

BUDGET MANAGEMENT AND COMPENSATION RESERVES

Budget Change Item

1. COMPENSATION RESERVES

Governor: Provide, in the 2019-21 general fund condition statement, total compensation reserves of \$55,174,300 in 2019-20 and \$211,067,000 in 2020-21 for cost increases related to state and UW System employee salaries and fringe benefits. Total compensation reserve amounts by fund source and fiscal year are shown in the following table.

<u>Fund Source</u>	<u>2019-20</u>	<u>2020-21</u>
General Purpose Revenue	\$24,886,600	\$94,358,600
Federal Revenue	8,245,500	31,849,400
Program Revenue	17,062,100	66,896,100
Segregated Revenue	<u>4,980,100</u>	<u>17,962,900</u>
Total	\$55,174,300	\$211,067,000

The GPR and all funds compensation reserve amounts under the bill related to state and UW System employee fringe benefits include the following: (a) \$2,876,100 GPR (\$6,598,900 all funds) in 2019-20 and \$17,841,100 GPR (\$40,932,300 all funds) in 2020-21 to support prior period and inflationary increases for fringe benefits; (b) -\$6,456,700 GPR (-\$14,691,500 all funds) in 2019-20 and -\$8,694,700 GPR (-\$19,855,100 all funds) in 2020-21 associated with savings from the state's high deductible health care plan; (c) -\$1,530,600 GPR (-\$3,458,700 all funds) in 2019-20 and -\$2,640,700 GPR (-\$5,967,000 all funds) in 2020-21 associated with savings from employees opting out of the state's health insurance coverage net of the cost to provide \$2,000 annual opt-out incentive payments; and (d) -\$102,600 GPR (-\$234,300 all funds) in 2019-20 and -\$205,000 GPR (-\$468,200 all funds) in 2020-21 associated with savings from additional health insurance opt-outs that could result from a modification to an exclusion of employees who opted out of the state's health insurance coverage in 2015 from receiving annual opt-out incentive payments. [For additional information regarding the proposed modification to the 2015 opt-out incentive exclusion, see "Employee Trust Funds."]

The GPR and all funds compensation reserve amounts under the bill related to salaries for employees include the following: (a) \$20,448,300 GPR (\$47,305,800 all funds) in 2019-20 and \$61,705,600 GPR (\$142,765,200 all funds) in 2020-21 intended to support a 2% general wage adjustment (GWA) for state and UW System employees on January 1, 2020, as well as another 2% general wage adjustment for state and UW System employees on January 1, 2021; (b) \$3,602,100 GPR (\$7,334,800 all funds) in 2019-20 and \$20,160,900 GPR (\$41,052,600 all funds) 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; (c) \$6,050,000 GPR (\$12,319,300 all funds) annually to support market wage and parity adjustments for state employees in the classified service; (d) \$93,300 GPR (\$190,000 all funds) in 2020-21 to support an increase of minimum starting pay for all non-UW executive branch employees to \$15 per hour by January 1, 2021; and (e) \$48,100 GPR (\$97,900 all funds) in 2020-21 to institute a pay progression system for the professional forensic science staff at the State Crime Labs in the Department of Justice to address recruitment and retention issues. As a result of instituting a pay progression system for crime laboratory positions, individuals in those positions would not be eligible for the second general wage adjustment. Funding for the GWA was reduced accordingly in 2020-21.

With regard to the 2% general wage adjustments for state and UW System employees, amounts in compensation reserves include general wage adjustments on January 1, 2020, and January 1, 2021, for state legislators, constitutional officers, judges and justices, assistant and deputy district attorneys, assistant state public defenders, assistant and deputy attorneys general, elected district attorneys, and staff of the Legislature and the Courts. The Department of Justice is also authorized under current law to utilize existing resources to support annual salary increases for assistant attorneys general under a pay progression plan. It should be noted that state legislators and elected district attorneys would become eligible for a pay increase under the Wisconsin State Constitution when assuming office in January, 2021. Elected officials qualifying for any increased salary amounts at that time would generally be those elected in November, 2020. Additionally, constitutional officers may not receive a salary modification until the officer completes his or her current term of office. The State Superintendent would be eligible for a pay increase when assuming office in July, 2021, while other constitutional officers would be eligible for a pay increase in January, 2023. Further, it should be noted that additional funding for salary increases for assistant and deputy district attorneys and assistant state public defenders is provided separately elsewhere in the budget. Information relating to these increases may be found under sections of this document for "District Attorneys" and "Public Defender."

Generally, compensation reserves represent reserves in the budget to provide funding for any increases in state employee salary and fringe benefit costs that may be required in the biennium, but for which funding is not included in the individual agency budgets as a part of the biennial budget. The reserve funds are not allocated at the time of budget development to individual agencies because neither the amount of any salary or fringe benefit cost increases, nor the specific amount of funding needed by each individual agency, is known at the time of budget development. Typically, amounts within compensation reserves are funds to pay for: (a) the employer share of increased premium costs in the forthcoming fiscal biennium for state employee health insurance; (b) the costs of any general wage adjustments or negotiated pay increases; (c) increases in the employer share of contributions to the state retirement fund for employees' future state retirement benefits; and (d) pension obligation bond payments for the state's unfunded prior service liability for retirement benefits, the accumulated sick leave conversion credit program, and income continuation benefits.

[Bill Section: 124]