

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 2/15/2015

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Implementation of New Pay Ranges.

FISCAL EFFECT:

- | | |
|---|--|
| <input 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 checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input checked="" type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input checked="" type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input checked="" 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.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	(\$1,092,107)	\$63,615
	Revenue	(\$161,259)	(\$73,224)
	Net Cost	(\$930,849)	\$136,839
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: The Department of Human Resources (DHR) is requesting the implementation of new pay ranges effective July 1, 2015. In some cases these new pay ranges would have minimum pay rates that are higher than current rates of pay for several positions in various departments.

B: Based on information provided by DHR, the annualized cost to bring all impacted positions up to the new minimum pay rates is \$1,782,692. This includes salary costs of \$1,487,435, social security costs of \$113,789 and active pension costs of \$181,467.

Pay Ranges

The annualized revenue offset for positions in some departments such as Aging, Health and Human Services, the Airport, and Child Support Services is estimated at \$176,070. This results in a net annualized impact of \$1,606,622. The half-year impact therefore is \$803,311.

In reviewing these changes and discussing the impacts with departments, it is estimated that departments will be able to absorb approximately \$264,376 of this cost. The departments that will absorb the most cost include the House of Correction (\$103,623), and Health and Human Services (\$66,589). The remaining net cost that could not be absorbed therefore is estimated at \$538,935 for 2015.

For 2016, because the costs would be realized for the entire year, there is no assumption that departments could absorb these costs. Therefore the net impact in 2016 is an increase of \$1,606,622, which includes a gross expenditure increase of \$1,782,692 and a revenue increase of \$176,070.

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.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

Fringe Benefits

Late in 2014, DHR received updated bids for stop loss coverage on the County's self-insured health insurance plan. These bids and the subsequent renewal terms result in a 2015 cost reduction of \$919,077 (file number 15-71). After accounting for revenue offsets for reduced fringe benefit costs for the non-transit portion of these savings, the net tax levy impact is a savings of \$805,783.

In addition to this item, DHR indicates that enrollment by post-65 age retirees in the new Medicare Advantage health insurance coverage could result in gross savings above those envisioned in the 2015 Adopted Budget of approximately \$800,000. After revenue offsets this results in tax levy savings of \$664,000. These savings are related only to Medicare Advantage enrollment and do not reflect any updated estimate of overall fringe benefit costs.

The combined tax levy savings of these two unanticipated items is therefore approximately \$1,469,783 in 2015 and beyond. These two items have the advantage of representing ongoing cost savings which can help offset the ongoing cost increases related to the implementation of the new pay ranges.

Total Impact

The net impact of these three items Countywide in 2015 is a tax levy savings of \$930,849, which includes the \$1,469,783 in fringe benefit cost savings; offset by the increased salary, social security and active pension costs that would result from a July 1 implementation of the new pay ranges for those departments that cannot absorb the increase. The impact in 2016 is listed as a net cost increase of \$63,615 and a net revenue decrease of \$73,224, for a total tax levy impact of \$136,839. However, the actual fiscal impact will also be influenced by other factors such as reduced overtime which cannot be estimated.

C: This fiscal note assumes that these increased salary, social security and active pension costs are offset on a countywide basis with savings from two items in the Fringe Benefits Budget. The attached resolution would require the Department of Administrative Services – Office of Performance, Strategy and Budget to monitor salary budgets in the impacted departments and prepare a fund transfer during the fourth quarter of 2015 to reallocate funds from the Fringe Benefits Budget to those departments that cannot absorb the increased costs.

Because the new pay ranges would not be implemented until July 1, there is a net tax levy reduction of \$930,849 in 2015, which includes increased costs for departments that cannot absorb the increased cost offset by the reduced costs in fringe benefits noted above. The 2016 impact, assuming no rates of increase, is approximately \$136,839 and is based on the assumption that no department absorbs any of these costs, and does not make an assumption in impacts to overtime costs, which should be reduced due to declining turnover.

D: The assumptions used in these calculations are based on data provided by the Department of Human Resources. Actual costs will likely be lower due to turnover in impacted positions and possible reductions in overtime costs, especially in the Jail and at the House of Corrections if turnover of Corrections Officers is reduced significantly. The assumptions do not include any pay increases in 2016; however because the County usually assumes higher rates of increase in fringe benefit costs, any such increases should be absorbed by the savings in Fringe Benefits.

Department/Prepared By Josh Fudge, Director, Office of Performance, Strategy and Budget,
Department of Administrative Services

Authorized Signature



Did DAS-Fiscal Staff Review?

Yes

No

Did CDBP Review?²

Yes

No

Not Required