



**STATE OF WISCONSIN**  
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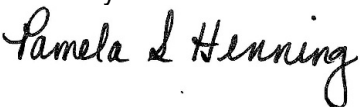
**Correspondence Memorandum**

**Date:** June 17, 2019  
**To:** Employee Trust Funds Board  
**From:** Tarna Hunter, Legislative Liaison  
**Subject:** 2019-21 Biennial Budget 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 Joint Committee on Finance (JCF) wrapped up their work on the budget on June 13, 2019. The Legislature is expected to make modifications to the budget and will deliver an amended budget bill to the Governor for review, approval and/or partial veto of the budget to be effective July 1, 2019. ETF will continue monitoring the budget bill and provide updates as necessary.

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  
  
 Electronically Signed 6/17/19

Board	Mtg Date	Item #
ETF	6.20.19	5B

**Department of Employee Trust Funds**  
**Summary of Fiscal 2019-2021 Biennial Budget Request**  
 Updated June 17, 2019

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

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
<b>Total</b>	<b>\$48,465,600</b>	<b>\$48,363,200</b>

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. The JCF has spent the last few months reviewing and making modifications to the budget bill. The JCF took action on ETF's budget during their May 14 executive session.

**The JCF did not make changes to the following provisions impacting ETF in the budget:**

- **General Wage Adjustments** – provides general wage adjustments for most state employees of 2% on January 1, 2020, and an additional 2% on January 1, 2021.
- **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%.
- **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.
- **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.
- **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.

**The JCF added the following budget provision impacting ETF:**

- **High Deductible Health Plan (HDHP) Savings** – Directs the Group Insurance Board, in consultation with the Department of Administration's Division of Personnel Management to make modifications to the HDHP to realize state employer savings of \$14,691,500 (all funds) in 2019-20 and \$19,855,100 (all funds) in 2020-21.

**The JCF removed the following provisions impacting ETF from budget bill:**

- **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.

- **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.
- **On-Site Employee Health Clinics** – Provides the Group Insurance Board (GIB) with the authority to enter into a contract to establish on-site health clinics for state employees.
- **Oversight of Disability Programs** – Transfers oversight of the Income Continuation Insurance (ICI) and Long-Term Disability Insurance (LTDI) programs from the GIB to the ETF Board.
- **Internal Auditor Reporting** – Provides that ETF's Internal Audit Director 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.
- **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.
- **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.
- **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 JCF, 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 ETF 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.

As noted above, the Legislature is currently reviewing and making modifications to the bill. ETF will continue monitoring the budget bill as the Legislature makes modifications and the budget moves through the legislative process.

I will be at the June 20, 2019, Board meeting to answer any questions.