**STATE OF MICHIGAN**

**CIVIL SERVICE COMMISSION**

**COORDINATED COMPENSATION PANEL**

# Coordinated Compensation Proposal

# for

# Fiscal Year 2024 (10/1/23–9/30/24)

**Recommendations for Nonexclusively Represented Employees in the State Classified Service for the Fiscal Year Beginning October 1, 2023**

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# Introduction

Rule 1-15.4(c) states that the Employment Relations Board shall serve as the coordinated compensation panel (the Panel). Rule 5-1.3 charges the Panel as follows:

> The coordinated compensation panel shall send a recommended coordinated compensation plan for all nonexclusively represented classified employees to the civil service commission. The panel shall consider negotiated collective bargaining agreements, any impasse panel recommendations, and any recommendations of the employer or employees.

Regulation 6.06 establishes a process for employee participation and guidelines for the Panel in making its recommendations. Under the regulation, participants in the coordinated compensation plan process include the Office of the State Employer (OSE) and organizations granted limited-recognition rights under rule 6-8.3. The following limited-recognition organizations participated in this year's process:

- Association of State Employees in Management (ASEM)
- Michigan Association of Governmental Employees (MAGE)
- Michigan State Police Command Officers Association (MSPCOA)

Nonexclusively represented employees (NEREs) who are not members of limited-recognition organizations may also participate upon leave granted by the Panel. Employees Derek Beseau, John Gnodtke, Anthony Gwaltney, Scott Kerstetter, Scott W. Smith, and Corey Steinman requested and were granted permission to participate in the CCP process. Kerstetter and Steinman appeared at the CCP hearing.

The Panel held a hearing on November 1, 2022. All parties were allowed to make presentations and respond to proposals of other parties. Having reviewed the parties' arguments and submissions, the Panel offers the following summary and recommendations to the Commission.

# Economic Overview

Consistent with regulation 6.06, which calls for the Panel to consider "the current and forecasted financial condition of the State" in making its recommendations, the Panel received evidence on fiscal year (FY) 2024 revenue forecasts and budget projections as part of the OSE's presentation. Staff of the Department of Treasury and State Budget Office testified that:

- The U.S. economy in 2022 continued to recover from the economic impact of the COVID-19 pandemic, although inventory adjustments and spending slowdowns have slowed growth. Outlook remains positive.
- Michigan has recovered about 90% of the approximately 1,053,000 jobs lost since the start of the pandemic, and its unemployment rate has returned to pre-pandemic averages.
- Consensus revenue forecasts for the state's General Fund and School Aid Fund since May 2020 have consistently been overly pessimistic, with subsequent forecasts revised upward by billions of dollars. For FY 2022, the May 2020 revenue estimate was $24.1 billion; the May 2022 estimate increased the forecast to $31.5 billion. Overall revenue for FY 2022 has been about $1.4 billion above even the higher May 2022 estimate. FY 2023 revenue is expected to decrease some from FY 2022.
- FY 2022 year-to-date sales and use tax collections are almost $432 million above the May 2022 estimate, individual annual and quarterly income-tax payments are a combined $433 million above the estimate, and corporate income tax collections are $251 million above the estimate. Some of these increases may be attributed to higher prices caused by inflation. Spending driving these tax revenues remains strong, but a slowdown is expected at some point.
- Global economic unrest, inflation, increased energy costs, and other factors suggest that there may be a recession soon. Any such recession is forecasted to be less severe than those in the late 2000s and during the pandemic.
- The FY 2023 budget is about a 4% decrease from FY 2022. An influx of federal funding in FY 2022 allowed the budget to be about $79 billion after supplemental appropriations. $6.4 billion of federal funding was carried forward into FY 2023, about $4.1 billion of which is one-time money. About $700 million has yet to be allocated.

- The General Fund is expected to have a balance of $3.8 billion at the end of FY 2023, $1.9 billion of which is one-time funding.
- The budget stabilization fund balance for FY 2023 is over $1.6 billion. This amount is equivalent to 5.3% of the combined General Fund and School Aid Fund, exceeding the State's goal of 5%.
- Factors including discontinuance of some one-time funding sources, inflation, expected reductions in the federal Medicaid match-rate, increases in statutory program expenses, and economic uncertainty pressure future budgets.

MAGE argues that the state has an unprecedented budget surplus and a robust economy. It cites news articles from early 2022 stating that revenues were over $1.7 billion more than expected for FY2022, with revenues in FY2023 expected to increase by over $1.4 billion. Inflation remains high.

# Proposals and Positions

## I. Wages and Benefits

### A. Wages

#### 1. OSE Proposal

The OSE recommends a base-wage increase of 2% effective October 1, 2023. This proposal is consistent with tentative agreements for FY 2024 wages negotiated in collective bargaining agreements with exclusive representatives.

The OSE estimates that the proposed 2% increase for NEREs would cost $43.2 million.

#### 2. ASEM Proposal

ASEM concurs with the OSE's proposal for FY 2024.

#### 3. MAGE Proposal

MAGE requests an 8% base wage increase for FY 2024. MAGE argues that recent budget deficits caused an inability to generate adequate wage increases, which resulted in many agencies having recruitment and retention problems. The Consumer Price Index has been increasing at about 8%, which effectively negated this year's 5% pay increase. Increases in some healthcare options also further erode pay. MAGE understands that the state has typically sought parity between NERE and exclusively represented employee wages, but the current high inflation was not predictable by the OSE and exclusive representatives when agreeing to FY 2024 wages for exclusively represented employees. A 2% general wage increase in the current economic climate is inadequate.

At the hearing, MAGE indicated that though it maintains its request for an 8% base wage increase for all NEREs, a lump sum payment in some amount in addition to the OSE's proposed 2% base wage increase would be preferable than no additional wages.

**4. OSE Response**

The OSE opposes MAGE's proposal. According to the OSE, MAGE appears to believe that the state's economic condition alone is sufficient to grant NEREs a higher base-wage increase than exclusively represented employees are expected to receive. Inflation affects all employees. Additionally, as shown by MAGE's exhibit #3, Michigan Treasurer Rachael Eubanks acknowledged that "[o]ur revenues are in a great position. However, most of the strength of those revenues is transitory." Any increase in base pay must be funded each year. The total cost of MAGE's proposed 8% base wage increase in FY 2024 would be $172.7 million, which must be funded in subsequent years. The OSE also stated that much of the federal funding received during the COVID-19 pandemic cannot be used for supplemental wage increases.

The Panel has previously "recognized the need for equitable treatment of NEREs" as compared to exclusively represented employees. MAGE has not provided compelling evidence of a need for NERE pay increases greater than those the OSE has suggested. The OSE notes that next summer it will negotiate with exclusively represented employees for FY 2025 wages. The OSE hopes to have an employee compensation survey completed next year to aid such negotiations.

**5. MSPCOA Response**

The MSPCOA concurs with the OSE's proposal for FY 2024.

**Panel Recommendation**

During the last round of bargaining, the OSE reached voluntary agreements including a 2% general-wage increase for FY 2024. The Panel has previously recognized the need for equitable treatment of NEREs. The Panel acknowledges inflation and other economic pressures identified by presenters, but also notes that these factors' durations are unknown and that economic conditions apply equally to all employees. The Panel also notes that much of the state's recent revenues are one-time funds that should not, in the Panel's view, be used for ongoing base wage increases. As noted by the OSE, some of the one-time money cannot be used for supplemental wage increases. The Panel declines, in this instance, to recommend more favorable treatment to NEREs than that to be received by exclusively represented employees in FY 2024. The Panel encourages the completion of the salary survey referenced by the OSE, which may provide useful comparison information for future wage determinations. The Panel further finds that, given the projected economic and budget conditions, the OSE's proposal is reasonable. The Panel **recommends** adopting the OSE's proposal.

### B. Group Insurances

#### 1. OSE Proposal

The OSE proposes that the Panel recommend continuing group insurance plans for NEREs for the 2024 benefit year without change from 2023.

#### 2. MSPCOA Response

The MSPCOA concurs with the OSE's proposal.

#### Panel Recommendation

The Panel **recommends** adopting the OSE's proposal.

### C. Special Pay Adjustments

In addition to comparisons with other workforces, the standards in regulation 6.06 include consideration of "the continuity and stability of employment." When seeking special pay adjustments, evidence of a strong program need, such as difficulty recruiting and retaining qualified candidates, should accompany a request.

#### 1. MAGE's Proposed Special Wage Increase for NERE Correction Employees in Prisons and Forensic Security Supervisors

MAGE asserts that there is pay compression causing the Department of Corrections to experience high vacancy and turnover rates. It states that there is an inability to recruit and retain new employees because employees lack motivation to promote when Corrections Officers can make up the pay difference with Correction Shift Supervisors by working approximately .5 hours of overtime per week. MAGE states that another reason Corrections Officers do not want to promote is because they would lose the ability to select shift preference. MAGE cites media reports that the Department had over 800 staff vacancies. To help alleviate this continuing issue, MAGE requests a 5% special wage increase for all NEREs working in prison facilities and for all Forensic Security Supervisors in the Center for Forensic Psychiatry (CFP). MAGE also requests that civil service complete an analysis of the pay compression problem.

The OSE does not support MAGE's proposal. The OSE notes that MAGE cites no evidence to support its assertions. The OSE analyzed the retention of Correction Shift Supervisors 11, 12, and 13 over the past three fiscal years and consulted with the Department's human resources office for information shared by departing Corrections Shift Supervisors during exit interviews. While the number of employees in these classifications decreased during FYs 2020 and 2021 during the COVID-19 pandemic, they increased during FY 2022 despite the lowest prisoner population in over 30 years. No departing employees identified compensation as the reason they left the job. The OSE also notes that a Corrections Officer E9 at the top of the pay scale promoting to a Corrections Shift Supervisor 11 receives an immediate $.68 per hour raise with two more pay steps available.

The OSE also states that there was a recruitment and retention pilot program providing bi-weekly payments to employees in certain classifications, including Corrections Shift Supervisors 11 and 12 and Forensic Security Supervisors 12. The pilot ended with the pay period ending October 29, 2022. When data is available, they will be evaluated to determine the program's effects. The OSE estimates MAGE's proposal for a 5% special wage increase would cost $9 million for FY 2024.

**Panel Recommendation**

This is the seventh time in ten years that MAGE has requested some action to incentivize Corrections Officers to promote to supervisors. It has also again requested that all NEREs working in prisons and all Forensic Security Supervisors at the Center for Forensic Psychiatry (CFP) receive a special wage increase. Despite repeated statements by the Panel to provide compelling evidence that special pay increases are necessary to solve a demonstrated problem, there is no such evidence in the record. The Panel notes that MAGE has offered anecdotal and media reports of vacancies in Corrections Officer positions, but even if these reports showed a recruitment and retention problem for that classification, they would be irrelevant to recruitment and retention of any NERE classification. As the OSE indicates, compensation was not cited by departing Correction Shift Supervisors as the reason for their separation. Corrections Shift Supervisors at the 11 and 12 levels remain eligible for overtime, which somewhat lessens any arguments that Corrections Officers are reluctant to promote because of loss of overtime opportunities. There remains no evidence that a recruitment or retention problem exists for the NERE classes working in the prisons or for Forensic Security Supervisors, specifically none that a special pay increase would resolve

The Panel **recommends** rejecting MAGE's proposal for a base wage increase for NEREs working in prisons and Forensic Security Supervisors at the CFP.

**2. Storekeeper Supervisor Special Wage Increase**

Four NEREs requested to participate in the CCP process to advocate for changes to the Storekeeper Supervisor classification. Three of these employees, Anthony Gwaltney, Scott Kerstetter, and Corey Steinman, filed position statements. Each of these employees is a Storekeeper Supervisor 8 in the Department of Corrections.

- Gwaltney argues that the Storekeeper Supervisor classification's responsibilities have grown without a commensurate increase in pay. He also writes that Storekeeper Supervisor 8 employees are the only classification at the 8 level or lower that supervises other employees, but the experience as a Storekeeper Supervisor cannot generally be used as qualifying state experience for higher-level classifications. He notes that the Department of Corrections previously had 9-level Storekeeper Supervisors supervising a Storekeeper Supervisor 8, who supervised a specific store or warehouse. The Department changed the reporting structure to a single Storekeeper Supervisor to oversee an entire facility, with any new hires for this position being at the Storekeeper Supervisor 8 level. He argues that this has caused 8-level employees to perform work that was previously performed by 9-level employees, with no increase in pay. He asks for a review of the Storekeeper Supervisor classification, that all Storekeeper Supervisor positions be reclassified to the 9-level, and that the hourly wage for all Storekeeper Supervisors then be set at the current maximum level of $33.99.
- Kerstetter describes his Storekeeper Supervisor 8 position's responsibilities and how they require a broad knowledge base. He routinely interacts with leadership from many areas. The necessity of reporting within a varied chain of command and the custody and security aspects of the position are unique to Department positions. The warehouse and all the programs associated with its business are the singular

responsibility of the Storekeeper Supervisor. Kerstetter states that other first-line supervisory classifications that he believes have comparable responsibilities to those of Storekeeper Supervisors have higher average pay, averaging $39.45 per hour. He notes that there is not a direct path of promotion from Store Supervisor 8 like there is from other supervisory positions in the Department. He requests that his position be reclassified to a higher level and higher pay.

- Steinman, also a Storekeeper Supervisor, argues that the minimum experience requirements for the Storekeeper Supervisor classification are more stringent than many other positions in a correctional facility that have higher pay rates. The Storekeeper Supervisor must manage both Storekeeper staff and supervise prisoner workers, while some classifications in the facility with higher pay rates do not have any supervisory responsibilities. He argues that a Storekeeper Supervisor's decisions can impact the entire prisoner population and therefore affect the facility's safety. An overall review of the Storekeeper Supervisor classification's job specification is likely necessary to properly assign a level and compensation properly reflecting its responsibilities. He would increase the Storekeeper Supervisor classification's minimum compensation to $35.50 before any general wage increase.

The OSE does not support increasing the rates of compensation of Storekeeper Supervisor 8s in the Department without a review of their agency-specific duties. The OSE notes that there are 40 Storekeeper Supervisors in the classified service, 22 of which are employed by the Department. An analysis of the Storekeeper Supervisor positions across the classified service in the past three years shows the total number of positions increased from 25 in 2019 to 40 in 2022. The number of Storekeeper Supervisors employed by the Department increased from 18 to 22, which includes six retirements and one dismissal. There are currently no vacancies in either supervisory classification in the Department. The OSE does not see either a recruitment or retention issue warranting a special pay increase for the class. The OSE, however, acknowledges that a desk audit of these positions may be appropriate to determine their proper classification.

**Panel Recommendation**

As the Panel indicated at the hearing, the participants' concerns appear to primarily be issues of classification and job specification. The Panel lacks the authority to make recommendations over these non-compensation issues, but notes that they should be considered in some way by the civil service's classification office in response to an appropriate request if such a request is made. Regarding the portions of the requests for special wage increases, the Panel finds that the participants have not shown a compelling reason for a special wage increase for the Storekeeper Supervisor classification. Accordingly, the Panel **recommends** rejecting Gwaltney's, Kerstetter's, and Steinman's proposals.

#### 3. Senior Director 22 Fixed Control Point Decrease

The State Personnel Director proposes that the Senior Director 22 class's pay schedule's fixed control point be reduced by 3% effective October 1, 2023, with any approved general wage increase effective October 1, 2023 applied to the class's minimum pay.

**Panel Recommendation**

Under the circumstances and on this record, the Panel **declines to recommend** the proposal.

## II. Miscellaneous

### A. Professional Development Fund Contribution

#### 1. OSE Proposal

The OSE recommends continuing the NERE Professional Development Fund and adding $200,000 of funding in FY 2024. NEREs requested almost $200,000 in reimbursements during the past fiscal year. ASEM agrees with the OSE's proposed reduced contribution to the fund, based on employees' past use.

#### 2. MAGE Proposal

MAGE requests adding $250,000 to the fund.

#### 3. OSE Response

The OSE asserts that while $250,000 was added for FYs 2016, 2017, and 2018, $200,000 was annually added to the fund before FY 2016 and after FY 2018. At no time has a request for reimbursement from the fund been denied for insufficient funds. The OSE expects $200,000 will be enough for FY 2024.

**Panel Recommendation**

Adding $200,000 to the fund over the past several years has shown to be adequate. The Panel **recommends** adopting the OSE's proposal.

### B. Sick Leave Payout

#### 1. NERE Proposal

Scott Smith proposes some payoff of sick leave credits at retirement for employees hired after September 30, 1980. According to Smith, employees often use their sick days toward the end of their careers, even when they are not truly sick, because doing so is the only way these credits can be used by employees hired after September 30, 1980. He believes payout of sick leave at retirement would improve retention and improve employee attendance. A payout of as little as 10% could be incentive for employees to let their sick leave balances build and use it only if needed. Unexpected employee absence negatively affects other staff and the public.

#### 2. OSE Response

The OSE does not support sick leave payout at any level. According to the OSE, sick leave is intended for income protection, not a monetary reward for good health. Employees should be using paid sick leave to stay away from the workplace when ill. A payout program could be a disincentive for employees to use sick leave when appropriate. There is a current incentive for employees to build sick leave in Long Term Disability Plan premiums. Employees pay no premium when their sick leave balance is at least 528 hours, while employee with fewer than 184 hours of sick leave pay the highest premiums. The OSE also points out that fewer than 1% of current classified employees were hired before October 1, 1980. It would not be fiscally responsible for the state to reinstate a sick leave payout program that was sunset in part because of the unfunded liability it caused.

#### Panel Recommendation

There has not been evidence that a sick leave payout program incentivizes retention, nor that such a program would not be abused. Any such payout program would incur an unplanned unfunded liability. The Panel agrees with the OSE that the purpose of sick leave is to protect employees' income in the event of necessary absences because of illness during their career, not to reward those employees fortunate enough to avoid absences that would have been covered by such leave. Accordingly, the Panel **recommends** rejecting the proposal for sick leave payout.