



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

Correspondence Memorandum

Date: October 31, 2016
To: Group Insurance Board
From: Tarna Hunter, Legislative Liaison
Subject: 2017-19 Biennial Budget Update

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

This memo summarizes ETF's request for the 2017-2019 biennial budget submission to the Department of Administration. 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 anticipated to be as follows:

<u>Stage</u>	<u>Anticipated Schedule</u>
Agency Budget Request Due	September 2016
Governor Issues Budget Recommendations	January/February 2017
Review and Action by the Joint Committee on Finance (JCF)	February – June 2017
Action by Full Legislature	June 2017
Final Enacted Budget	July 2017

Reviewed and approved by Pam Henning, Assistant Deputy Secretary

Pamela L Henning

Electronically Signed: 11/X/16

Board	Mtg Date	Item #
GIB	11.30.16	5D

Department of Employee Trust Funds

	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	1,073,900	2.0	1,410,400
ETF Request Under Base** - GPR		-57,800		-85,500
Governor’s Recommendations				
Joint Committee on Finance				
Legislature				
Final Enacted Budget				

Summary of Fiscal 2017-2019 Biennial Budget Request
 Updated October 31, 2016

SEG = Segregated funding

GPR = General Purpose Revenue funding

*Includes new initiatives and standard technical adjustments.

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

ETF’s 2017-19 budget request consists of an overall increase of 2.58% all funds, including a 2.75% increase in SEG funds and a 46.44% 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	675,000	615,300
Annuity Supplements	-57,800	-85,500
Continuing TIM Project Resources	161,600	175,800
Financial Reporting Requirements	237,300	259,800
Hill Farms New Building Expenses	0	359,500
Total	46,322,200	46,631,000

The Department included the following initiatives in its 2017-19 biennial budget request:

1. **Continuing Transformation, Integration and Modernization (TIM) Project Resources** — Requests 2.0 FTE Trust Funds Specialists project positions, which were approved in 2014, be converted to permanent positions in the Employer Services Section. These positions are essential to support a centralized Employer Services section, which was created in 2015, as well as the implementation of rollout 2 of the TIM project, which is focused on employer reporting and administration.

Additionally, ETF was also provided an Accountant project position in 2014 that will end this biennium. ETF requests a new 1.0 FTE 4-year Accountant project position. This will ensure that ETF has the necessary financial expertise to complete the project and assist with post-implementation, based on the tentatively planned MyETF rollout of phase 3 in mid-2019.

2. **Financial Reporting Requirements** — Requests \$90,000 SEG in both FY18 and FY19 to contract with the Legislative Audit Bureau (LAB) for various contracts necessary for the implementation of Governmental Accounting Standards Board (GASB) Statements 74 and 75. In addition, requests 2.0 FTE Accountant Advanced positions for the Division of Trust Finance (DTF). 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.
3. **Hill Farms New Building Expenses** – Requests \$359,500 SEG in one-time funding to cover move costs and equipment not covered by the state's Hill Farms project. This will ensure that the new facility meets ETF's business needs and helps prepare a smooth transition for ETF employees and WRS members.
4. **Statutory Changes** — Requests limited statutory changes to clarify the law and streamline the state's disability programs. A list of the statutory changes follows.
 - **Overpayment Recovery** – Provides clarification that ETF may retain payments from trusts, and that death benefits are subject to retention for overpayments.
 - **Disability 40.63 Earnings Limit** – Provides that 40.63 disability benefits are terminated – rather than suspended – for exceeding annual earnings limit in certain situations. This change streamlines the disability program with the state's other disability program, Long-Term Disability Insurance.

2015 Act 201

Act 201 requires that each agency's biennial budget request include a proposal for how the agency would handle a budget freeze and how it would cut five percent, which is \$2,257,500 annually for ETF. If realized, funding reductions would negatively impact ETF's financial reporting requirements, outreach and education to employers and members, delays in ETF's modernization initiative and reductions to ETF's training and travel budgets.

Staff will be available at the November 30, 2016 Board meeting to answer questions.