JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

February 10, 2005

Ladies and Gentlemen of the Legislature and Citizens of the State of Michigan:

Article XI, Section 5, of the Michigan Constitution of 1963, provides that increases in rates of compensation for employees in the state classified service, authorized by the Civil Service Commission, require prior notice to the Governor. The Constitution also requires that I, as Governor, transmit such increases to the Legislature as part of my budget.

On December 15, 2004, the Civil Service Commission approved multi-year collective bargaining agreements with five state employee unions representing seven bargaining units for Fiscal Years 2006, 2007 and 2008. Fiscal Year 2006 increases contained in all seven of these agreements are reflected in this transmittal. The State Police Enlisted unit will soon be in the process of negotiations, thus, it is not included in this correspondence.

On December 15, 2004, the Commission approved Fiscal Year 2006 pay adjustments for non-exclusively represented state classified employees. These adjustments are in line with the adjustments the Commission authorized for employees covered by collective bargaining agreements.

Attached is a cost summary of all the Civil Service Commission's pay actions for Fiscal Year 2006 prepared by the Office of the State Employer. The net additional cost of this pay adjustment for Fiscal Year 2006 is estimated to be $41.3 million including the state's share of FICA and required retirement contributions.

Sincerely,

Jennifer M. Granholm
Governor

Attachment

Estimated "New" Costs - Summary
Michigan State Classified Service
Fiscal Year 2006
(10/01/2005 - 9/30/2006)

	A-02 MSEA Saf. & Reg.	A-31 MSEA Labor & Trades	C-12 MCO Security	E-42 31-M Human Srv. Support	H-21 MPES Scientific & Engineering	L-32 UTEA Technical	[1] T-01 MSPTA State Police Enlisted	U-11 AFSCME Institutional	W-22 UAW Human Srv.	W-41 UAW Admin. Supt.	MSC's & NERE's	TOTAL ALL UNITS (Ex. T01)
[2] Number of Employees - 10/09/04	1,422	2,661	9,308	871	2,193	1,019	1,637	2,645	9,292	7,255	14,709	53,012
[2] Avg. Hourly Salary - 10/09/04	$ 21.38	$ 19.59	$ 21.04	$ 18.89	$ 27.47	$ 20.57	$ 26.56	$ 17.51	$ 23.46	$ 18.40	$ 29.09	$ 23.39
[2] Avg. Annual Salary - 10/09/04	$ 44,641	$ 40,904	$ 43,932	$ 39,442	$ 57,357	$ 42,950		$ 36,561	$ 48,984	$ 38,419	$ 60,740	$ 48,840
Base Pay Adjustments for FY 2006												
1% Base Wage increase 10/01/2005 1% Base Wage increase 4/09/2006	$ 955,376	$ 1,638,122	$ 6,154,165	$ 517,032	$ 1,893,060	$ 658,682		$ 1,455,388	$ 6,850,215	$ 4,194,906	$ 13,446,023	$ 37,762,968
Additional Roll-up Cost Resulting from Base Pay Increase												
[3] FICA/Ret. Blended Rates - 10/09/04	18.54%	18.80%	19.98%	17.33%	17.82%	18.27%		18.16%	18.36%	18.67%	19.92%	19.12%
[3] FICA/Ret. on Base Wage Increase	$ 177,127	$ 307,967	$ 1,229,602	$ 89,602	$ 337,343	$ 120,341		$ 264,298	$ 1,257,699	$ 783,189	$ 2,678,448	$ 7,245,616
[4] Life Insurance Increase	$ 10,433	$ 17,888	$ 67,203	$ 5,646	$ 20,672	$ 7,193		$ 15,893	$ 74,804	$ 45,808	$ 146,831	$ 412,372
[5] Long Term Disability Increase	$ 9,936	$ 17,036	$ 64,003	$ 5,377	$ 19,688	$ 6,850		$ 15,136	$ 71,242	$ 43,627	$ 139,839	$ 392,735
[6] Overtime Increase	$ 35,193	$ 55,772	$ 438,940	$ 39,957	$ 3,476	$ 47,577		$ 131,176	$ 80,076	$ 28,838	$ 118,149	$ 979,152
[7] Shift Differential Increase	$ 5,061	$ 4,172	$ 129,770	$ 114	$ 90	$ 665		$ 23,651	$ 8,120	$ 3,660	$ 31,706	$ 207,010
FICA/RET on OT and Shift Diff. Inc.	$ 7,463	$ 11,269	$ 113,628	$ 6,944	$ 635	$ 8,814		$ 28,117	$ 16,193	$ 6,067	$ 29,651	$ 228,982
FY 2006 Additional ATB Base Costs	**$ 1,200,588**	**$ 2,052,227**	**$ 8,197,312**	**$ 664,671**	**$ 2,274,964**	**$ 850,122**	**Unknown**	**$ 1,933,659**	**$ 8,358,349**	**$ 5,106,096**	**$ 16,590,846**	**$ 47,228,835**

	NET TOTAL
FY 2006 Additional ATB Base Costs	**$ 47,228,835**
FY 2006 Additional Base Specials Costs	**$ 5,033,724**
FY 2006 Group Insurance Enhancements Costs	**$ 1,414,750**
[8] FY 2006 Group Insurance Savings	**$ (3,217,668)**
[9] FY 2006 Banked Leave Time Savings (+T01)	**$ (9,135,302)**
FY 2006 Net Additional Costs	**$ 41,324,339**

[1] Fiscal Year 2006 negotiations will occur in calendar 2005.
[2] MIDB, VTM_HRM_EMPLOYEES, PP 21. Employment Status Code = AA, AB, AC, AD, AE, AP
[3] FY 2005 Rates from OFM, Ruth Mealy 9/20/2004 memo; Unit rates are weighted by enrollment and reduced by amount of retiree health cost. Assumes State maximum contribution for retirement code 40.
[4] Life insurance increase on incremental cost increase. Rate as of FY 2005. Annual $5.46 per $1000 of extra coverage.
[5] Rates as of FY 2005 - (Increase/100)*1.04.
[6] Based on FY 2004 OT hours
[7] Based on FY 2004 hours
[8] Does not include savings from LTD plan design changes.
[9] Savings does not include concessions agreed upon for FY 2004 and FY 2005. Equity among bargaining unit savings was achieved during the combined Fiscal Years 2004 - 2006.