

Academic Staff Sub-Committee on the Impact of the Budget Repair Bill

Study Findings

Charge

Explore and design instruments to collect qualitative and quantitative data on the impact of the budget bill on the academic staff. In particular, the data should focus on the economic impact of increased health insurance premiums and the increase in required retirement contributions and any other policies that have an economic impact on academic staff.

Background

Wisconsin Act 10; the 2011 Budget Repair Bill and Wisconsin Act 32; the 2011-2013 Biennial Budget Bill required:

- Increased contribution to retirement and health insurance premiums. Estimated to result in 5.6% to 8.2% decrease in take home pay beginning 9/1/11.
- Additional contributions to health care costs (new co-pays and increased deductibles) beginning 1/1/12. Resulted in additional, variable loss of income for some.

Sample

- The survey was sent to all Academic Staff at UW-Madison, as well as some other UW campuses. Individuals chose whether they wanted to complete the survey or not (convenience sampling).
- 2,168 respondents: 78% UW-Madison, 22% other campuses of the UW System; approximately 60% female, 40% male

Study Findings (*Conducted February-April, 2012*)

Personal Financial Well-Being

A national scale developed at research universities and hosted at the Personal Finance Employee Education Foundation, Alexandria, VA

As expected, PFW scores varied by household income:

- Those at <\$100,000 showed high financial distress (average PFW=4.68, n=1,857), while those at >\$100,000 showed low financial distress (average PFW =7.16, n=200).

PFW scores also varied by individual income:

- Those at < \$60,000 showed high financial distress (average PFW=4.58, n=1,375), while those at >\$60,000 showed average financial distress (average PFW =5.57, n =732).

UW Financial Impact Scale

The budget impact sub-committee developed this scale which instructed respondents to consider only effects of recent increases in health premiums and retirement plan contributions in conjunction with no raises, when responding.

- Respondents report they have reduced savings (57%), decreased contributions to retirement TSAs (33%), reduced charitable giving (63%), delayed a major purchase (68%), and decreased spending on recreational activities and vacations (69-70%).
- Most (68%) reported that they had not considered reducing health coverage (e.g. dropping supplemental plans, transferring to a significant other's insurance, etc.).
- Many reported they had considered leaving the university (57%) or taking a second job (30%). Less than 15% reported taking a second job.

Open Ended Questionnaire

- Responses ranged from indicating no financial impact to reporting that it is now difficult to make ends meet.
- Academic Staff reported a decrease in morale, negative impacts to personal relationships, and feeling alienated at work when co-workers were talking about being opposed to the changes.

Departmental Data

Attempts to gather data about impacts on departmental recruitment and retention of staff did not yield information.

Ad Hoc Committee on the Impact of the Budget Repair Bill

Study Findings

November 7, 2012

Acknowledgements

The committee would like to thank all of the Academic Staff members who completed the survey, volunteered for interviews, and provided feedback on draft versions of this report. We would also like to thank Dr. J. Michael Collins for providing us with background knowledge on studying financial impact and directing us to the Personal Financial Wellbeing Scale and Dr. Jennifer Dykema for providing her expertise with the follow-up questionnaire items. Finally, we would like to thank Heather Daniels, Donna Silver, Jo Ann Carr and ASEC for providing feedback throughout various stages of this process.

During the fall of 2011 the Ad Hoc Committee on the Impact of the Budget Repair Bill was formed. The charge of the committee was to study the financial impact of Act 10 and Act 32 of the Wisconsin State Assembly, passed in 2010, on the Academic Staff. These bills led to increased contribution to retirement and health insurance premiums that were estimated to result in 5.6% to 8.2% decrease in take home pay beginning 9/1/11. Also, additional contributions to health care costs (new co-pays and increased deductibles) began 1/1/12 resulting in additional, variable loss of income for some. In order to investigate the impact, the committee adopted a three-pronged approach: develop a survey, develop an open-ended questionnaire for Academic Staff members willing to be interviewed, and gather supplemental data from UW departments. This report outlines the committee's findings.

Recently for Wisconsin State employees there have been many factors that could affect one's financial wellbeing; most notably a lack of pay increases, furlough days, depressed state and national economies, and the Budget Repair Bill (Act 10). One Academic Staff member perhaps stated it best when saying, "The Budget Repair Bill did not happen in a vacuum." Because of this, it is challenging, if not impossible to fully divest the impact of Act 10 from other contributing factors with regards to the financial health of Wisconsin State employees. That being said, the committee was mindful of this challenge and its charge and thus made its best effort to word the survey questions to focus participants solely on the impact of Act 10.

It is also important to note that the Academic Staff are a large, diverse group of people. Our experiences are not universal. The stories and experiences illustrated in this report represent a snapshot of the Academic Staff. While the committee feels the investigation was quite comprehensive, there undoubtedly are individual experiences and opinions that are not reflected in this report.

Sampling

The survey was sent to all UW-Madison Academic Staff through the Secretary of the Academic Staff's office. In addition, other UW institutions were invited to participate by sending the survey to the chair of the Academic Staff. If the chair decided to participate, they sent the link to Academic Staff at their particular institution. The survey was anonymous and individuals could self-select if they would like to complete the survey. The survey was conducted between mid-February to mid-March of 2012, approximately 6 months after Act 10 became effective.

Survey Findings

The survey consisted of three parts; demographics, the Personal Financial Well-Being scale, and a separate scale which was developed by the committee. The results of the survey findings will be reported for the entire sample as well as for UW-Madison only.

Demographics

Overall, 2,307 Academic Staff accessed the survey. Of these, 2,168 completed the entire survey while the rest provided partial information. The number of Academic Staff who completed the survey, as well

as response rate by campus is shown in Table 1. As shown in the table, the majority of respondents (approximately 78%) were from UW-Madison.

Table 1. Survey completion by campus

Campus	Respondents	2010 Total Ac. Staff	Estimated Response Rate
UW-Colleges	170	607	28.0%
UW-Eau Claire	109	425	25.6%
UW-Madison	1791	7,313	24.5%
UW-Platteville	128	344	37.2%
UW-Whitewater	89	413	21.5%
Other UW Institutions*	14	--	--
No Response	6	--	--

*Note. UW-Extension and UW-System Administration are included in Other UW Institutions.

Tables 2 and 3 provide information on academic staff categories and funding sources.

Table 2. Academic staff categories

Category	All Respondents	UW-Madison only
Category A	1214 (52.6%)	949 (53.0%)
Category B	792 (34.3%)	607 (33.9%)
Category C	36 (1.6%)	21 (1.2%)
Don't Know	242 (10.5%)	199 (11.1%)
No Response	23 (1.0%)	15 (.8%)
Total	2307 (100%)	1791 (100%)

Table 3. Academic staff funding sources

Funding Source	All Respondents	UW-Madison only
Grants (133, 144)	717 (31.1%)	691 (38.6%)
Gifts (135, 233)	67 (2.9%)	63 (3.5%)
State Funds (101, 402)	756 (32.8%)	539 (30.1%)
Segregated Fees/Program Revenue (128, 136)	265 (11.5%)	176 (9.8%)
Don't Know	469 (20.3%)	301 (16.8%)
No Response	33 (1.4%)	21 (1.2%)
Total	2307 (100%)	1791 (100%)

Gender breakdowns are presented in Table 4.

Table 4. Gender breakdowns

	All Respondents	UW-Madison only
Male	908 (39.4%)	728 (40.6%)
Female	1376 (59.6%)	1048 (58.5%)
No Response	23 (1%)	15 (.8%)
Total	2307 (100%)	1791 (100%)

Additional demographic information was also collected with the survey. Based on the results, respondents have been employed at their institution, on average, 10.51 years. The majority of respondents (n = 1,823) reported that they hold a 100% appointment, with the average percent appointment being 93.23%. The average age of respondents was 44.6 years.

1,496 (65%) respondents indicated that their household includes more than one income. Of those who indicated that their household has more than one income, approximately 23% (n = 537) indicated that another individual in the household is also a state employee, thus having more than one individual whose salary is affected by the Act 10 legislation. Further, the average number of individuals who are dependent on the respondent's salary is 2.57.

Personal Financial Well-Being

The second section of the survey was the Personal Financial Well-Being (PFW) scale. The PFW scale is an existing survey designed to measure financial well-being (Prawitz, Garman, Sorhaindo, O'Neill, Kim, & Drentea, 2006b). Item responses range from 1 to 10 with a score of 1 indicating overwhelming financial distress and a score of 10 indicating no financial distress (Prawitz, et. Al., 2006a). Scores on the PFW are computed by averaging the scores obtained for the eight questions in the survey. Based on the 2004 sample of 1,300 participants from the general population, an average score is 5.7. Scores between 5 and 6 indicate average to moderate financial distress (Prawitz, et al., 2006a).

The average PFW score for the total sample was 5.0 (SD = 2.14). The average PFW score for only respondents from UW-Madison was slightly higher at 5.06 (SD = 2.14). Both of these averages are indicative of average financial distress.

Average PFW scores were also looked at by various demographic variables. Males, on average, scored a 5.19 on the PFW while females, on average, scored a 4.85. Average PFW scores by Academic Staff category were found to be very similar (4.98, 5.00, and 4.98 for Category A, B, and C, respectively). Finally, average PFW scores were found to decrease as household income decreased. In other words, individuals with lower household income levels reported lower PFW scores, on average, than individuals with higher household income levels. Specifically, individuals who reported having household incomes less than \$100,000 reported having high to average financial distress (average PFW = 4.68, n = 1,857), whereas individuals who reported having household incomes above \$100,000 reported low financial

distress (average PFW = 7.16, n = 200). Similarly, PFW scores varied based on individual income. Those at < \$60,000 showed high financial distress (average PFW=4.58, n=1,375), while those at >\$60,000 showed average financial distress (average PFW =5.57, n =732).

UW Financial Impact Scale

The section of the survey developed by the committee consisted of 14 items that were written to reflect some of the financial impacts we thought may be affecting state employees. Table 5 provides the items and format of the UW Financial Impact Scale. The instructions for the scale directed individuals to respond by only considering how the recently implemented Act 10 legislation has affected each area.

Table 5. UW Financial Impact scale

	I have not considered it	I am considering it	I have done it	N/A
1. Reducing your mortgage or rent payment				
2. Decreasing health coverage				
3. Reducing the amount of money you put into your savings				
4. Reducing your contribution to a personal retirement account				
5. Reducing charitable giving				
6. Dropping your health club or gym membership				
7. Delaying making a major purchase				
8. Reducing money spent on vacations				
9. Decreasing your children’s extracurricular activities (e.g. music lessons, clubs, sports, etc.)				
10. Decreasing personal recreational activities (e.g. eating out, going to movies, attending sporting events, etc.)				
11. Reducing transportation costs (e.g. not paying for parking, carpooling, taking the bus, etc.)				
12. Taking a second job				
13. Leaving the university				
14. Retiring early from the UW				

Results from this section of the survey can be found in the following figures. Each figure shows a set of side-by-side graphs for comparison between all respondents and only UW-Madison respondents.

Figure 1. Reducing your mortgage or rent payment

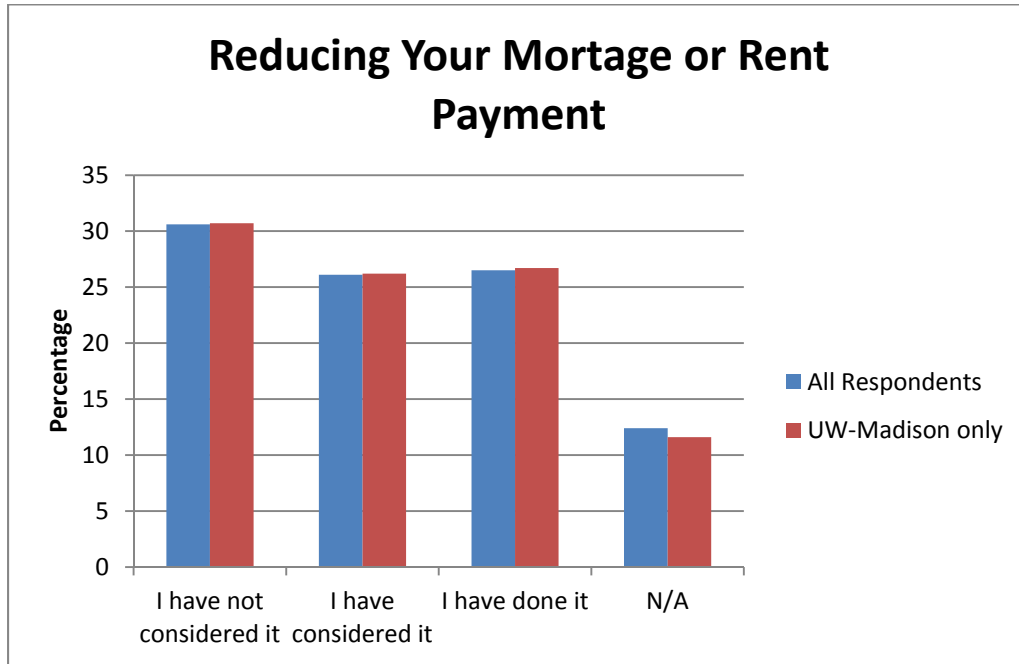
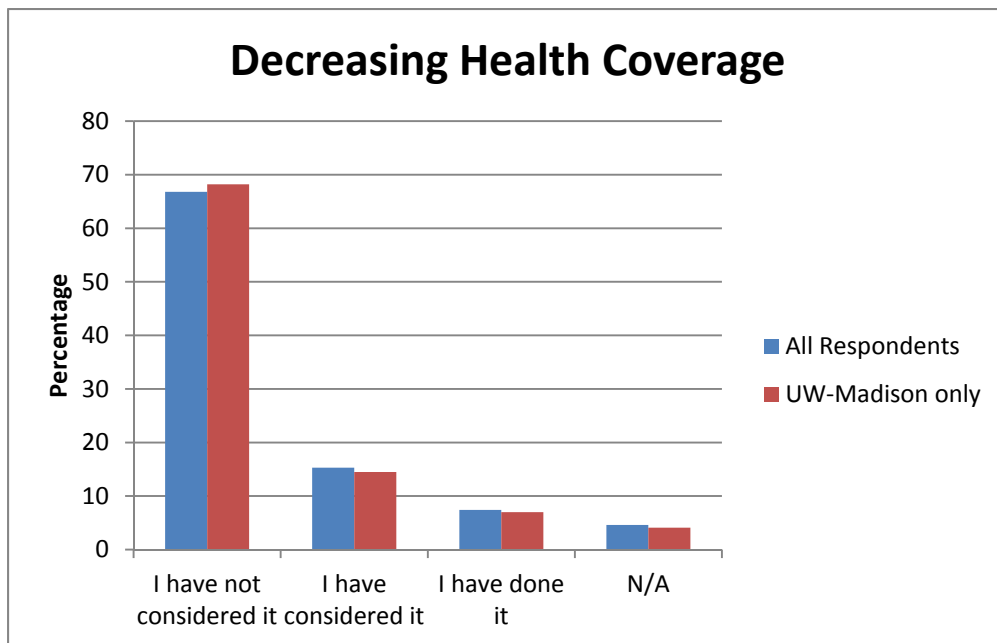
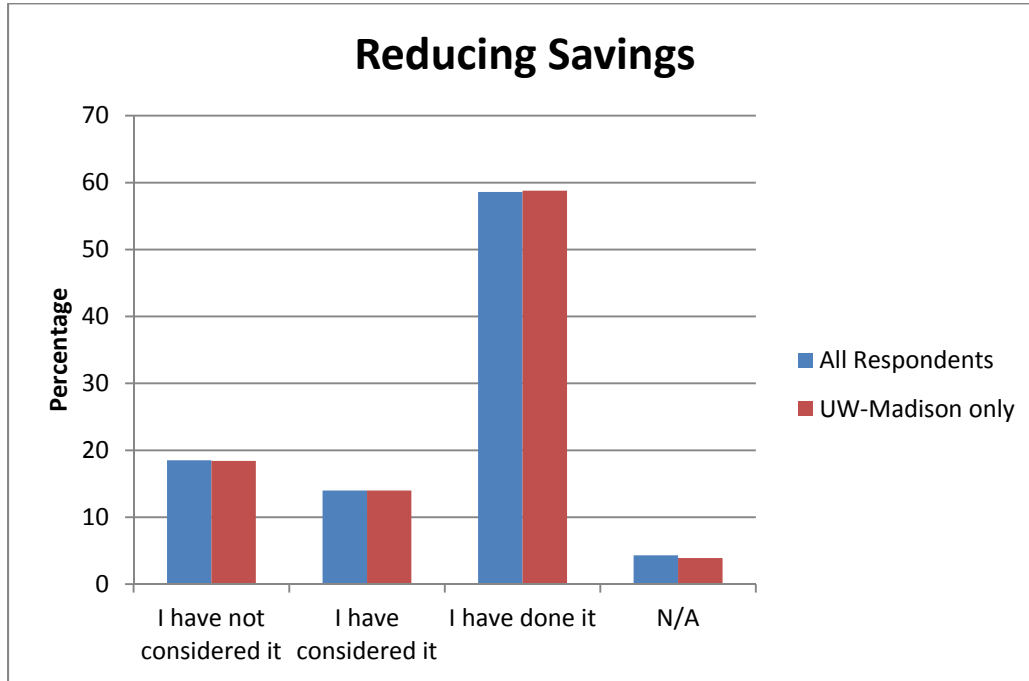


Figure 2. Decreasing health coverage



The majority of respondents (67-68%) have not considered decreasing their health coverage as a result of the recent legislation.

Figure 3. Reducing the amount of money you put into your savings



In contrast, many respondents (approximately 57%) indicated that they have reduced the amount of money that they put into savings. Also, a majority of respondents have either considered or reduced their retirement savings.

Figure 4. Reducing your contribution to a personal retirement account

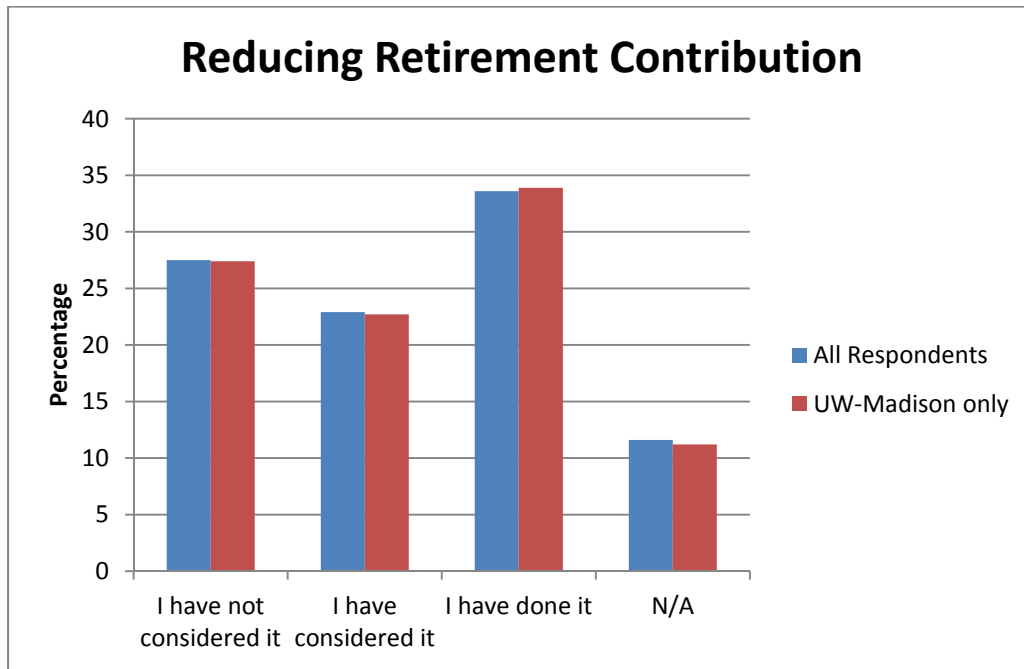
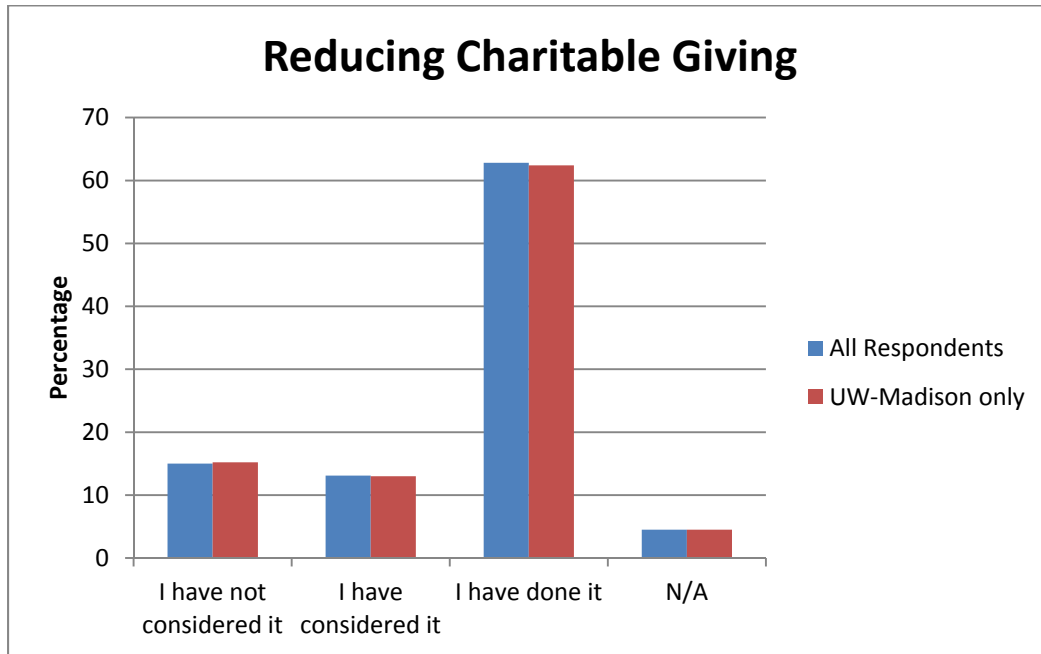


Figure 5. Reducing charitable giving



A majority of individuals (62-63%) have reduced their charitable giving.

Figure 6. Dropping your health club or gym membership

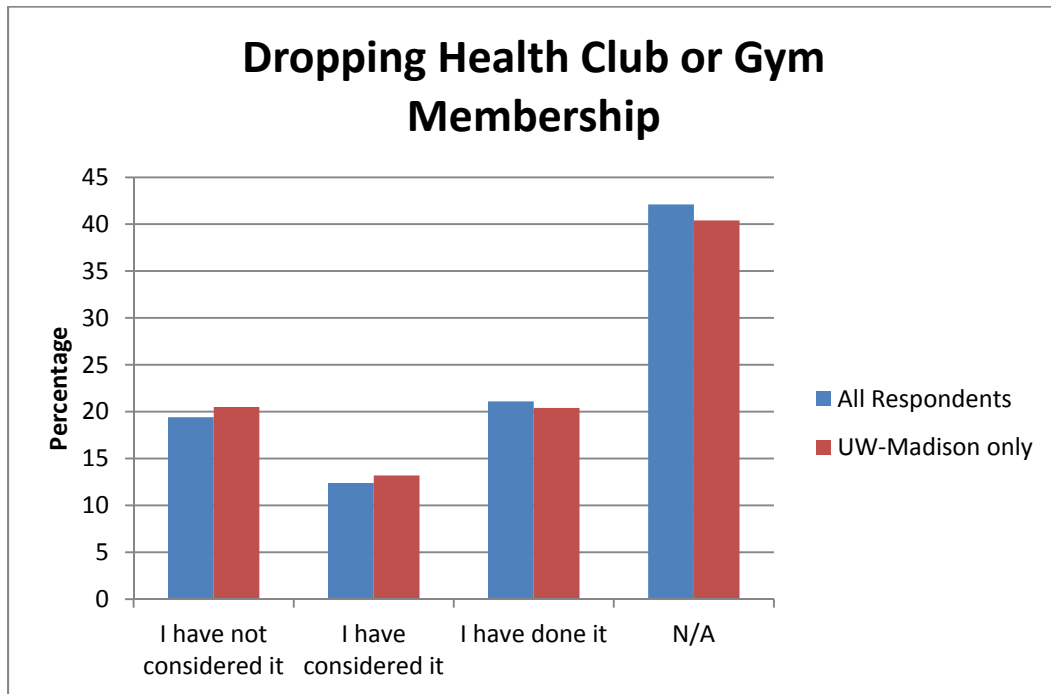
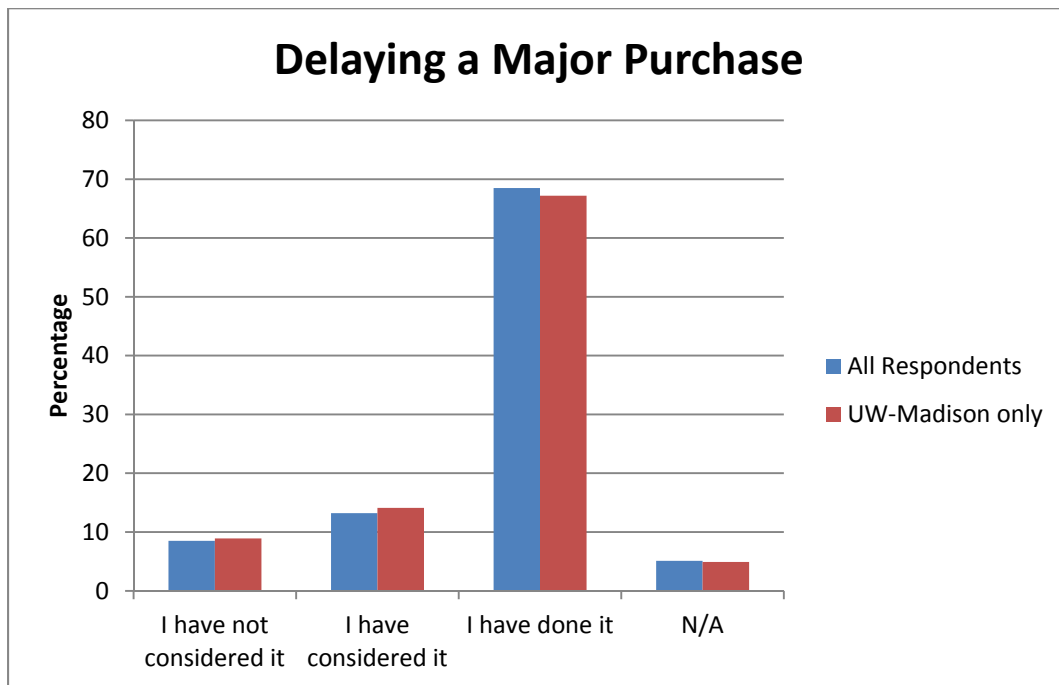
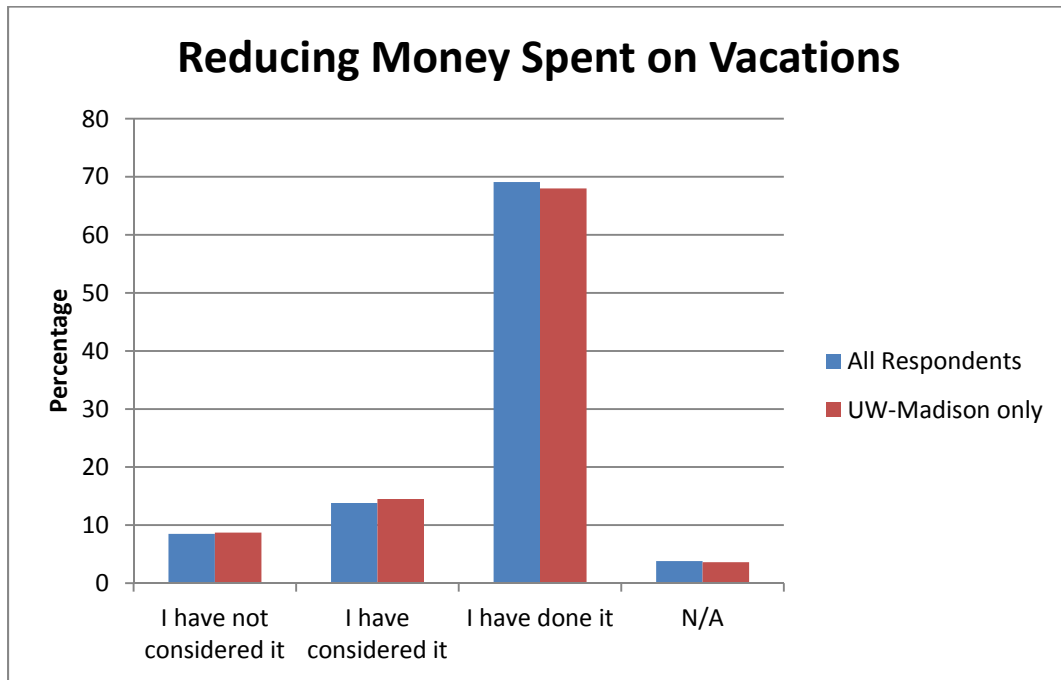


Figure 7. Delaying making a major purchase



Approximately 68% of respondents have delayed making a major purchase.

Figure 8. Reducing money spent on vacations



Similarly, 69% have reduced the amount of money that they spend on vacations.

Figure 9. Decreasing your children's extracurricular activities

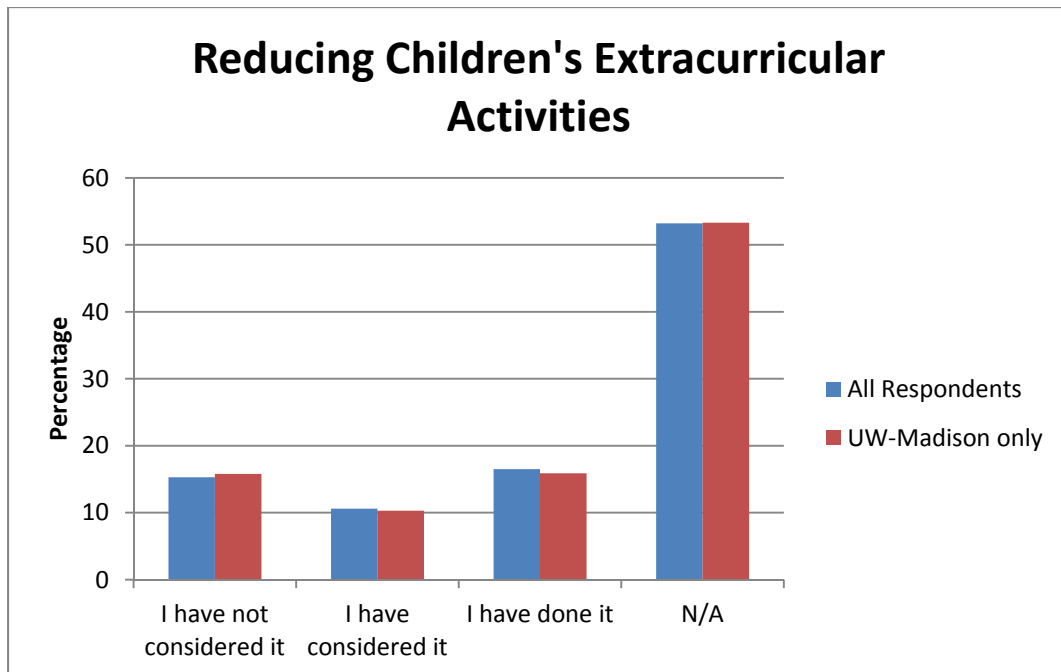


Figure 10. Decreasing personal recreational activities

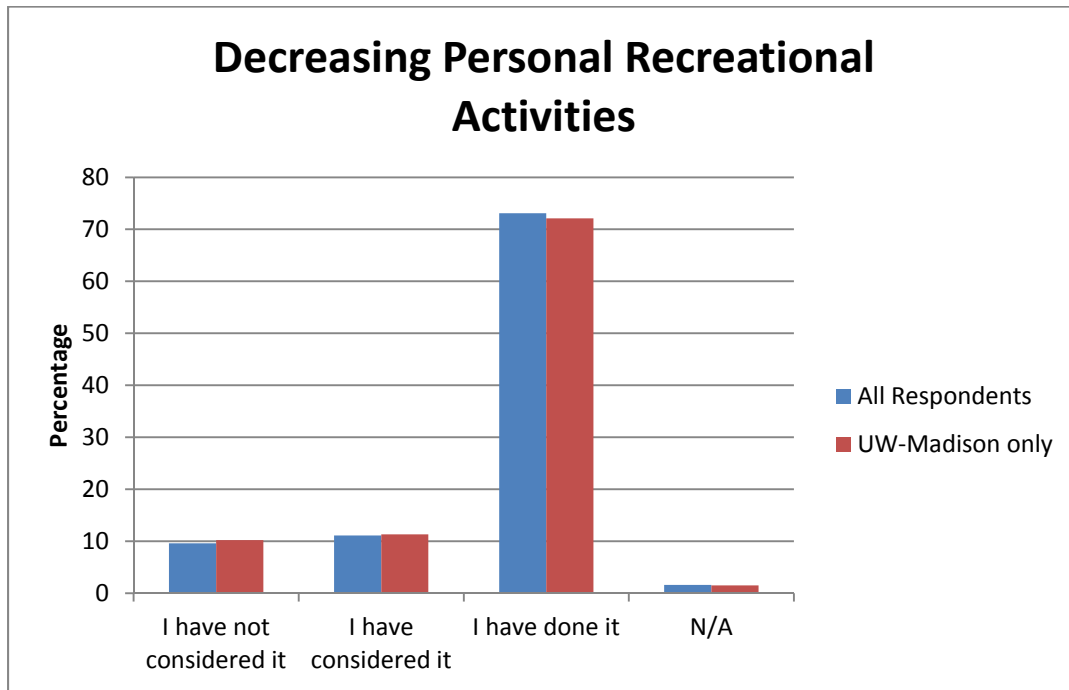


Figure 11. Reducing transportation costs

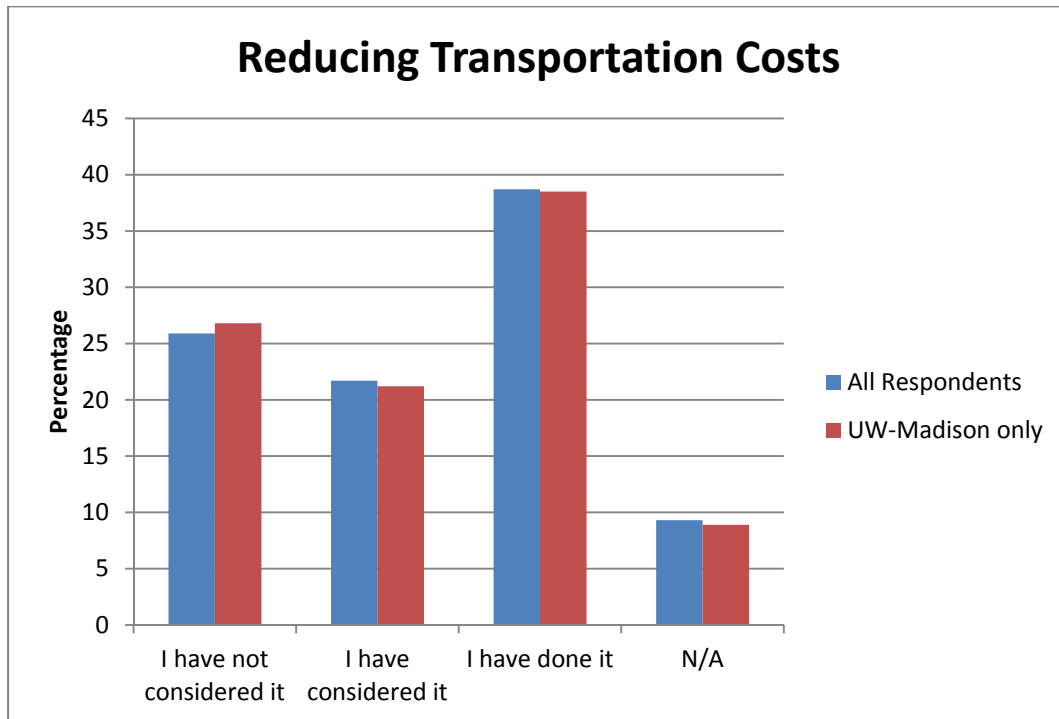


Figure 12. Taking a second job

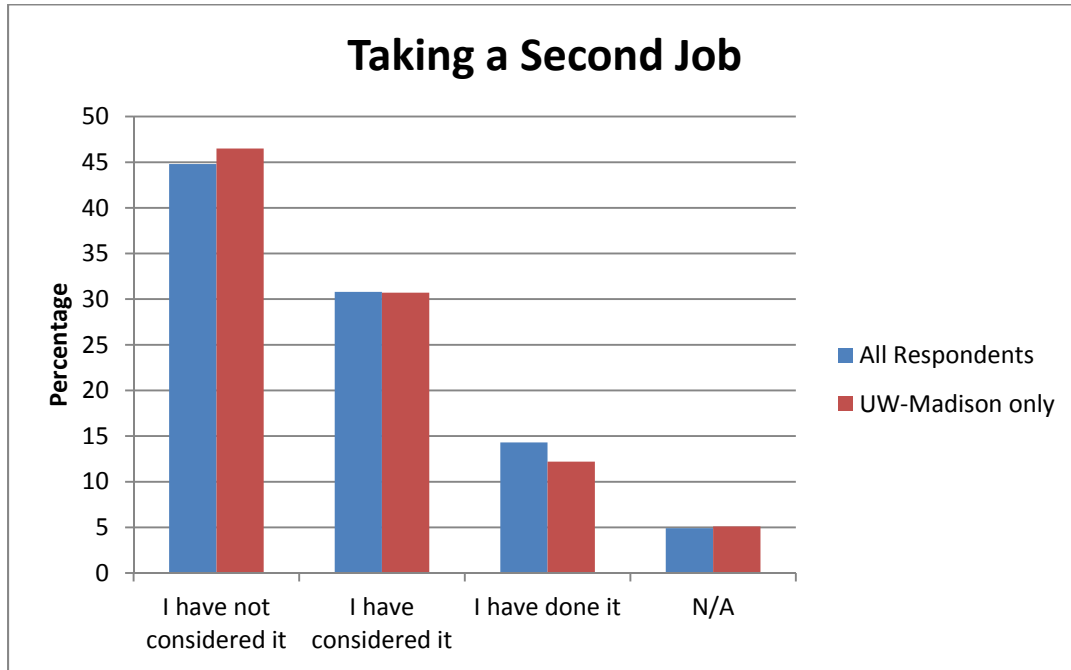
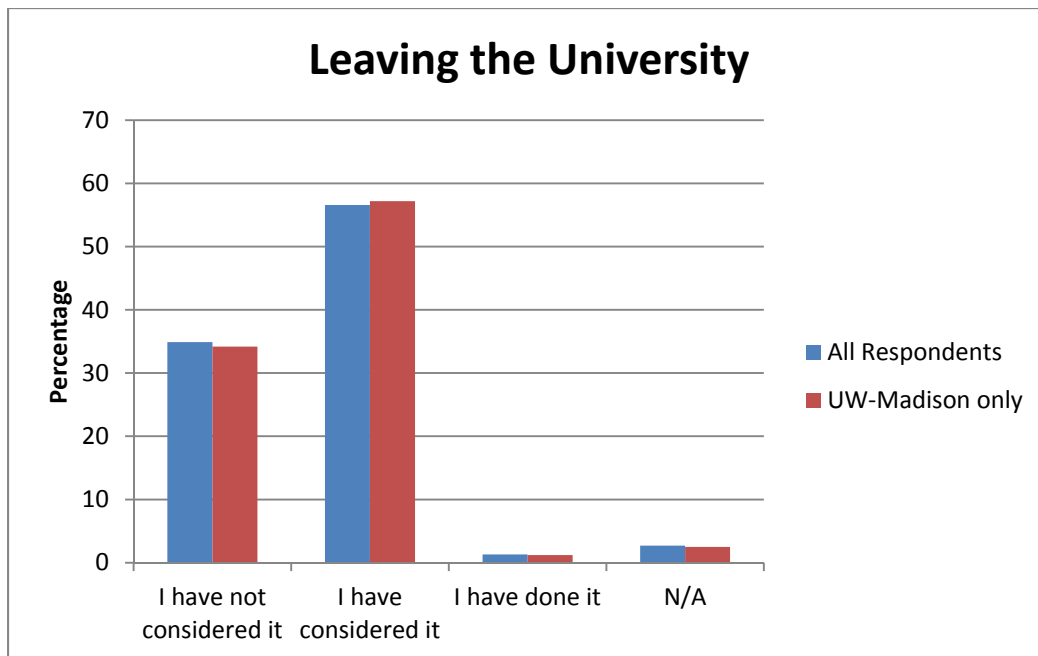
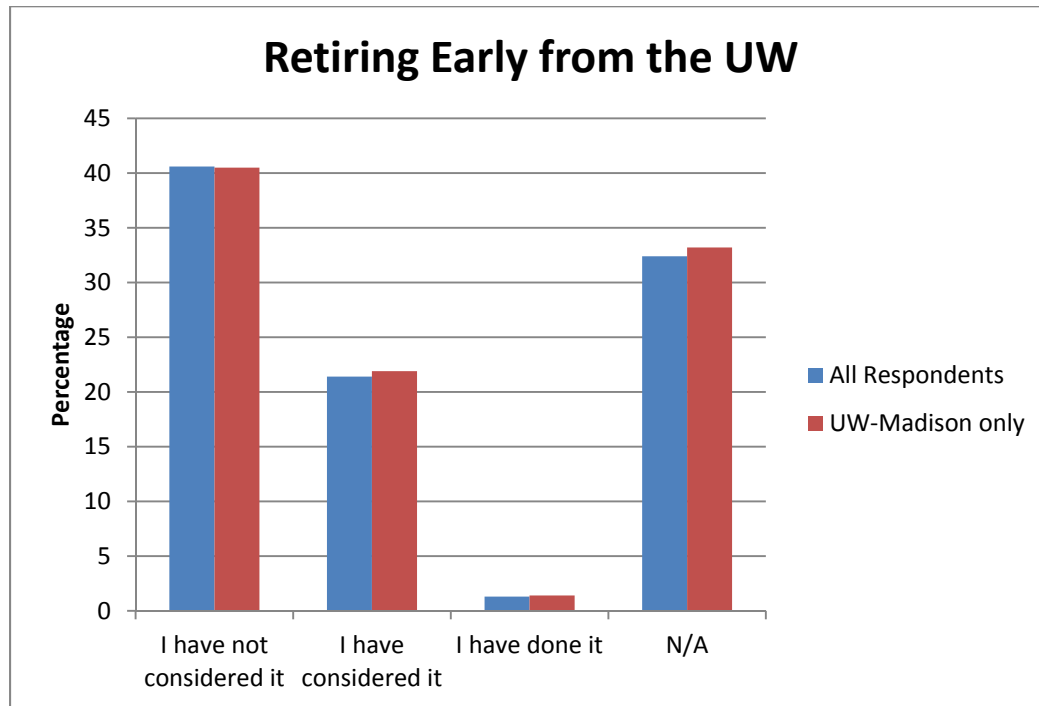


Figure 13. Leaving the university



Approximately 57% of respondents have considered leaving the university.

Figure 14. Retiring early from the UW



Overall, the findings of the third section of the survey suggest that most respondents have reduced spending for recreational and extracurricular activities, including vacations. In addition to this, quite a few have delayed making a major purchase and are contributing less to their personal savings. Few have decreased their health care coverage.

Open-Ended Questionnaire Findings

Twenty-five individuals responded to a follow-up, open-ended questionnaire. The primary aim of the questionnaire was to allow individuals to provide a more in-depth picture of how the budget bill may or may not have impacted them.

There were a number of themes from the interviews that supported issues raised in the overall survey report, namely: reduction in pay that impacted the ability to save, led to changes in housing, and resulted in the need to take an additional job. One participant indicated that they have needed to take on two additional jobs in order to make ends meet. Further discussion and specific examples are noted below.

Decrease in Savings

Most respondents referred to the loss of pay during the furloughs and report now with ACT 10 that they are seeing those same losses with increased mandatory healthcare and retirement contributions. This has led to respondents to adjust the amount of money they are able to put into their savings or retirement plans. This appeared to be the most prevalent theme to emerge from the questionnaire. One respondent wrote, "I believe that the most significant way it has impacted me is by limiting the amount of money that we can save as a family. I'm a saver; it's part of my character....But we're saving very little to nothing each month now, so I feel like I'm just spinning my wheels". Another wrote, "I stopped all contributions I made to my 403b and mutual fund savings, all that goes to cover the added health insurance, pension and hopefully, medical co-pay".

Lack of Discretionary Funds

Another theme among virtually all respondents was the lack of discretionary funds families have available. Families have reduced the amount they spend on their children's activities, eating out, and entertainment. Individuals that used to be able to visit family or children in other states have had to lessen travel. Some have reduced, or are considering reducing, the monetary assistance they could provide to their children, for example for college expenses and elementary school programs. Finally, some participants noted the impact on local community businesses, as they or their families can no longer support local businesses (e.g. restaurants) due to shortage of money or the readjustment of family priorities. One respondent stated, "There are no discretionary funds, no money to save for retirement, no money for fun things or hobbies, and it's difficult to meet unexpected expenses-no matter how hard you try".

Housing

Some participants reported that they could potentially lose their house due to the decreased take home salary. These participants wrote the following statements: "We are losing our house through foreclosure", "We are literally one paycheck away from being on the street", and "The additional costs have hurt my ability to make my mortgage payment... The stress on the family has increased as we have moved from middle class to being on the verge of losing our home".

Interpersonal Relationships and Morale

Participants also reported broken relationships. The changes of ACT 10 appear to have permanently changed the social interactions people have in their daily lives. One person wrote, "It has ruined long time friendships and painted a picture in the public eye that I am a lazy person who does not deserve the benefits promised to me in my original job offer." Another wrote, "Most importantly, it has strained relationships that I have with some family, friends and colleagues, and that is impossible to quantify."

The morale in the work place at UW was said to be very low according to many respondents and this has left some thinking they should leave the university. A number of people mentioned that they felt it was “unfair” that they were being singled out as “lazy public employees”, were being “vilified” and perceived as the enemy. One respondent wrote, “I feel defeated...it is demoralizing to be seen as a rich state worker that gets exorbitant benefits paid for by the taxpayers.”

Support of Act 10

While the majority of the participants wrote about the above themes, one participant responded that they were in favor of the Act 10 legislation. This participant wrote that Act 10 is “important and needed” and reported having felt no financial impact due to the legislation. This participant did, however, report having felt the impact in the work environment. Specifically, they wrote, “The only negative impact I have felt is from endless hours of co-workers berating and bashing our Governor in the halls and meeting rooms of the University and in my work space - where I am unable to escape the banter. It has been agonizing to be alienated in a work place that strives for inclusivity but only when it is convenient.”

Subcommittee to Assess Departmental Impacts

This subcommittee’s goals were two- fold: (i) to evaluate the impact of the Budget Repair Bill on hiring and retention of academic staff from the vantage point of academic departments/units and (ii) to investigate changes in academic staff enrollment in health benefits and retirement savings. However, attempts to gain data were complicated by the limited time and resources of the subcommittee as well as changes in staffing and IT systems for Human Resources that were occurring at the same time.

The subcommittee developed an interview protocol for human resources representatives from departments/units. They conducted an interview with the academic department manager in one department and learned of increased efforts by academic staff there to obtain promotions and title changes. Following this, an effort was made by the subcommittee to obtain access to other departmental human resources representatives through a cross-unit group of human resources representatives. However, the timing was not appropriate for meeting with this group.

Every year the University publishes an annual report on the tax-sheltered annuity program (<http://www.uwsa.edu/hr/benefits/retsav/tsareport2010.pdf>). This report details the number of people who make contributions and the average and medium amount of the contributions. The report also examines the contribution patterns. The subcommittee hoped to examine the data after the Budget Repair Bill took effect, but the University did not publish the annual report for the 2011 year.

The subcommittee wanted to examine whether there had been changes in the health benefit enrollments after the Budget Repair Bill went into effect. For example, did employees change their health coverage from family to single? Did the number of employees enrolling in the optional programs such as dental-excess medical coverage decline? However, the subcommittee’s efforts coincided with a

roll-out of the new HRS system and a shortage of resources for obtaining data from the new and the legacy systems for the relevant time period.

Conclusions

This investigation attempted to determine what financial impact, if any, the Act 10 and Act 32 had on Academic Staff. In doing so, however, one must recognize that Act 10 and Act 32 were implemented after two years of furloughs and years with no pay increases. While this report attempted to focus on the recent legislation, it is likely that these previous policies have also affected the financial status of academic staff employees.

As expected, level of financial distress increased as household income decreased. Survey responses revealed that, individuals are feeling an economic pinch and have fewer discretionary funds, but overall many are not reporting having acted on or considered major life changes as a result of the legislation (e.g. decreasing health coverage, decreasing mortgage or rent payment, or taking a second job). Reduction in income not only affects the individual, but also the community in which one lives. A large percentage of survey respondents reported that they have delayed making a major purchase (68%), reduced money spent on vacations (69%), reduced personal recreational activities (70%), and reduced their charitable giving (62%). Based on this information, it seems as though there may be an impact on local businesses where staff has previously spent money for recreation (e.g. dining out, theater) or for vacations. If most Academic Staff are reducing costs for recreational activities, then these establishments may be negatively impacted.

The open-ended survey responses perhaps best showed the range of financial impacts. Impacts ranged from no financial impact to individuals who were struggling to make ends meet and were in danger of losing their homes. Many respondents reported that they were not able to contribute as much to their personal savings and have had to cut back on flexible spending. Additional, non-financial impacts were also reported in the open-ended responses. Academic Staff reported a decrease in morale, negative impacts to personal relationships, and feeling alienated at work when co-workers were talking about being opposed to the changes.

As mentioned previously, this study made use of a convenience sample where Academic Staff members were allowed to decide if they would like to participate. While this type of sampling is convenient, it can also result in selection bias. For example, individuals who were feeling particularly distressed may have been more likely to complete the survey than individuals who were feeling little to no financial distress. This is one limitation of the current study.

References

Prawitz, A. D., Garman, E. T., Sorhaindo, B., O'Neill, B., Kim, J., Drentea, P. (2006a). InCharge financial distress/financial well-being scale: development, administration, and score interpretation. *Financial Counseling and Planning*, 17(1), 34-50.

Prawitz, A. D., Garman, E. T., Sorhaindo, B., O'Neill, B., Kim, J., Drentea, P. (2006b). The incharge financial distress/financial well-being scale: establishing validity and reliability. Paper presented at the proceedings of the Association for Financial Counseling and Planning Education.