

**MILWAUKEE COUNTY FISCAL NOTE FORM**

**DATE:** 3/15/11

Original Fiscal Note

Substitute Fiscal Note

**SUBJECT:** 2011 Plan Design Changes for Retirees

**FISCAL EFFECT:**

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

*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.*

	<b>Expenditure or Revenue Category</b>	<b>Current Year</b>	<b>Subsequent Year</b>
<b>Operating Budget</b>	Expenditure	-3,851,946	-5,657,243
	Revenue	-770,389	-1,131,449
	Net Cost	-3,081,556	-4,525,794
<b>Capital Improvement Budget</b>	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.<sup>1</sup> 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. The 2011 Adopted Budget health care plan design changes will be applied to DC48 retirees

B. \$3,081,556 of savings will be realized in 2011 associated with this action. This is based on saving estimates provided by the County's Healthcare actuary as part of the 2011 Adopted Budget process. They have been reduced to reflect 8 months of actual savings and only reflect savings associated with DC48 Retirees. The 2012 number has been increased to account for a full year's worth of savings from DC48 Retirees as well as retirees from the Nurses and Trades. A medical inflation factor has also been applied.

C. \$8,334,449 of savings (\$6,500,870 net) has already been budgeted associated with retiree health care changes. The difference between this amount and the savings depicted in this fiscal note will largely be achieved by changes already applied to non-rep, Attorney, TEAMCO and Machinist retirees. A small portion will not be achieved due to the mid-year DC48 implementation and the inability of the County to apply this change to Deputy Sheriff and Firefighter retirees.

D. It is assumed that the Budget Repair Bill will be published and the County will be able to implement the changes. A medical inflation rate of 7% was applied to 25% of the total to account for plan design components that are expressed as a percentage and will increase with medical inflation. It is also assumed in 2011 that a partial year implementation results in 8 months worth of savings. Actual savings may be more or less than this amount depending on utilization. Since the savings will be realized in the Fringe non-departmental account, a 20% revenue offset amount has been assumed.

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<sup>1</sup> 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.

Department/Prepared By John Ruggini

Authorized Signature



Did DAS-Fiscal Staff Review?

Yes

No