

BUDGET MANAGEMENT AND COMPENSATION RESERVES

Budget Change Items

1. COMPENSATION RESERVES

Governor: Provide, in the 2023-25 general fund condition statement, total compensation reserves of \$667,480,900 in 2023-24 and \$1,001,825,800 in 2024-25 for cost increases related to state and UW System employee salaries and fringe benefits. Total compensation reserve amounts by fund source and fiscal year are shown in the following table.

| <u>Fund Source</u> | <u>2023-24</u> | <u>2024-25</u> |
|-------------------------|-------------------|--------------------|
| 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 | <u>79,684,500</u> | <u>110,794,400</u> |
| Total | \$667,480,900 | \$1,001,825,800 |

The schedule of compensation reserves above indicates GPR funding that would be reserved for anticipated cost increases to state agencies and the UW System under the Administration's plans 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.

The GPR compensation reserve amounts under the bill related to state and UW System employee fringe benefits include the following: (a) \$45,809,700 in 2023-24 and \$85,931,300 in 2024-25 to support prior period and inflationary increases for fringe benefits; (b) \$5,216,900 in 2023-24 and \$5,351,400 in 2024-25 to reduce the health insurance waiting period for new permanent and project employees by one month; and (c) \$2,182,500 annually to provide sick leave for limited-term employees of non-UW executive branch agencies and temporary employees of the UW System. [For additional information regarding the proposed reduction to the health insurance waiting period, see "Employee Trust Funds." For additional information regarding the proposal to provide sick leave for limited-term employees and temporary UW System employees, see "Administration -- Personnel Management."]

The GPR compensation reserve amounts under the bill related to salaries for employees include the following: (a) \$114,434,800 in 2023-24 and \$301,269,900 in 2024-25 intended to support a 5% general wage adjustment for state and UW System employees on July 1, 2023, as

well as another 3% general wage adjustment (GWA) for state and UW System employees on July 1, 2024; (b) \$63,258,300 in 2023-24 and \$60,915,100 in 2024-25 to continue paying the \$5 per hour high vacancy correctional security add-on and incorporate a \$4 per hour pilot add-on (currently supported by American Rescue Plan Act funds) into base pay of correctional security employees; (c) \$85,119,800 in 2023-24 and \$82,408,200 in 2024-25 to enhance the existing correctional security pay progression, increase minimum pay for correctional officers, correctional sergeants, youth counselors/advanced, and psychiatric care technicians/advanced, and provide parity pay for security supervisors; (d) \$20,240,000 in 2023-24 and \$19,490,400 in 2024-25 to support market wage and parity adjustments for specific, targeted classifications; (e) \$18,301,000 in 2023-24 and \$17,630,200 in 2024-25 to support a \$1 per hour add-on for correctional security positions at medium-security institutions and to increase the maximum-security add-on from \$2 to \$4 per hour; (f) \$16,705,600 in 2023-24 and \$17,373,900 in 2024-25 for a paid family and medical leave program for state and UW System executive branch employees that would provide 12 weeks of leave annually; (g) \$9,244,800 in 2023-24 and \$9,636,400 in 2024-25 for a probation and parole agent pay progression; (h) \$1,121,300 in 2023-24 and \$3,218,200 in 2024-25 for a pay progression that would provide seniority-based pay increases to employees in various position classifications; (i) \$1,491,900 in 2023-24 and \$3,103,200 in 2024-25 to establish June 19 and November 11 as paid holidays for state and UW System executive branch employees; (j) \$2,129,700 in 2024-25 for information technology position market adjustments; (k) \$916,200 in 2023-24 and \$1,131,000 in 2024-25 to fund market adjustments for classified attorneys not eligible for pay progression; (l) \$307,700 in 2023-24 and \$320,100 in 2024-25 to modify the vacation allowance structure for non-UW executive branch employees with between two and five years of service to improve employee retention; and (m) \$134,500 annually to fund a pay progression for Natural Resources wardens and Wisconsin State Capitol Police. [For additional information regarding the proposals to establish June 19 and November 11 as paid holidays, create a paid family and medical leave program, and modify the vacation allowance structure, see "Administration -- Personnel Management."]

The amounts budgeted in compensation reserves also include an assumed lapse of 5% in each year, reducing total funding by \$19,224,300 in 2023-24 and \$30,611,300 in 2024-25.

With regard to the 5% general wage adjustment on July 1, 2023, and 3% general wage adjustment on July 1, 2024, for state and UW System employees, amounts in compensation reserves: (a) 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); and (b) due to an inadvertent calculation error, funding in 2024-25 is \$114.4 million higher than would be necessary to support the intended pay increases.

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.

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, assistant attorneys general, and assistant state public defenders. Information relating to these increases may be found under sections of this document for "District Attorneys," "Justice," and "Public Defender."

Generally, compensation reserves represent reserves in the budget to provide funding for any increases in state employee salary and fringe benefit costs that may be required in the biennium, but for which funding is not included in 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.

[Bill Section: 255]

2. REQUIRED GENERAL FUND STATUTORY BALANCE

Governor: Provide that the required general fund statutory balance would be \$600 million beginning in fiscal year 2023-24 and in each fiscal year thereafter.

Under current law, the required balance is \$100 million in 2023-24 and \$105 million in 2024-25, and in future fiscal years the prior year amount plus \$5 million, but not to exceed 2% of total GPR appropriations plus GPR compensation reserves for each fiscal year.

[Bill Sections: 253 and 254]