

**SENATE FISCAL AGENCY  
 MEMORANDUM**

**DATE:** January 13, 2016  
**TO:** Members of the Michigan Senate  
**FROM:** Joe Carrasco, Fiscal Analyst  
**RE:** FY 2016-17 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 such 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 authorized by the Civil Service Commission. Reductions made by the Legislature must apply uniformly to all classes of employees and cannot adjust pay differentials already established by the Commission. Rates of compensation also cannot be reduced below those in effect at the time of the transmission of the increases to the Legislature.

The Civil Service Commission on December 16, 2015, approved a one-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for fiscal year (FY) 2016-17. The Commission approved a 1% general wage increase and a 1.5% lump-sum payment effective October 1, 2016, for represented employees. Additionally, the one-year contract will require represented employees to continue to pay 20% of their health care premiums. The wage and benefit portions of the contract will be negotiated for future fiscal years at a later date.

Noneconomic issues such as designating classification groups and job category definitions and codes were approved for three fiscal years (FY 2016-17, FY 2017-18, and FY 2018-19).

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented (NERE) State classified employees for FY 2016-17. Beginning on October 1, 2016, NEREs will receive a 1% general wage increase and a 1.5% lump-sum payment. They also will continue to pay 20% of their health insurance premium in FY 2016-17. Coordinated Compensation Plans for NEREs are approved by the Civil Service Commission on an annual basis; thus, a compensation plan for FY 2017-18 will not be approved until sometime in December 2016.

The total State costs for the approved wage and benefit changes is an estimated \$111.2 million Gross (\$60.0 million GF/GP) for FY 2016-17. The breakdown of those costs is as follows:

- Total cost for the approved 1% base wage adjustments for FY 2016-17 is estimated at \$47.1 million Gross (\$25.4 million GF/GP). Of that amount, the cost for represented employees is estimated at \$30.2 million Gross (\$16.3 GF/GP) while the portion attributable to NEREs is estimated at \$16.9 million Gross (\$9.1 million GF/GP).

- Total cost for the approved 1.5% lump-sum payments for FY 2016-17 is estimated at \$64.1 million Gross (\$34.6 million GF/GP). Of that amount, the cost for represented employees is estimated at \$39.2 million Gross (\$21.2 GF/GP) while the portion attributable to NEREs is estimated at \$24.9 million Gross (\$13.4 million GF/GP).

Finally, on January 12, 2016, the Civil Service Commission provided the constitutionally required notice to the Governor regarding FY 2016-17 compensation increases authorized by the Commission. These Commission-approved increases will be included in the Governor's FY 2016-17 budget recommendation to be released in February 2016. As mentioned above, the Legislature will then have 60 calendar days from that time to reject or reduce the increases. To date, the Legislature has never rejected Civil Service pay adjustments.

Please let me know if you have any questions.

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c: Ellen Jeffries, Director  
Bill Bowerman, Associate Director