

Fiscal Year 2010-11 Budget Adjustment Bill Items

1. Employee Compensation:

- Pension contributions: Currently, state, school district and municipal employees that are members of the Wisconsin Retirement System (WRS) generally pay little or nothing toward their pensions. The bill would require that employees of WRS employers, and the City and County of Milwaukee contribute 50 percent of the annual pension payment. The payment amount for WRS employees is estimated to be 5.8 percent of salary in 2011.
- Health insurance contributions: Currently, state employees on average pay approximately 6 percent of annual health insurance premiums. This bill will require that state employees pay at least 12.6 percent of the average cost of annual premiums. In addition, the bill would require changes to the plan design necessary to reduce current premiums by 5 percent. Local employers participating in the Public Employers Group Health insurance would be prohibited from paying more than 88 percent of the lowest cost plan. The bill would also authorize the Department of Employee Trust Funds to use \$28 million of excess balances in reserve accounts for health insurance and pharmacy benefits to reduce health insurance premium costs.
- Health insurance cost containment strategies: The bill directs the Department of Employee Trust Funds and the Group Insurance Board to implement health risk assessments and similar programs aimed at participant wellness, collect certain data related to assessing health care provider quality and effectiveness, and verify the status of dependents participating in the state health insurance program. In addition, it modifies the membership of the Group Insurance Board to require that the representative of the Attorney General be an attorney to ensure the board has access to legal advice among its membership.
- Pension changes for elected officials and appointees: The bill modifies the pension calculation for elected officials and appointees to be the same as general occupation employees and teachers. Current law requires these positions to pay more and receive a different multiplier for pension calculation than general classification employees. Under the state constitution, this change will be effective for elected officials at the beginning of their next term of office.
- Modifications to Wisconsin Retirement System and state health insurance plans: The bill directs the Department of Administration, Office of State Employment Relations and Department of Employee Trust Funds to study and report on possible changes to the Wisconsin Retirement System, including defined contribution plans and longer vesting periods. The three agencies must also study and report on changes to the current state health insurance plans, including health insurance purchasing exchanges, larger purchasing pools, and high-deductible insurance options.

- General fund impact – Authorize the Department of Administration Secretary to lapse or transfer from GPR and PR appropriations (excluding PR appropriations to the University of Wisconsin) to the general fund estimated savings of approximately \$30 million from implementing these provisions for state employees in the current fiscal year (2010-11). Segregated funds would retain any savings from these measures.

2. State and Local Government and School District Labor Relations:

- Collective bargaining – The bill would make various changes to limit collective bargaining for most public employees to wages. Total wage increases could not exceed a cap based on the consumer price index (CPI) unless approved by referendum. Contracts would be limited to one year and wages would be frozen until the new contract is settled. Collective bargaining units are required to take annual votes to maintain certification as a union. Employers would be prohibited from collecting union dues and members of collective bargaining units would not be required to pay dues. These changes take effect upon the expiration of existing contracts. Local law enforcement and fire employees, and state troopers and inspectors would be exempt from these changes.
- Career executive transfers – The bill would allow state employees in the career executive positions to be reassigned between agencies upon agreement of agency heads.
- Limited term employees (LTE) – The bill would prohibit LTE's from being eligible for health insurance or participation in the Wisconsin Retirement System.
- State employee absences and other work actions – If the Governor has declared a state of emergency, the bill authorizes appointing authorities to terminate any employees that are absent for three days without approval of the employer or any employees that participate in an organized action to stop or slow work.
- Quality Health Care Authority – The bill repeals the authority of home health care workers under the Medicaid program to collectively bargain.
- Child care labor relations – The bill repeals the authority of family child care workers to collectively bargain with the State.
- University of Wisconsin Hospitals and Clinics (UWHC) Board and Authority – The bill repeals collective bargaining for UWHC employees. State positions currently employed by the UWHC Board are eliminated and the incumbents are transferred to the UWHC Authority.
- University of Wisconsin faculty and academic staff - The bill repeals the authority of UW faculty and academic staff to collectively bargain.

3. Debt Restructuring – The bill authorizes the restructuring of principal payments in fiscal year 2010-11 on the state's general obligation bonds. These principal repayments will be paid in future years. Since the state is required to make debt service payments by March 15th, the bill must be enacted by February 25th to allow time to sell the refinancing bonds. This provision will reduce debt service costs by \$165 million in fiscal year 2010-11. This savings will help address one-time costs to comply with the Injured Patients and Families Compensation Fund state Supreme Court decision and make payments under the Minnesota-Wisconsin tax reciprocity program.

4. Medicaid

- Address FY11 Medicaid deficit – Medicaid costs are expected to exceed current GPR appropriations by \$153 million. The bill would increase the Medicaid GPR appropriation to address this shortfall.
- Authorize DHS to restructure program notwithstanding current law – Medicaid costs have increased dramatically due to the recession and expanded program eligibility. In order to reduce the growth in costs, the bill authorizes the Department of Health Services to make program changes notwithstanding limits in state law related to specific program provisions. The department is expected to develop new approaches on program benefits, eligibility determination and provider cost-effectiveness. The proposed changes will require passive approval of the Joint Committee on Finance before implementation.
- Technical correction – Act 28 included language that required unused GPR expenditure authority in the Medicaid GPR appropriation at the end of the biennium to be carried over to the subsequent biennium. The bill repeals this provision in order to ensure unspent funds in Medicaid lapse to the general fund balance.
- Aging and Disability Resource Centers (ADRC) – The bill transfers an estimated \$3 million in savings in this appropriation to Medicaid. ADRC's are the intake and assessment element of the state's Family Care program.

5. Corrections – The bill provides \$22 million GPR to address shortfalls in the Department of Corrections adult institutions appropriation. These shortfalls are due to health care costs, overtime, and reductions in salary and fringe benefit budgets under Act 28.

6. Temporary Assistance to Needy Families (TANF) Funding for Earned Income Tax Credit (EITC) – The bill allocates \$37 million of excess TANF revenues to increase TANF funding for the EITC from \$6.6 million to \$43.6 million in fiscal year 2010-11. By increasing TANF funding, GPR funding for the EITC is reduced by a commensurate amount.

7. Income Augmentation Revenues – Allow the Department of Children and Families and Department of Health Services to utilize \$6.5 million of already

identified income augmentation revenues to meet fiscal year 2010-11 lapse requirements.

- 8. Act 28 Required Lapses by DOA Secretary** – Under Act 28, the Department of Administration Secretary is required to lapse or transfer a total of \$680 million in 2009-11 from appropriations made to executive branch agencies to the general fund. The bill would reduce this amount by \$79 million to ensure the lapses can be met in the next five months as this was ineffectively addressed by the previous administration.
- 9. Lapse of Funding from Joint Committee on Finance (JCF) Appropriation** – The JCF appropriation includes \$4.5 million related to estimated fiscal year 2010-11 implementation costs of 2009 Wisconsin Act 100 (operating while intoxicated enforcement changes). This funding is not anticipated to be needed in fiscal year 2010-11 and the bill lapses these amounts to the general fund balance.
- 10. Sale of State Heating Plants** – The bill authorizes the Department of Administration to sell state heating plants. The proceeds from any sale, net of remaining debt service, would be deposited in the budget stabilization fund.
- 11. Shift Key Cabinet Agency Positions to Unclassified Status** – The bill creates unclassified positions for chief legal counsel, public information officer and legislative liaison activities in cabinet agencies. An equivalent number of classified positions are deleted to offset the new unclassified positions. These activities are critical to each cabinet agency's overall mission and should have direct accountability to the agency head.