

BUDGET MANAGEMENT AND COMPENSATION RESERVES

Budget Change Items

1. COMPENSATION RESERVES [LFB Papers 215, 216, 217, 218, 219, and 220]

Provide, in the 2023-25 general fund condition statement, compensation reserves of \$311,180,900 GPR in 2023-24 and \$397,930,000 GPR in 2024-25 for cost increases related to state and UW System employee salaries and fringe benefits. Total compensation reserve amounts by fund source are shown in the following table.

<u>Fund Source</u>	<u>2023-24</u>	<u>2024-25</u>
General Purpose Revenue	\$311,180,900	\$397,930,000
Federal Revenue	66,376,100	79,117,100
Program Revenue	116,493,800	138,855,000
Segregated Revenue	<u>65,481,200</u>	<u>78,050,400</u>
Total	\$559,532,000	\$693,952,500

The schedule of compensation reserves above indicates GPR funding that is reserved for anticipated cost increases to state agencies and the UW System for compensation, including prior period and inflationary increases for fringe benefits. The GPR funding reserve is a component of the general fund condition statement. Amounts for FED, PR, and SEG reflect the estimated all-funds impact to state agencies (excluding UW System) of such cost increases for compensation, which would be paid from FED, PR, and SEG revenue balances in agency appropriations.

Funding would be provided for the following items, net of a 5% reduction in each year associated with a higher than usual level of position vacancies: (a) prior period and inflationary increases for fringe benefits, \$43,519,200 GPR in 2023-24 and \$81,634,700 GPR in 2024-25; (b) general wage adjustments of 4% on July 1, 2023, and 2% on July 1, 2024, \$88,718,100 GPR in 2023-24 and \$132,414,000 GPR in 2024-25; (c) market wage and parity adjustments, \$2,000,000 GPR annually; (d) probation and parole agent pay progression, \$2,850,000 GPR in 2023-24 and \$2,964,000 GPR in 2024-25; (e) funding to continue non-security pilot add-ons applicable to the Departments of Administration, Corrections, Health Services, Military Affairs, Safety and Professional Services, and Veterans Affairs, \$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); (f) information technology position generated market adjustments, \$1,187,500 GPR in 2024-25; (g) one-year extension of the retention incentive award program for protective status employees of Corrections and Health Services, \$545,200 GPR in 2023-24; and (h) modifications to the Natural Resources warden and Capitol Police pay progression, \$127,800 GPR annually.

Funding would be provided for the following items, net of a 20% reduction in 2023-24 and

15% reduction in 2024-25 associated with a higher than usual level of correctional security position vacancies: (a) correctional security position and supervisor base pay increases, including minimum pay of \$33 per hour for correctional officers, youth counselors, and psychiatric care technicians, \$143,948,600 GPR in 2023-24 and \$147,655,400 GPR in 2024-25; and (b) continuing the \$5 per hour high-vacancy add-on and agents as officers add-on, increasing the maximum-security add-on applicable to Corrections from \$2 per hour to \$3 per hour, and creating a \$1 per hour medium-security add-on applicable to Corrections, \$25,898,200 GPR in 2023-24 and \$26,501,100 GPR in 2024-25.

In addition, SEG funding would be reserved for Department of Transportation-related compensation provisions as follows: (a) for potential pay increases of up to \$5 per hour for state patrol troopers and inspectors, subject to the current law collective bargaining process, which includes approval of a negotiated agreement by the Joint Committee on Employment Relations (JCOER) and the Legislature, \$5,399,300 SEG annually; and (b) for a 10% increase in base pay for positions in the civil engineer-transportation classification series, structural engineer-transportation classification series, or transportation specialist classification series, or who are classified as civil engineer-transportation supervisor, DOT engineering chief, DOT technical services chief, structural engineer-transportation-supervisor, or transportation specialist supervisor, \$2,535,500 SEG annually.

Specify that the administrator of the Division of Personnel Management in the Department of Administration must include an extension of the retention incentive award program for protective status employees of Corrections and Health Services through 2023-24 in the proposed 2023-25 compensation plan submitted to JCOER. One-time lump sum awards (bonuses) under the program would continue to be provided in 2023-24 as follows: (a) after completion of 10 years of service, \$250; (b) after completion of 15 years of service, \$500; (c) after completion of 20 years of service, \$750; and (d) after completion of 25 years of service and every five years thereafter, \$1,000.

With regard to the timing of base pay increases such as general wage adjustments, correctional security pay increases, market adjustments, DOT engineering pay increases, and pay progression modifications, to the extent that the implementation of the 2023-25 compensation plan would follow the planned implementation date for a provision, the intent would be for lump-sum payments to be provided to eligible employees for hours in pay status dating back to the pay period of the proposed implementation date.

With regard to the 4% general wage adjustment on July 1, 2023, and 2% general wage adjustment on July 1, 2024, for state and UW System employees, amounts in compensation reserves are adjusted to account for groups of employees who would be ineligible to receive the pay increases (assistant and deputy district attorneys, assistant state public defenders, and assistant and deputy attorneys general), or who would receive pay increases as elected officials on a later date (state legislators, constitutional officers, and elected district attorneys).

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 becomes 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 would 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.

In addition, the Department of Justice is authorized under current law to utilize existing resources to support annual salary increases for assistant attorneys general under a pay progression plan. Further, additional funding for salary increases is provided separately elsewhere in the budget for assistant and deputy district attorneys and assistant state public defenders. Information relating to these increases may be found under sections of this document for "District Attorneys" and "Public Defender."

Generally, compensation reserves represent funding set aside in the budget to provide 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. Typically, amounts within compensation reserves are funds to pay for: (a) the employer share of increased premium costs in the forthcoming fiscal biennium for state employee health insurance; (b) the costs of any general wage adjustments or other proposed pay increases; (c) increases in the employer share of contributions to the state retirement fund for employees' future state retirement benefits; and (d) the accumulated sick leave conversion credit program, income continuation benefits, and payments for pension obligation bonds issued to cover the state's unfunded prior service liability for retirement benefits and unfunded liability for sick leave conversion credits.

The following table identifies the components of the compensation reserves calculation.

GPR and All-Funds Compensation Reserves Components

	<u>2023-24</u>	<u>2024-25</u>	<u>Biennium</u>
Prior Period and Inflationary Increases for Fringe Benefits	\$43,519,200	\$81,634,700	\$125,153,900
General Wage Adjustments (4%/2%)	88,718,100	132,414,000	221,132,100
Correctional Security Base Pay Increases (Including \$33 Minimum)	143,948,600	147,655,400	291,604,000
Correctional Security Add-on Pay	25,898,200	26,501,100	52,399,300
Market Wage and Parity Adjustments	2,000,000	2,000,000	4,000,000
Probation and Parole Agent Pay Progression	2,850,000	2,964,000	5,814,000
Funding to Continue Pilot Add-ons	3,573,800	3,445,500	7,019,300
Information Technology Generated Market Adjustments	0	1,187,500	1,187,500
Retention Incentive Awards for Protective Employees of Corrections, Health Services	545,200	0	545,200
Natural Resources Warden and Capitol Police Pay Progression	<u>127,800</u>	<u>127,800</u>	<u>255,600</u>
Compensation Reserves Total - GPR	\$311,180,900	\$397,930,000	\$709,110,900
Compensation Reserves Total - All Funds	\$559,532,000	\$693,952,500	\$1,253,484,500

[Act 19 Sections: 49 and 9101(3)]

2. **REQUIRED GENERAL FUND STRUCTURAL BALANCE** [LFB Paper 221]

Suspend the statutory provision requiring a structural balance in 2024-25 so that it would not apply to any legislation enacted in the 2023-24 legislative session.

[Act 19 Section: 9128(1)]