Budget Management and Compensation Reserves

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2	Required General Fund Statutory Balance (Budget Stabilization Fund -- Paper #225)

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June, 2023 Joint Committee on Finance Paper #215

Compensation Reserves Overview and Fringe Benefit Costs (Budget Management and Compensation Reserves)

[LFB 2023-25 Budget Summary: Page 84, #1]

CURRENT LAW

Funding is allocated to compensation reserves for cost increases related to state and University of Wisconsin (UW) System employee salaries and fringe benefits. Such costs typically include: (a) proposed pay increases, which would be finalized in the forthcoming compensation plan; and (b) inflationary cost increases for fringe benefits.

DISCUSSION POINTS

1. Under Assembly Bill 43/Senate Bill 70, funding is provided in the 2023-25 general fund condition statement for compensation reserves totaling $365,260,700 GPR in 2023-24 ($667,480,900 all funds) and $581,614,700 GPR in 2024-25 ($1,001,825,800 all funds) for cost increases related to state and UW System employee salaries and fringe benefits. Compensation reserve amounts by fund source and fiscal year are shown in Table 1.

TABLE 1

Compensation Reserves by Fund Source, 2023 AB 43/SB 70

Fund Source	2023-24	2024-25
General Purpose Revenue	$365,260,700	$581,614,700
Federal Revenue	80,773,600	112,308,700
Program Revenue	141,762,100	197,108,000
Segregated Revenue	79,684,500	110,794,400
Total	$667,480,900	$1,001,825,800

2. Under the bill, funding in compensation reserves was calculated as the sum of estimated cost increases for fringe benefits and estimated costs of proposed pay provisions, less a reduction of 5% of the total estimated costs. The Administration indicates the reason for the reduction is that, while estimated costs in compensation reserves for proposed pay increases are generally calculated based on filled positions only, agencies must demonstrate need for funding when requesting pay plan supplements. To the extent that agencies have vacant positions, available funding associated with the vacant positions must be utilized before a supplement would be provided from compensation reserves. The 5% reduction was applied to reflect a higher than usual level of position vacancies that may continue for some time.

3. On April 27, 2023, the Administration submitted errata materials identifying the following: (a) bill funding in 2024-25 is $114,434,900 GPR higher than would be necessary to support proposed general wage adjustments; and (b) additional funding of $1,052,100 GPR in 2023-24 and $1,013,100 GPR in 2024-25 would be needed for the proposed changes to the maximum-security add-on for correctional security positions and supervisors.

4. On May 2, 2023, in executive session, the Committee removed various provisions from further consideration, including proposals to: decrease the health insurance waiting period for new employees; add June 19 and November 11 as paid holidays for state and UW System executive branch employees; provide paid family and medical leave for state and UW System executive branch employees; provide sick leave for limited-term employees of non-UW executive branch agencies and temporary employees of the UW System; and modify the vacation allowance structure for non-UW executive branch employees.

5. Also on May 2, the Committee adopted Motion #12, which included funding for standard budget adjustments (as modified under the motion), 27th biweekly payroll, sum sufficient appropriation estimates, and debt service on appropriation obligation bonds. Under the motion, the calculation for turnover reduction was modified to increase the turnover rate from 3% to 5% for all appropriations subject to a 3% turnover rate under the bill, which had the effect of reducing funding for state agency position salaries by $8,634,200 GPR annually. Similar action was taken in 2021-23 biennial budget deliberations, increasing the rate from 3% to 4%.

The remaining items for the Committee to consider, including the errata and a recalculated 5% compensation reserve reduction, are shown in Table 2.

TABLE 2

GPR Compensation Reserves for State and UW System Employees, Excluding Items Removed from Consideration, as Modified by Errata

	2023-24	2024-25
Fringe Benefits-Related		
Prior Period and Inflationary Increases for State Employee Fringe Benefits	$45,809,700	$85,931,300
Salary-Related		
General Wage Adjustments (reestimated)	$114,434,800	$186,835,000
Continuation of Correctional Security Add-ons	63,258,300	60,915,100
Correctional Security Pay Progression, Minimum Pay Increase, and Supervisor Parity	85,119,800	82,408,200
Market Wage and Parity Adjustments	20,240,000	19,490,400
Medium-Security Add-on of $1 and Maximum-Security Add-on Increase to $4 (reestimated)	19,353,100	18,643,300
Probation and Parole Agent Pay Progression	9,244,800	9,636,400
General Pay Progression Structure	1,121,300	3,218,200
Information Technology Market Adjustments	0	2,129,700
Market Adjustments for Classified Attorneys	916,200	1,131,000
Natural Resources Warden and Capitol Police Pay Progression	134,500	134,500
Subtotal Salary-Related	$313,822,800	$384,541,800
Total Fringe Benefits and Salaries	$359,632,500	$470,473,100
5% Reduction (reestimated)	- $17,981,600	- $23,523,700
Net Total	$341,650,900	$446,949,400

6. This paper provides an overview of compensation reserves and addresses funding for prior period and inflationary increases for state employee fringe benefits, identified in Table 2. Separate budget papers have been prepared for the following provisions: (a) general wage adjustments; (b) correctional security position compensation; (c) pay progression systems; and (d) market wage adjustments, including adjustments for IT positions and classified attorneys. In addition, a budget paper has been prepared relating to the continuation of pilot add-ons in DOA, Corrections, Health Services, Military Affairs, Safety and Professional Services, and Veterans Affairs.

Overview of Compensation Reserves

7. Generally, compensation reserves represents monies set aside 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 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.

8. In the 2023-25 biennium, to the extent necessary, costs of unbudgeted pay and fringe benefit adjustments would be funded from compensation reserves under the pay plan supplementation process. Under the pay plan supplementation process, the Department of Administration (DOA) requires state agencies, towards the end of each fiscal year, to document the need for any supplementation of existing budgets for the cost of any authorized pay increases (including associated fringe benefit costs, such as social security and retirement contribution payments) and for the cost of the employer's share of any increased fringe benefit costs such as premiums for state employee health insurance. Once these requests have been reviewed by DOA, they must then be submitted to the Joint Committee on Finance for final approval under a 14-working day passive review process.

9. The schedule of compensation reserves (shown in Table 1) indicates reserve funding in AB 43/SB 70 for each funding source from which state employees' salaries and benefits may be funded. The respective designations of GPR, FED, PR, and SEG funding amounts are included to provide an indication of the all-funds impact of anticipated cost increases to agencies under the Administration's plans for compensation. However, the actual fiscal impact of "releasing" funds from these indicated reserves is different between GPR funds and any non-GPR funding sources. The reason for this is that the GPR funding comes from a single central source, the general fund, which consists primarily of general tax revenues. In contrast, other funding sources are not pooled in a single account. While these revenue sources are the same in the definitional sense of involving the same type of revenue (for example, federal revenue), the revenues are retained by the individual agencies in either separate program accounts (such as a separate program account for licensing fees) or in distinct segregated funds (the transportation fund or the conservation fund, for example). Therefore, rather than these different revenues all going to a single fund, each program account or segregated fund separately receives revenues that are to be deposited exclusively to that account or fund and the expenditures of those revenues may be made only for the purposes authorized for that account or fund.

10. As a consequence of this difference, when GPR that is set aside in compensation reserves is released to state agencies under the pay plan supplementation process, it is transferred from one central GPR appropriation to individual agency GPR appropriations for expenditure. In contrast, when FED, PR, or SEG monies are "released" to state agencies under the pay plan supplementation process, these monies are transferred from the individual revenue balance of the particular account or fund for expenditure from the relevant appropriations associated with the account or fund. In general, such accounts or funds usually have sufficient revenue reserves to cover the costs of the pay plan supplements; what they require is the authorization to increase spending authority by the amount of the requested supplement.

11. The review of compensation reserves, therefore, usually focuses on GPR funding amounts. Given these factors, this paper and other budget papers addressing amounts budgeted to compensation reserves will focus primarily on projections for the GPR share of compensation reserves.

Fringe Benefits

12. As shown in Table 2, the GPR and all funds compensation reserve amounts under the bill related to state and UW System employee fringe benefits in particular include $45,809,700 GPR

($70,926,600 all funds) in 2023-24 and $85,931,300 GPR ($133,475,800 all funds) in 2024-25 to support prior period and inflationary increases for fringe benefits.

13. Amounts budgeted for prior period and inflationary increases include the employer share of premium costs in the forthcoming fiscal biennium for state employee health insurance, the employer share of contributions to the state retirement fund for employees' future state retirement benefits, pension obligation bond payments for the state's unfunded prior service liability for retirement benefits, and the accumulated sick leave conversion credit program.

14. This office has reviewed the calculations utilized to estimate the funding amounts associated with the fringe benefit items remaining after the Committee's May 2, 2023, actions and determined that the calculations appear reasonable. Therefore, the Committee could provide $45,809,700 GPR ($70,926,600 all funds) in 2023-24 and $85,931,300 GPR ($133,475,800 all funds) in 2024-25 to compensation reserves to fund increases in fringe benefit costs for the 2023-25 biennium. [Alternative 1]

15. As indicated above, the actual amount of supplemental funding released to an agency from compensation reserves during the pay plan supplement process is dependent, in part, on the amount of unexpended funding remaining in an agency's appropriation at the end of a fiscal year. In recent years, the overall rate of vacancies has contributed to some agencies having unexpended funds to at least partially offset any salary and fringe benefit cost increases at the end of a fiscal year. Correspondingly, compensation reserves funding has recently not been fully utilized. In 2020-21, the amount of GPR funding that lapsed from compensation reserves was approximately 7% of the amount budgeted. In acknowledgement of the dynamic between compensation reserves funding, higher agency vacancy rates, and the resulting available agency funding, the Administration applied a 5% reduction to its compensation reserves estimates. While the percentage amount of the reduction is less than what has been experienced recently with regard to lapsed funding: (a) fringe benefit costs are uncertain and could exceed the amounts estimated; (b) based on Committee actions to date, the turnover reduction calculation will be 5% rather than 3% (under budget instructions issued by DOA) or 4% (under 2021 Act 58); and (c) to the extent that compensation initiatives succeed at improving recruitment and retention of state employees, vacancy rates may decrease. Applying a 5% compensation reserve reduction would reduce funding for fringe benefit costs by $2,290,500 GPR in 2023-24 and $4,296,600 GPR in 2024-25, for net funding of $43,519,200 GPR in 2023-24 and $81,634,700 GPR in 2024-25. [Alternative 2]

16. The vacancy rate for GPR positions at non-UW executive branch agencies that had been vacant six months or more was: 4.5%, as of May 1, 2021; and 10.4% as of May 1, 2023. In 2020-21, the amount of GPR funding that lapsed from compensation reserves was approximately 7% of the amount budgeted. Given that the vacancy rate for GPR positions vacant at least six months has more than doubled since May 1, 2021, the Committee could reduce the amount of funding provided for fringe benefit cost increases by 5%, as was done under AB 43/SB 70. [Alternative 2]

17. If the Committee takes no action regarding current law fringe benefit cost increases and decreases budgeted to compensation reserves, agencies would need to manage any fringe benefit cost increases within appropriated budgets. [Alternative 3]

ALTERNATIVES

1. Provide $45,809,700 GPR ($70,926,600 all funds) in 2023-24 and $85,931,300 GPR ($133,475,800 all funds) in 2024-25 to compensation reserves to fund increases in fringe benefit costs for the 2023-25 biennium.

ALT 1	Change to Base
GPR	$131,741,000

2. Provide funding to compensation reserves for increases in fringe benefit costs as estimated, less 5% ($2,290,500 GPR in 2023-24 and $4,296,600 GPR in 2024-25), for net funding of $43,519,200 GPR in 2023-24 and $81,634,700 GPR in 2024-25.

ALT 2	Change to Base
GPR	$125,153,900

3. Take no action.

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June, 2023 Joint Committee on Finance Paper #216

General Wage Adjustments (Budget Management and Compensation Reserves)

[LFB 2023-25 Budget Summary: Page 84, #1]

CURRENT LAW

Funding is allocated to compensation reserves for cost increases related to state and University of Wisconsin (UW) System employee salaries and fringe benefits, including proposed pay increases which would be finalized in the forthcoming compensation plan.

DISCUSSION POINTS

1. This paper addresses amounts budgeted under compensation reserves for general wage adjustments. Separate budget papers have been prepared for the following provisions also budgeted under compensation reserves: (a) prior period and inflationary increases for state employee fringe benefits; (b) correctional security position compensation; (c) pay progression systems; and (d) market wage adjustments, including adjustments for IT positions and classified attorneys. In addition, a budget paper has been prepared relating to the continuation of pilot add-ons in the Departments of Administration (DOA), Corrections, Health Services, Military Affairs, Safety and Professional Services, and Veterans Affairs.

2. Under Assembly Bill 43/Senate Bill 70, funding is provided in the 2023-25 general fund condition statement for compensation reserves totaling $365,260,700 GPR in 2023-24 ($667,480,900 all funds) and $581,614,700 GPR in 2024-25 ($1,001,825,800 all funds) for cost increases related to state and UW System employee salaries and fringe benefits.

3. Amounts in compensation reserves include funding for two general wage adjustments general wage adjustments constituting 5% on July 1, 2023, and 3% on July 1, 2024, for state and UW System employees. Combined, these increases represent an 8.15% general wage increase for

employees over the 2023-25 biennium. Funding in compensation reserves includes $114,434,800 GPR in 2023-24 and $301,269,900 GPR in 2024-25, less a 5% reduction (described below), are included to support the general wage adjustments.

4. Under the bill, funding in compensation reserves was calculated as the sum of estimated cost increases for fringe benefits and estimated costs of proposed pay provisions, less a reduction of 5% of the total estimated costs. The Administration indicates the reason for the reduction is that, while estimated costs in compensation reserves for proposed pay increases are generally calculated based on filled positions only, agencies must demonstrate need for funding when requesting pay plan supplements. To the extent that agencies have vacant positions, available funding associated with the vacant positions must be utilized before a supplement would be provided from compensation reserves. The 5% reduction was applied to reflect a higher than usual level of position vacancies that may continue for some time.

5. On April 27, 2023, the Administration submitted errata materials that included the identification of an error in the calculation of cost for general wage adjustments in 2024-25. Specifically, bill funding in 2024-25 is $114,434,900 GPR higher than would be necessary to support the proposed general wage adjustments. As modified by the errata, funding for general wage adjustments would be $114,434,800 GPR in 2023-24 and $186,835,000 GPR in 2024-25.

6. Separately, the bill included the estimated costs of having to pay for a 27th payroll in 2023-24 for employees paid on a bi-weekly basis by providing funding to the supplemental appropriations established for this purpose. On May 2, 2023, in executive session, the Committee adopted Motion #12, which included funding for standard budget adjustments (as modified under the motion), 27th biweekly payroll, sum sufficient appropriation estimates, and debt service on appropriation obligation bonds. Under the motion, estimated costs for the 27th payroll period were included, with no assumed increases relating to general wage adjustments, as the Committee had not yet taken action regarding general wage adjustments. Thus, to account for the 27th payroll period, if a 5% general wage adjustment were provided on July 1, 2023, an additional $2,299,500 GPR in 2023-24 could be included in compensation reserves for the amount by which the general wage adjustment would increase the bi-weekly payroll cost.

7. The reestimated cost of general wage adjustments including 27th bi-weekly payroll would be $116,734,300 GPR in 2023-24 and $186,835,000 GPR in 2024-25. After applying a 5% reduction associated with a higher than usual level of position vacancies ($5,836,700 GPR in 2023-24 and $9,341,800 GPR in 2024-25), net funding to compensation reserves for the proposed general wage adjustments would be $110,897,600 GPR in 2023-24 and $177,493,200 GPR in 2024-25.

8. A review of consultant research shows that employers in general have, on average, provided 3.1% annual wage increases over the past 10 years. Most recently, in 2022, the average budgeted salary increase was 4.1%. Table 1 summarizes the research on pay increases.

TABLE 1

Employer Compensation Increases, 2013 - 2022

Calendar Year	U.S. Average Salary Budget Increases
2013	2.9%
2014	3.0
2015	3.0
2016	3.0
2017	3.0
2018	3.1
2019	3.2
2020	2.9
2021	3.0
2022	4.1
10-Year Average	3.1%

9. Over a similar period, the State of Wisconsin has provided lower wage increases with less frequency. Table 2 summarizes the general wage adjustments provided to state employees and percentage change in the consumer price index for all urban consumers (CPI-U) from 2013-14 to 2022-23 (through April, 2023).

TABLE 2

General Wage Adjustments for State Employees and CPI-U Changes, 2013-14 to 2022-23

Fiscal Year	General Wage Adjustment	Consumer Price Index Change
2013-14	1.0%	1.6%
2014-15	1.0	0.7
2015-16	0.0	0.7
2016-17	0.0	1.8
2017-18	0.0	2.3
2018-19	4.0	2.1
2019-20	2.0	1.6
2020-21	2.0	2.3
2021-22	2.0	7.2
2022-23	2.0	5.9
Percent Change, FY 2014 to 2023	14.9%	29.2%

10. In reviewing Table 2, it should be noted that state employees may be eligible to receive salary increases separate from general wage adjustments, at the employer's discretion or the approval of the Division of Personnel Management (DPM) in DOA. For example, under the state's compensation plan certain employees may receive pay progression increases, discretionary merit compensation, equity or retention adjustments, and market wage and parity adjustments. In addition, employees may earn pay increases by advancing to higher levels within a classification series or through promotion to a different type of position. Increases in salaries may be supported by a state agency through the utilization of existing resources during the biennium in which the increase occurs or through a supplement request. In the following biennium, standard budget adjustments would provide the agency any necessary funding to support employees' updated salary and fringe benefits costs.

11. Non-retirement separations of classified state employees have averaged 9.4% annually since 2015-16. Most recently, in 2021-22, the non-retirement separation rate of 11.7% was nearly twice the rate in 2012-13, 6.1%. Both the non-retirement and retirement separation rates in 2021-22 were higher than at any point in the last 10 years, for a total separation rate of 16.3%. Over the same 10-year period, Wisconsin rates of unemployment decreased from 6.9% in 2012-13 to 3.1% in 2021-22. As unemployment rates decrease, competition for a limited supply of workers between employers increases. As of April, 2023, the unemployment rate in Wisconsin is 2.4%. Table 3 summarizes state separation rates, by retirement and non-retirement separations, and unemployment rates in Wisconsin from 2012-13 to 2021-22.

TABLE 3

State Employee Separation Rates and Unemployment Rates in Wisconsin

	State Employee Separation Rates			
Fiscal Year	Non-Retirement Separations	Retirements	Total Separations	Wisconsin Rate of Unemployment
2012-13	6.1%	2.9%	9.0%	6.9%
2013-14	6.8	3.1	9.9	6.1
2014-15	7.7	4.3	12.0	4.8
2015-16	9.1	4.3	13.4	4.1
2016-17	9.5	4.2	13.7	3.6
2017-18	9.7	3.9	13.6	3.1
2018-19	10.1	3.7	13.8	3.1
2019-20	8.7	3.6	12.2	5.1
2020-21	8.6	3.4	12.0	5.0
2021-22	11.7	4.6	16.3	3.1

12. Under the Wisconsin State Constitution, the compensation of a public officer may not be increased or decreased during the term of office, except that: (a) any increase in the compensation of members of the Legislature takes effect, for all Senators and Representatives, after the next general election beginning with the new Assembly term; and (b) any increase or decrease in the compensation

of Justices of the Supreme Court or judges of any other court become effective for all Justices or judges, upon the election or appointment of any Justice or judge. Further, under state statute, the salary of each elected district attorney is established at the rate that is in effect for their office in the state employee compensation plan on the second Tuesday of July preceding the commencement of their term of office. Therefore, state legislators will next be eligible for a pay increase in January, 2025; the State Superintendent would next be eligible for a pay increase when assuming office in July, 2025; other constitutional officers would be eligible for a pay increase in January, 2027; and elected district attorneys would be eligible for a pay increase when assuming office in January, 2025. Further, assistant attorneys general, assistant and deputy district attorneys, and assistant state public defenders, who are eligible to receive pay increases under a pay progression plan outside of the state compensation plan, would not be eligible to receive general wage adjustments.

13. The calculation of funding for general wage adjustments accounts for groups of employees who would be ineligible to receive the pay increases (assistant attorneys general, assistant and deputy district attorneys, and assistant state public defenders), or who would receive pay increases as elected officials on a later date (state legislators). For elected district attorney pay increases that would take effect in January, 2025, funding was provided directly to the District Attorneys appropriation for salaries and fringe benefits. Included in the general wage adjustment calculations are the base salaries of eligible groups of executive branch employees, judges and justices, and staff of the Legislature and the Courts. Funding in 2024-25 includes an estimate of the costs associated with compensation of state legislators, for pay increases that would take effect in January, 2025.

14. It should be noted that passage of a budget bill that includes funding in compensation reserves for pay increases would not itself effectuate a general wage adjustment for state employees or a salary increase for state elected officials. Rather, salaries for most state employees, including state elected officials, are established in the state employee compensation plan. The compensation plan, which is separate from the budget bill, is established by DPM and approved by the Joint Committee on Employment Relations (JCOER). Therefore, general wage adjustments would not be effectuated unless such increases were included in the 2023-25 state employee compensation plan prepared by DPM, and then subsequently approved by JCOER. Similarly, pay plan recommendations separately requested by the Board of Regents and the UW-Madison Chancellor must ultimately be approved by JCOER. The compensation plan and pay plan recommendations of the UW System are typically reviewed by JCOER in the summer or fall of odd-numbered years. Funding is included in the budget bill to support a general wage adjustment if such an increase is anticipated in the upcoming compensation plan. If funding in the budget bill for pay increases is not approved, general wage adjustments may not ultimately be included in the state compensation plan, and pay increases for UW System employees would be limited.

15. With regard to the timing of the proposed general wage adjustments, the Administration indicates that July effective dates would be desired so as to not delay addressing the recruitment and retention challenges the state is experiencing. To the extent that the implementation of the 2023-25 compensation plan would follow the planned date for the first general wage adjustment, the intent would be for lump-sum payments to be provided to eligible employees for hours in pay status dating back to the first pay period of 2023-24.

16. With regard to the order of the proposed adjustments (5% first, 3% second), the Administration indicates that because state salaries and pay structure have not kept pace with pay of private or other public sector employers and state separation rates and vacancy rates have been increasing, a more significant across-the-board pay increase (5%) would first be provided for more immediate relief. In part, the stated goal of providing a larger pay increase first would be to ease the effect inflation has had on reducing the value of state employee wages, as the change in CPI has been greater than general wage adjustments provided in seven of the last 10 fiscal years. As shown in Table 2, the cumulative growth in CPI from 2013-14 to 2022-23 (through April, 2023) was 29.2%, compared to a 14.9% increase over the same period for general wage adjustments.

17. With regard to the percentage amounts that would be provided, consultant research shows that salary increases in the U.S. are forecast to grow by 4.6% in 2023. In January, 2023, Wisconsin Manufacturers and Commerce reported that 84% of respondents to its winter employer survey planned to provide an hourly wage increase in 2023 of 3% or more, and 34% planned to provide an increase of more than 4%.

18. It could be argued that not providing general wage adjustments would erode the state's ability to recruit and retain employees because it would further reduce the state's market competitiveness in an economy with low unemployment rates and result in the continuation of increased rates of position separations. In addition, given that other employers have provided greater average pay raises in recent years, inflation has exceeded the percentage increases provided by general wage adjustments in each of the past three fiscal years, and the rate of state separations in 2021-22 was greater than in any of the previous nine fiscal years, it could be argued that the proposed pay increases would be within reason. Therefore, the Committee could provide $110,897,600 GPR in 2023-24 and $177,493,200 GPR in 2024-25 to support a general wage adjustment of 5% on July 1, 2023, and a general wage adjustment of 3% on July 1, 2024. [Alternative 1] Estimated all funds costs would be $171,297,700 in 2023-24 and $271,898,300 in 2024-25.

19. The Committee could modify the percentage increases of the general wage adjustments for which funding is budgeted in compensation reserves. For example, if the Committee wished to provide for general wage adjustments with a comparable cumulative effect over the biennium, but which would more evenly distribute costs across fiscal years, two general wage adjustments of 4% each could be provided, for a cumulative increase of 8.16% (compared to 8.15%). Therefore, the Committee could provide $88,718,100 GPR in 2023-24 and $177,713,500 GPR in 2024-25 for two adjustments of 4% each on July 1, 2023, and July 1, 2024. [Alternative 2] This alternative includes funding for the 27th pay period in 2023-24, and is also net of a 5% reduction associated with higher than usual position vacancy rates. Estimated all funds costs would be $137,038,100 in 2023-24 and $272,231,900 in 2024-25.

20. With regard to timing of adjustments, the Committee could provide funding to support increases at the beginning of each calendar year rather than at the beginning of each fiscal year. Budgeting for raises in January of each year would provide for more evenly spaced, gradual compensation increases since the most recent general wage adjustment was provided in January, 2023. In addition, providing for pay increases in January of each year would reduce state costs during the 2023-25 biennium associated with the general wage adjustments. Note, however, that the increase provided in January, 2025, would result in an out-year commitment of funding since only half for the pay increase would occur in 2024-25. In contrast, the advantages of providing general wage

adjustments at the beginning of each fiscal year would include: more effective retention of employees, since pay increases would be provided sooner; and minimal out-year commitment associated with the pay increases. The cost of providing general wage adjustments in January of each year would be: (a) for a 5% adjustment followed by a 3% adjustment, $54,356,500 GPR in 2023-24 ($83,409,100 all funds) and $143,251,200 GPR in 2024-25 ($219,350,600 all funds) [Alternative 3]; and (b) for two adjustments of 4% each, $43,485,300 GPR in 2023-24 ($66,727,300 all funds) and $132,488,900 GPR in 2024-25 ($202,835,500 all funds) [Alternative 4].

21. If the Committee takes no action, general wage adjustments would likely not be provided. [Alternative 5]

ALTERNATIVES

1. Provide $110,897,600 GPR in 2023-24 and $177,493,200 GPR in 2024-25 to support a general wage adjustment of 5% on July 1, 2023, and a general wage adjustment of 3% on July 1, 2024.

ALT 1	Change to Base
GPR	$288,390,800

2. Provide $88,718,100 GPR in 2023-24 and $177,713,500 GPR in 2024-25 for two adjustments of 4% each on July 1, 2023, and July 1, 2024.

ALT 2	Change to Base
GPR	$266,431,600

3. Provide $54,356,500 GPR in 2023-24 and $143,251,200 GPR in 2024-25 to support a general wage adjustment of 5% on January 1, 2024, and a general wage adjustment of 3% on January 1, 2025.

ALT 3	Change to Base
GPR	$197,607,700

4. Provide $43,485,300 GPR in 2023-24 and $132,488,900 GPR in 2024-25 for two adjustments of 4% each on January 1, 2024, and January 1, 2025.

ALT 4	Change to Base
GPR	$175,974,200

5. Take no action.

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June, 2023 Joint Committee on Finance Paper #217

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

[LFB 2023-25 Budget Summary: Page 84, #1]

CURRENT LAW

Funding is allocated to compensation reserves for cost increases related to state and University of Wisconsin (UW) System employee salaries and fringe benefits, including proposed pay increases which would be finalized in the forthcoming compensation plan.

Correctional security positions, employed by the Department of Corrections and the Department of Health Services (DHS), are assigned to one of two pay ranges. Correctional officers, youth counselors, and psychiatric care technicians are assigned to pay range 05-31; and correctional sergeants, youth counselors-advanced, and psychiatric care technicians-advanced are assigned to pay range 05-32. As of January 1, 2023, minimum base pay is $20.29 per hour for pay range 05-31.

DISCUSSION POINTS

1. This paper addresses amounts budgeted under compensation reserves for correctional security position compensation. Separate budget papers have been prepared for the following provisions also budgeted under compensation reserves: (a) prior period and inflationary increases for state employee fringe benefits; (b) general wage adjustments; (c) pay progression systems; and (d) market wage adjustments, including adjustments for IT positions and classified attorneys. In addition, a budget paper has been prepared relating to the continuation of pilot add-ons (excluding add-ons for correctional security positions) in the Departments of Administration (DOA), Corrections, Health Services, Military Affairs, Safety and Professional Services, and Veterans Affairs.

2. Under Assembly Bill 43/Senate Bill 70, funding is provided in the 2023-25 general fund

condition statement for compensation reserves totaling $365,260,700 GPR in 2023-24 ($667,480,900 all funds) and $581,614,700 GPR in 2024-25 ($1,001,825,800 all funds) for cost increases related to state and UW System employee salaries and fringe benefits.

3. Amounts in compensation reserves include funding of $166,679,100 GPR in 2023-24 and $160,953,500 GPR in 2024-25 for correctional security compensation. Funding provided to compensation reserves is based on the following: (a) the current $4 per hour pilot add-on for correctional security positions and supervisors would be converted to a base pay increase; (b) continuation of the $5 per hour high-vacancy add-on and "agents as officers" add-on (providing add-on pay to probation and parole agents working correctional security position shifts); (c) an enhanced correctional security pay progression system, supervisor parity for the increases, and minimum pay of $33 per hour for correctional officers, youth counselors, and psychiatric care technicians; (d) the maximum-security add-on of $2 per hour for correctional security positions and supervisors would be increased to $4 per hour and expanded to certain correctional security positions and supervisors at Department of Health Services facilities with maximum-security units; and (e) a medium-security add-on of $1 per hour would be established for correctional security positions and supervisors at Corrections and DHS.

4. Under the bill, funding in compensation reserves was calculated as the sum of estimated cost increases for fringe benefits and estimated costs of proposed pay provisions, less a reduction of 5% of the total estimated costs. The Administration indicates the reason for the reduction is that, while estimated costs in compensation reserves for proposed pay increases are generally calculated based on filled positions only, agencies must demonstrate need for funding when requesting pay plan supplements. To the extent that agencies have vacant positions, available funding associated with the vacant positions must be utilized before a supplement would be provided from compensation reserves. The 5% reduction was applied to reflect a higher than usual level of position vacancies that may continue for some time.

5. On April 27, 2023, the Administration submitted errata materials identifying that additional funding of $1,052,100 GPR in 2023-24 and $1,013,100 GPR in 2024-25 would be needed for the proposed changes to the maximum-security add-on for correctional security positions and supervisors.

6. Funding that would be provided to compensation reserves under AB 43/SB 70 for GPR-funded correctional security positions and supervisors (including the April 27 correction), less a reduction of 5% of total costs, is summarized in Table 1.

TABLE 1

Compensation Reserves GPR for Correctional Security Positions and Supervisors, AB 43/SB 70 as Modified by Errata

	2023-24	2024-25
Base Pay		
Convert $4 per Hour Add-on to Base Pay for Correctional Security Positions, Supervisors	$47,617,600	$45,853,700
Pay Progression Increases and $33 Minimum	80,182,500	77,653,700
Supervisor Parity for Pay Progression Increases	4,937,300	4,754,500
Subtotal	$132,737,400	$128,261,900
Continuing Add-ons		
$5 High-Vacancy Add-on at Corrections Facilities	$15,523,700	$14,948,700
Agents as Officers Add-on	117,000	112,700
Subtotal	$15,640,700	$15,061,400
Add-on Pay Increases		
Maximum-Security Add-on, $4 per Hour (Corrected)	$14,862,700	$14,312,200
Medium-Security Add-on of $1 per Hour	4,490,400	4,331,100
Subtotal	$19,353,100	$18,643,300
Total Base Pay and Add-ons	$167,731,200	$161,966,600
5% Reduction	- $8,386,600	- $8,098,300
Net Total	$159,344,600	$153,868,300

7. In addition to funding in compensation reserves, AB 43/SB 70 would have provided $47,439,700 GPR annually for an overtime supplement for Corrections ($47,896,400 GPR annually as modified by a calculation correction and by an additional item in the April 27 errata materials). Of the corrected overtime supplement amount, $22.8 million GPR was attributable to the Administration's estimates of overtime cost increases relating to the following correctional security compensation proposals shown in Table 1, as well as proposed general wage adjustments: (a) $33 minimum base pay for correctional officers; (b) the $4 add-on for security staff at maximum-security facilities; and (c) the proposed $1 add-on for security staff at medium-security facilities. However, the overtime calculations did not include the cost of minimum base pay increases for correctional sergeants, youth counselors, and youth counselors-advanced, pay progression increases for positions paid above the minimum rate, or parity pay for supervisor positions. In addition, costs related to the $5 high-vacancy add-on were not included. On June 8, 2023, the Committee adopted Motion #90, which provided $15,000,000 GPR annually for the overtime supplement, excluding any assumption of pay increases.

Including all of the proposed correctional security pay increases and continuing pay shown in Table 1 (such as pay increases for youth counselors/advanced and correctional sergeants), the estimated cost increase in overtime for Corrections for the pay provisions is $53,086,200 GPR in

2023-24 and $51,120,000 GPR in 2024-25. The estimated cost increase for Health Services overtime for the pay provisions is $6,482,500 GPR in 2023-24 and $6,242,400 GPR in 2024-25. Table 2 provides the cost of the pay provisions, including reestimated overtime associated with the pay increases and a 5% reduction.

TABLE 2

GPR Correctional Security Compensation Proposal Costs, Including Reestimated Overtime

	2023-24	2024-25
Base Pay and Add-ons	$167,731,200	$161,966,600
Overtime Cost, Corrections	53,086,200	51,120,000
Overtime Cost, Health Services	6,482,500	6,242,400
Total	$227,299,900	$219,329,000
5% Reduction	- $11,365,000	- $10,966,500
Net Total	$215,934,900	$208,362,500

Background

8. 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 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 3 summarizes the number of authorized full-time equivalent (FTE) positions in 2022-23 for each classification type by agency and fund source.

TABLE 3

Authorized Full-Time Equivalent Correctional Security Positions by Agency and Fund Source, 2022-23

	Full-Time Equivalent Positions		
Agency and Position Classification	GPR	PR	Total
Corrections			
Correctional Officer	3,049.25	0.00	3,049.25
Correctional Sergeant	1,588.75	14.00	1,602.75
Youth Counselor	1.00	98.00	99.00
Youth Counselor-Advanced	0.00	35.80	35.80
Subtotal Corrections	4,639.00	147.80	4,786.80
Health Services			
Correctional Officer	92.88	7.12	100.00
Correctional Sergeant	30.00	0.00	30.00
Psychiatric Care Technician	119.79	20.33	140.12
Psychiatric Care Technician-Advanced	627.98	261.42	889.40
Subtotal Health Services	870.65	288.87	1,159.52
Total, Corrections and Health Services	5,509.65	436.67	5,946.32

9. 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.

10. 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. Under 2021 Act 153, the reporting requirement was changed from biennial to annual. In reviewing the most recent report submitted on December 27, 2022, the Department paid $80,156,639 (for salaries, not including fringe benefit costs) for 2,260,438 hours of overtime at adult institutions in fiscal year 2021-22. The most common reasons for overtime in 2021-22 were position vacancies and sick leave. [Note that "sick leave" excludes leave related to COVID-19, which made up the third highest use of overtime hours.]

Position vacancies resulted in the largest use of overtime in 2021-22, accounting for 1,307,617 overtime hours (at a cost of $46,077,800). This is 58% of all overtime hours in the report. The fiscal year 2021-22 report also reflects a 40% increase in the use of overtime to cover security position vacancies when compared to fiscal year 2020-21 (934,774 overtime hours).

As of May 1, 2023, 1,597.0 of 4,786.8 correctional officer, correctional sergeant, and youth counselor/advanced positions were vacant. This amounts to an approximate 33% vacancy rate across all institutions. In comparison, the vacancy rate for correctional security positions at Health Services facilities was 13% across all facilities. However, specific institutions have significantly higher (and lower) rates than the all-institutions average. For example, as of May, 2023, Waupun Correctional Institution (maximum-security) had a 51.7% vacancy rate and Kettle Moraine Correctional Institution (medium-security) had a 50.5% vacancy rate for officers and sergeants. In contrast, during the same period, Jackson Correctional Institution (medium-security) had a 15.2% vacancy rate. Table 4 provides vacancy rates for each facility to which Corrections security positions are assigned, including the Wisconsin Resource Center (a DHS facility for which Corrections provides security services).

TABLE 4

Corrections Vacancy Rates by Facility for Correctional Officer/Sergeant and Youth Counselor/Advanced Positions, May, 2023

Facility by Security Level	Vacancy Rate
Maximum	
Waupun Correctional Institution*	51.7%
Columbia Correctional Institution*	45.3
Dodge Correctional Institution*	41.7
Green Bay Correctional Institution	38.4
Taycheedah Correctional Institution*	37.4
Wisconsin Secure Program Facility	35.9
Lincoln Hills/Copper Lake Schools	20.2
Wisconsin Resource Center (DHS Facility)	15.7
Medium	
Kettle Moraine Correctional Institution*	50.5%
Stanley Correctional Institution*	50.2
Racine Correctional Institution*	43.0
Redgranite Correctional Institution*	40.0
Fox Lake Correctional Institution	36.7
Oshkosh Correctional Institution	34.1
Racine Youthful Offender Corr. Facility	31.7
New Lisbon Correctional Institution	30.1
Milwaukee Secure Program Facility	22.1
Jackson Correctional Institution	15.2
Minimum	
Prairie du Chien Correctional Institution	18.9%
Women's Correctional System	18.8
Oakhill Correctional Institution	18.1
Chippewa Valley Corr. Treatment Facility	14.6
Correctional Center System	8.7
Sturtevant Transitional Facility	4.2
All Locations	33.4%

*High-vacancy add-on of $5.00 currently in effect.

11. High vacancy rates create safety concerns for both staff and inmates, as well as potential liability concerns for the state. Facility age, geographic location, forced overtime (a cyclical problem at institutions with high vacancy rates), institution security level, and institution-specific add-on pay incentives are all possible contributing factors to the differing vacancy rates at facilities.

2021-23 Compensation

12. To address the vacancy issues over the past several years, particularly in security positions, the Department of Administration's Division of Personnel Management (DPM), implemented several pay provisions that largely targeted correctional security positions.

High-Vacancy Add-on. The 2021-23 compensation plan incorporates a provision of 2021 Act 58 (the biennial budget act) to provide a $5 per hour add-on for all hours worked by correctional officers and correctional sergeants at any adult correctional institution that meets the following criteria: (a) the combined share of vacant correctional officer and correctional sergeant positions at the institution is more than 40%; and (b) where the $5 add-on is implemented, the add-on would continue to be paid until the vacancy rate for such positions has been 40% or less for six consecutive months. For the purposes of administering the add-on, the determination of the vacancy rate and duration of the add-on are determined by DPM. As specified in Act 58 and under the 2021-23 compensation plan, 50% of the cost of this provision may be supplemented from compensation reserves, subject to availability of funds for this purpose. The remaining 50% would be funded from existing resources within the Department of Corrections budget.

Modifications to Pay Progression. Under the 2019-21 compensation plan, a pay progression system for security positions was implemented, providing increased pay rates for correctional officers/sergeants, youth counselors/advanced, and psychiatric care technicians/advanced after attaining a specified number of years of continuous service. The 2021-23 plan modified this pay progression, specifying that the changes would be effective January 2, 2022, and would be funded by Corrections and Health Services within existing agency budgets. The plan increased minimum pay rates for correctional officers/sergeants, youth counselors/advanced, and psychiatric care technicians/advanced by $0.47 per hour, after applying the January, 2022, general wage adjustment of 2%. In addition, the plan added a 20-year progression point to the pay structure (previously the pay progression last provided an increase at 15 years).

Add-on for Maximum Security Institutions. Effective January 2, 2022, the 2021-23 plan created a $2 add-on for hours worked by correctional officers/sergeants and youth counselors/advanced at the following maximum-security adult institutions and juvenile facilities: Columbia Correctional Institution, Dodge Correctional Institution, Green Bay Correctional Institution, Taycheedah Correctional Institution, Waupun Correctional Institution, Wisconsin Secure Program Facility, and Lincoln Hills/Copper Lake Schools.

Security Staff and Supervisors Add-on. Subsequent to adoption of the 2021-23 compensation plan, DPM implemented an add-on for all hours in pay status, applicable to correctional security positions as well as supervisors classified as corrections program supervisor, institution unit supervisor (at Mendota, Winnebago, Sand Ridge, and Wisconsin Resource Center), psychiatric care supervisor, supervising officer-DHS, supervising officer 1, supervising officer 2, supervising youth counselor 1, or supervising youth counselor 2. The add-on was first created as a $3 per hour add-on beginning March 13, 2022, and was increased to $4 per hour effective August 14, 2022.

13. In addition, Corrections continues to administratively implement various recruitment and retention strategies (such as using commercials and social media advertising, and pilot testing 12-hour security shifts at certain institutions), and as noted by Secretary Carr during the March 28, 2023, Joint Finance Committee agency briefing, recently hired a marketing firm to assist with these efforts. The Department also conducts climate and engagement surveys to gain a better understanding of employee morale, satisfaction, and engagement within the Department. In 2022, there were 4,365 survey respondents, including 1,618 security staff respondents. On average, the security personnel "disagreed" with the statement that "my job allows me adequate flexibility to meet personal and family needs." In addition, overtime/work-life balance was most often identified as the reason for staff departures during exit interviews conducted by the Department.

14. Due to a number of variable factors that impact recruitment and retention such as labor market competition and unemployment rates, it is unknown if previous pay incentives have directly affected vacancy rates. While vacancy rates have increased in recent years, it is possible that vacancy rates would be even greater without the base pay increases and supplemental add-on pay that has been provided.

Pay Comparisons and Recruitment Issues

15. The Division of Personnel Management conducted research on pay of correctional employees. This research included comparisons of pay with that of correctional positions in other states. For example, starting pay for correctional officers in surrounding states (Illinois, Iowa, Michigan, and Minnesota) ranges from $20.79 per hour to $24.19 per hour. It should be noted, however, that other states and municipalities throughout the U.S. are also experiencing correctional security staff shortages. As such, the correctional officer pay rates in effect in other jurisdictions may not reflect pay rates that are sufficiently competitive to fill position vacancies.

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, and compensation rates may be treated as proprietary information by some employers. 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, if competing employers offer a higher rate of pay as well as a more favorable work environment, hours, or other employment conditions, to effectively attract applicants, the state would need to offer even greater pay or other benefits to compensate for the challenging work environment of correctional institutions and conditions that routinely result in the performance of mandatory overtime.

16. Vacancy rates and associated overtime expenses can additionally be attributed to overall economic conditions. As unemployment rates decrease, competition for a limited supply of workers

between employers increases. Over the past several years, the unemployment rate has decreased in Wisconsin from around 5.1% in 2019-20 to 3.1% in 2021-22. As of April, 2023, the unemployment rate in Wisconsin is 2.4%. Correctional position vacancy rates and overtime attributable to position vacancies are generally observed to have an inverse relationship to unemployment rates.

17. 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.

18. 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. As noted previously, work-life balance is reportedly a reason often cited by individuals who choose to seek employment elsewhere.

Pay Proposal

19. Currently, while minimum base pay for correctional officers, youth counselors, and psychiatric care technicians is $20.29 per hour, the effective rate of pay is higher when considering the supplemental add-ons being provided. The add-ons currently in effect apply as follows: (a) $4 per hour for all security positions and supervisors; (b) $5 per hour at high-vacancy (over 40%) adult institutions of Corrections as well as the juvenile schools; and (c) $2 per hour for correctional officers/sergeants and youth counselors/advanced at Corrections maximum-security adult institutions and juvenile facilities.

20. Because all correctional security positions receive the $4 per hour add-on, correctional officers, youth counselors, and psychiatric care technicians earn at least $24.29 per hour at this time. In addition, an employee paid at the minimum would earn higher rates for worked hours in the following circumstances: (a) at a maximum-security facility that is not a high-vacancy institution or juvenile school, $26.29 per hour; (b) at a high-vacancy institution that is not a maximum-security facility, a total of $29.29 per hour; and (c) at a maximum-security facility that is a high-vacancy institution or juvenile school, $31.29 per hour.

21. Under the compensation proposal, the current $4 per hour add-on would be converted into a base pay increase for all correctional security positions and supervisors. In addition, modifications would be made to the current pay progression structure that applies to positions in pay ranges 05-31 (correctional officers, youth counselors, and psychiatric care technicians) and 05-32 (correctional sergeants, youth counselors-advanced, and psychiatric care technicians-advanced). All positions in pay range 05-31 would have minimum base pay of $33 per hour, and minimum pay for positions in pay range 05-32 would also be increased to a higher rate of pay reflecting the level of the classification. Further, employees with one to 20 years of service would receive additional pay

increases according to their years of service, and a 25-year progression point would be created. Currently, the 20-year rate in the progression schedule for pay range 05-31 is $25.59 per hour, and the maximum of the pay range is $29.98. Thus, the proposal to increase minimum base pay to $33 per hour would be accompanied by substantial pay increases for correctional security employees with additional years of experience. The proposal would also provide pay increases to supervisors of correctional security positions to prevent pay compression that would otherwise result from the modifications to the pay progression.

22. With regard to supplemental pay, the proposal would increase the maximum-security add-on from $2 per hour to $4 per hour and expand the add-on to apply to DHS facilities. Currently, because the maximum-security add-on only applies at Corrections facilities, those employees of Corrections who are assigned to provide security for the Wisconsin Resource Center (WRC) do not receive the add-on. Under the proposal, the Corrections employees at WRC would be paid the add-on, as would DHS correctional security employees. [Note that on June 8, 2023, the Committee approved the transfer of WRC security from Corrections to DHS. Under the proposal, security staff at WRC under the administration of DHS would receive the proposed maximum-security add-on.] In addition, a medium-security add-on of $1 per hour would be created. As shown in Table 4, vacancy rates at Corrections medium-security facilities are comparable to those of maximum-security facilities.

23. The Administration has argued that, even at a rate of pay of $31.29 per hour at maximum-security facilities with vacancy rates over 40%, it has been difficult to recruit candidates. In part, this is the reasoning provided for the proposed minimum pay of $33 per hour for officers, youth counselors, and psychiatric care technicians. However, it should be noted that under the proposal, because the high-vacancy add-on would continue and the maximum-security add-on would be increased to $4 per hour, an employee paid at the minimum rate at a maximum-security facility with a vacancy rate over 40% would earn $42 per hour (including applicable add-ons).

24. Given that a growing number of correctional institutions are facing severe staff shortages, the Committee could provide funding for the proposed base pay and supplemental pay increases, less a 5% reduction as applied to other provisions in compensation reserves, totaling $215,934,900 GPR in 2023-24 ($170,939,000 GPR for base pay and $44,995,900 GPR for add-on pay) and $208,362,500 GPR in 2024-25 ($165,026,600 GPR for base pay and $43,336,000 GPR for add-on pay). [Alternatives A1a and B1a] Funding for the proposal would be 92% GPR, with an all funds estimate of $204,579,200 in 2023-24 and $197,503,200 in 2024-25, net of the 5% reduction.

25. 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. Likewise, the cost of any compensation increases would first be funded from agency budgets (specifically, appropriated allocations to permanent position salaries and fringe benefits) before being supplemented from compensation reserves, based on demonstrated need. 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.

As noted previously, the overall vacancy rate for correctional security positions at Corrections is 33%. While funding in compensation reserves under AB 43/SB 70 applied an overall 5% reduction to the sum of total GPR funding estimated for compensation cost increases, associated with a higher than usual level of position vacancies overall, it could be argued that the current percentage of correctional position vacancies at Corrections may merit a larger percentage reduction in the amounts budgeted for correctional security compensation increases. Because many positions may be shorter-term, and therefore not vacant for a full year, a rate greater than 5% and less than 25% could be considered. However, if compensation initiatives are successful in recruiting and retaining employees for these positions, costs could increase and exceed the amounts budgeted. To reflect the current rate of vacancies and provide for potential reductions in vacancy rates as the compensation increases take effect, the Committee could provide funding for the proposed increases, and instead apply a 20% reduction in 2023-24 and a lesser reduction of 15% in 2024-25. Net funding for the proposal would be $181,839,900 GPR in 2023-24 and $186,429,600 GPR in 2024-25. [Alternatives A1b and B1b]

26. Alternatively, the Committee could consider modifying the pay progression proposal, such that minimum base pay for correctional officers, youth counselors, and psychiatric care technicians would be: $32 per hour, $31 per hour, $30 per hour, or $29 per hour. Net funding would reflect a 20% reduction in 2023-24 and 15% reduction in 2024-25 associated with high levels of correctional security position vacancies. [Alternatives A2, A3, A4, or A5] Under each of these alternatives, minimum base pay for positions in pay range 05-32 (correctional sergeants, youth counselors-advanced and psychiatric care technicians-advanced) would be increased, pay progression rates would be increased, and supervisor parity would be provided. In addition, any of these alternatives could be selected in combination with an alternative providing funding for supplemental add-on pay.

27. As noted previously, vacancy rates shown in Table 4 for Corrections medium-security facilities are comparable to those of maximum-security facilities. Therefore, the Committee could consider providing additional funding to compensation reserves for add-on pay for positions at medium-security facilities, for an add-on greater than the $1 per hour proposed. The cost to provide for all of the continuing and proposed add-ons, with a $2 per hour medium-security add-on (rather than $1), net of 20% and 15% reductions, would be $42,579,300 GPR in 2023-24 and $43,576,900 GPR in 2024-25. [Alternative B2]

28. If the Committee takes no action regarding correctional security position pay, the ability to provide pay increases with existing resources would be limited and correctional institutions could continue to face severe recruitment and retention issues. [Alternatives A6 and B3]

29. Attachments 1 and 2 to this paper identify the cost components of each alternative: Attachment 1 addresses base pay alternatives, while Attachment 2 addresses add-on pay alternatives.

ALTERNATIVES

A. Base Pay

1. Provide funding to compensation reserves to provide minimum pay of $33 per hour for pay range 05-31 for correctional security staff by selecting one of the following alternatives:

a. Provide net funding of $170,939,000 GPR in 2023-24 and $165,026,600 GPR in 2024-25, including a 5% reduction in each year, to convert $4 add-on pay to base pay, provide minimum pay of $33 per hour for pay range 05-31, increase pay progression rates, and provide supervisor parity.

ALT A1a	Change to Base
GPR	$335,965,600

b. Provide net funding of $143,948,600 GPR in 2023-24 (including a 20% reduction) and $147,655,400 GPR in 2024-25 (including a 15% reduction), to convert $4 add-on pay to base pay, provide minimum pay of $33 per hour for pay range 05-31, increase pay progression rates, and provide supervisor parity.

ALT A1b	Change to Base
GPR	$291,604,000

2. Provide net funding of $131,528,900 GPR in 2023-24 (including a 20% reduction) and $134,935,900 GPR in 2024-25 (including a 15% reduction), to convert $4 add-on pay to base pay, provide minimum pay of $32 per hour for pay range 05-31, increase pay progression rates, and provide supervisor parity.

ALT A2	Change to Base
GPR	$266,464,800

3. Provide net funding of $119,152,200 GPR in 2023-24 (including a 20% reduction) and $122,216,100 GPR in 2024-25 (including a 15% reduction), to convert $4 add-on pay to base pay, provide minimum pay of $31 per hour for pay range 05-31, increase pay progression rates, and provide supervisor parity.

ALT A3	Change to Base
GPR	$241,368,300

4. Provide net funding of $106,775,100 GPR in 2023-24 (including a 20% reduction) and $109,496,300 GPR in 2024-25 (including a 15% reduction), to convert $4 add-on pay to base pay, provide minimum pay of $30 per hour for pay range 05-31, increase pay progression rates, and provide supervisor parity.

ALT A4	Change to Base
GPR	$216,271,400

5. Provide net funding of $94,398,300 GPR in 2023-24 (including a 20% reduction) and $96,776,600 GPR in 2024-25 (including a 15% reduction), to convert $4 add-on pay to base pay, provide minimum pay of $29 per hour for pay range 05-31, increase pay progression rates, and provide supervisor parity.

ALT A5	Change to Base
GPR	$191,174,900

6. Take no action.

B. Add-on Pay

1. Provide funding to compensation reserves to provide for an add-on of $1 per hour at medium-security institutions, along with a $5 high-vacancy add-on and agents as officers add-on, an increase of the maximum-security add-on from $2 per hour to $4 per hour and an expansion of the add-on to apply to DHS facilities by selecting one of the following alternatives:

a. Provide net funding of $44,995,900 GPR in 2023-24 and $43,336,000 GPR in 2024-25, including a 5% reduction in each year, to support the continuation of the $5 high-vacancy add-on and agents as officers add-on, to increase the maximum-security add-on from $2 per hour to $4 per hour and expand the add-on to apply to DHS facilities, and create a $1 medium-security add-on.

ALT B1a	Change to Base
GPR	$88,331,900

b. Provide net funding of $37,891,300 GPR in 2023-24 (including a 20% reduction) and $38,774,300 GPR in 2024-25 (including a 15% reduction) to support the continuation of the $5 high-vacancy add-on and agents as officers add-on, to increase the maximum-security add-on from $2 per hour to $4 per hour and expand the add-on to apply to DHS facilities, and create a $1 medium-security add-on.

ALT B1b	Change to Base
GPR	$76,665,600

2. Provide net funding of $42,579,300 GPR in 2023-24 (including a 20% reduction) and $43,576,900 GPR in 2024-25 (including a 15% reduction) to support the continuation of the $5 high-vacancy add-on and agents as officers add-on, to increase the maximum-security add-on from $2 per hour to $4 per hour and expand the add-on to apply to DHS facilities, and create a $2 medium-security add-on.

ALT B2	**Change to Base**
GPR	$86,156,200

3. Take no action.

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Attachments

ATTACHMENT 1

Correctional Security Compensation
Base Pay Alternatives, GPR Cost

Base Pay	2023-24	2024-25
Alternative A1a		
Convert $4 per Hour Add-on to Base Pay	$47,617,600	$45,853,700
Pay Progression Increases, $33 Minimum for Pay Range 05-31	80,182,500	77,653,700
Supervisor Parity for Pay Progression Increases	4,937,300	4,754,500
Subtotal	$132,737,400	$128,261,900
Overtime Cost for Changes to Base Pay	47,198,400	45,450,300
Total	$179,935,800	$173,712,200
5% Reduction	-$8,996,800	-$8,685,600
Net Total	$170,939,000	$165,026,600
2023-25 Biennium		$335,965,600
Alternative A1b		
Convert $4 per Hour Add-on to Base Pay	$47,617,600	$45,853,700
Pay Progression Increases, $33 Minimum for Pay Range 05-31	80,182,500	77,653,700
Supervisor Parity for Pay Progression Increases	4,937,300	4,754,500
Subtotal	$132,737,400	$128,261,900
Overtime Cost for Changes to Base Pay	47,198,400	45,450,300
Total	$179,935,800	$173,712,200
20%, 15% Reduction	-$35,987,200	-$26,056,800
Net Total	$143,948,600	$147,655,400
2023-25 Biennium		$291,604,000
Alternative A2		
Convert $4 per Hour Add-on to Base Pay	$47,617,600	$45,853,700
Pay Progression Increases, $32 Minimum for Pay Range 05-31	69,413,400	67,269,100
Supervisor Parity for Pay Progression Increases	4,276,800	4,118,400
Subtotal	$121,307,800	$117,241,200
Overtime Cost for Changes to Base Pay	43,103,300	41,506,900
Total	$164,411,100	$158,748,100
20%, 15% Reduction	-$32,882,200	-$23,812,200
Net Total	$131,528,900	$134,935,900
2023-25 Biennium		$266,464,800

Base Pay	2023-24	2024-25
Alternative A3		
Convert $4 per Hour Add-on to Base Pay	$47,617,600	$45,853,700
Pay Progression Increases, $31 Minimum for Pay Range 05-31	58,698,400	56,884,600
Supervisor Parity for Pay Progression Increases	3,615,900	3,481,900
Subtotal	$109,931,900	$106,220,200
Overtime Cost for Changes to Base Pay	39,008,300	37,563,500
Total	$148,940,200	$143,783,700
20%, 15% Reduction	-$29,788,000	-$21,567,600
Net Total	$119,152,200	$122,216,100
2023-25 Biennium		$241,368,300
Alternative A4		
Convert $4 per Hour Add-on to Base Pay	$47,617,600	$45,853,700
Pay Progression Increases, $30 Minimum for Pay Range 05-31	47,983,300	46,500,000
Supervisor Parity for Pay Progression Increases	2,954,900	2,845,500
Subtotal	$98,555,800	$95,199,200
Overtime Cost for Changes to Base Pay	34,913,100	33,620,000
Total	$133,468,900	$128,819,200
20%, 15% Reduction	-$26,693,800	-$19,322,900
Net Total	$106,775,100	$109,496,300
2023-25 Biennium		$216,271,400
Alternative A5		
Convert $4 per Hour Add-on to Base Pay	$47,617,600	$45,853,700
Pay Progression Increases, $29 Minimum for Pay Range 05-31	37,268,300	36,115,500
Supervisor Parity for Pay Progression Increases	2,294,000	2,209,000
Subtotal	$87,179,900	$84,178,200
Overtime Cost for Changes to Base Pay	30,818,000	29,676,600
Total	$117,997,900	$113,854,800
20%, 15% Reduction	-$23,599,600	-$17,078,200
Net Total	$94,398,300	$96,776,600
2023-25 Biennium		$191,174,900

ATTACHMENT 2

Correctional Security Compensation
Add-on Pay Alternatives, GPR Cost

Add-on Pay	2023-24	2024-25
Alternative B1a		
$5 High-Vacancy Add-on at Corrections Facilities	$15,523,700	$14,948,700
Agents as Officers Add-on	117,000	112,700
Maximum-Security Add-on, $4 per Hour	14,862,700	14,312,200
Medium-Security Add-on, $1 per Hour	4,490,400	4,331,100
Subtotal	$34,993,800	$33,704,700
Overtime Cost for Add-on Pay	12,370,300	11,912,100
Total	$47,364,100	$45,616,800
5% Reduction	-$2,368,200	-$2,280,800
Net Total	$44,995,900	$43,336,000
2023-25 Biennium		$88,331,900
Alternative B1b		
$5 High-Vacancy Add-on at Corrections Facilities	$15,523,700	$14,948,700
Agents as Officers Add-on	117,000	112,700
Maximum-Security Add-on, $4 per Hour	14,862,700	14,312,200
Medium-Security Add-on, $1 per Hour	4,490,400	4,331,100
Subtotal	$34,993,800	$33,704,700
Overtime Cost for Add-on Pay	12,370,300	11,912,100
Total	$47,364,100	$45,616,800
20%, 15% Reduction	-$9,472,800	-$6,842,500
Net Total	$37,891,300	$38,774,300
2023-25 Biennium		$76,665,600
Alternative B2		
$5 High-Vacancy Add-on at Corrections Facilities	$15,523,700	$14,948,700
Agents as Officers Add-on	117,000	112,700
Maximum-Security Add-on, $4 per Hour	14,862,700	14,312,200
Medium-Security Add-on, $2 per Hour	8,612,500	8,307,600
Subtotal	$39,115,900	$37,681,200
Overtime Cost for Add-on Pay	14,108,200	13,585,700
Total	$53,224,100	$51,266,900
20%, 15% Reduction	-$10,644,800	-$7,690,000
Net Total	$42,579,300	$43,576,900
2023-25 Biennium		$86,156,200

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June, 2023 | Joint Committee on Finance | Paper #218

Pay Progression Systems
(Budget Management and Compensation Reserves)

[LFB 2023-25 Budget Summary: Page 84, #1]

CURRENT LAW

Funding is allocated to compensation reserves for cost increases related to state and University of Wisconsin (UW) System employee salaries and fringe benefits, including proposed pay increases which would be finalized in the forthcoming compensation plan.

The compensation plan consists of both: (a) the dollar values of the pay rates and ranges and the within range pay steps of the separate pay schedules to which the classes and grade levels for positions in the classified service established under the classification plan are assigned; and (b) the provisions governing the pay of most unclassified positions in the executive branch. In addition, the compensation plan may include provisions for supplemental pay and pay adjustments, and other provisions required to implement the plan or amendments.

The Department of Administration's (DOA) Division of Personnel Management (DPM) submits a proposal for any required changes in the compensation plan to the Joint Committee on Employment Relations (JCOER) for approval. The proposed changes may be modified by JCOER.

DISCUSSION POINTS

1. This paper addresses amounts budgeted under compensation reserves for classified position pay progression systems (excluding correctional security). Separate budget papers have been prepared for the following provisions also budgeted under compensation reserves: (a) prior period and inflationary increases for state employee fringe benefits; (b) general wage adjustments; (c) correctional security position compensation; and (d) market wage adjustments, including adjustments for IT positions and classified attorneys. In addition, a budget paper has been prepared relating to the

continuation of pilot add-ons in DOA, Corrections, Health Services, Military Affairs, Safety and Professional Services, and Veterans Affairs.

2. Under Assembly Bill 43/Senate Bill 70, funding is provided in the 2023-25 general fund condition statement for compensation reserves totaling $365,260,700 GPR in 2023-24 ($667,480,900 all funds) and $581,614,700 GPR in 2024-25 ($1,001,825,800 all funds) for cost increases related to state and UW System employee salaries and fringe benefits.

3. Amounts in compensation reserves include funding for the following pay progression systems, excluding changes to the existing pay progression for correctional security positions: (a) $1,121,300 GPR in 2023-24 and $3,218,200 GPR in 2024-25 for a general pay progression structure that would provide periodic pay increases to employees in various position classifications not otherwise included in a pay progression system; (b) $9,244,800 GPR in 2023-24 and $9,636,400 GPR in 2024-25 for a probation and parole agent pay progression; and (c) $134,500 GPR annually for modifications to an existing pay progression for Natural Resources wardens and Wisconsin State Capitol Police.

4. Under the bill, funding in compensation reserves was calculated as the sum of estimated cost increases for fringe benefits and estimated costs of proposed pay provisions, less a reduction of 5% of the total estimated costs. The Administration indicates the reason for the reduction is that, while estimated costs in compensation reserves for proposed pay increases are generally calculated based on filled positions only, agencies must demonstrate need for funding when requesting pay plan supplements. To the extent that agencies have vacant positions, available funding associated with the vacant positions must be utilized before a supplement would be provided from compensation reserves. The 5% reduction was applied to reflect a higher than usual level of position vacancies that may continue for some time.

5. Table 1 provides a summary of the pay progression systems for which funding would be provided to compensation reserves under AB 43/SB 70, less a reduction of 5% of total costs.

TABLE 1

GPR Compensation Reserves for Classified Position Pay Progression Systems (Excluding Correctional Security), AB 43/SB 70

	2023-24	2024-25
General Pay Progression Structure	$1,121,300	$3,218,200
Probation and Parole Agent Pay Progression	9,244,800	9,636,400
Natural Resources Warden and Capitol Police Pay Progression	134,500	134,500
Subtotal	$10,500,600	$12,989,100
5% Reduction	- $525,000	- $649,500
Net Total	$9,975,600	$12,339,600

6. Generally speaking, an employee's contribution to a state agency's mission tends to increase with length of service as an employee gains experience and expertise. With experience, the ability of these employees to handle increasing and more complicated workloads grows, and the quality of service that these employees can provide to the state and affected members of the public may also improve. Moreover, when employee turnover is reduced, agencies can minimize the resources that must be applied to the recruitment and training of new employees. Finally, in retaining qualified staff, increased compensation can be a tangible way for the state to indicate that the staff, and the work the staff performs, is valued.

7. In the following sections, information is provided regarding each of the pay progression proposals, including a description of the positions, agencies, and fund sources that would be affected.

General Pay Progression Structure

8. A pay progression system, as typically included in the compensation plan, is a time-based system that provides pay increases to individual employees in specific classifications or pay ranges based on longevity through a grid that lists hourly pay rates for different lengths of service, such as some number of months or years. Pay progressions included in the compensation plan generally require that employees meet performance standards to be eligible for pay increases. Pay progression is intended to move an employee's pay from the pay minimum to progress through the pay range.

9. Funding under AB 43/SB 70 includes $1,121,300 GPR in 2023-24 and $3,218,200 GPR in 2024-25 (net funding of $56,100 GPR in 2023-24 and $160,900 GPR in 2024-25, including the 5% reduction noted previously) to establish a general pay progression structure for most non-supervisory position classifications that are not already included in a pay progression system. The estimated all funds cost of the proposal would be $3,063,300 in 2023-24 and $11,589,000 in 2024-25 (including the 5% reduction). This general pay progression structure would be based on the demonstrated development of skills and knowledge in an employee's role, rather than being more generally based on periods of service. The system would transition most classifications into a revised compensation schedule or schedules of narrower pay ranges, designed to allow employees to progress through a pay range periodically based on individual performance.

10. The Administration believes that a general pay progression structure based on performance would incentivize employees throughout their careers by providing opportunities to take initiative to develop skills and expertise in a structured manner. Pay increases would not be automatic, and classification groups could be phased in according to priorities such as recruitment and retention need. Particular occupational areas that have been identified as hiring and retention challenges include custodians, food service, finance, program-specific evaluators, office management, initial assessment specialists, and examiners. More than 100 position classifications had turnover rates of over 20% in 2022, and over 200 position classifications had an average quarterly vacancy rate of more than 20% in the year prior (from August, 2021, to December, 2022).

11. Non-retirement separations of classified state employees have averaged 9.4% annually since 2015-16. Most recently, in 2021-22, the non-retirement separation rate of 11.7% was nearly twice the rate in 2012-13, 6.1%. Both the non-retirement and retirement separation rates in 2021-22

were higher than at any point in the last 10 years, for a total separation rate of 16.3%. Over the same 10-year period, Wisconsin rates of unemployment decreased from 6.9% in 2012-13 to 3.1% in 2021-22. As unemployment rates decrease, competition for a limited supply of workers between employers increases. As of April, 2023, the unemployment rate in Wisconsin is 2.4%.

12. It could be argued that, given the combination of increasing state employee separations and continued low unemployment, a pay progression system focused on encouraging and recognizing individual employee performance could be a valuable addition to the compensation mechanisms that currently exist in the state compensation plan. Therefore, the Committee could provide $1,121,300 GPR in 2023-24 and $3,218,200 GPR in 2024-25, less a reduction of 5% as applied to other compensation provisions ($56,100 GPR in 2023-24 and $160,900 GPR in 2024-25) to establish a general pay progression structure for most non-supervisory position classifications that are not already included in a pay progression system. Net funding for the general pay progression structure would be $1,065,200 GPR in 2023-24 and $3,057,300 GPR in 2024-25 ($3,063,300 in 2023-24 and $11,589,000 in 2024-25 all funds). [Alternative A1]

13. Alternatively, the Committee could provide a lesser amount of funding to support a general pay progression structure, such as: $950,000 GPR in 2023-24 and $2,726,500 GPR in 2024-25; $800,000 GPR in 2023-24 and $2,296,000 GPR in 2024-25; or $675,000 GPR in 2023-24 and $1,937,300 GPR in 2024-25. Applying a 5% reduction to the funding amounts would result in net funding of $902,500 GPR in 2023-24 and $2,590,200 GPR in 2024-25 ($2,595,400 in 2023-24 and $9,818,400 in 2024-25 all funds) [Alternative A2]; $760,000 GPR in 2023-24 and $2,181,200 GPR in 2024-25 ($2,185,600 in 2023-24 and $8,268,000 in 2024-25 all funds) [Alternative A3]; or $641,200 GPR in 2023-24 and $1,840,400 GPR in 2024-25 ($1,843,900 in 2023-24 and $6,976,200 in 2024-25 all funds) [Alternative A4]. Under each of these alternatives, the proposed pay structure could not be implemented as initially planned. However, given the amount provided, DPM could revise the progression structure, such as the amounts provided or number of classifications phased in each year. The details of the general pay progression would be finalized for inclusion in the proposed 2023-25 compensation plan, which would be subject to JCOER review and approval.

14. If no action is taken to provide funding for a general pay progression, a system may not be possible to implement. The provision would include various position classifications and would be intended to apply to each position classification in a uniform manner (on the basis of individual performance, regardless of the employing agency), and not all agencies would be able to self-fund pay increases. [Alternative A5]

Probation and Parole Agents

15. The Department of Corrections (DOC) employs positions in the probation and parole agent classification series primarily within its Division of Community Corrections (98% of positions in the classification series). The Division of Community Corrections administers correctional field services, including supervising offenders on probation, parole, and extended supervision, and providing monitoring and reporting services to offenders. The Division of Juvenile Corrections is also assigned probation and parole agents/senior for the purpose of providing correctional supervision of youth at its Northwestern Regional Office, Southeastern Regional Office, and several field offices.

16. As of May, 2023, DOC is authorized 1,214.68 positions (1,191.68 GPR and 23.0 PR) classified as probation and parole agent or probation and parole agent-senior. The probation and parole agent classification is an entry-level position that progresses to a "developmental" level. While the work performed by probation and parole agents is similar to that of probation and parole agents-senior, the work of an entry-level employee is performed under closer supervision as the individual learns the procedures, practices, techniques, and technology associated with the assigned duties. The probation and parole agent-senior classification represents the full performance level for positions in the classification series. Positions at the senior level are responsible for monitoring a caseload of adult offenders or juveniles and ensuring that adequate services are provided for readjustment of such individuals under supervision for the protection of the community.

17. Probation and parole agents/senior perform tasks such as conducting pre-sentence investigations including interviewing witnesses and victims; establishing and enforcing a payment plan for supervision or monitoring fees determined by a court; participating in revocation and other hearings and serving as a representative of DOC during the proceedings; providing pre-release planning with the offender or juvenile to facilitate successful reintegration into the community; making classification decisions to establish supervision levels of individuals; conducting surveillance of offenders or juveniles through frequent contacts and, if applicable, electronic monitoring; and completing violation investigations and issuing recommendations on appropriate sanctions for a violation.

18. In the state compensation plan, probation and parole agents are assigned to pay range 12-06, while probation and parole agents-senior are assigned to pay range 12-08. Positions in this classification series are designated as protective occupation participants for Wisconsin Retirement System purposes. As of January 1, 2023, minimum pay is $21.21 per hour for probation and parole agent and $24.81 per hour for probation and parole agent-senior. The 2021-23 compensation plan includes a market adjustment of $1 per hour to base pay for all employees in the probation and parole agent/senior classifications, effective June 19, 2022 (Section L-2.14 of the compensation plan).

19. Pay for probation and parole agents/senior was last based on years of service in the 2013-15 compensation plan, through June 28, 2015. Prior to 2011 Act 10, probation and parole agents were represented by the professional social services collective bargaining unit of state employees, and were covered under a collective bargaining agreement that provided for a pay progression system of three classification levels. When the collective bargaining agreement no longer applied, the pay progression system was incorporated into the compensation plan. Effective June 30, 2013, the three-classification series was abolished as the result of a personnel management survey and the current two-classification series was then implemented. Probation and parole agent incumbents are reclassified to probation and parole agent-senior after attaining the requisite training, competency, and experience. The 2013-15 compensation plan continued a pay progression structure, based on years of service, for probation and parole agents-senior. This structure was abolished June 28, 2015, in the 2015-17 compensation plan.

20. As of May, 2023, of employees with fewer than 10 years of service, 89% of probation and parole agents and 84% of probation and parole agents-senior earn an hourly rate between the minimum and $1.02 per hour above the minimum (owing to the $1 market adjustment provided in June, 2022, and 2% general wage adjustment provided January, 2023). Also as of May, 2023, the

vacancy rate for probation and parole agents is 17% and the vacancy rate for probation and parole agents-senior is 11%. In 2021-22, the classifications had turnover rates as follows: probation and parole agent, 26%; and probation and parole agent-senior, 7%.

21. According to the U.S. Bureau of Labor Statistics, in May, 2022, the hourly wage for the occupation category of probation officers and correctional treatment specialists was lowest in Wisconsin compared to surrounding states (Illinois, Iowa, Michigan, and Minnesota) in terms of both the 10th percentile ($20.38 per hour compared to $22.57 to $24.10 per hour) and hourly mean ($25.25 per hour compared to $31.60 to $35.88 per hour). In addition, in an April, 2023, Legislative Audit Bureau (LAB) report relating to the Division of Community Corrections, of probation and parole agents who responded to the LAB survey, 91.4% were dissatisfied with their wages and 78.2% were dissatisfied with their workload (which is affected by vacancy and turnover rates).

22. The proposed pay progression would place probation and parole agents/senior on a progression schedule according to years of service between one and 15 years. In addition, minimum pay for both classifications would be increased, with minimum pay for the probation and parole agent classification of $25.00 per hour. Parity pay would also be provided for supervisors of probation and parole agents/senior, who are classified as corrections field supervisors, to prevent pay compression (individuals with more experience earning a rate of pay that is close to that of employees who are less senior).

23. The purpose of the proposal would be to provide higher pay for more experienced employees and to provide pay increases for probation and parole agents/senior more generally to improve recruitment and retention. Currently, pay progression is provided to other non-supervisory protective occupation employees of DOC (that is, correctional security positions). The Administration believes that a pay progression for probation and parole agents/senior would provide employees with an ongoing incentive structure that would make applying for and remaining in a position more attractive, and would help with morale issues relating to perceived pay inequity with other non-supervisory protective occupation employees of DOC. Therefore, the Committee could provide $9,244,800 GPR in 2023-24 and $9,636,400 GPR in 2024-25, less a reduction of 5% as applied to other compensation provisions ($462,200 GPR in 2023-24 and $481,800 GPR in 2024-25), to support a pay progression for probation and parole agents/senior and parity pay for corrections field supervisors. Net funding for the pay progression would be $8,782,600 GPR in 2023-24 and $9,154,600 GPR in 2024-25. [Alternative B1]

24. Alternatively, the Committee could provide a lesser amount of funding to support a probation and parole agent/senior pay progression, such as: $8,000,000 GPR in 2023-24 and $8,320,000 GPR in 2024-25; $7,000,000 GPR in 2023-24 and $7,280,000 GPR in 2024-25; or $6,000,000 GPR in 2023-24 and $6,240,000 GPR in 2024-25. Applying a 5% reduction to the funding amounts would result in net funding of $7,600,000 GPR in 2023-24 and $7,904,000 GPR in 2024-25 [Alternative B2]; $6,650,000 GPR in 2023-24 and $6,916,000 GPR in 2024-25 [Alternative B3]; or $5,700,000 GPR in 2023-24 and $5,928,000 GPR in 2024-25 [Alternative B4]. Under each of these alternatives, the proposed pay increases could not be implemented as initially planned. However, given the amount provided, DPM could revise the progression structure for inclusion in the proposed 2023-25 compensation plan, which would be subject to JCOER review and approval.

25. If the Committee takes no action regarding funding for a probation and parole agent pay progression, pay increases could still be considered for inclusion in the compensation plan within the limits of available funding. As an example, the market adjustment of $1 per hour to base pay for all employees in the probation and parole agent/senior classifications in the 2021-23 compensation plan was an agency-funded market adjustment. However, if funding is not provided, DOC would not have sufficient funding for the pay progression and minimum pay increases as proposed. [Alternative B5]

Natural Resources Wardens and Capitol Police

26. The Department of Natural Resources (DNR) employs conservation wardens, safety specialist wardens, and special investigative wardens within the Division of Public Safety and Resource Protection. As of May, 2023, DNR is authorized 171.0 positions (4.6 GPR, 6.5 FED, 5.0 PR, and 152.9 SEG) classified as conservation warden, safety specialist warden, or special investigative warden. Conservation wardens are responsible for performing natural resources and environmental protection law enforcement activities in an assigned geographic area, including enforcement of wildlife, fish, boating, snowmobile, all-terrain vehicle, environmental, water regulation and zoning, and forestry laws. Safety specialist wardens are responsible for directing recreational safety education programs within an assigned district, including hunter education, bow hunter education, and boat, snowmobile, and all-terrain vehicle/utility task vehicle safety education. Special investigative wardens are responsible for planning, directing, controlling, and conducting investigations into potential criminal or complex civil violations of state environmental protection or state natural resources laws.

27. The Department of Administration (DOA) employs State Capitol Police officers and detectives. As of May, 2023, DOA is authorized 28.0 PR positions classified as police officer or police detective. Capitol police officers perform patrol and law enforcement work for the Governor, the Governor's Office, the executive residence, and at the site of state-owned or state-leased properties. Capitol police detectives are responsible for conducting criminal investigations and law enforcement activities, including interviewing victims, witnesses, and suspects relating to alleged criminal acts or violations of agency rules, collecting and preserving physical evidence, and directing the efforts of trained evidence technicians at the scenes of crimes and accidents. Capitol police have statewide jurisdiction and investigate criminal, domestic, and traffic-related incidents throughout the state.

28. Under the 2021-23 compensation plan, DNR wardens and DOA Capitol police officers are eligible to receive base pay increases when reaching service anniversaries of three, five, seven, nine, and 11 years. Table 2 provides the rates in effect through June 17, 2023.

TABLE 2

DNR Warden and Capitol Police Pay Progression Schedules, 2021-23 Compensation Plan, January 1, 2023, through June 17, 2023

Years	Pay Rate (per Hour): Conservation Warden, Police Officer	Pay Rate (per Hour): Police Detective, Safety Specialist Warden, Special Investigative Warden
3	$26.78	$28.46
5	27.61	29.32
7	29.32	31.00
9	31.56	33.25
11	34.94	36.62

29. The proposed 2021-23 compensation plan submitted by DPM would have modified the pay progression schedules applicable to these positions to accelerate the progression timeline for eligible employees, such that the years of law enforcement experience for which employees would qualify for pay increases would be reduced from three, five, seven, nine, and 11 to instead require one, two, three, four, and seven years of law enforcement experience. The proposal would have also permitted the cost of the pay adjustments to be supplemented from compensation reserves. The estimated cost of the modifications was $17,600 GPR in 2021-22 ($582,000 all funds) and $29,900 GPR in 2022-23 ($890,600 all funds). However, these costs had not been included in compensation reserves in 2021 Act 58. The Joint Committee on Employment Relations did not approve the modifications.

30. Funding of $134,500 GPR annually ($127,800 GPR annually, net of the 5% reduction) under AB 43/SB 70 would be provided to accelerate the progression timeline for eligible employees, and to additionally increase the hourly pay rates of the progression schedules, including specified minimum pay of $29.00 per hour for conservation wardens and police officers (current minimum pay is $21.64 per hour). The estimated all funds cost of the proposal would be $4,218,600 in 2023-24 and $4,401,600 in 2024-25, net of the 5% reduction ($127,800 GPR, $157,000 FED, $683,400 PR, and $3,250,400 SEG in 2023-24 and $127,800 GPR, $154,000 FED, $726,200 PR, and $3,393,600 SEG in 2024-25). If funding were included in the enacted budget, the details of the progression, including specific pay rates, would be finalized in the 2023-25 state compensation plan, which will be submitted by DPM to JCOER for approval.

31. In recent years, hiring and retaining law enforcement officers has been a challenge for State Capitol Police in particular. However, base pay for Capitol Police and DNR wardens is administered in a consistent manner so as to not create issues of pay equity between state law enforcement positions. Effective January, 2022, DPM approved a $5 per hour pilot add-on for Capitol police officers and detectives to improve recruitment and retention. The pilot add-on is planned to continue through the end of 2022-23. (In addition, funding to continue paying the $5 add-on is addressed in a separate budget paper under Budget Management and Compensation Reserves.) As of

May, 2023, the vacancy rate for police officers and detectives is 21%, while the vacancy rate for conservation wardens, safety specialist wardens, and special investigative wardens is 9%. In 2021-22, the classifications had turnover rates as follows: police officer, 21%; police detective, 33%; conservation warden, 4%; safety specialist warden, 11%; and special investigative warden, 0%. The proposed modifications to the pay progression would be intended to improve recruitment and retention for DNR wardens and Capitol Police and to more closely align the pay progression schedules with the progression under the tentative 2021-23 collective bargaining agreement for the State Patrol troopers and inspectors, approved by JCOER on June 14, 2023, on an 8-0 vote.

32. Although a provision similar to the pay progression modifications under consideration was previously proposed by DPM for the 2021-23 compensation plan, and not adopted by JCOER at that time, funding for the proposal had also not been considered in the 2021-23 biennial budget process or included in the enacted 2021-23 budget. In addition, during the intervening period, labor market competition has increased and recruitment and retention of employees, particularly with regard to State Capitol Police, has become more difficult. Therefore, the Committee could provide $134,500 GPR annually, less a reduction of 5% as applied to other compensation provisions ($6,700 GPR annually), for modifications to an existing pay progression for Natural Resources wardens and Wisconsin State Capitol Police. Net funding for the pay progression would be $127,800 GPR annually. [Alternative C1] The estimated all funds cost of the proposal, net of the 5% reduction, would be $4,218,600 in 2023-24 and $4,401,600 in 2024-25.

33. Alternatively, the Committee could provide a lesser amount of funding to support modifications to the warden and Capitol Police pay progression, such as: $100,000 GPR annually; $75,000 GPR annually; or $50,000 GPR annually. Applying a 5% reduction to the funding amounts would result in net funding of $95,000 GPR annually ($3,135,900 in 2023-24 and $3,271,900 in 2024-25 all funds) [Alternative C2]; $71,200 GPR annually ($2,350,200 in 2023-24 and $2,452,200 in 2024-25 all funds) [Alternative C3]; or $47,500 GPR annually ($1,567,900 in 2023-24 and $1,636,000 in 2024-25 all funds) [Alternative C4]. Under each of these alternatives, the proposed modifications could not be made as initially planned. However, given the amount provided, DPM could revise the proposal for inclusion in the proposed 2023-25 compensation plan, which would be subject to JCOER review and approval.

34. If the Committee takes no action regarding the pay progression for DNR wardens and Capitol Police, the Administration indicates that recruitment and retention issues for Capitol Police in particular would likely need to continue to be addressed with pilot add-on pay and that such issues could become more of a challenge with respect to DNR wardens. [Alternative C5]

ALTERNATIVES

A. General Pay Progression

1. Provide $1,065,200 GPR in 2023-24 and $3,057,300 GPR in 2024-25 for a general pay progression structure that would include various non-supervisory classifications not already included in a pay progression system.

ALT A1	Change to Base
GPR	$4,122,500

2. Provide $902,500 GPR in 2023-24 and $2,590,200 GPR in 2024-25 for a general pay progression structure that would include various non-supervisory classifications not already included in a pay progression system.

ALT A2	Change to Base
GPR	$3,492,700

3. Provide $760,000 GPR in 2023-24 and $2,181,200 GPR in 2024-25 for a general pay progression structure that would include various non-supervisory classifications not already included in a pay progression system.

ALT A3	Change to Base
GPR	$2,941,200

4. Provide $641,200 GPR in 2023-24 and $1,840,400 GPR in 2024-25 for a general pay progression structure that would include various non-supervisory classifications not already included in a pay progression system.

ALT A4	Change to Base
GPR	$2,481,600

5. Take no action.

B. Probation and Parole Agents

1. Provide $8,782,600 GPR in 2023-24 and $9,154,600 GPR in 2024-25 for a probation and parole agent/senior pay progression.

ALT B1	Change to Base
GPR	$17,937,200

2. Provide $7,600,000 GPR in 2023-24 and $7,904,000 GPR in 2024-25 for a probation and parole agent/senior pay progression.

ALT B2	Change to Base
GPR	$15,504,000

3. Provide $6,650,000 GPR in 2023-24 and $6,916,000 GPR in 2024-25 for a probation and parole agent/senior pay progression.

ALT B3	Change to Base
GPR	$13,566,000

4. Provide $5,700,000 GPR in 2023-24 and $5,928,000 GPR in 2024-25 for a probation and parole agent/senior pay progression.

ALT B4	Change to Base
GPR	$11,628,000

5. Take no action.

C. DNR Wardens and Capitol Police

1. Provide $127,800 GPR annually for modifications to an existing pay progression for Natural Resources wardens and Wisconsin State Capitol Police.

ALT C1	Change to Base
GPR	$255,600

2. Provide $95,000 GPR annually for modifications to an existing pay progression for Natural Resources wardens and Wisconsin State Capitol Police.

ALT C2	**Change to Base**
GPR	$190,000

3. Provide $71,200 GPR annually for modifications to an existing pay progression for Natural Resources wardens and Wisconsin State Capitol Police.

ALT C3	**Change to Base**
GPR	$142,400

4. Provide $47,500 GPR annually for modifications to an existing pay progression for Natural Resources wardens and Wisconsin State Capitol Police.

ALT C4	**Change to Base**
GPR	$95,000

5. Take no action.

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June, 2023 Joint Committee on Finance Paper #219

Market Wage Adjustments
(Budget Management and Compensation Reserves)

[LFB 2023-25 Budget Summary: Page 84, #1]

CURRENT LAW

Funding is allocated to compensation reserves for cost increases related to state and University of Wisconsin (UW) System employee salaries and fringe benefits, including proposed pay increases which would be finalized in the forthcoming compensation plan.

The compensation plan consists of both: (a) the dollar values of the pay rates and ranges and the within range pay steps of the separate pay schedules to which the classes and grade levels for positions in the classified service established under the classification plan are assigned; and (b) the provisions governing the pay of most unclassified positions in the executive branch. In addition, the compensation plan may include provisions for supplemental pay and pay adjustments, and other provisions required to implement the plan or amendments.

The Department of Administration's (DOA) Division of Personnel Management (DPM) submits a proposal for any required changes in the compensation plan to the Joint Committee on Employment Relations (JCOER) for approval. The proposed changes may be modified by JCOER.

DISCUSSION POINTS

1. This paper addresses amounts budgeted under compensation reserves for market wage adjustments, including adjustments for IT positions and classified attorneys. Separate budget papers have been prepared for the following provisions also budgeted under compensation reserves: (a) prior period and inflationary increases for state employee fringe benefits; (b) general wage adjustments, (c) correctional security position compensation; and (d) pay progression systems. In addition, a budget paper has been prepared relating to the continuation of pilot add-ons in the Departments of

Administration (DOA), Corrections, Health Services, Military Affairs, Safety and Professional Services, and Veterans Affairs.

2. Under Assembly Bill 43/Senate Bill 70, funding is provided in the 2023-25 general fund condition statement for compensation reserves totaling $365,260,700 GPR in 2023-24 ($667,480,900 all funds) and $581,614,700 GPR in 2024-25 ($1,001,825,800 all funds) for cost increases related to state and UW System employee salaries and fringe benefits.

3. Amounts in compensation reserves include GPR funding for the following market wage adjustments: (a) $20,240,000 in 2023-24 and $19,490,400 in 2024-25 to support market wage and parity adjustments for various specific, targeted classifications; (b) $2,129,700 in 2024-25 for information technology position market adjustments; and (c) $916,200 in 2023-24 and $1,131,000 in 2024-25 to fund market adjustments for classified attorneys not eligible for pay progression.

4. Under the bill, funding in compensation reserves was calculated as the sum of estimated cost increases for fringe benefits and estimated costs of proposed pay provisions, less a reduction of 5% of the total estimated costs. The Administration indicates the reason for the reduction is that, while estimated costs in compensation reserves for proposed pay increases are generally calculated based on filled positions only, agencies must demonstrate need for funding when requesting pay plan supplements. To the extent that agencies have vacant positions, available funding associated with the vacant positions must be utilized before a supplement would be provided from compensation reserves. The 5% reduction was applied to reflect a higher than usual level of position vacancies that may continue for some time.

5. The following table provides a summary of the market adjustments for which funding would be provided to compensation reserves under AB 43/SB 70, less a reduction of 5% of total costs.

TABLE 1

GPR Compensation Reserves for Market Wage Adjustments, AB 43/SB 70

	2023-24	2024-25
Market Wage and Parity Adjustments, Various Classifications	$20,240,000	$19,490,400
Information Technology Market Adjustments	0	2,129,700
Market Adjustments for Classified Attorneys	916,200	1,131,000
Subtotal	$21,156,200	$22,751,100
5% Reduction	- $1,057,800	- $1,137,600
Net Total	$20,098,400	$21,613,500

6. In the following sections, information is provided regarding each of the market wage adjustment proposals, including a description of the positions, agencies, and fund sources that would be affected.

Background

7. *Terminology.* A market wage adjustment is a one-time base pay increase provided to some or all employees in a particular classification that is intended to bring individual employees' pay up to or closer to a market rate (that is, the going rate in the job market for the type of work the individual performs). In the compensation plan, a "funded market adjustment" is a market wage adjustment in which some or all of the filled positions in the specified classification receives the designated amount. The cost of funded market adjustments is supplemented from compensation reserves, unless otherwise specified. [Note that, while this paper addresses market adjustments for which funding would be provided through compensation reserves, the compensation plan can also provide "agency-funded market adjustments" that may not be supplemented from compensation reserves. Rather, the agency must fund the pay increase within its existing budget.]

"Generated market adjustments" describe a type of pay adjustment in which a pool of funding for providing market wage adjustments is generated based upon the number of filled positions in specific classifications within an agency. Depending on the structure of the generated market adjustment, the pool of funding may be available for allocation to multiple classifications or classification series, or may be restricted to the specific classifications or classification series that generated the funding. The agency is provided discretion to distribute varying amounts from the pool of funding to employees in the classifications generating the funding. This method is most used to correct pay equity issues within an agency or a classification overall. The pool of funding may or may not be fully distributed. Generated market adjustments may be funded from compensation reserves or agency-funded, as specified in the compensation plan.

Parity adjustments describe pay adjustments that an agency may request for employees in a different classification who perform similar work to employees in the identified classification list. These parity requests must be sent to DPM for review and must be approved by the administrator.

8. *Market Adjustments -- Function.* Market wage and parity adjustments exist to provide pay increases to employees within certain classifications in which recruitment and retention problems have been identified due to issues such as state salaries being below market levels. The biennial compensation plan identifies the employee classifications that are eligible for market wage and parity adjustments and the specific amount of adjustments that would be provided in the relevant biennium.

9. *Determining Need.* While wage rates are not inclusive of the value of fringe benefits, one indication that total compensation (salary and fringe benefits) may be insufficient from a recruitment and retention perspective is where higher separation or vacancy rates are observed for particular classifications or occupational areas. To the degree there are limits on available funding, market wage adjustments are prioritized to classifications which are identified as having greater percentage differences in wage relative to market rates in Wisconsin, as well as to specific recruitment and retention challenges identified by agencies as high priority. To this end, DPM surveys agencies and conducts labor market research prior to submitting a proposed compensation plan, for the purpose of determining priorities and preparing specific pay policies and recommendations.

Including funding within compensation reserves for market wage and parity adjustments would assist agencies with limited funding in providing these adjustments to their employees. In addition, if funding is provided in compensation reserves, a larger number of classifications would be eligible for market wage and parity adjustments than would be the case otherwise (that is, if all market wage and parity adjustments were agency-funded), since agencies would be able to request supplemental funding to support market wage and parity adjustments.

10. *2021-23 Budget and Compensation Plan.* The 2021-23 biennial budget included $1,000,000 GPR annually in compensation reserves for market wage and parity adjustments. In the 2021-23 compensation plan, approved by JCOER, budgeted funding for market wage and parity adjustments was utilized to implement a one-time market stratification for employees in pay schedules 02 (administrative support) and 03 (blue collar), such that employees with more experience would have larger pay increases than less senior employees. The market stratification increased the hourly pay of these employees based on years of service as follows: (a) one to two years ($0.10); (b) three to four years ($0.20); (c) five to six years ($0.30); or (d) seven or more years ($0.40).

In addition to compensation reserve-funded adjustments, the 2021-23 compensation plan included several agency-funded market adjustments as follows: (a) dental assistants, $0.60 per hour provided to each employee; (b) $1.00 per hour provided to each employee classified as occupational therapy assistant, pharmacy technician, phlebotomist, or probation and parole agent/senior; (c) generated market adjustments of $1.00 per hour for public defender investigators/senior, resident care supervisors, licensed practical nurses, and occupational and physical therapists; (d) generated market adjustment of $1.20 per hour for advanced practice nurse prescribers; (e) generated market adjustment of $2.00 per hour for respiratory therapists; and (f) generated market adjustment of $5.00 per hour for nurse clinicians 3/weekend and nurse clinicians 4.

Market Wage Adjustments for Various Classifications

11. Non-retirement separations of classified state employees have averaged 9.4% annually since 2015-16. Most recently, in 2021-22, the non-retirement separation rate of 11.7% was nearly twice the rate in 2012-13, 6.1%. Both the non-retirement and retirement separation rates in 2021-22 were higher than at any point in the last 10 years, for a total separation rate of 16.3%. Over the same 10-year period, Wisconsin rates of unemployment decreased from 6.9% in 2012-13 to 3.1% in 2021-22. As unemployment rates decrease, competition for a limited supply of workers between employers increases. As of April, 2023, the unemployment rate in Wisconsin is 2.4%.

12. The Administration believes funding of $20,240,000 GPR in 2023-24 and $19,490,400 GPR in 2024-25 to support market wage and parity adjustments for various specific, targeted classifications would assist in increasing pay rates to a level more competitive with the labor market. Funding, net of the 5% reduction, would be $19,228,000 GPR in 2023-24 ($61,495,900 all funds) and $18,515,900 GPR in 2024-25 ($59,218,300 all funds). The Division of Personnel Management has not yet determined which, if any, of the market adjustments under consideration would be generated (that is, whether amounts provided to individual employees would be subject to discretion of each appointing authority). However, to provide a sense of scope and scale, the funding could potentially provide for market adjustments associated with more than 12,000 classified positions in more than 600 classifications. In terms of the adjustment amounts that could be provided and the count of full-time equivalent filled positions upon which the funding is based, 91% of the market adjustments would be for amounts between $1 and $3 per hour. The remaining 9% of the adjustments

would be for adjustments of $3 to $5 per hour.

13. Specific occupational areas that could be targeted through the 2023-25 compensation plan with the amounts provided in the bill include: blue collar, administrative support, engineering, fiscal and staff services, social services, technical, patient care, and education. As a point of reference, the following groups experienced separation rates over 20% in 2021-22: personal care (47.1%), production laborers (31.8%), food production (27.5%), public relations and media technology (25.1%), power plant (24.5%), claims determination (24.0%), administrative support (21.8%), and public safety (21.5%). [Note that the public safety group includes correctional security positions, probation and parole agents, Natural Resources wardens, and Capitol Police. Funding reserved under the bill for these classifications is addressed in separate papers.]

14. Providing for market wage and parity adjustments allows the state to compete as an employer with the private sector and other units of government in recruiting and retaining qualified employees. With more experienced and qualified staff, the services the state provides to Wisconsin may improve, and those services may be provided in a more efficient and effective manner. Finally, with greater recruitment and retention efforts, the state can minimize the resources that must be allocated toward the recruitment and training of new staff. In recognition of these considerations, the Committee could provide $19,228,000 GPR in 2023-24 ($61,495,900 all funds) and $18,515,900 GPR in 2024-25 ($59,218,300 all funds) for market wage and parity adjustments. [Alternative A1]

15. Alternatively, the Committee could provide a reduced level of funding in compensation reserves for market wage and parity adjustments. For example, in terms of funding for 2023-24, the Committee could provide $15.0 million GPR, $10.0 million GPR, or $7.5 million GPR for market wage adjustments. Funding in each year, net of a 5% reduction, would be: $14,250,000 GPR in 2023-24 ($45,575,000 all funds) and $13,722,300 GPR in 2024-25 ($43,887,200 all funds) [Alternative A2]; $9,500,000 GPR in 2023-24 ($30,383,300 all funds) and $9,148,100 GPR in 2024-25 ($29,257,800 all funds) [Alternative A3]; or $7,125,000 GPR in 2023-24 ($22,787,500 all funds) and $6,861,100 GPR in 2024-25 ($21,943,500 all funds) [Alternative A4]. Under these alternatives, given that less funding would be provided, proposed market adjustments would need to be modified to manage costs within available funding by reducing the market adjustment amounts ($1 to $5 noted above), providing market adjustments for fewer classifications, or both.

16. The Administration believes that if funding for market adjustments is not provided, the state will continue to have difficulty adequately staffing areas such as patient care and service occupations. However, if the Committee takes no action and funding is not provided for market wage and parity adjustments in compensation reserves, DPM could still propose market wage and parity adjustments for certain classifications in the 2023-25 compensation plan, to the extent such adjustments could be supported within agencies' existing resources. [Alternative A5] For agencies that are not able to fully support desired market wage adjustments with existing resources, adjustments would be awarded at a lower level or to a fewer number of position classifications, or both. Further, when market wage adjustments are proposed for certain classifications, funding generally must be available for adjustments at all agencies that employ positions in that classification. This prevents an employee in a classification at one agency from earning a different salary than another employee with the same classification at a separate agency, which could create pay equity

issues. The need for funding availability across all agencies with similar classifications can present a barrier in providing certain classifications market wage and parity adjustments.

Information Technology Market Adjustments

17. Funding in the bill includes $2,129,700 GPR in 2024-25 ($2,023,200 GPR, net of the 5% reduction, with an all funds cost of $9,860,200) for information technology position market adjustments that would be effective July, 2024. The proposal would provide for generated market adjustments in 27 agencies. Amounts of $1 to $3 per hour, per position, would "generate" a pool of funding within an agency to distribute among IT employees in amounts determined by the appointing authority. While most other compensation proposals would be for an effective date of July, 2023, the proposed market adjustments for IT positions would be planned for July, 2024, because DPM is currently conducting an occupational study of all IT classifications. It is possible that, as a result of this occupational study, there will be changes to the classification structure for IT positions.

18. The generated market adjustments are proposed because the state has had particular difficulty hiring and retaining IT staff over the past two years. According to DPM, applicants for IT positions are not usually focused on longer-term benefits of state employment, such as Wisconsin Retirement System pension benefits. In addition, agencies have reported that the pool of potential candidates is sometimes limited because the state is seeking employees with skills and experience using older systems and programming languages. As a result, agencies wish to attract IT professionals, and retain those they are able to hire, by increasing higher hourly wages for positions.

19. According to the U.S. Bureau of Labor Statistics, in May, 2022, the average hourly wage in Wisconsin for computer and mathematical occupations was $42.67. The average hourly wage for specific occupations within this category that may be most comparable to the work of state IT positions ranged from $34.35 for computer network support specialists to $58.54 for database architects. The weighted average wage of the IT positions for which the proposed generated market adjustments would apply is $42.04 per hour, and 55% of the positions earn less than $42.67 per hour (50% earn less than $41.56 per hour). The highest vacancy rates for the IT position classifications in the proposal as of May 1, 2023, were for positions in the following classifications or classification series: IS enterprise business analysts, 23.5%; IS enterprise systems development services classifications, 22.2%; and IS data services classifications, 19.8%.

20. While the hourly wages of state IT positions may be difficult to compare directly with market wage rates, average state IT wages appear to be below the market average in Wisconsin. Moreover, the level of recent vacancy rates for certain types of IT positions would suggest that at least some IT positions have been difficult to fill. Therefore, the Committee could provide $2,023,200 GPR in 2024-25, net of the 5% reduction, with an all funds cost of $9,860,200 for generated market adjustments for IT positions. [Alternative B1]

21. Alternatively, the Committee could provide lesser amounts of funding for IT market adjustments, such as $1,750,000 GPR, $1,250,000 GPR, or $1,000,000 GPR in 2024-25. Funding under each alternative in 2024-25, net of a 5% reduction, would be: $1,662,500 GPR ($8,077,800 all funds) [Alternative B2]; $1,187,500 GPR ($5,769,900 all funds) [Alternative B3]; or $950,000 GPR ($4,615,900 all funds) [Alternative B4]. Under these alternatives, given that less funding would be

provided, proposed market adjustments would need to be modified to manage costs within available funding by reducing the market adjustment amounts ($1 to $3 noted above), providing market adjustments for fewer classifications, or both.

22. If funding is not provided for IT market adjustments, because not all agencies could absorb the cost of pay increases for IT positions, DPM would be limited in its ability to address the pay issues across state agencies. [Alternative B5]

Market Adjustments for Classified Attorneys

23. *Bill Funding for Unclassified and Classified Attorneys.* Under AB 43/SB 70, funding was included to increase minimum pay for all state attorneys from $27.24 to $35.00 per hour and increase pay for attorneys by $7.76 per hour in 2023-24. In addition, funding was included for a one step pay increase of $2.27 per hour for attorneys (other than elected District Attorneys) in 2024-25. The bill also included funding to increase elected District Attorney salaries by $10.03 per hour (the $7.76 hourly increase plus an increase of $2.27 per hour which is equivalent to a one-step increase), effective January, 2025. Under the bill, funding for assistant district attorneys, deputy district attorneys, and elected District Attorneys would be provided to an appropriation under the District Attorneys, funding for assistant state public defenders would be appropriated to the Office of State Public Defender, funding for assistant attorneys general would be appropriated to the Department of Justice, and funding for other classified attorneys not eligible for pay progression would be provided to compensation reserves.

24. *Committee Actions to Date.* On May 2, 2023, in executive session, the Committee removed various provisions from further consideration, including the proposal to increase minimum pay for assistant attorneys general from $27.24 to $35.00 per hour, increase pay for such attorneys by $7.76 per hour in 2023-24, and provide funding for a one step pay increase of $2.27 per hour in 2024-25.

A separate budget paper was prepared (Paper #316) relating to salary adjustments and pay progression for assistant district attorneys, deputy district attorneys, and assistant state public defenders, and salary adjustments for elected District Attorneys. On May 16, 2023, in executive session, the Committee adopted a motion to provide, for assistant district attorneys, deputy district attorneys, and assistant state public defenders, funding to increase pay for such attorneys by $8.76 per hour in 2023-24 (to a minimum of $36 per hour), and provide funding for pay progression equivalent to a one step pay increase of $2.27 per hour in 2024-25. In addition, funding was provided to increase pay for elected District Attorneys by $8.76 per hour, and additionally provide one step ($2.27 per hour), effective January, 2025.

25. *Classified Attorneys not Eligible for Pay Progression.* The remaining attorneys under consideration are classified attorneys who are not eligible for pay progression. Proposed pay increases for this group would be subject to the maximum of the pay range, which would be modified in each year to reflect proposed general wage adjustments of 5% in 2023-24 and 3% in 2024-25. The Administration indicates that funding of $916,200 GPR in 2023-24 and $1,131,000 GPR in 2024-25 (net of a 5% reduction, $870,400 GPR in 2023-24 and $1,074,400 GPR in 2024-25) included in compensation reserves is intended to align pay increases for these positions with the substantial

proposed pay increases of other attorneys eligible for pay progression. The state has historically attempted to maintain all staff attorney groups in the same or similar pay ranges. While some groups of attorneys have been eligible for pay increases through pay progression, the pay minimum for all attorneys has been maintained at the same rate. Under the 2021-23 compensation plan, effective January 1, 2023, the pay range minimum for all state attorneys is $27.24 per hour.

26. Attorneys not eligible for pay progression include the classifications of attorney, attorney-confidential, attorney-confidential/supervisor, attorney-management, and attorney-supervisor. These positions are employed by 22 agencies, the greatest number of which (55%) are authorized under three agencies: the Department of Administration (65.15 positions, of which 56.65 are associated with the Division of Hearings and Appeals), Department of Workforce Development (60.4 positions, of which 57.8 are associated with the unemployment insurance, workers compensation, and equal rights programs), and Department of Safety and Professional Services (21.0 positions).

27. If minimum pay for classified attorneys is not increased and market adjustments are not provided to match that of assistant district attorneys, deputy district attorneys, and assistant state public defenders, pay ranges between the attorney groups and actual pay of attorneys in each group would be substantially different (a difference of 32% between the minimum of $27.24 and $36.00 per hour, not accounting for any general wage adjustment). As a result, if pay ranges and pay rates are higher in one or more attorney groups relative to others, it could result in movement of staff between groups. Therefore, the Committee could provide funding to support an increase in minimum pay and a market adjustment of $8.76 per hour in 2023-24 for classified attorneys not eligible for pay progression, as was provided for assistant district attorneys, deputy district attorneys, and assistant state public defenders, and a market adjustment of $2.27 per hour in 2024-25 corresponding to funding for one step provided to District Attorneys and the Public Defender. Under this and other alternatives, as under the bill, the classified attorneys in question would not become eligible for or included in a pay progression system. In addition, the calculation of funding assumes that attorney pay increases could not exceed the maximum of the pay range. The cost to increase pay by $8.76 per hour in 2023-24 and $2.27 per hour in 2024-25 for these classified attorneys, net of a 5% reduction, would be $979,600 GPR in 2023-24 ($4,765,000 all funds) and $1,173,400 GPR in 2024-25 ($5,705,100 all funds). [Alternative C1] Note that all aspects of pay for these attorneys are administered in accordance with provisions of the state compensation plan. As such, unless otherwise provided for in legislation, minimum pay increases and market adjustments for these attorneys would take effect only after the modifications were finalized in the compensation plan and approved by JCOER, rather than concurrent with enactment of the biennial budget.

28. While differences in minimum pay and pay overall between attorney groups could result in movement of staff between groups, lesser increases could still be considered. For example, the Committee could provide funding for an increase in minimum pay and market adjustments for classified attorneys not eligible for pay progression in the amounts of $7.76 per hour (as under AB 43/SB 70), $6.00 per hour, or $5.00 per hour in 2023-24 and $2.27 in 2024-25. Each alternative would provide funding equivalent to a one-step amount in the second year, provided as a market adjustment to all applicable attorneys, rather than as a pool of funding for discretionary allocation by each appointing authority. Although pay for this group of attorneys would be less than what was provided

for assistant district attorneys, deputy district attorneys, and assistant state public defenders, providing an increase of $7.76, $6.00, or $5.00 per hour would nevertheless ensure that the difference in pay is less than it would have been otherwise. Therefore, the Committee could provide, net of a 5% reduction as applied to other compensation reserve items: (a) for an increase of $7.76 per hour in 2023-24 and $2.27 per hour in 2024-25, $870,400 GPR in 2023-24 and $1,074,400 GPR in 2024-25 (all funds cost of $4,242,300 in 2023-24 and $5,220,300 in 2024-25) [Alternative C2]; (b) for an increase of $6.00 per hour in 2023-24 and $2.27 per hour in 2024-25, $678,100 GPR in 2023-24 and $891,800 GPR in 2024-25 (all funds cost of $3,297,100 in 2023-24 and $4,343,400 in 2024-25) [Alternative C3]; or (c) for an increase of $5.00 per hour in 2023-24 and $2.27 per hour in 2024-25, $568,900 GPR in 2023-24 and $786,600 GPR in 2024-25 (all funds cost of $2,755,400 in 2023-24 and $3,834,700 in 2024-25) [Alternative C4].

29. As noted above, if no action is taken to provide funding to increase pay for classified attorneys not eligible for pay progression, pay ranges between the attorney groups and actual pay of attorneys in each group would be substantially different (a difference of 32% between the minimum of $27.24 and $36.00 per hour, not accounting for any general wage adjustment), which could result in movement of staff between groups. [Alternative C5]

ALTERNATIVES

A. Market Wage Adjustments for Various Classifications

1. Provide $19,228,000 GPR in 2023-24 and $18,515,900 GPR in 2024-25 for market wage and parity adjustments.

ALT A1	Change to Base
GPR	$37,743,900

2. Provide $14,250,000 GPR in 2023-24 and $13,722,300 GPR in 2024-25 for market wage and parity adjustments.

ALT A2	Change to Base
GPR	$27,972,300

3. Provide $9,500,000 GPR in 2023-24 and $9,148,100 GPR in 2024-25 for market wage and parity adjustments.

ALT A3	Change to Base
GPR	$18,648,100

4. Provide $7,125,000 GPR in 2023-24 and $6,861,100 GPR in 2024-25 for market wage and parity adjustments.

ALT A4	Change to Base
GPR	$13,986,100

5. Take no action.

B. Information Technology Market Adjustments

1. Provide $2,023,200 GPR in 2024-25 for generated market adjustments for IT positions.

ALT B1	Change to Base
GPR	$2,023,200

2. Provide $1,662,500 GPR in 2024-25 for generated market adjustments for IT positions.

ALT B2	Change to Base
GPR	$1,662,500

3. Provide $1,187,500 GPR in 2024-25 for generated market adjustments for IT positions.

ALT B3	Change to Base
GPR	$1,187,500

4. Provide $950,000 GPR in 2024-25 for generated market adjustments for IT positions.

ALT B4	Change to Base
GPR	$950,000

5. Take no action.

C. Market Adjustments for Classified Attorneys

1. Provide $979,600 GPR in 2023-24 and $1,173,400 GPR in 2024-25 to support market adjustments of $8.76 per hour in 2023-24 and $2.27 per hour in 2024-25 for classified attorneys not eligible for pay progression, subject to the pay range maximum. The market adjustment in 2023-24 would provide for minimum pay of $36.00 per hour.

ALT C1	Change to Base
GPR	$2,153,000

2. Provide $870,400 GPR in 2023-24 and $1,074,400 GPR in 2024-25 to support market adjustments of $7.76 per hour in 2023-24 and $2.27 per hour in 2024-25 for classified attorneys not eligible for pay progression, subject to the pay range maximum. The market adjustment in 2023-24 would provide for minimum pay of $35.00 per hour.

ALT C2	Change to Base
GPR	$1,944,800

3. Provide $678,100 GPR in 2023-24 and $891,800 GPR in 2024-25 to support market adjustments of $6.00 per hour in 2023-24 and $2.27 per hour in 2024-25 for classified attorneys not eligible for pay progression, subject to the pay range maximum. The market adjustment in 2023-24 would provide for minimum pay of $33.24 per hour.

ALT C3	Change to Base
GPR	$1,569,900

4. Provide $568,900 GPR in 2023-24 and $786,600 GPR in 2024-25 to support market adjustments of $5.00 per hour in 2023-24 and $2.27 per hour in 2024-25 for classified attorneys not eligible for pay progression, subject to the pay range maximum. The market adjustment in 2023-24 would provide for minimum pay of $32.24 per hour.

ALT C4	Change to Base
GPR	$1,355,500

5. Take no action.

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June, 2023 Joint Committee on Finance Paper #220

Funding to Continue Pilot Add-ons
(Budget Management and Compensation Reserves)

[LFB 2023-25 Budget Summary: Page 45, #5; Page 129, #3; Page 291, #3;
Page 417, #7; Page 552, #5; and Page 676, #4]

CURRENT LAW

The Division of Personnel Management (DPM) in the Department of Administration (DOA) is responsible for administering provisions of the state biennial compensation plan for classified employees, elected state officials, and certain unclassified employees, which is established under s. 230.12 of the statutes.

Funding is allocated to compensation reserves for cost increases related to state and University of Wisconsin (UW) System employee salaries and fringe benefits. Such costs typically include: (a) proposed pay increases, which would be finalized in the forthcoming compensation plan; and (b) inflationary cost increases for fringe benefits.

DISCUSSION POINTS

1. The Division of Personnel Management identifies add-on pay as "An hourly amount paid in addition to the base pay in recognition of factors or conditions not reflected in the basic pay range or pay rate of a position." The 2021-23 state compensation plan includes various specific add-on pay provisions. In addition, the administrator of DPM is authorized under Section A-4.39 of the compensation plan to "create pilot add-ons for specific classifications or locations when severe recruitment, retention, or other issues necessitate implementation of such an add-on before a meeting of the Joint Committee on Employment Relations (JCOER) can be convened." The plan specifies that a pilot add-on will be recommended to JCOER if it is determined that the add-on should be made permanent.

2. Under 2023 Assembly Bill 43/Senate Bill 70, funding would be provided to the following agencies to continue paying pilot add-ons (excluding add-ons for correctional security positions, for which funding would be provided to compensation reserves): Administration, Corrections, Health Services, Military Affairs, Safety and Professional Services, and Veterans Affairs.

3. This paper provides information pertaining to funding for each agency to continue pilot add-on pay, excluding add-ons for correctional security positions. A separate paper addresses funding for correctional security positions. Table 1 provides a summary of the funding that would be provided under the bill.

TABLE 1

Funding to Continue Payment of Pilot Add-ons by Agency and Fund Source, AB 43/SB 70

	2023-24	2024-25
Administration		
PR	$368,300	$354,700
Corrections		
GPR	$1,858,400	$1,789,700
PR	69,400	66,900
Subtotal	$1,927,800	$1,856,600
Health Services		
GPR	$1,903,500	$1,837,200
FED	2,347,000	2,020,100
PR	7,307,200	7,024,600
Subtotal	$11,557,700	$10,881,900
Military Affairs		
FED	$418,200	$402,800
Safety and Professional Services		
FED	$22,400	$21,600
PR	291,500	280,800
Subtotal	$313,900	$302,400
Veterans Affairs		
PR	$3,425,900	$3,299,000
Total		
GPR	$3,761,900	$3,626,900
FED	2,787,600	2,444,500
PR	11,462,300	11,026,000
Total	$18,011,800	$17,097,400

4. In May, 2023, the administrator of DPM extended each of the pilot add-ons until the date of implementation of the 2023-25 compensation plan. While the implementation date of the compensation plan is not yet known, in recent years, the proposed compensation plan has been submitted to JCOER sometime in the months following enactment of the biennial budget. As a point of reference, the 2021-23 compensation plan was effective January 2, 2022, and the 2019-21 compensation plan was effective December 22, 2019.

5. The supplemental pay provisions addressed by this paper include 10 pilot add-ons. Four of the pilot add-ons, for which Corrections, Health Services, or Veterans Affairs could qualify, relate to nursing and patient care occupations: (a) licensed practical nurse add-on of $5 per hour; (b) nurse clinician 2 add-ons of $5 per hour for all worked hours and $3 per hour for weekend hours; (c) nurse clinician 3 and 4 add-ons of $5 per hour for all worked hours and $3 per hour for weekend hours; and (d) resident care technician and nursing assistant add-on of $5 per hour. With regard to these add-ons, DPM indicates that the supplemental pay provisions were implemented to address high vacancy rates among nursing and nursing assistant positions causing severe difficulties in meeting required staffing levels in certain institutions. There is a general shortage of licensed practical nurses and registered nurses in the labor market and competition among employers to attract and retain nurses continues to be significant.

6. The remaining six pilot add-ons each apply to only one state agency, as follows: (a) for DOA, a police officer add-on of $5 per hour; (b) for Health Services, a Disability Determination Bureau add-on of $4 or $2 per hour (depending on the position classification), an income maintenance specialist add-on of $1 per hour, and a respiratory therapist add-on of $2.50 per hour; (c) for Military Affairs, a military security officer add-on of $3 per hour; and (d) for Safety and Professional Services, a license/permit program associate add-on of $3 per hour.

7. The following sections provide information relating to each of the agencies that employ positions currently receiving pilot add-on pay as an emergency measure to address critical vacancy issues.

Administration

8. Under Assembly Bill 43/Senate Bill 70 (AB 43/SB 70), $368,300 PR in 2023-24 and $354,700 PR in 2024-25 would be provided to the facility operations and maintenance, police and protection functions appropriation to support the continuation of a $5 per hour pilot add-on for DCP police officers and detectives. The funding amounts were calculated assuming add-ons for the 28.0 authorized positions currently classified as police officer or detective (25 police officers and three police detectives).

9. The Division of Capitol Police (DCP) is responsible for providing law enforcement and security services for the Governor, the Governor's Office, the executive residence, and at the site of state-owned or state-leased properties. Capitol police detectives are responsible for conducting criminal investigations and law enforcement activities, including interviewing victims, witnesses, and suspects relating to alleged criminal acts or violations of agency rules, collecting and preserving physical evidence, and directing the efforts of trained evidence technicians at the scenes of crimes and accidents. The Division has statewide jurisdiction and investigates criminal, domestic, and traffic-related incidents throughout the state.

10. The Division is divided into two main sections: patrol operations and specialized services. Patrol operations, the uniformed section with sectors in Madison and Milwaukee, is the largest section in the Division. It is responsible for the detection and preliminary investigation of crimes, traffic accidents, traffic violations, and the protection of lives and facilities on Department of Administration-managed properties. The Wisconsin State Capitol Police officers wear traditional police uniforms and are assigned to specific post assignments, as well as beats that are patrolled on foot or in marked police vehicles. Officers in the patrol section are also assigned to monitor large crowd gathering at state facilities for specially-sanctioned events, such as the Taste of Madison, Concerts on the Square, the Farmer's Market, Art Fair on the Square, Cows on the Concourse, and the Winter Holiday Parade. Additionally, the patrol section monitors and maintains order during other events (political demonstrations, rallies, and marches) that occur on state property.

11. The specialized services section consists of: (a) the 24/7 communications unit, from which the Division's dispatchers operate; (b) the criminal investigations unit, which conducts complex criminal investigations and acts as the court services liaison for the Division; (c) the executive residence detail, a specialized team responsible for the security at the Wisconsin executive residence, including the Governor and their family, staff, visitors to the residence, and the property itself; and (d) the infrastructure security unit, which protects state-owned, -operated, and -leased facilities. Additionally, the Division is a member of the Wisconsin Drone Network (Wisconsin Emergency Management Air Coordination Group), which coordinates information between any agency who requests emergency air support from an unmanned aircraft (drone) and a network of public safety agencies who are willing to fulfill those requests with remote pilots, crew, and aircraft. The Division contributes to the Network with its unmanned aircraft unit under the infrastructure security unit.

12. According to DOA, DCP has experienced high turnover and increased vacancy rates. In 2021-22, turnover for DCP police officers and detectives was 21% and 33%, respectively. As of May 1, 2023, the vacancy rate for police officers and detectives was 21%. As a result, Capitol police officers have been required to work longer hours to cover operational needs, contributing to low morale and increased overtime costs for DCP. Additionally, police detectives have had to cover police officers' assignments, which has impacted operations at DCP's criminal investigations unit. Starting in January, 2022, DOA has provided Capitol police officers and detectives with a $5 per hour pilot add-on with the intention of improving recruitment and retention. While DOA indicates that the add-on helped to stabilize the positions at DCP, a review of recent position data shows that several additional police officer positions have become vacant in recent weeks. As of June 9, 2023, 7.0 police officer positions were vacant (28%).

Corrections

13. Under AB 43/SB 70, the Department of Corrections would be provided $1,858,400 GPR and $69,400 PR in 2023-24 and $1,789,700 GPR and $66,900 PR in 2024-25 to continue pilot add-ons for non-security positions implemented in the 2021-23 biennium. Specifically, the funding is intended to allow the Department to extend: (a) a $5 per hour add-on for nurse clinicians 2, nurse clinicians 2-weekend, licensed practical nurses, and nursing assistants 3 at certain institutions; and (b) a $3 per hour add-on for nurse clinicians working weekend shifts at certain institutions.

14. The Department of Corrections operates 36 adult correctional facilities, including 20

prisons and 16 correctional centers, and two juvenile correctional schools. As of May 1, 2023, the vacancy rates overall (irrespective of institution) for DOC positions in classifications affected by nursing and patient care pilot add-ons were: licensed practical nurse, 34%; nurse clinician-2/weekend, 28%; nurse clinician 3/weekend and nurse clinician 4, 27%; and nursing assistant 3, 33%. However, the vacancy rates at specific sites vary. For example, the nurse clinician 3/weekend and nurse clinician 4 group of positions has a vacancy rate of 30% at Dodge Correctional Institution, 30% at Oakhill Correctional Institution, and 38% at Taycheedah Correctional Institution.

15. According to Corrections, the add-ons have had a positive impact for staff who have received them. However, Corrections is still having difficulty recruiting candidates to fill permanent classified positions because the base pay rate is not competitive with the private sector. In addition, because the current add-ons are not permanent, staff cannot depend on them as ongoing, permanent pay. Due to staff shortages, Corrections has needed to utilize contracted staff to assist with duties performed by registered nurses, licensed practical nurses, and nursing assistants. Because contract staff positions were also unable to be filled at advertised pay rates, in March, 2023, Corrections posted certain medical positions at a pay rate 33% to 100% higher than the previous posted rate. The Department indicates that nursing and patient care position vacancies have resulted in a backlog of patients waiting to be seen, and have contributed to staff burnout. To the extent that compensation provisions can improve recruitment and retention of state employees, service provision could be improved in a more cost effective manner, given that contract staffing rates include not only salary costs, but also company overhead.

Health Services

16. Assembly Bill 43/Senate Bill 70 would provide $11,557,700 ($1,903,500 GPR, $2,347,000 FED, and $7,307,200 PR) in 2023-24 and $10,881,900 ($1,837,200 GPR, $2,020,100 FED, and $7,024,600 PR) in 2024-25 to support the continuation of pilot add-ons for certain positions in the Department of Health Services' (DHS) care and treatment facilities and in the Department's Division of Medicaid Services. The pilot add-ons provided for these positions provide supplemental pay for nurse clinicians 2, nursing assistants, residential care technicians, respiratory therapists, disability determination associates, and income maintenance specialists.

17. In addition, prior to May 21, 2023, licensed practical nurses received add-on pay at facilities with a licensed practical nurse vacancy rate of 25% or more. While bill funding was calculated based on the assumption that licensed practical nurses at certain facilities would be provided the add-on, the applicability of the add-on was modified such that the vacancy rate is determined at the agency level, and the rate for DHS as an agency is not 25% or more at this time.

18. The pilot add-ons provide $5 hourly supplemental pay for nurse clinicians 2 and resident care technicians at agencies experiencing vacancy rates in excess of 25% in the affected classifications, which currently applies to DHS. Generally, vacancy rates have been higher at Central Wisconsin Center and the Southern Wisconsin Center, and at the Mendota Mental Health Institute, the Winnebago Mental Health Institute, and at the Sand Ridge Secure Treatment Center. A $2.50 hourly add-on is also in effect for respiratory therapists at Central Wisconsin Center.

19. The vacancy rate among nurse clinician positions is currently highest at Winnebago, at

42%, and at Sand Ridge, at 37%. Among resident care technicians, the vacancy rate is 33% at Central Wisconsin Center and 45% at Southern Wisconsin Center. Among respiratory therapists, the vacancy rate is 45% at Central Wisconsin Center.

20. The DHS facilities are staffed on a 24-hour/seven-day basis, and must maintain a minimum staffing ratio to provide adequate care and maintain facility accreditation. When position vacancies are at a high level among direct care staff, the facilities must use overtime hours, contract staff, or some combination to cover for vacant shifts. Both overtime and contract staffing are more costly than standard hours worked by state staff. As an example of contract staff costs, DHS pays between $140 to $160 per hour to a contract staff agency for registered nurse positions, while the hourly salary and fringe benefit cost for nurse clinician position is generally between $55 and $70 per hour.

21. The Department indicates that there are signs that the pilot add-ons have at least stabilized employee turnover and vacancies, although recruitment continues to be challenging. The Department indicates that the temporary nature of the pilot add-ons may limit the impact that the add-ons have on recruitment and retention. Regardless of whether the add-ons are made permanent, it is likely that the facilities will continue to rely on overtime and contract staff to maintain adequate staffing levels.

22. The operations of the Department's facilities are funded with a combination of state general fund revenue and program revenue collected from several sources, including charges levied on counties for the costs of their residents' care and reimbursement payments under the Medical Assistance program. Although the add-ons increase the facilities costs for staffing, so does the reliance on overtime and contract staffing.

Military Affairs

23. Under the Department of Military Affairs (DMA), military security officers (MSO) provide armed security for the following locations: three DMA airbases, including Volk Field (Camp Douglas, WI); General Mitchell Air National Guard Base (Milwaukee); and Truax Air National Guard Base (Madison); Camp Williams, the army National Guard base housed at Volk Field; and at the Department's Joint Force Headquarters (Madison). These positions: (a) protect property and persons from sabotage, fire, espionage, theft, vandalism, and other hazards; (b) control entry and exit of all personnel, vehicles, and other equipment at entry points; (c) assist and direct visitors; (d) enforce parking regulations; (e) ensure compliance with all applicable federal, state, and local regulations, as well as rules and laws for access and force protection; (f) prepare and maintain records and documents; (g) monitor base alarm systems; and (h) attend training and safety classes. Some military security officers are also responsible for completing background checks for employees, creating and managing a base visitor program/process for anyone needing base access, and managing DMA's base defense identification system. These positions provide staffing on a 24 hour per day, seven day per week basis.

24. There are currently 69 MSO positions. Funding to support MSO positions is provided through cooperative agreements with the US Department of Defense National Guard Bureau and fully federally-reimbursed.

25. In recent years, DMA has experienced difficulty recruiting and retaining MSOs. Starting on July 3, 2022, DMA provided a $3-per-hour add on for MSO positions. The add-on was intended to aid with recruitment and to address DMA's significant vacancy rates that had begun to occur. In May, 2023, there were 55 filled MSO positions and 14 vacant positions, resulting in a vacancy rate of 20.3%.

26. Under the bill, $418,200 FED in 2023-24 and $402,800 FED in 2024-25 would be provided to support the continuation of pilot add-on pay for military security officers. This funding amount was determined by calculating add-on pay for 53 military security officers (the number of filled MSO FTEs as of January, 2023). All 69 of the current filled and vacant positions would, however, be eligible for the $3-per-hour add-on. The Department indicates that if the add-on is not continued, it may face ongoing recruitment and retention issues for military security officer positions.

Safety and Professional Services

27. Assembly Bill 43/Senate Bill 70 would provide $313,900 in 2023-24 ($291,500 PR and $22,400 FED) and $302,400 in 2024-25 ($280,800 PR and $21,600 FED) to support salary and fringe costs for pilot add-on pay provided to permanent and project positions in the license/permit program associate and office operations associate groups in the Department of Safety and Professional Services (DSPS). The supplemental add-on pay of $3 per hour affects an estimated 42.0 positions.

28. The Department reports that staff retention has in some cases decreased due to the lower pay, impermanence (in the case of project positions), and lack of benefits (in the case of limited-term employees) offered to certain designated position groups, including license/permit program associates (LPPAs) and office operations associates (OOAs). Further, DSPS indicates that LPPAs and OOAs are responsible for understanding the processes and procedures for at least 12 license types assigned to them. Staff in these positions require training and knowledge extending beyond basic customer service positions. In addition, DSPS reports that these positions have experienced turnover due in part to wages that are not reflective of the level of the work required. The Department contends such turnover tends to: (a) reduce a level of expertise that would otherwise be accumulated by long-term incumbents with the program; and (b) decrease productivity of more tenured or supervisory staff who must regularly retrain new staff. As a result, DSPS contends this affects quality and consistency of service delivery. Furthermore, DSPS reports these occurrences have had implications for licensing of certain complex applications common to various therapist, counseling, and social work credentials. [These topics are addressed further in Paper #685 under "Safety and Professional Services -- Regulation of Professions."]

29. Most PR funding ($207,400 in 2023-24 and $199,800 in 2024-25) would be provided to DSPS appropriations for regulation and credentialing of health and business professions. These appropriations are funded primarily by credentialing fees that are adjusted each biennium commensurate with the cost of regulating the occupation. Additional amounts of $84,100 in 2023-24 and $81,000 in 2024-25 would be budgeted under the DSPS appropriation for regulation of buildings and construction trades. Fee revenues for various credentialing activities and building plan reviews are established by administrative code.

Veterans Affairs

30. The bill would provide $3,425,900 PR in 2023-24 and $3,299,000 PR in 2024-25 to continue a $5 per hour pilot add-on for nurse clinicians, licensed practical nurses, and nursing assistant positions at the King and Union Grove state veterans homes.

31. Unlike for King and Union Grove, the Department of Veterans Affairs contracts for the operation of the state veterans home at Chippewa Falls. Although the contractor that operates the Chippewa Falls home may face some of the same staffing difficulties that prompted the creation of pilot add-ons, as a matter of state personnel policy the budget issue is applicable only to the King and Union Grove homes.

32. The Department has historically had difficulty filling direct care positions at the state veterans homes. These challenges predate the COVID-19 pandemic, but have been particularly challenging during the past three years, and is an issue affecting the nursing home industry nationwide.

33. At the King and Union Grove homes, approximately 55% of nurse clinician positions and about two-thirds of licensed practical nurse positions and nursing assistant positions are currently unfilled. However, this high vacancy rate is in part due to high bed vacancy, so is not necessarily an indication of understaffing. Both homes have fewer than half of their beds filled, compared to the number of beds for which each home has authorized positions. Nevertheless, both King and Union Grove do not currently have sufficient filled positions to staff the number of filled beds.

34. The Department has a long-standing practice of using contract staff at King and Union Grove to supplement state positions for nurse clinician and nurse aide positions. Staffing agencies can offer higher wages than state staff (although typically with less generous benefits) and, unlike for state positions, staffing agencies can reimburse employees for routine travel expenses, allowing them to recruit staff from a wider area.

35. Using contract staff is more costly on a per-employee basis than state employee staff. As an example, the average hourly cost for salary and fringe benefits for a filled certified nursing assistant (CNA) is approximately $31, whereas the Department pays the contract staffing agency $55 per hour for a CNA. These rates are not strictly comparable, in part because the homes only pay the contract staff agency for worked hours (not for paid time off hours). However, even accounting for this difference, the use of contract staff adds to total costs of operating the homes.

36. The Department indicates that hiring for the targeted positions continues to be a challenge, and it is likely that the homes will need to continue using contract staff to fill in for position vacancies. Nevertheless, the Department believes that if the pilot add-ons expire, retaining workers will become more difficult, as this would increase the pay differential between contract staff and state employees. Consequently, the additional costs associated with utilizing more contract staff may be as high or higher than the savings from the expiration of the add-ons.

37. The operations of the state veterans homes are funded with program revenue collected from several sources, including reimbursement payments under the Medical Assistance program and

payments from the U.S. Department of Veterans Affairs for veterans whose need for nursing care services is as the result of a service-connected disability. Both of these payment sources are generally based on prevailing costs for nursing care services. Consequently, to the extent that the increased costs associated with the add-ons are reflective of nursing care costs more generally, reimbursement payments will eventually increase to account for those costs. The state veterans homes also set a private pay rate at each home for residents who must pay directly for their care, a rate that is based on the home's costs. However, since most residents are generally eligible for medical assistance or service-connected disability, payments by residents is the principal source of revenue for only about 6% of all residents.

Compensation Reserves and Pay Plan Supplements

38. As noted previously, in May, 2023, the administrator of DPM extended each of the pilot add-ons until the date of implementation of the 2023-25 compensation plan. The Administration indicates that, if funding is provided to continue the pilot add-ons, it is anticipated that pay provisions relating to the affected positions would be included in the proposed 2023-25 compensation plan. However, it has not yet been determined how the pay provisions would be structured. The Administration also indicates that if funding is not provided to continue the add-ons, it has not yet been determined whether or how long the add-ons would be continued. Given that DPM has determined that pilot add-ons should continue in the near-term, at minimum, and that the proposed 2023-25 compensation plan will likely include pay provisions relating to the affected classifications and agencies, the Committee could provide funding to agencies in the amounts identified in Table 1, totaling $18,011,800 in 2023-24 ($3,761,900 GPR, $2,787,600 FED, and $11,462,300 PR) and $17,097,400 in 2024-25 ($3,626,900 GPR, $2,444,500 FED, and $11,026,000 PR). [Alternative 1]

39. The bill would provide funding directly to agency appropriations to continue the pilot add-ons. However, there are several reasons the Committee could instead consider providing funding to compensation reserves for this purpose. First, pilot add-ons are by definition temporary pay measures used to address severe recruitment, retention, or other issues for specific classifications or locations when the implementation of such an add-on is needed before a meeting of JCOER can be convened. Although the add-ons have been extended and could potentially be expected to continue until the implementation date of the 2023-25 compensation plan, if market conditions should change or compensation initiatives begin to take effect, causing vacancies and turnover to be reduced, the supplemental pay measures could be terminated by the DPM administrator if it is determined the add-ons are no longer necessary, or could be modified to better reflect changing circumstances. Other factors that could decrease or increase costs, in ways that could vary by agency, would include fluctuations in vacancy rates or changes to eligibility criteria with respect to add-ons. As an example, eligibility for the nursing and patient care pilot add-ons was modified in May, 2023, on the basis of agency-wide vacancy rates for position groups, rather than vacancy rates at specific facilities or institutions. In addition, given that the pilot add-ons apply in cases of severe recruitment and retention issues, some portion of the cost may be able to be supported from available funding in agency budgets associated with salaries and fringe benefits of vacant positions.

40. Given that costs for the affected agencies and appropriations from which add-on pay would be funded could vary from the estimated amounts upon which the bill is based, the Committee

could choose to provide funding to compensation reserves for potential release to agencies based on demonstrated need through the pay plan supplementation process. Agency requests for pay plan supplements from compensation reserves are submitted to DOA in the latter part of each fiscal year and the amounts determined to be justified based on demonstrated need are recommended, subject to approval by the Committee under passive review.

41. As discussed previously in Paper #215 (Compensation Reserves Overview and Fringe Benefit Costs), the schedule of compensation reserves indicates reserve funding for each funding source from which state employees' salaries and benefits may be funded. The respective designations of GPR, FED, PR, and SEG funding amounts are included to provide an indication of the all-funds impact of anticipated cost increases to agencies under the Administration's plans for compensation. However, the actual fiscal impact of "releasing" funds from these indicated reserves is different between GPR funds and any non-GPR funding sources. The reason for this is that the GPR funding comes from a single central source, the general fund, which consists primarily of general tax revenues, and other funding sources are not centrally pooled in a single account. As a consequence of this difference, when GPR that is set aside in compensation reserves is released to state agencies under the pay plan supplementation process, it is transferred from one central GPR appropriation to individual agency GPR appropriations for expenditure. In contrast, when FED, PR, or SEG monies are "released" to state agencies under the pay plan supplementation process, these monies are transferred from the individual revenue balance of the particular account or fund for expenditure from the relevant appropriations associated with the account or fund. Thus, GPR reserves are the focus of discussions regarding reserving funding for potential compensation increases.

42. Also as noted in Paper #215, under AB 43/SB 70, funding in compensation reserves was calculated as the sum of estimated cost increases for fringe benefits and estimated costs of proposed pay provisions, less a reduction of 5% of the total estimated costs associated with a higher than usual level of position vacancies. Applying the 5% reduction, as was done for other provisions in compensation reserves, net funding for pilot add-ons would be $3,573,800 GPR in 2023-24 ($17,823,700 all funds) and $3,445,500 GPR in 2024-25 ($16,916,000 all funds). [Alternative 2]

43. As noted above, if the Committee does not provide funding to continue add-on pay, the Administration has indicated that it has not yet been determined whether or how long the add-ons would be continued. [Alternative 3]

ALTERNATIVES

1. Provide funding to agencies in the amounts included in AB 43/SB 70 to continue supplemental pilot add-on pay to address severe recruitment and retention issues, totaling $18,011,800 in 2023-24 ($3,761,900 GPR, $2,787,600 FED, and $11,462,300 PR) and $17,097,400 in 2024-25 ($3,626,900 GPR, $2,444,500 FED, and $11,026,000 PR).

ALT 1	Change to Base
GPR	$7,388,800
FED	5,232,100
PR	22,488,300
Total	$35,109,200

2. Provide funding to compensation reserves in the amounts included in AB 43/SB 70, less a 5% reduction associated with a higher than usual level of position vacancies, to continue supplemental pilot add-on pay to address severe recruitment and retention issues, totaling $3,573,800 GPR in 2023-24 and $3,445,500 GPR in 2024-25.

ALT 2	Change to Base
GPR	$7,019,300

3. Take no action.

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June, 2023 | Joint Committee on Finance | Paper #221

Required General Fund Structural Balance
(Budget Management and Compensation Reserves)

CURRENT LAW

Under s. 20.003(4m) of the statutes, no bill may be adopted by the Legislature if the bill would cause general fund net appropriations to exceed general fund revenues in the second year of the fiscal biennium.

DISCUSSION POINTS

1. The "required general fund structural balance" provision was first enacted by 2001 Act 109. As initially enacted, the provision directed that no bill could be adopted by the Legislature that would cause net general fund appropriations to exceed general fund revenues in either year of the biennium. This provision was modified in 2011 Act 32 to only apply to the second year of the biennium.

2. The intent of the provision is to ensure that in the second fiscal year ongoing revenues would exceed net appropriations, which would produce a structural balance in the general fund. To meet the statutory test, any opening balance (moneys brought forward from the previous fiscal year) is ignored. The second fiscal year is focused on, because the budget in the ensuing biennium is constructed from the second year of the current biennium (the base year). The advantage of having a structural balance in the base year is that no revenue growth needs to be allocated to address a structural shortfall from the previous biennium.

3. Although the current statutory provision has been in effect since the 2011-13 budget, the 2013-15, 2015-17, 2017-19, 2019-21, and 2021-23 budget acts each stated that the provision would either: (a) not apply to the budget act; or (b) not apply to any legislation adopted in that biennium. The reason that the structural balance provision was suspended for each of the last five biennia was due to the fact that, at the time of budget deliberations, there was a relatively large projected balance

carried into the second year of those biennia. The Legislature used a part of those balances to address revenue and spending priorities.

4. The provision, if followed, limits the options that the Legislature may have on use of balances that are carried forward from year to year. Under this provision, none of the balance carried forward into the second year of the biennium can be used. Given the substantial balances projected for the general fund, it is likely that the Legislature will chose not to meet the structural balance requirement for the 2023-25 biennium.

5. Because it is unlikely that the Legislature will be able to meet the statutory test for 2023-25, the Committee may wish to suspend the requirement for this session as was done for the last five budget acts. [Alternative 1]

6. Finally, given that the provision has been suspended in the last five biennia and will likely need to be suspended in 2023-25, the Committee may wish to repeal the statutory provision. (Alternative 2)

ALTERNATIVES

1. Suspend the provision requiring a general fund structural balance in 2024-25, so that it would not apply to any legislation adopted in the 2023-25 biennium.

2. Repeal the statutory requirement for a structural balance in the second year of the biennium.

3. Take no action.

Prepared by: Dave Loppnow