



STATE OF WISCONSIN
Department of Employee Trust Funds
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Correspondence Memorandum

Date: March 20, 2019
To: Employee Trust Funds Board
From: Tarna Hunter, Legislative Liaison
Subject: 2019-21 Biennial Budget and Legislative Update

On February 28, 2019, Governor Evers presented his 2019-21 State Budget to the Legislature. This memo summarizes the status of the biennial budget request for the Department of Employee Trust Funds.

The period covered by the budget request is July 1, 2019 - June 30, 2021. The schedule for review and action by the Governor and Legislature is anticipated to be as follows:

<u>Stage</u>	<u>Anticipated Schedule</u>
Agency Budget Request Due	September 2018
Governor Issues Budget Recommendations	January/February 2019
Review and Action by the Joint Committee on Finance (JCF)	February – June 2019
Action by Full Legislature	June 2019
Final Enacted Budget	July 2019

Reviewed and approved by Pam Henning, Assistant Deputy Secretary

Pamela L Henning

Electronically Signed 3/20/19

Board	Mtg Date	Item #
ETF	3.21.19	6B

Department of Employee Trust Funds
Summary of Fiscal 2019-2021 Biennial Budget Request
 Updated March 20, 2019

	FY 2020		FY 2021	
	FTE	Funding	FTE	Funding
Base Budget (FY 2019) – SEG	272.20	\$47,901,700	272.20	\$47,901,700
Base Budget (FY 2019) – GPR	0.00	\$68,000	0.00	\$68,000
ETF Request Over Base* - SEG	4.00	\$516,000	4.00	\$429,900
ETF Request Over Base** - GPR	0.00	(\$20,100)	0.00	(\$36,400)
Governor’s Recommendations	2.00	\$48,465,600	2.00	\$48,363,200
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

SEG = Segregated funding

GPR = General Purpose Revenue funding

*Includes new initiatives and standard technical adjustments.

**GPR funding is a reduction from 2017-19 biennium.

ETF’s [2019-21 budget request](#) consists of an overall increase of 1.0% all funds, including a 0.99% increase in SEG funds and a 41.54% decrease in GPR funds. Below is a table detailing ETF’s funding for the 2019-21 biennium.

Funding Item	FY 2020 Funding	FY 2021 Funding
Adjusted Base	\$47,969,700	\$47,969,700
Full Funding of Positions and Operations	\$633,700	\$633,700
Turnover Reduction	(\$537,400)	(\$537,400)
Annuity Supplements	(\$20,100)	(\$36,400)
Overtime + Night & Weekend	\$117,800	\$117,800
DOA Lease & Directed Moves	\$118,900	\$167,800
LAB 5-Year Actuarial Audit	\$183,000	\$48,000
Disability Programs Positions – 2.0 FTE	\$0	\$0
Business Intelligence Positions – 2.0 FTE	\$0	\$0
Total	\$48,465,600	\$48,363,200

The 2019–2021 Budget Bill, [2019 AB 56](#) and [2019 SB 59](#), were introduced by the Joint Committee on Finance on February 28, 2019 at the request of the Governor. In its review of the budget bill, ETF has identified the following budget provisions that relate to the benefit programs that ETF administers.

1. Operational Changes

- a) **General Wage Adjustments** – provides general wage adjustments for most state employees of two percent on January 1, 2020, and an additional two percent on January 1, 2021.
- b) **Full Funding of Salary and Fringe Benefits** – Continued full funding of ETF’s current operations. The proposed ETF 2019-21 budget consists of an overall funding increase of 1%.
- c) **Positions for Disability Programs Administration** – Provides 2.0 FTE Trust Fund Specialist Advanced positions for the effective administration of ETF’s disability programs. The budget did not include statutory changes necessary to complete ETF’s disability redesign project.
- d) **Oversight of Disability Programs** – Transfers oversight of the ICI and LTDI programs from the GIB to the ETF Board.
- e) **Internal Auditor Reporting** – Provides that ETF’s Internal Auditor is appointed by the ETF Board and reports directly to the Board. The budget did not include ETF’s proposal to create an independent office with unclassified positions.
- f) **Mandatory LAB Actuarial Audits** – Provides \$183,000 SEG in FY20 and \$48,000 SEG in FY21 to contract with the Legislative Audit Bureau (LAB) for the statutorily required actuarial audit of the Wisconsin Retirement System and for contracts necessary for the implementation of Governmental Accounting Standards Board (GASB) Statements 67, 68, 74, and 75. Of the amounts requested, \$175,000 is one-time funding for the LAB actuarial audit.
- g) **Appropriation Clean-up** – Included ETF’s proposal to transfer expenditure authority between alpha appropriations and eliminate several alpha appropriations to better reflect current practice and administration.

2. Program Changes

- a) **Return to Work for Retiring Teachers** – Provides that school districts may rehire an annuitant teacher if: (a) at least 30 days have passed since the teacher left employment with a district; (b) at the time of retirement, the

teacher does not have an agreement with any school district to return to employment; and (c) upon returning to work, the teacher elects to not become a participating employee and to continue receiving his or her annuity.

- b) **Group Health Insurance Program Opt-Out Incentive** – Makes changes to allow state employees that declined coverage under the group health insurance program during the 2015 plan year to receive the \$2,000 annual incentive, if they elected coverage under the program in a subsequent plan year and meet all other eligibility criteria.
- c) **On-Site Employee Health Clinics** – Provides the GIB with the authority to enter into a contract to establish on-site health clinics for state employees.

3. Mandated Reports

- a) **Prescription Drug Pooling Report** – Provides that ETF submit a report by January 1, 2020, to the Governor and Legislature studying prescription drug pooling options and savings opportunities across state government.
- b) **Private Sector Retirement Security Plan Committee** – Provides that ETF establish a private sector retirement security plan committee, responsible for conducting a feasibility study on developing a private sector retirement security plan administered by the department to provide retirement benefits for state residents that elect to participate. Membership on the committee is comprised of a member of the ETF Board, a member of SWIB, other gubernatorial appointees, legislative appointees and the State Treasurer. The committee would be required to submit a report on its findings to the Governor and Joint Survey Committee on Retirement Systems by September 30, 2020.
- c) **Fixed-Dollar Employee Premium Subsidy Report** – Requires the GIB, in consultation with the board's consulting actuary, to submit by June 30, 2020, to the Governor and Joint Committee on Finance a feasibility study and potential cost savings associated with transitioning the state employee group health insurance plan to a fixed-dollar premium subsidy model.

Additionally, the budget did not include 2.0 FTE positions that were requested to support ETF's business intelligence effort; however, we will look for other opportunities to accomplish the needed changes that were not included in the budget.

The Joint Committee on Finance (JCF) is currently reviewing the budget bill. The JCF is a 16-member standing committee of the Wisconsin Legislature. The Committee's primary responsibility is the review of all state appropriations and revenues. ETF will

continue monitoring the budget bill as the JCF makes modifications and the budget moves through the legislative process.

Other Legislative Proposals

[2019 SB 5](#) and [2019 AB 5](#) make the following changes to the county jailer classification under the Wisconsin Retirement System:

- Classifies county jailers as protective occupation participants under the Wisconsin Retirement System without a requirement that their principal duties involve active law enforcement.
- Provides that county jailers who are employed by a county that did not classify county jailers as protective occupation participants on July 1, 2018 and become protective occupation participants under this bill, are required to pay all employer costs resulting from their classification as a protective occupation participant, including the cost of the duty disability program.
- Provides that county jailers who were classified as protective occupation participants before the bill's effective date and county jailers hired on or after the bill's effective date in counties that classified county jailers as protective occupation participants on July 1, 2018 are not required to pay the additional employer costs.
- Permits a county jailer to elect (irrevocable) at the time of hire not to become a protective occupation participant.
- Amends the Municipal Employment Relations Act regarding county jailers.

[2019 SB 5](#) was introduced by [Sen. Marklein](#) and referred to the [Committee on Judiciary and Public Safety](#). [2019 AB 5](#) was introduced by [Rep. Born](#) and referred to the [Committee on Corrections](#).

I will be at the March 21, 2019, Board meeting to answer any questions.