

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 12/18/2012

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: 2011 Furlough Day Payback Estimate, including overtime - Revised

FISCAL EFFECT:

- | | |
|---|--|
| <input type="checkbox"/> No Direct County Fiscal Impact
<input type="checkbox"/> Existing Staff Time Required
<input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below)
<input type="checkbox"/> Absorbed Within Agency's Budget
<input type="checkbox"/> Not Absorbed Within Agency's Budget
<input type="checkbox"/> Decrease Operating Expenditures
<input type="checkbox"/> Increase Operating Revenues
<input type="checkbox"/> Decrease Operating Revenues | <input type="checkbox"/> Increase Capital Expenditures
<input type="checkbox"/> Decrease Capital Expenditures
<input type="checkbox"/> Increase Capital Revenues
<input type="checkbox"/> Decrease Capital Revenues
<input type="checkbox"/> Use of contingent funds |
|---|--|

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	1,426,000	
	Revenue		
	Net Cost	1,426,000	
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. A proposal would be before the County Board and County Executive to pay back the furlough hours incurred in 2011 that exceeded a limit of 45 hours for AFSCME DC-48. The 45 hour limit is based on a previous court ruling applicable to 2009 and 2010 furlough hours for AFSCME DC-48. A request was made to provide an estimate of the dollars that would be paid if the 45 hour limit was applied to furlough hours taken by AFSCME DC-48 for the 2011 fiscal year that ended on December 31, 2011.

In addition, this office was requested to provide an estimate of any overtime cost impact, if the paid furlough hours were now considered to be off-time paid hours. Under the union contract in effect when furlough hours were taken by the members, overtime was based on paid hours (work and off-time hours). Employees were paid for daily overtime and weekly overtime. An initial cost calculation has now been made based on paid furlough hours now being considered under the overtime rule.

Under the County Furlough Policy, seasonal employees were not assigned any furlough hours, but managers were requested to reduce their hours by 10%. No calculation has been made of any impact on seasonal employees for furlough hours, since no definitive furlough hours were taken by these employees, and since these employees are not required to work a scheduled number of hours per pay period.

If so determined by County resolution, the County would make a payment to the members of the union through payroll, along with an interest payment for back interest owed. The payment would be in accordance with the union contract in effect at the date the furlough hours were assigned, and would include the cost impact of overtime for paid furlough hours.

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

B. The total cost of the payments would be approximately \$1,426,000, which includes a principal payment of \$1,197,000 for the furlough hours that exceeded the 45 hour limit, and \$229,000 for interest on furlough hour payments.

The payment calculation for 2011 furlough hours was based on a download of all furlough hours taken by AFSCME DC-48 employees during the 2011 calendar year. The estimate is that the payment of the 2011 furlough hours, excluding overtime is \$990,000 in principal and \$186,000 of interest for a total cost of \$1,176,000. A total of 208 furlough hours were assigned to certain departments that had AFSCME DC-48 employees. Based on other State actions, the total furlough hours were reduced to 104 hours, with no additional furlough hours to be assigned or taken after July 2011. Of the 1,285 employees who were assigned furlough hours, only 897 would be receiving payout for hours that exceeded the limit. Many of these employees would be receiving an average back payment of 59 hours, based on the assigned furlough hours of 104 hours. Some employees will exceed the 59 hours since they were still completing assigned furlough hours for the 2010 fiscal year. The average wage rate of the payment is \$21.00, with an average principal payment of \$1,100, and interest payment of \$200. Some individuals are greater than this payment amount since their wage rates are higher.

A methodology has been devised for the recalculation of overtime based on the paid furlough hours being considered paid off-time hours for overtime purposes. This methodology is currently being tested, but initial results indicate that a reasonable estimate can be made for the overtime cost for paid furlough hours. The initial calculation indicates that the total cost of including paid furlough hours into the overtime calculation should not exceed \$250,000 for 2010 and 2011.

C. The funding would have to come from a contingency reserve established for the 2012 budget. No funds have been set aside for this payment. The 2012 preliminary financial results, indicate that the County is anticipating a surplus for the year.

D. No adjustment has been made for employees who were on a leave of absence, and were allowed to take furlough hours during this leave of absence. In the previous payment, the County reduced the furlough hours for extended leaves of absences of employees. No cost estimate has been made for seasonal employees, with regards to furlough hours, as noted above.

Department/Prepared By Scott B. Manske, Comptroller

Authorized Signature



Did DAS-Fiscal Staff Review?

Yes

No