



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #102

### **Service Award Program Funding and Cap Increase (DOA -- General Agency Provisions)**

[LFB 2013-15 Budget Summary: Page 23, #9]

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#### **CURRENT LAW**

The service award program assists municipalities and counties in retaining volunteer fire fighters, first responders, and emergency medical technicians through state matching contributions to volunteers' retirement accounts. Base funding is \$1,884,300 GPR. Currently, the cap on matching funds is \$2.0 million per fiscal year.

#### **GOVERNOR**

Provide \$115,000 GPR in 2013-14 and \$200,000 GPR in 2014-15 in state matching funds for the service award program. Total funding would be \$1,999,300 GPR in 2013-14 and \$2,084,300 GPR in 2014-15.

Increase the statutory cap on the sum sufficient appropriation for state matching funds for the program to \$3.0 million annually.

#### **DISCUSSION POINTS**

1. The appropriation for service award program matching funds is a sum sufficient GPR appropriation. As such, the amounts in the schedule for the appropriation represent the most reliable estimate of the amounts which will be needed. However, under current law, the amount appropriated for service award state matching funds may not exceed \$2.0 million in a fiscal year. To expend more than \$2.0 million annually, the statutory cap would need to be increased.

2. Municipalities and counties are provided matching funds once annually, at the close

of the state fiscal year, for the previous calendar year. The state match rate is adjusted annually on July 1 using the U.S. city average consumer price index (CPI) for all urban consumers, as determined by the U.S. Department of Labor, for the 12-month period ending on the preceding December 31. The state match rate in 2012-13 is a maximum of \$326.50 per volunteer. For example, a municipality with 10 volunteers could receive state matching funds up to \$3,265. Municipality and county contribution amounts per volunteer vary. Some are greater than the state match rate, in which case they could receive the maximum state match. Municipalities and counties that contribute less than the state match rate receive less than the maximum amount of state matching funds.

3. Base funding for the program is \$1,884,300 GPR. Expenditures from the appropriation in 2011-12 totaled \$1,877,280 GPR. Based on recent growth, the Department estimates spending in 2012-13 at \$1,950,000 GPR.

4. Subsequent to the introduction of the Governor's budget, the administration reestimated expenditures for the program over the 2013-15 biennium. Applying the CPI growth rate for 2012 (2.1%) and a five-year average of CPI growth from 2007 through 2011 (2.22%), DOA projects annual expenditures of \$1,991,000 GPR in 2013-14 and \$2,035,100 GPR in 2014-15. In order to expend the estimated amount for 2014-15, the \$2.0 million maximum would need to be raised.

5. The administration argues that the annual cap for the program should be increased to \$3.0 million. According to DOA, increasing the cap by \$1.0 million would provide "flexibility for the state to meet its Service Award Program (SAP) match commitments and avoid proration in the near term, consistent with the intent of the program to assist municipalities and counties in retaining volunteer fire fighters, first responders and emergency medical technicians." The Committee could choose to approve the reestimate and the cap increase so that amounts needed to support program growth, including growth that is greater than anticipated, can be expended. Under this alternative, bill funding would be reduced by \$8,300 GPR in 2013-14 and \$49,200 GPR in 2014-15. [Alternative 1]

6. On the other hand, it could be argued that the cap does not need to be raised to \$3.0 million to maintain the projected rate of growth in expenditures for the 2013-15 biennium. Further, at a higher sustained annual rate of growth of 2.5% (average growth in CPI from 2003 to 2012), spending for the program would reach \$3.0 million in just over 17 years. By comparison, at a rate of growth greater than 8% annually, expenditures would near \$3.0 million by the end of the 2017-19 biennium.

7. If the program experiences a high rate of growth, the Committee may still wish to limit the amount of GPR funding for the program to an amount less than \$3.0 million annually.

8. For either of the above reasons, the Committee could choose to modify the Governor's recommendation to increase the cap from \$2.0 million to any amount lower than \$3.0 million; for example, to \$2.5 million per fiscal year. If the cap were raised to \$2.5 million, program expenditures could be maintained at an annual rate of growth of 2.5% through 2022-23. [Alternative 2]

9. Finally, the Committee could choose to delete the provision increasing the cap to \$3.0 million. Under this alternative, the sum sufficient appropriation would be reestimated to \$1,991,000 GPR in 2013-14 and \$2,000,000 GPR in 2014-15 and would represent the state's best estimate of expenditures in each year of the biennium. As noted previously, program spending would not be limited to the amounts in the schedule, but could not exceed \$2.0 million in either year. Under this alternative, bill funding would be reduced by \$8,300 GPR in 2013-14 and \$84,300 GPR in 2014-15. [Alternative 3]

## ALTERNATIVES

1. Approve the Governor's recommendation, as modified by the administration's reestimate, to raise the statutory cap on service award state matching funds to \$3.0 million and reestimate program spending at \$1,991,000 GPR in 2013-14 and \$2,035,100 GPR in 2014-15.

<b>ALT 1</b>	<b>Change to Bill Funding</b>
GPR	- \$57,500

2. Modify the provision to raise the statutory cap from \$2.0 million to \$2.5 million. Reestimate program spending at \$1,991,000 GPR in 2013-14 and \$2,035,100 GPR in 2014-15.

<b>ALT 2</b>	<b>Change to Bill Funding</b>
GPR	- \$57,500

3. Delete the cap increase. Reestimate program spending at \$1,991,000 GPR in 2013-14 and \$2,000,000 GPR in 2014-15.

<b>ALT 3</b>	<b>Change to Bill Funding</b>
GPR	- \$92,600

Prepared by: Rachel Johnson