



Legislative Fiscal Bureau

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May 27, 2008

TO: Senator Mary Lazich
Room 109 South, State Capitol

FROM: Art Zimmerman, Fiscal Analyst

SUBJECT: State Employment Contracts for Consideration at the May 27, 2008, JCOER Meeting:
Comparison to a "Qualified Economic Offer"

At your request, I am providing information which compares the estimated salary and fringe benefits increases in the state employment contracts to be considered at the May 27, 2008, meeting of the Joint Committee on Employment Relations (JCOER) to the minimum salary and fringe benefits increases required for a "qualified economic offer" (QEO).

The QEO is a provision under current municipal bargaining law which only applies to professional teaching employees in local school districts. Under this provision, school district employers may avoid compulsory, final binding arbitration on unresolved economic issues if an offer of salary and fringe benefit costs providing at least a 3.8% annual increase is proposed. Under a QEO, school district employers are required to maintain the existing fringe benefit packages. No similar bargaining provision applies to other municipal employees or to state employees.

Because the QEO is designed to apply only to school district employers, comparing the QEO requirements to state employee contracts is difficult. The Office of State Employment Relations (OSER) has expressed a number of concerns with this approach, including: (a) state bargaining units are generally composed of several different occupational groups, as compared to the one occupational group (teachers) on which the QEO concept is based; (b) state-employed teachers have a different employment situation compared to a typical school district (for example, a 12-month school year for state teachers compared to a nine-month school year for non-state teachers, and correctional institution teaching settings compared to traditional K-12 schools); (c) the QEO construct does not apply to local units of government with which the state competes for workers; (d) the state has over 1,700 job classifications in 19 bargaining units and needs to be able to respond to labor market concerns within and across the various bargaining units; (e) the state competes with the public and private sectors to attract candidates into a wide variety of occupational groups and

individual positions; (f) local units of government (cities, towns, and counties) often do not report the true costs of longevity steps or anniversary-type base pay adjustments awarded, thereby under-reporting the true percentage costs of local agreements; (g) if a QEO construct were applied to the State, OSER believes that the state's ability to compete against public and private employers would be lessened because these other employers would have greater flexibility in the employment market place; (h) the overall market place for candidates is getting much more competitive with dwindling demographics and increasingly more competition for fewer candidates; and (i) the state's ability to compete is eroding, and already suffers some competitive disadvantage with prohibitions on vacation usage during the first six months of employment, and non-negotiability of annual leave amounts, particularly for experienced candidates.

Despite concerns regarding the use and calculation of the QEO for comparison with state employment contracts, OSER has developed a general methodology for constructing a QEO equivalent. Under this methodology, the increased salary and fringe benefit costs under the proposed contracts are compared to the minimum 3.8% salary and fringe benefits increase required for a QEO. (It should be noted that many school districts offer salary and fringe benefit increases that exceed the minimum 3.8% QEO). The following table utilizes this methodology and compares the 2007-09 biennial increases under the proposed contracts with the biennial QEO increase amount (7.74%).

**Comparison of State Employment Contract Increases to a QEO
2007-09**

<u>Collective Bargaining Unit</u>	<u>State Contract Increases</u>			<u>QEO Biennial Comparison</u>	
	<u>2007-08</u>	<u>2008-09</u>	<u>2007-09 Biennium</u>	<u>Biennial QEO</u>	<u>Over or Under Biennial QEO</u>
Wisconsin State Employees Union					
Administrative Support	2.66%	5.68%	8.40%	7.74%	0.66%
Blue Collar	2.66	6.44	9.20	7.74	1.46
Security and Public Safety	2.66	6.84	9.60	7.74	1.86
Technical	2.66	5.91	8.60	7.74	0.86
Professional Social Services	2.66	5.32	8.00	7.74	0.26
Milwaukee Graduate Assistant Association	3.22	5.83	9.10	7.74	1.36
SEIU* Healthcare District 1199 WI (Nurses)	4.62	6.16	11.00	7.74	3.26
Wisconsin Education Association Council	2.66	6.05	8.80	7.74	1.06
Wisconsin Law Enforcement Association	2.66	7.48	10.20	7.74	2.46
Wisconsin Physicians and Dentists Association	2.66	6.50	9.20	7.74	1.46
Wisconsin Professional Employees Council	2.66	5.78	8.50	7.74	0.76
Wisconsin Science Professionals	2.66	5.55	8.30	7.74	0.56
Wisconsin State Attorneys Association	2.66	5.67	8.40	7.74	0.66
Wisconsin State Public Defender Association	2.66	6.18	8.90	7.74	1.16
Average for all Units	2.84	6.10	9.01	7.74	1.27

* Service Employees International Union

I hope this information is of assistance.

AZ/sas