



Department of Administration
Intergovernmental Relations Division

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To: Members of the Common Council

From: DOA - Intergovernmental Relations Division

RE: Impacts of Special Session Senate Bill 11 on the City of Milwaukee

The language of Special Session Senate Bill 11 (SS SB 11), also known as the Budget Adjustment Bill, was released by Governor Walker on Friday, February 11th. It contains numerous provisions, but only a few which apply to the City of Milwaukee. This memo describes the provisions as they relate to the City, the effective dates of the provisions, the anticipated fiscal impact where available, and notes where further legal analysis is necessary.

1. Employee's Retirement System

SS SB 11 includes a provision that attempts to prohibit the City of Milwaukee from paying any employee required contributions to the ERS. As it currently stands, the City pays these contributions on behalf of employees at a rate of 5.5% of general city employee salaries and 7% of the salaries of elected officials and protective service employees. The only exception to the employer-paid contribution is for general city employees hired on or after January 1, 2010.

As written, the bill's language does not accurately reflect the way employee contributions to the ERS are defined. It mistakenly requires the employee to pay one-half of the actuarially required contribution, rather than the required employee contribution defined as a percentage of each employee's salary. This mistake would result in a total employee-paid contribution of \$0 this year, but would be millions of dollars in future years as the system's liabilities begin to exceed its assets.

IRD did request an amendment to the bill to make the language more accurately reflect the contribution structure of the ERS. Senate Amendment 1 does reflect our request and changes the provision to apply to all employee required contributions, not one-half of the actuarially required contribution.

Members of the Milwaukee Police Association, Milwaukee Police Supervisor's Organization and Local 215 are not required to make the pension contribution under this bill. All other city employees covered by the ERS are required to make the contribution, including elected officials.

- The estimated savings from this provision are \$8.3 million for 2012.
- If police and fire had been included in the provision, the additional savings would have been \$14.4 million.

The effective date for this provision will be 11 days after the Governor signs the bill or upon expiration of the employee's collective bargaining contract, whichever is later. The ERS has indicated there will be some administrative cost to implementing this provision. Also, there are some questions regarding the enforceability of the provision that require further legal analysis.

2. Collective Bargaining and Existing Labor Contracts

SS SB 11 revises the Municipal Employment Relations Act (MERA) to greatly reduce the ability of non-protective service labor unions to collectively bargain with the City. It limits collective bargaining to increases in base wages only.

Under this provision, the allowable percentage change in total base wages is capped at the average annual percentage change in the Consumer Price Index for the prior 12 months. Contracts can only include a base salary increase exceeding this amount if it is approved by referendum. According to the U.S. Bureau of Labor Statistics, the average annual percentage change in the CPI has been as follows over the past 5 years:

2006	+3.2%
2007	+2.8%
2008	+3.8%
2009	-0.4%
2010	+1.6%

Collective bargaining contracts under this provision would be limited to one year terms and units would be required to take annual votes to maintain certification. The bill also prohibits the City from collecting union dues as a payroll deduction.

The effective date for this provision varies according to the expiration of existing labor contracts. The only three bargaining groups these changes do not apply to are the Milwaukee Police Association, the Milwaukee Police Supervisors Organization and Local 215. Other labor contracts expire as follows:

Contracts Already Expired

- Association of Law Enforcement Allied Services Personnel, Local 218 (Dec 31, 2006)
- Milwaukee Police Association – Police Aide Unit (Dec 31, 2009)

Contracts Expiring on December 31, 2011

- District Council 48, AFSCME
- Public Employees' Union, #61, LIUNA
- Technicians, Engineers, and Architects Of Milwaukee
- SEIU Healthcare Wisconsin/Staff Nurses' Council
- Association of Municipal Attorneys
- Local 195, IBEW, Bridge Operators
- Joint Bargaining Union Local 139, IUOE and District Council 48, AFSCME
- Association of Scientific Personnel
- Local 510, IAMAW, Fire Mechanics
- Plumbers' Local 75
- Local 494, IBEW, Fire Equipment Dispatchers
- Local 494, IBEW, Machine Shop, Infrastructure

Contract Expiring on May 31, 2012

- Local 494, IBEW, Electrical Group

Contract Expiring on July 31, 2012

- Milwaukee Building and Construction Trades Council

3. Employee Health Benefit Contributions

SS SB 11 prohibits local government employers who participate in the Public Employers Group Health Insurance Plan from paying more than 88% of the premiums for the lowest cost plan. The City of Milwaukee is currently prohibited from participating in the group plan since it is not a member of the Wisconsin Retirement System. The City's legislative package does include a request to remove this prohibition. IRD did request an amendment to the bill to accomplish this change and the request was not granted.

However, if the collective bargaining changes outlined above become law, the City will have the ability to place a similar restriction on the employer contribution toward health insurance premiums, if it so chooses. This would only apply to non-protective service employees.

- The estimated savings from such a change would be approximately \$6.0 million in 2012.
- If police and fire had been included in the collective bargaining restrictions, the estimated 2012 savings would have been an additional \$4.7 million.

4. Civil Service System

Senate Amendment 1 to SS SB 11 contains a provision that requires local government employers to create a civil service system if they do not already have one in place on the effective date of the provision. Milwaukee already has a civil service system established under Wis. Stat. §63.18-63.53. The Board of City Service Commissioners carries out the requirements of the City's civil service system as established by the statutes or by the rules adopted by the Board.

For an employer like Milwaukee where a civil service system is already in place, the provision grandfathers in that system if it contains these three provisions:

- a grievance procedure that addresses employee terminations
- employee discipline
- workplace safety

The Department of Employee Relations indicates that the City's system currently meets the first two requirements. City Service Rule XIII provides for appeal procedures for non-probationary employees, who are discharged, reduced or suspended for more than 15 days or for a second suspension within a six-month period. Any suspensions that fall outside the scope of the rule can be grieved by represented employees through their collectively bargained grievance procedure. Terminations while on probation are not appealable.

The City has workplace safety measures in place, but they are not included in the City Service Rules. Section 350-241 of the Milwaukee Code of Ordinances designates the Board of City Service Commissioners as the official agency for the settlement of employee complaints or requests not involving changes in salaries, fringe benefits, or overtime. The Council authorized the Board to establish a Grievance Procedure and adopt rules and regulations to address terms and conditions of employment for employees who are not members of certified bargaining units. A workplace safety grievance procedure can be considered a "term of employment" and thus can be included in the Grievance Procedure.

The city could consider modifying its civil service system in order to fully meet the workplace safety condition necessary to be grandfathered in for purposes of this provision. These modifications would need to be finalized prior to the effective date of the provision. If they are not, the City will have to adopt more extensive civil service system requirements outlined in the bill. The effective date of this provision will be 11 days after the Governor signs the bill into law.