

SENATE FISCAL AGENCY
MEMORANDUM



DATE: January 18, 2022
TO: Members of the Michigan Senate
FROM: Elizabeth Raczkowski, Fiscal Analyst
RE: Fiscal Year (FY) 2022-23 Civil Service Wage Adjustments

Article XI, Section 5 of the Michigan Constitution provides that increases in the rates of compensation authorized by the Civil Service Commission require prior notice to the Governor, who then transmits the increases to the Legislature as part of the budget. Within 60 calendar days following the transmission, the Legislature, by a two-thirds vote of the members elected to and serving in each house, may reject or reduce increases in rates of compensation the Commission has authorized. Reductions must apply uniformly to all classes of employees and may not adjust pay differentials the Civil Service Commission has already established. Rates of compensation also may not be reduced below those in effect when the increases are transmitted to the Legislature. To date, the Legislature has never rejected a Civil Service pay adjustment.

On December 15, 2021, the Civil Service Commission approved a two-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for FYs 2022-23 and 2023-24. The Commission approved a 5.0% base wage increase, effective October 1, 2022, for most represented employees. A 2.0% base wage increase also was approved for FY 2023-24, which will take effect on October 1, 2023. In addition, all represented employees will continue to pay 20.0% of their health care premiums.

The Civil Service Commission also adopted a Coordinated Compensation Plan for nonexclusively represented (NEREs) State classified employees for FY 2022-23. Effective October 1, 2022, NEREs will receive a 5.0% base wage increase. They also will continue to pay 20.0% of their health insurance premiums in FY 2022-23. The Commission approves Coordinated Compensation Plans for NEREs on an annual basis; thus, a compensation plan for FY 2023-24 will not be approved until December 2022.

The total State costs for the approved wage and benefit changes is an estimated \$161.3 million Gross (\$87.1 million General Fund/General Purpose (GF/GP)) for FY 2022-23. Of that amount, the cost for represented employees is estimated at \$95.7 million Gross (\$51.7 million GF/GP), while the portion attributable to NEREs is estimated at \$65.6 million Gross (\$35.4 million GF/GP). The estimated costs for FY 2023-24 will not be available until January 2023.

Finally, on January 7, 2022, the Commission provided the constitutionally required notice to the Governor regarding FY 2022-23 compensation increases. These Commission-approved increases will be included in the Governor's FY 2022-23 budget recommendation, which will be released in February 2022. As mentioned above, the Legislature will have 60 calendar days from the date that the Governor releases her budget recommendation to reject or reduce the increases (this date will be sometime in early April 2022).

Please let me know if you have any questions.

/nlf

c: Kathryn Summers, Director
Joe Carrasco, Jr., Associate Director