



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #172

Compensation for Certain Correctional Positions (Budget Management and Compensation Reserves)

[LFB 2019-21 Budget Summary: Page 54, #1]

CURRENT LAW

For the 2017-19 biennium, all funds compensation reserves total \$6,818,700 in 2017-18 (\$3,080,500 GPR and \$3,738,200 other funds) and \$117,167,500 in 2018-19 (\$52,081,600 GPR and \$65,085,900 other funds). These funds are reserved for cost increases related to state and University of Wisconsin (UW) System employee salaries and fringe benefits.

GOVERNOR

Provide to compensation reserves \$3,602,100 GPR in 2019-20 and \$20,160,900 GPR in 2020-21 to institute a new pay progression system that is intended to increase the starting hourly wage for correctional officers and sergeants, youth counselors/advanced, and psychiatric care technicians/advanced as well as to reduce pay compression issues between levels (such as officers and sergeants) and improve pay at all years of service for individuals in these positions at the Department of Corrections and Department of Health Services.

DISCUSSION POINTS

Background

1. Correctional officers are employed by the Department of Corrections and Department of Health Services and are responsible for providing security for inmates, residents, staff, and the public within an adult correctional institution or in support of treatment for patients, residents, staff, and the public within a secure treatment facility. Similar to correctional officers, youth counselors are

responsible for performing a combination of security and rehabilitation work in a juvenile correctional facility. Correctional sergeants are also employed by the Department of Corrections and Department of Health Services and function as leadworkers to correctional officers within adult correctional institutions, community corrections, and secure treatment facilities of mental health institutes. Similar to correctional sergeants, youth counselors-advanced are responsible for performing responsible leadwork or advanced level security and rehabilitation work in a juvenile institution or a field unit of the corrective sanctions program. Psychiatric care technicians and psychiatric care technicians-advanced are employed by the Department of Health Services and are responsible for interacting with mentally ill inmates/patients to promote the development and improvement of daily living and social skills and to facilitate behavior change. Table 1 summarizes the number of authorized full-time equivalent (FTE) positions in 2018-19 for each classification type by agency and fund source.

TABLE 1

**Authorized Full-Time Equivalent Correctional Security Positions
Under Pay Proposal by Agency and Fund Source, 2018-19**

<u>Agency and Position Classification</u>	<u>GPR FTEs</u>	<u>PR FTEs</u>	<u>Total FTEs</u>
Department of Corrections			
Correctional Officer	3,040.00	1.00	3,041.00
Correctional Sergeant	1,604.25	1.00	1,605.25
Youth Counselor	1.75	109.00	110.75
Youth Counselor-Advanced	<u>0.50</u>	<u>58.05</u>	<u>58.55</u>
Subtotal Corrections	4,646.50	169.05	4,815.55
Department of Health Services			
Correctional Officer	94.00	6.00	100.00
Correctional Sergeant	30.00	0.00	30.00
Psychiatric Care Technician	180.13	196.28	376.41
Psychiatric Care Technician-Advanced	<u>529.89</u>	<u>42.11</u>	<u>572.00</u>
Subtotal Health Services	834.02	244.39	1,078.41
Total	5,480.52	413.44	5,893.96

2. While the use of overtime is necessary in the operation and management of twenty-four hour, seven-day-a-week correctional institutions and mental health treatment facilities, high overtime costs have been an ongoing issue for the Department of Corrections and, to a lesser extent, the Department of Health Services. Under the 2007-09 biennial budget, statutory language was created requiring the Department of Corrections to report to the Joint Committee on Finance every two years on the amount and costs of overtime at each of its adult correctional institutions. In reviewing the most recent report submitted on January 8, 2019, the Department paid \$50,642,784 for 1,805,106 hours of overtime at adult institutions in fiscal year 2017-18. The most common reasons for overtime in 2017-18 were: position vacancies, sick leave coverage, and medical vigils.

3. In comparison to other reasons indicated for overtime usage, position vacancies constituted the largest share of overtime hours worked at adult institutions by reported category in

2017-18, accounting for 844,195 overtime hours (at a cost of approximately \$23,561,100). This is 46.8% of all overtime included in the report and a 34% increase in the use of overtime to cover position vacancies when compared to fiscal year 2015-16 (approximately 629,800 overtime hours). The average vacancy rates for all positions at all institutions, including the juvenile correctional schools, between fiscal years 2011-12 and 2016-17 ranged from 7.50% to 10.65%. The average vacancy rate for all institutions in 2017-18 was 11.74%. Waupun Correctional Institution had the highest vacancy rate in 2017-18 at 19.98%. In the first half of 2018-19, the average vacancy rate across all institutions has been 13.36%.

4. A majority of the vacancies are in security positions. In April, 2019, approximately 16% of correctional officer/sergeant and youth counselor/advanced positions at the Department of Corrections were vacant and approximately 8.5% of correctional officer/sergeant and psychiatric care technician/advanced positions at the Department of Health Services were vacant.

5. The Department of Corrections and the Department of Administration's Division of Personnel Management (DPM) conducted research on pay of correctional employees. This research included comparisons of pay with that of correctional positions in other states as well as comparisons with employers in other fields that compete for the same pool of workers locally in Wisconsin. While a comparison to correctional position pay in other states may be informative, comparisons to pay and work conditions of competing local employers is likely more relevant for state employee recruitment and retention purposes. However, it is difficult to determine precisely which employers and professions are in direct competition for individuals who might work as correctional officers/sergeants, youth counselors/advanced, and psychiatric care technicians/advanced. For example, comparisons have been made to retail distribution centers at which starting pay may be higher, with more favorable working conditions and hours. Other examples may include construction or manufacturing work. Based on this type of comparative approach, the Department of Corrections and DPM believe that pay for correctional officers lags behind competing employers by approximately \$2 per hour. This hourly pay difference, however, does not take into account work environment, hours, or other employment conditions.

6. Vacancy rates and associated overtime expenses can additionally be attributed to overall economic conditions. Over the past several years, the unemployment rate has decreased in Wisconsin from around 7.4% in 2011-12 to 2.9% in March, 2019. Correctional position vacancy rates and overtime attributable to position vacancies are observed to have an inverse relationship to unemployment rates. In 2011-12, the vacancy rate at adult correctional institutions was approximately 6.5% and overtime hours associated with position vacancies constituted 20.5% of overtime hours overall. In 2017-18, the vacancy rate at adult correctional institutions was approximately 11.2% and overtime hours associated with position vacancies constituted 46.8% of overtime hours overall. As of April, 2019, the vacancy rate for adult institutions was approximately 14.5%. Table 2 summarizes available data for adult corrections position vacancy rates, overtime hours and costs, and unemployment rates in Wisconsin from 2011-12 to 2018-19 (through March or April, 2019). Expenditures for overtime and the percentage of overtime hours attributable to position vacancies are only available for even-numbered fiscal years, through the overtime report submitted to the Legislature every other year.

TABLE 2**Adult Correctional Institutions Vacancy Rates and Overtime,
2011-12 to 2018-19**

<u>Fiscal Year</u>	<u>Vacancy Rate (%)</u>	<u>Overtime Hours for Vacancies (%)</u>	<u>Overtime Total Hours</u>	<u>Overtime Total Costs (All Funds)</u>	<u>Unemployment Rate, WI (%)</u>
2011-12	6.5%	20.5%	1,026,250	\$31,064,300	7.4%
2012-13	6.9	--	--	--	6.9
2013-14	6.9	28.1	1,201,947	33,539,400	6.1
2014-15	7.4	--	1,286,930	--	4.9
2015-16	9.8	40.4	1,558,679	43,176,700	4.3
2016-17	10.2	--	1,666,057	--	3.6
2017-18	11.2	46.8	1,805,106	50,642,800	3.1
2018-19 (March/April)	14.5%	--	--	--	2.9%

7. Table 3 provides data for overtime hours and overtime expenditures at secure treatment facilities of Department of Health Services mental health institutes from 2012-13 to 2015-16, in addition to unemployment rates in Wisconsin over the same period. Table 3 includes Mendota Mental Health Institute, Winnebago Mental Health Institute, Sand Ridge Secure Treatment Center, and Wisconsin Resource Center.

TABLE 3**Secure Treatment Facilities of Mental Health Institutes
Overtime Hours and Expenditures, 2012-13 to 2015-16**

<u>Fiscal Year</u>	<u>Overtime Total Hours</u>	<u>Overtime Total Costs (All Funds)</u>	<u>Unemployment Rate, WI (%)</u>
2012-13	120,207	\$3,651,700	6.9%
2013-14	149,173	4,634,100	6.1
2014-15	155,419	5,230,500	4.9
2015-16	198,743	6,417,200	4.3

8. In addition to several 2017-19 compensation plan provisions relating to employee pay which were proposed by DPM and approved by the Joint Committee on Employment Relations (described in further detail later), the Department of Corrections has taken several measures to recruit additional employees including: (a) developing and implementing a digital recruitment campaign for display on social media, employment websites, and search engine advertisements that mention specific compensation incentives such as sign-on bonuses; (b) in-person recruitment events at correctional institutions, job centers, technical colleges, high schools, law enforcement and corrections events, universities, and public libraries; (c) newspaper advertisements; (d) radio advertising; and (e) posting of flyers at local establishments.

9. For some correctional institutions, recruitment challenges include the location of the facility relative to the residences of potential new hires. Several prisons are located in areas that necessitate outreach beyond the local residential population due to size. Therefore, when recruiting individuals to fill positions, employment conditions must attract individuals who are willing to relocate or commute. For some individuals, a permanent move or lengthy commute may constitute a significant adjustment.

10. While some correctional employees volunteer to perform necessary overtime hours, other employees may be subject to mandatory performance of overtime. According to the administration, many correctional employees who quit after working for a short time do so due to requirements to perform overtime on a regular basis. Although overtime may be viewed as a source of additional income for many employees, not all employees want to work long hours consistently. Work-life balance is reportedly a reason often cited by individuals who choose to seek employment elsewhere.

11. Position vacancies may additionally increase over the next five to 10 years due to growing numbers of retirement-eligible employees. At the four maximum security correctional facilities with high vacancy rates (Waupun, Columbia, Dodge, and Green Bay), the percentage of security employees who are eligible to retire are estimated at: (a) 4% to 11% of current staff; (b) 20% to 36% within five years; and (c) 33% to 49% within 10 years. Therefore, improvement of employee recruitment and retention now could serve as a preventive measure with regard to further position vacancy increases in future years.

2017-19 Compensation Plan Provisions

12. The state's biennial compensation plan, prepared by DPM and approved by the Legislature's Joint Committee on Employment Relations (JCOER), establishes the compensation levels and various other pay, benefit, and work conditions for most state employees. For each job classification in the classified state service, provisions in the compensation plan address both general and specific aspects of: (a) base pay; (b) overtime and supplemental pay; and (c) incentive pay.

13. Among its various provisions, the 2017-19 compensation plan established the following minimum and maximum salaries (effective January 6, 2019) for: (a) correctional officers/youth counselors/psychiatric care technicians, \$16.65 to \$27.68 per hour; and (b) correctional sergeants/youth counselors-advanced/psychiatric care technicians-advanced, \$17.45 to \$30.39 per hour. These salary ranges incorporate the compensation plan's 2% general wage adjustment provided to all classified state employees beginning in July, 2018, and another 2% increase provided in January, 2019. In addition, the 2017-19 compensation plan included the following pay provisions which affect correctional security positions.

14. *Sign-on Bonus.* The 2017-19 compensation plan allowed for agencies, under certain circumstances, to offer employee recruitment sign-on bonuses of up to \$2,000 with the approval of the DPM's Bureau of Merit Recruitment and Selection Director. The Division has further defined the requirements for such bonuses in a DPM Policy Bulletin made available to state agencies.

15. *Pilot Supplemental Pay Provisions and Youth Counselor Add-on.* The 2017-19

compensation plan allowed, at the sole discretion of the DPM administrator, the creation of pilot (temporary) add-on programs to address specific severe recruitment, retention or employment issues that may arise before a meeting of JCOER may be convened.

16. *Pay Range Progressions.* The 2017-19 compensation plan created a pay progression schedule for correctional officers, sergeants, youth counselors/advanced, and psychiatric care technicians/advanced. The pay progression schedule provided for specific hourly increases for: (a) correctional officers, youth counselors, and psychiatric care technicians after six months, 12 months, 18 months and 24 months of adjusted continuous service; and (b) sergeants, youth counselors-advanced, and psychiatric care technicians-advanced after 24 months of continuous service.

17. *Pay Equity Placement.* The 2017-19 compensation plan created a pay equity placement provision for correctional officers, sergeants, youth counselors/advanced, and psychiatric care technicians/advanced. The pay equity placement provision specified that effective January 20, 2019, correctional officers, sergeants, youth counselors, youth counselors-advanced, psychiatric care technicians and psychiatric care technicians-advanced would have their pay increased to a specific hourly amount based on the calendar year in which they began continuous service. Employees whose current pay rate was equal to or greater than the amount specified, or those who began service in 2015 or more recently, would maintain their current pay rate.

18. Many compensation plan provisions apply to entire groups of employees, such as all classified employees, or entire position classifications or pay ranges. For example, the provisions described above as "pay range progressions" and "pay equity placement" apply to all six position classifications in pay ranges 05-31 and 05-32. Likewise, the Governor's recommendations to institute a pay progression system for correctional positions would apply to all correctional officers/sergeants, youth counselors/advanced, and psychiatric care technicians/advanced.

19. Other compensation plan provisions may apply to specific locations, institutions, and even specific individuals meeting certain criteria. The compensation provisions described above as "sign-on bonus" and "pilot supplemental pay provisions" are by design intended to apply under specific circumstances, rather than to all employees or particular position classifications generally. The Department of Corrections has requested, and received approval from DPM, to utilize these pay incentives to address unusually high position vacancy rates at particular correctional institutions as follows.

20. *Sign-on Bonus - Correctional Officers.* The Department of Corrections currently has a sign-on bonus program in effect at the Waupun Correctional Institution (WCI), Columbia Correctional Institution (CCI) and Dodge Correctional Institution (DCI) for correctional officers until June 22, 2019. Under the program, \$1,000 is provided with the first paycheck after graduation from the service academy to individuals committed to work at WCI, CCI or DCI, and \$1,000 is provided with the paycheck that follows successful completion of the probationary period.

21. *Pilot Supplemental Pay Provisions for Corrections.* With regard to the hourly add-on program modifications recently highlighted by the administration, the Department of Corrections currently has a supplemental \$5 per hour add-on program in effect at WCI, CCI, DCI, the Green Bay Correctional Institution (GBCI), the Taycheedah Correctional Institution (TCI), and Lincoln

Hills/Copper Lake Schools for correctional officers, sergeants, youth counselors and youth counselors-advanced. The add-on is: (a) in effect until June 20, 2020; (b) only applicable for hours worked (not applicable to leave hours); and (c) not permanent. The site-specific hourly add-on was designed to address high vacancy rates at the state's maximum-security institutions (except the Wisconsin Secured Program Facility) and at the juvenile correctional schools. While the add-on does not address all correctional officer/sergeant, youth counselor/advanced, or psychiatric care technician/advanced positions, the intent is to assist facilities with the most acute needs.

Prior to April, 2019, other hourly add-on pay incentives were utilized for correctional security positions, at lower rates and at fewer institutions. From May 29, 2016, to January 7, 2017, a \$0.50 per hour add-on was approved for WCI, CCI, GBCI, and Lincoln Hills/Copper Lake Schools. In 2018 and 2019 (through April 27, 2019), a \$1 per hour add-on program was implemented for the same facilities (WCI, CCI, GBCI, and Lincoln Hills/Copper Lake Schools) and was also expanded to include DCI. The hourly add-on was increased to \$5 and expanded to TCI effective April 28, 2019.

22. As a reference point, Table 4 provides position vacancy rates of the Department as of April, 2019, by correctional institution for the facilities to which the \$5 add-on applies, as well as other correctional institutions. As shown in the table, the institutions to which the pay incentive applies have significantly higher rates of security position vacancies (19.8% to 31.8%) compared to other correctional institutions (11.6%). In comparison, approximately 8.5% of correctional officer/sergeant and psychiatric care technician/advanced positions at the Department of Health Services were vacant in April, 2019.

TABLE 4

Corrections Vacancy Rates by Institution for Correctional Officer/Sergeant and Youth Counselor/Advanced Positions, April, 2019

<u>Institution</u>	<u>Vacancy Rate</u>
Waupun Correctional Institution	31.8%
Columbia Correctional Institution	28.2
Dodge Correctional Institution	26.5
Lincoln Hills School	22.0
Copper Lake School	21.8
Taycheedah Correctional Institution	20.2
Green Bay Correctional Institution	19.8
Other Institutions	11.6%
All Institutions	16.0%

23. In its request to DPM to increase the hourly add-on rate and expand the incentive to TCI, the Department of Corrections provided the following explanation relating to the adult correctional institutions to which it would apply:

Recently a similar add-on was approved for Columbia, Dodge, Green Bay, and Waupun Correctional Institutions due to exceptionally high vacancy rates in Correctional Officer & Sergeant positions. These institutions comprise the majority of our maximum security institutions. At the time of the initial request, TCI and the Wisconsin Secure Program Facility (WSPF) were left out because the vacancy rates at those two institutions was not as severe. Upon further review, the vacancy rates at TCI have been trending upward, and we have determined that not including them could ultimately prove detrimental to their ability to continue to achieve mission objectives and maintain public safety.

Despite having a maximum security element, TCI has historically not experienced the high vacancy rates observed at CCI, DCI, GBCI, and WCI. However, given TCI's geographic proximity to those institutions (only 24 miles from DCI & WCI) and its status as a maximum security facility, combined with poor recruitment results in that area and an upward trend in vacancy rates since approximately January, 2018, we are anticipating similar concerns in the immediate future if they are not also included in the recently approved add-on.

With regard to juvenile correctional schools, the Department additionally provided the following justification for increasing the hourly add-on rate:

This add-on is being requested for operational needs due to high vacancy rates in Youth Counselor and Youth Counselor – Advanced positions at LHS/CLS. The vacancy rates are hindering our ability to maintain a safe and secure environment for juvenile inmates and staff. The Department has determined that these schools are in dire need of recruitment and retention incentives that exceed the previously approved \$1.00/hour add-on that was approved in January, 2018.

The announcement regarding the closure of the schools may be contributing to our inability to attract enough new recruits or retain our current employees, so we believe this pay incentive is needed to make LHS/CLS once again an attractive employer. Additionally, the Department is required to comply with the consent decree that was put in place after recent litigation. Without proper staffing, it will be impossible for the institution to comply with the requirements in the decree.

24. The Department's estimate of the salary cost to increase and expand the hourly add-on is between \$12.2 million and \$13.4 million for adult institutions and between \$1.1 million and \$1.2 million for juvenile correctional schools. Associated expenses for variable fringe benefits and protective service add-on (19.47%) would increase costs for adult institutions and juvenile correctional schools by \$2.6 million to \$2.8 million. With regard to the means by which the Department is funding the \$5 per hour add-on, the Secretary of Corrections indicated that the cost of the add-on at adult institutions will be absorbed by the agency and that "Due to the complexity of the method in which the LHS/CLS budget is calculated, it is expected that the cost to house juveniles will increase slightly to off-set the cost of the add-on for LHS/CLS."

25. Most correctional officer/sergeant positions of the Department (approximately 99.5%) are funded from the agency's annual appropriation for adult correctional services general program operations. In 2017-18, this appropriation was budgeted \$776,316,300 GPR. At the close of the fiscal year, expenditure authority of \$7,900 GPR remained for the appropriation (approximately 0.001%). In 2018-19, the appropriation's budget for permanent position salaries is \$393,476,500 GPR. As a

share of the budget, estimated annual cost increases of \$12 million to \$13 million for adult institutions equal approximately 3% of permanent position salaries.

26. The cost of the hourly add-on incentive for adult correctional institutions would be funded from the appropriation's allocations to permanent position salaries and fringe benefits. State agencies are budgeted funding for all authorized position salaries and fringe benefits, including vacant positions, less an amount assumed for turnover. When positions remain vacant, an agency may utilize its budget for position salaries to pay overtime expenses so that necessary work may be performed. The hourly add-on incentive may likewise be supported from budget allocations for salaries. Overtime and other expenses for compensation additionally incur costs for variable fringe benefits and, in the case of correctional security positions, protective service add-on. Further, position vacancy rates of the Department of Corrections have increased since 2017-18. If the Department is successful in recruiting and retaining employees, the cost of the pay increases could be offset by decreases in overtime hours and associated expenditures.

27. Due to a number of variable factors that impact recruitment and retention such as labor market competition and unemployment rates, it is unknown if these pay incentives have directly affected vacancy rates. However, overtime hours of the Department of Corrections recorded in the first half of 2018-19 are noticeably higher than the overtime hours recorded in the first half of any of the past five fiscal years.

Pay Progression Proposal

28. The administration indicates that one or more of the above pay provisions included in the 2017-19 compensation plan may remain in place for at least some period of time under the 2019-21 compensation plan. However, the details of the 2019-21 compensation plan will depend, in part, on the amount of funding placed in compensation reserves for the correctional position pay progression proposal. The extent to which pay for these positions can be increased to the targeted goals will also depend upon the Committee's decision regarding funding for general wage adjustments, due to the inclusion of these positions among those which would be eligible for general wage adjustments. With less or no funding for general wage adjustments, the cost to increase pay for the targeted correctional position classifications to the specific levels upon which the plan is based would increase.

29. The pay progression proposal for 2019-21 would target the following position pay ranges, encompassing six position classifications: (a) range 05-31, which includes correctional officer, youth counselor, and psychiatric care technician; and (b) range 05-32, which includes correctional sergeant, youth counselor-advanced, and psychiatric care technician-advanced. The proposal would consist of two components, described below.

30. *Hourly Pay Increase or Lump-Sum Payment.* All positions would receive some amount of pay in addition to what is currently earned. The vast majority of positions would receive a fixed hourly pay increase, implemented on the same date for all positions, based on the pay range of their classification. Therefore, most positions could expect to receive a fixed hourly increase identical to other positions in their classification (and other classifications in their pay range). Classifications in the correctional sergeant pay range would receive the higher of two fixed amounts, due to the

experience and structure of the classifications relative to the correctional officer pay range.

For a small percentage of positions (fewer than 100 employees), it is anticipated that providing the full fixed hourly increase would result in the employee earning an hourly rate that is higher than the maximum allowable for the pay range. Therefore, for these employees, their hourly pay would be increased to the maximum allowable, and the remainder of the fixed increase would be applied toward a lump sum payment that would be equivalent to the difference in terms of what could have been earned with a full hourly pay increase. The lump sum portion of pay for these employees would not be base-building.

31. *Length of Service-Based Pay Progression.* The second component of the proposal would ensure that employees who arrive at specific lengths of service (work anniversaries) earn a minimum specified hourly rate. This would be most comparable to the "pay range progressions" included in the 2017-19 compensation plan for the positions in these pay ranges. However, in contrast to the provision in the 2017-19 compensation plan, the 2019-21 proposal as envisioned: (a) would have one schedule of minimum hourly rates for work anniversaries (rather than three with different effective dates); (b) would begin with 12-month anniversaries (rather than six months); (c) might extend as far as 15-year anniversaries (rather than two years at most); and (d) would include minimum hourly rates for both position classification pay ranges for each anniversary (rather than including minimum hourly rates for the correctional officer range for every anniversary while including a minimum hourly rate for the correctional sergeant range at two years only). If an employee who reached a work anniversary were being paid at a rate lower than the minimum at that time, their hourly rate would be increased to match the specified rate. If the employee were being paid at a rate equal to or greater than the minimum for their work anniversary, they would not receive a pay increase. This practice is identical to the current provision in the compensation plan.

32. *Other Features.* In addition to providing the above types of pay increases, the proposal would expand the percentage difference between the pay rates of the two affected ranges, to emphasize the promotional nature of becoming a correctional sergeant, youth counselor-advanced, or psychiatric care technician-advanced. Further, maximum rates of pay for both ranges would be increased.

Cost Estimate

33. Costs of the proposal were estimated based on: (a) the approximate number of filled positions in the six classifications in 2018-19; (b) adjusted continuous service dates (seniority dates) of the affected employees; (c) two 2% general wage adjustments for all employees in the positions on January 1, 2020, and January 1, 2021; (d) an approximate implementation date for fixed hourly or lump sum pay increases in late April or early May, 2020; (e) an approximate implementation date for pay progression in December, 2020; and (f) approximate funding allocations of GPR and PR for positions at the Department of Corrections and the Department of Health Services. Funding calculations include the cost of variable fringe (15.3%) and protective service add-on (4.17%).

34. Because the cost estimates assume the positions would benefit from two general wage adjustments of 2% each, the cost to implement the proposal would increase if funding recommended by the Governor for general wage adjustments were reduced or eliminated. In addition, because the

cost estimates are based on filled positions only, if additional positions are filled, some costs associated with pay increases could be incurred which have not been budgeted.

35. Funding for the pay proposal does not assume cost increases or decreases associated with overtime. If vacancy rates decrease, overtime costs could decrease. On the other hand, if vacancy rates remain relatively stable, overtime costs could increase based on higher rates of hourly pay. Ultimately, the effect of the proposal is unknown at this time. In part, vacancy rates will depend on economic conditions generally, particularly with regard to unemployment rates. However, it should be noted that the administration assumed savings for overtime costs under the Department of Corrections' budget in a separate provision reestimating overtime costs. Further, it should be noted that, although vacancy rates directly affect overtime costs overall, there are other reasons that require work to be performed using overtime. Other reasons reported by the Department of Corrections include but are not limited to: medical vigils; service overtime; special posts; sick leave; construction projects; trips; training; personnel/employment relations; and security emergency. Therefore, reductions in position vacancies would not completely eliminate overtime expenses. Department of Corrections overtime costs will be addressed in a separate budget paper, as will overtime costs of the Department of Health Services.

Alternatives to Proposal

36. In testimony provided at an agency briefing before the Committee, the Secretary of the Department of Corrections indicated that the pay progression proposal would increase minimum hourly pay for correctional officers from \$16.65 to \$18.22. Because the implementation date of the proposal would occur subsequent to a planned general wage adjustment of 2% for all employees including the correctional security positions (increasing minimum pay from \$16.65 to approximately \$16.99), funding for the proposal is estimated to support a fixed dollar increase of approximately \$1.23 for correctional officers.

37. As noted previously, the Department and DPM believe that hourly pay for correctional security positions is about \$2 per hour less than what comparable employers offer (not accounting for work environment, hours, or other employment conditions). To further increase starting pay for correctional officers to \$18.65 rather than \$18.22 (\$2 per hour more than the current minimum), a fixed hourly increase could be provided in the amount of \$1.66 (accounting for a general wage adjustment of 2%). While the amount of the raise in fixed hourly pay, relative to what the bill would support, would be approximately equivalent to a 35% increase from what the administration proposed (from \$1.23 to \$1.66), based on information provided by the administration, the actual cost of the pay proposal would increase by approximately 27% due to interaction with other features of the pay proposal. Based on the assumption that two 2% general wage adjustments would be provided January 1, 2020, and January 1, 2021, it is estimated that the cost to increase officer pay by \$1.66 per hour, in addition to the length of service-based pay progression component of the plan, would total \$4,574,700 GPR in 2019-20 and \$25,604,300 GPR in 2020-21. To provide an approximate increase in correctional security position minimum hourly pay of \$2, the Committee could provide funding in these amounts to compensation reserves. [Alternative 2] It should be noted that under this alternative, the number of employees who would receive lump sum payments rather than full hourly pay raises would increase because the fixed hourly pay raise would be larger and would, therefore, bring

additional employees close to the maximum rate of pay.

38. A number of individuals have suggested that a more appropriate level of starting pay for correctional officers would be \$19 per hour. To further increase starting pay for correctional officers to \$19 rather than \$18.22, a fixed hourly increase could be provided in the amount of \$2.01 (accounting for a general wage adjustment of 2%). Similar to the alternative above, while the amount of the raise in fixed hourly pay, relative to what the bill would support, would be approximately equivalent to a 63% increase from what the administration proposed (from \$1.23 to \$2.01), based on information provided by the administration, the actual cost of the pay proposal would increase by approximately 48% due to interaction with other features of the pay proposal. Based on the assumption that two 2% general wage adjustments would be provided January 1, 2020, and January 1, 2021, it is estimated that the cost to increase officer pay by \$2.01 per hour, in addition to the length of service-based pay progression component of the plan, would total \$5,331,100 GPR in 2019-20 and \$29,838,100 GPR in 2020-21. To provide an approximate increase in correctional security position pay to \$19 per hour, the Committee could provide funding in these amounts to compensation reserves. [Alternative 3] As with the above alternative, it should be noted that under this alternative, the number of employees who would receive lump sum payments rather than full hourly pay raises would increase because the fixed hourly pay raise would be larger and would, therefore, bring additional employees close to the maximum rate of pay.

39. The administration indicates that, while a minimum pay increase to approximately \$19 per hour for correctional officers could be greatly beneficial in attracting employees, an increase beyond \$19 per hour could cause problems with respect to pay compression and equity among employees in the same classification who have greater years of experience, and among other position classifications such as supervisors of correctional security staff and state law enforcement. Therefore, additional alternatives are not provided to increase minimum pay beyond \$19 per hour.

40. In addition to changes in overall compensation, the Committee could also consider providing funding to support the potential continuation or expansion of hourly add-on pay incentives for correctional positions, as deemed appropriate by DPM. As noted before, several correctional institutions have significantly higher rates of security position vacancies (19.8% to 31.8%) compared to other correctional institutions (11.6%). Therefore, targeting those specific institutions for additional pay incentives, rather than increasing pay further for all positions, may be beneficial. While the Department of Corrections has committed to funding the \$5 per hour add-on incentive for WCI, CCI, DCI, GBCI, TCI, and Lincoln Hills/Copper Lake Schools for correctional officers, sergeants, youth counselors and youth counselors-advanced through June 20, 2020, if the incentive proves to be effective, it may be prudent to extend the period for which the add-on would apply or expand the add-on (or a variant of the add-on) to other institutions. Due to the manner in which the hourly add-on incentive is currently structured in the compensation plan, the administration has the flexibility to modify the program as needed, such as increasing (or decreasing) the hourly amount, determining to which institutions or positions it should apply, and deciding the effective dates for the program. If the program were no longer needed, the administration could eliminate it entirely.

41. Because it is unknown at this time what changes to the hourly add-on program DPM might deem appropriate, the amount of funding that may be useful cannot be precisely determined.

However, as noted previously, the Department estimated that the annualized cost to increase and expand the add-on, not including variable fringe benefits and protective service add-on, would be approximately \$12 million to \$13 million for adult institutions. Therefore, the Committee could choose to provide some amount of additional funding to compensation reserves to potentially extend or expand the hourly add-on program for 2020-21: (a) \$12 million GPR in 2020-21 [Alternative 4a]; (b) \$8 million GPR in 2020-21 [Alternative 4b]; or (c) \$4 million GPR in 2020-21 [Alternative 4c]. If funding provided for the program were not needed, unspent moneys would lapse from compensation reserves to the general fund in 2020-21.

42. Finally, under the 2001-03 biennial budget, a provision was included prohibiting the Department of Corrections from using billboards or similar structures to recruit its employees. On April 25, 2019, 2019 Assembly Bill 191/Senate Bill 172 was introduced on a bipartisan basis, which would repeal the statutory prohibition relating to correctional employee recruitment using billboards or similar structures. Given that the Department of Corrections is attempting to improve its recruitment of employees to fill critical position vacancies and that there is currently legislative support to provide the Department with this option for recruitment, the Committee could specify that the prohibition be repealed. [Alternative 5]

43. If the Committee takes no action, it is unlikely a significant pay increase will be provided to the correctional security positions targeted by the pay proposal. [Alternative 6]

ALTERNATIVES

1. Approve the Governor's recommendation to provide to compensation reserves \$3,602,100 GPR in 2019-20 and \$20,160,900 GPR in 2020-21 to institute a new pay progression system that is intended to increase the starting hourly wage for correctional officers and sergeants, youth counselors/advanced, and psychiatric care technicians/advanced as well as to reduce pay compression issues between levels (such as officers and sergeants) and improve pay at all years of service for individuals in these positions at the Department of Corrections and Department of Health Services.

ALT 1	Change to	
	Base	Bill
GPR	\$23,763,000	\$0

2. Modify the proposal to provide \$4,574,700 GPR in 2019-20 and \$25,604,300 GPR in 2020-21 to further fund a \$1.66 per hour pay increase for correctional officers, youth counselors, and psychiatric care technicians, to adjust minimum pay from \$16.65 to \$18.65 (a \$2 increase in starting pay), and to increase pay for correctional sergeants, youth counselors-advanced, and psychiatric care technicians-advanced in a manner similar to the administration's proposal. [Funding for this alternative assumes an implementation date of late April or early May, 2020, and approval of two general wage adjustments of 2% each, which were separately recommended by the administration and for which the targeted correctional position classifications would be eligible.]

ALT 2	Change to	
	Base	Bill
GPR	\$30,179,000	\$6,416,000

3. Modify the proposal to provide \$5,331,100 GPR in 2019-20 and \$29,838,100 GPR in 2020-21 to further fund a \$2.01 per hour pay increase for correctional officers, youth counselors, and psychiatric care technicians, to adjust minimum pay from \$16.65 to \$19.00, and to increase pay for correctional sergeants, youth counselors-advanced, and psychiatric care technicians-advanced in a manner similar to the administration's proposal. [Funding for this alternative assumes an implementation date of late April or early May, 2020, and approval of two general wage adjustments of 2% each, which were separately recommended by the administration and for which the targeted correctional position classifications would be eligible.]

ALT 3	Change to	
	Base	Bill
GPR	\$35,169,200	\$11,406,200

4. In addition to any other alternative, provide the following amount of funding in 2020-21 to compensation reserves to potentially extend or expand the hourly add-on program for correctional officers/sergeants, youth counselors/advanced, or psychiatric care technicians/advanced [if funding provided for the program were not needed, unspent moneys would lapse from compensation reserves to the general fund in 2020-21]:

- a. \$12 million GPR.

ALT 4a	Change to	
	Base	Bill
GPR	\$12,000,000	\$12,000,000

- b. \$8 million GPR.

ALT 4b	Change to	
	Base	Bill
GPR	\$8,000,000	\$8,000,000

- c. \$4 million GPR.

ALT 4c	Change to	
	Base	Bill
GPR	\$4,000,000	\$4,000,000

5. In addition to any other alternative, repeal the prohibition on recruiting correctional employees through billboards.

6. Take no action.

ALT 6	Change to	
	Base	Bill
GPR	\$0	- \$23,763,000

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