



STATE OF WISCONSIN
Department of Employee Trust Funds
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Correspondence Memorandum

Date: June 1, 2023

To: Employee Trust Funds Board
 Budget and Operations Committee

From: Tarna Hunter, Government Relations Director
 Office of the Secretary

Subject: 2023-2025 Biennial Budget Update

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

This memo summarizes ETF’s request for the 2023-2025 biennial budget submission to the Department of Administration. The period covered by the budget request is July 2, 2023 - June 30, 2025. 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 2022
Governor Issues Budget Recommendations	February 2023
Review and Action by the Joint Committee on Finance (JCF)	February – June 2023
Action by Full Legislature	June 2023
Final Enacted Budget	July 2023

Pamela L Henning

Reviewed and approved by Pamela Henning, Assistant Deputy Secretary
 Electronically Signed 06/01/23

Board	Mtg Date	Item #
ETF	06.22.23	5C2
BUD	06.22.23	6

Department of Employee Trust Funds
Summary of Fiscal 2023-2025 Biennial Budget Request

Updated June 2, 2023

	FY 2024		FY 2025	
	FTE	Funding	FTE	Funding
Adjusted Base – SEG	275.20	\$52,712,300	275.20	\$52,712,300
Adjusted Base – GPR	0.00	\$32,500	0.00	\$32,500
ETF Request Over Base* - SEG	16.00	\$16,490,200	16.00	\$21,284,000
ETF Request Over Base** - GPR	0.00	(\$4,600)	0.00	(\$11,100)
Governor's Recommendations	16.00	\$4,891,500	16.00	\$9,678,800
Joint Committee on Finance	12.00	\$4,622,700	12.00	\$9,338,900
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 2021-23 biennium.

ETF's 2023-25 budget request consists of an overall increase of 17.7% all funds, including a 17.7% increase in SEG funds and a 24.2% decrease in GPR funds. Below is a table detailing ETF's funding request for the 2023-25 biennium.

ETF's Budget Request (Funding Detail)

Funding Item	FY 2024 Funding	FY 2025 Funding
Adjusted Base	\$52,744,800	\$52,744,800
Full Funding of Positions and Operations	\$1,306,700	\$1,306,700
Turnover Reduction	(\$634,600)	(\$634,600)
Annuity Supplements	(\$4,600)	(\$11,100)
Overtime + Night & Weekend	\$117,900	\$117,900
Full Funding of Lease and Moves	(\$118,600)	(\$118,600)
Mandatory LAB Audit Costs	\$17,000	\$174,000
Legacy Systems Replacement Project Operations	\$3,110,400	\$7,454,500
Legacy Systems Replacement Project – 7.0 FTE	\$515,900	\$656,000
Critical Customer Service – 5.0 FTE	\$312,600	\$394,100
Total	\$57,367,500	\$62,083,700

The 2023–2025 Budget Bill, [2023 AB 43](#) and [2023 SB 70](#), were introduced by the Joint Committee on Finance (JCF) on February 15, 2023, 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 25 executive session.

After JCF is finished making changes to the budget, 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, 2023. ETF will continue monitoring the budget bill and provide updates as necessary.

The JCF included the following provisions impacting ETF in the budget bill:

- **Full Funding of Salary and Fringe Benefits** – Continues full funding of ETF's current operations. The proposed ETF 2023-25 budget consists of an overall funding increase of approximately 18%.
- **Modernization-Related Ongoing IT Expenses** – Provides 7.0 FTE and a permanent increase to base funding of \$3.6m in FY 2024 and \$8.1m in FY 2025 to support increases for ongoing operational IT expenses associated with the Insurance Administration System (IAS), data management and consulting/contractor costs related to replacing outdated legacy IT systems. Additionally, the budget specified that ETF may request positions and funding for modernization through the passive review process. The passive review authority ends July 1, 2029.
- **Critical Customer Service Functions** – Provides 5.0 FTE Trust Funds Specialists to maintain basic, critical customer service functions for members and employers related to significant increases in the member and employer populations that ETF serves. ETF's original budget request included 7.0 FTE for critical customer service functions and JCF approved 5.0 FTE.
- **Mandatory LAB Actuarial Audit** – Provides one-time funding of \$17,000 SEG in FY 2024 and \$174,000 SEG in FY 2025 to contract with the Legislative Audit Bureau (LAB) for the actuarial audit of the Wisconsin Retirement System that is statutorily required at least once every five years and for actuarial services related to performing a Governmental Accounting Standards Board valuation audit related to the retiree life insurance and sick leave programs.

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

- **Financial and Actuarial Compliance and Reporting** – Provides 1.0 FTE Accountant Advanced and 1.0 FTE Actuarial Analyst to fulfill its actuarial and accounting responsibilities related to actuarial valuations, financial reporting, and the proper implementation of accounting statements promulgated by the Governmental Accounting Standards Board (GASB).

- **Disability Program Redesign** – Decouples Sick Leave from the State Income Continuation Insurance (ICI) Plan Premium and Benefit Determinations. Premiums would be based on an elimination period and income instead of the employee's sick leave balance. Additionally, the provision eliminates the requirement to use sick leave before receiving benefits. Finally, this provision transfers oversight of the ICI and Long-Term Disability Insurance programs from the GIB to the ETF Board.
- **Internal Auditor** – Creates the Office of Internal Audit attached to ETF. The bill requires the ETF Board to appoint an internal auditor and internal audit staff within the classified service who report directly to the ETF Board. This was changed from ETF's request for unclassified positions. ETF's internal auditor and staff shall continue to serve until the ETF Board makes an appointment under this provision.
- **Trust Fund Earnings Allocation** – Provides that ETF may distribute investment gains and losses of the core and variable trust funds accounts by calculating a simple average balance using the beginning and end of year balances. Current statutory language provides that investment gains and losses shall be distributed in a ratio of each participating account's average daily balance to the total average daily balance of all participating accounts. The change is needed to align statutory language with current administrative practices.

The following budget bill provisions were proposed by the Governor and removed by JCF:

- **Domestic Partnerships** – Reinstates domestic partnership benefits for all state and local government employee insurance programs administered by the Department of Employee Trust Funds.
- **Return to Work Law** – Provides that retirees can return to a WRS employer if: (a) at least 30 days have passed since the employee left employment with a participating employer; (b) the employee does not have an agreement to return to work; and (c) the employee elects to not become a participating employee in the WRS.
- **Health Insurance** -- Changes the date that an employee is eligible for health insurance to the first day of the second month for most state employees other than limited-term appointments.
- **Infertility Treatment Coverage** – Requires health insurance policies and self-insured governmental health plans cover diagnosis of and treatment for infertility and standard fertility preservation services.

- **Low-Value Care Analysis** – Provides one-time GPR funding to the Department of Health Services for a grant to conduct data analysis and identify low-value care in the Medicaid program and in health care coverage plans offered by the state.
- **Telehealth** – Requires health insurance policies and self-insured governmental health plans to cover a treatment or service that is provided through telehealth.

Staff will be at the Board meeting to answer any questions.