



STATE OF WISCONSIN
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Correspondence Memorandum

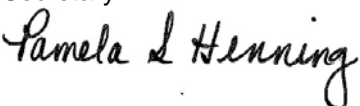
Date: September 19, 2017
To: Employee Trust Funds Board
From: Tarna Hunter, Legislative Liaison
Subject: 2017-19 Biennial Budget

This memo is for informational purposes only. No Board action is required.

The Legislature finished its work on the 2017-2019 State Budget and sent it to the Governor for review, approval and/or partial veto of the budget. It is anticipated the Governor will sign the budget on September 21. This memo summarizes the current status of the biennial budget request for the Department of Employee Trust Funds.

The period covered by the budget request is July 1, 2017 - June 30, 2019. The schedule for review and action by the Governor and Legislature is as follows:

<u>Stage</u>	<u>Anticipated Schedule</u>
Agency Budget Request Due	September 2016
Governor Issues Budget Recommendations	February 8, 2017
Review and Action by the Joint Committee on Finance (JCF)	February – June 2017
ETF's JCF Budget Briefing	March 28, 2017
Action by Full Legislature	September 2017
Final Enacted Budget	September 2017

Reviewed and approved by Pam Henning, Assistant Deputy Secretary

 Electronically Signed 9/19/17

Board	Mtg Date	Item #
ETF	9.21.17	5B

Department of Employee Trust Funds
Summary of Fiscal 2017-2019 Biennial Budget Request
 Updated September 19, 2017

SEG = Segregated funding

	FY 2018		FY 2019	
	FTE	Funding	FTE	Funding
Base Budget (FY 2017) – SEG	267.20	\$45,151,800	267.20	\$45,151,800
Base Budget (FY 2017) – GPR		154,300		154,300
ETF Request Over Base* - SEG	2.0**	1,433,400	2.0**	1,050,900
ETF Request Over Base*** - GPR		-57,800		-85,500
Governor’s Recommendations - SEG	2.0**	767,600	2.0**	861,500
Governor’s Recommendations - GPR		-57,800		-85,500
Joint Committee on Finance	2.0**	767,600	2.0**	861,500
Legislature	2.0**	767,000	2.0**	861,500
Final Enacted Budget				

GPR = General Purpose Revenue funding

*Includes new initiatives and standard technical adjustments.

**ETF’s original request was for five positions (two permanent positions for audits and financial reporting, two permanent positions for BAS project employer services, one project position for BAS project accounting). The Governor’s recommendations provide two permanent positions for audits and financial reporting and three project positions for employer services and accounting. Additionally, three current project positions expire in 2018 and are removed from 2018 and 2019 position authority.

***GPR funding is a reduction from 2015-17 biennium.

ETF’s 2017-19 budget request consists of an overall increase of 1.6% all funds, including a 1.8% increase in SEG funds and a 46.4% decrease in GPR funds. Below is a table detailing ETF’s funding for the 2017-19 biennium.

Funding Item	FY 18 Funding	FY 19 Funding
Adjusted Base	\$45,306,100	\$45,306,100
Full Funding of Positions and Operations	485,600	425,900
Annuity Supplements	-57,800	-85,500
Continuing TIM Project Resources	44,700	175,800
Financial Reporting Requirements	237,300	259,800
Total	46,015,900	46,082,100

The 2017–2019 Budget Bill, **2017 AB 64** and **2017 SB 30**, were introduced by the Joint Committee on Finance on February 8, 2017 at the request of the Governor. The JCF took action on ETF's budget during their June 15 executive session. The legislature finished their changes on September 15, 2017 and sent it to the Governor for review, approval and/or partial veto.

Below is the status of budget items impacting ETF or the programs it administers:

- **Full Funding of Salary and Fringe Benefits** – Continued full funding of ETF's current operations, including funding for the Transformation, Integration and Modernization (TIM) initiative. The proposed ETF 2017-19 budget consists of an overall funding increase of 1.6%.
- **Positions for Benefits Administration System** – Provides 2.0 FTE Trust Fund Specialist four-year project positions in the Employer Services Section. These positions are essential to support employers and the implementation of BAS rollout 2, which is focused on employer reporting and administration. Provides 1.0 FTE Accountant four-year project position. This position will ensure that ETF has the necessary financial expertise to complete the TIM project and assist with post-implementation.
- **Audits and Financial Reporting** – Provides \$90,000 annually for contracts necessary for the implementation of Governmental Accounting Standards Board (GASB) Statements 74 and 75. Additionally, provides 2.0 FTE Accountant Advanced permanent positions. These positions are essential for ETF to meet its financial reporting obligations, maintain compliance with GASB standards, and to comply with tax laws and regulations.

The JCF made modifications to the following provisions in the budget:

- **General Wage Adjustments** – Provides funding for general wage adjustments of two percent on both September 30, 2018, and May 26, 2019, for state employees in the compensation reserve.
 - ✓ **Modification:** The JCF advanced the date of the general wage adjustments to provide two percent compensation increases on both July 1, 2018, and January 1, 2019.
- **Domestic Partnership Program** – Eliminates the Chapter 40 domestic partnership program on the effective date of the bill; however, grandfathers existing domestic partnerships for purposes of Wisconsin Retirement System benefits. Additionally, group health insurance coverage under a group health plan offered by the Group Insurance Board (GIB) would no longer be extended to an employee's domestic partner, effective January 1, 2018. It also provides that a surviving domestic partner is not a default beneficiary for purposes of a deferred

compensation plan and is not eligible to receive duty disability survivorship benefits for deaths occurring on or after January 1, 2018.

- ✓ **Modification:** The change allows a surviving domestic partner of a member to purchase group health insurance coverage at full price, if the surviving domestic partner was covered by a state group health plan at the time of the member's death.

It also modifies the provision relating to duty disability benefits to specify that the effective date of January 1, 2018, apply to the date on which the protective occupation employee experienced a work-related injury or was diagnosed with a work-related disease rather than the date of the death of the employee. In addition, specify that if the surviving spouse of a protective occupation participant was either the spouse or the domestic partner of the participant when the participant became disabled, the surviving spouse may be eligible for a death benefit.

- **Shared Services Program (Human Resources)** – Creates a human resources shared services program within the Division of Personnel Management at the Department of Administration to consolidate human resources, payroll and benefits functions of most state agencies, including ETF. The budget transfers 5.0 FTE human resources and payroll and benefit positions from ETF to DOA. The individuals holding these positions would continue to be located at ETF but would be considered employees of DOA.

- ✓ **Modification:** ETF was removed from DOA's human resources shared services program. The budget does not transfer 5.0 FTE positions from ETF to DOA.

- **Self-Insurance Savings** – The budget assumes the Group Insurance Board will transition to a self-insured group health model starting January 1, 2018. The projected savings are \$20 million GPR in Fiscal Year 2018 and \$40 million GPR in Fiscal Year 2019.

- ✓ **Modification:** The JCF rejected the self-insurance contracts during their s. 13.10 meeting on June 15. The JCF proposed several changes to the group health insurance program during the June 15 executive session, including:

- Directs GIB to find \$63.9 million general purpose revenue savings for the 2017-19 biennium, including:
 - \$22.7m GPR savings from negotiations
 - \$25.8m GPR draw from the reserves (which translates to \$68.8m All Funds)

- \$15.4m GPR from aggressive tiering, and/or additional reserve draw down, and/or plan design changes (subject to the 10% employee cost increase limitation).
- The group health insurance program would maintain its current program structure.
- Moves the group health insurance program from a 3-tier to a 5-tier structure.
- Requires that ETF conduct a consumer-driven health plan educational campaign.
- Increases legislative input and oversight authority over the Group Health Insurance Program:
 1. Addition of four GIB members appointed by legislative leadership of each party in both houses;
 2. Senate confirmation of GIB appointees;
 3. Provides that GIB submit a plan by March 1, 2018, to JCF for approval under a 21-working day passive review regarding state program reserves;
 4. Provides for an annual April 1 JCF 21-working day passive review of all proposed benefit changes; and
 5. Request that the Legislative Audit Committee direct the Legislative Audit Bureau to conduct an audit of the state's group health insurance programs and reserves.

I will be available at the September 21, 2017, board meeting to answer questions.