the employee development and training appropriation is intended as a one-time expenditure using these excess revenues. The Department states that it does not project this funding source as a source of on-going revenue for the program. However, DER has not identified an on-going revenue support for the program. Rather, it is stated that "the Department is seeking to build a funding consortium among state agencies - including the University of Wisconsin - unions and other granting foundations."

18. The Department has recently further clarified its current intent by explaining that by using some of the existing excess revenue in the employee training and development program revenue appropriation, it will avoid the need to charge other agencies for the LMC training service. Further, DER indicated that, depending on the level of continuing interest in the LMC program, it will be necessary to evaluate whether this program "can best be supported on a fee-for-service basis (as are our other training programs), through grants from major agencies that participate in the program, or [from] other funding sources."

19. A substantial period of time has elapsed since the consideration of continued funding for the LMC project was first broached. Given the Department's apparent inability to find a continued funding source for this project, the Committee could consider whether, if this project has been as beneficial to both unions and management have reported, agencies (and perhaps unions) should not be expected to support the cost of such training activities.

20. One further consideration in this regard is the nature of the program revenue appropriation that is to be used to fund the LMC extension under this request. The appropriation is an annual appropriation whose spending level is set based on the agency's projections of training courses that it will be offering. The revenues to support this spending level are derived from fees assessed the participants in these training activities (these fees are generally paid by the agencies for which the employees work). In the setting of these fees, DER endeavors to set a fee level that, based on an estimated number of enrollees, will cover the Department's cost of providing the course plus a portion of overhead expenses for such costs as administering the training program operation. The general expectation in such a program revenue operation is that fees will be assessed to generally cover the costs of the operation, but that some year-end balance or deficit in the account may occur from year to year depending on the actual costs incurred and revenues received in a given fiscal year. Moreover, in programs like this case it could be argued that the intent is that all the training activities offered are to be activities for which fees are to be assessed. It could be questioned therefore, whether it is appropriate for DER to charge for some training activities but not others, thereby using some of the fees garnered for one training activity to support a different training activity for which fees are not being assessed.

21. The relatively large balance in the employee development and training appropriation has developed, according to DER, because in the 1999-01 biennial budget positions were cut from the agency's employee development and training service program and a number of course offerings were discontinued. The expected balance in a PR account is usually taken into consideration by an agency when it sets it fees for the succeeding fiscal biennium, as well as the level of planned expenditures. Since no fees are being assessed the participants in the LMC program, the use of a portion of the balance to the proposed to fund this project on a one-time basis represents a spend-down of the accumulated balance.

22. If this training program were being offered in a manner similar to the other training programs funded under this appropriation, there would normally be a fee assessed participants to cover the costs of the training (a cost normally paid by the sending agency). However, the Department has indicated that it prefers not to do this with regard to this training activity because it

wants to encourage greater participation by state agencies and because agencies are already bearing a cost by paying the salary and travel costs of the participants in the LMC program. It may be noted though, that where the payment of training fees by state agencies for its employees is required, those agencies must still also pay the employees' salaries and travel costs while they are receiving the training.

23. The Department believes that it has adequate reserves to finance the proposed expenditure. However, in its overall 2003-05 budget request, the projected ending balance in the employee development and training services appropriation would decline from an estimated $282,300 in fiscal year 2002-03 to an estimated balance of $64,300 in fiscal year 2004-05 based on the courses and number of attendees that DER projects for the next biennium. Generally, revenue projections are based on expected fee revenues being sufficient to maintain a positive balance in the program revenue account. However, if there is substantial balance in the PR account, the required assessment of training participants to cover actual costs may not be as carefully reviewed.

24. If the Committee does not believe the continuation of the project is warranted, it could deny the increased funding for the project. However, if the Committee believes the project should be continued, it still may wish to consider whether the expenditure of excess revenues generated by collection of fee revenues in excess of costs is the appropriate method of funding the continuation, as opposed to requiring that these training activities be supported by fees assessed for those services, as is the case for other training activities. If the Committee were to adopt that latter premise, it could choose to continue funding of the program dependent upon the training staff developing an on-going program funding source related to the training services offered. The Committee could place the requested increased expenditure authorization in the Committee's PR supplemental appropriation, reserved for release to the agency once an on-going funding source has been developed.

25. If the Committee chooses to not allocate the excess revenue in the employee development and training services appropriation for continuation of the LMC project, it could consider the argument that the large balance in this appropriation was actually the result of excess revenue collection in prior years. In view of these fiscally stringent times, the Committee could consider lapsing to the general fund, on the effective date of the bill, the $175,000 of excess revenues the Department was proposing to expend on continuation of the LMC project.

ALTERNATIVES

1. Approve the Governor's recommendation.

2. Place the funding amount ($175,000 PR) recommended by the Governor for continuation of the LMC project in the Joint Committee on Finance's supplemental PR appropriation for release to the agency when a funding source, related to the training offered, has been developed that is sufficient to cover the costs of the program.

3. Deny the Governor's recommended funding increase.

Alternative 3	**PR**
2003-05 FUNDING (Change to Bill)	**-** $175,000

4. In addition to Alternative 3, lapse $175,000 PR to the general fund on the effective date of the budget bill.

Alternative 4	**GPR**
2003-05 REVENUE (Change to Bill)	$175,000

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