



Subcommittee on Employee Relations

Legislative Coordinating Commission

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Date: March 12, 2018

To: Senator Jeremy Miller

From: Greg Hubinger

Re: SF 3154: Summary of the state employee labor contracts ratification bill

Background. This bill ratifies labor contracts and compensation plans for state employees in the Executive Branch. If legislation to ratify these contracts and plans is not adopted, the terms and conditions provided in these contracts and plans will be voided.

These contracts and plans are for the FY 18-19 biennium and are effective retroactively to July 1, 2017. The Department of Minnesota Management and Budget (MMB) estimates that the increased costs of all collective bargaining agreements and plans will be 3.39% in this biennium, with an impact of 4.74% on the next biennium. A spreadsheet showing the costs of each agreement and plan is attached.

Insurance Benefits. The health, dental, life, and disability benefits provisions for these contracts and plans are initially bargained through a coalition that includes exclusive representatives from all of the state's unions. Final bargaining is completed between the state and the exclusive representatives for AFSCME and MAPE. As a result, the insurance provisions themselves are generally consistent from contract to contract. However, some minimal changes for financial and benefit issues (like eligibility and modifications to state contributions) may be bargained from contract to contract.

The Legislature reviews proposed changes to benefits provisions as part of its overall review of proposed collective bargaining agreements. Because benefits are a term and condition of employment bargained in these agreements, the Legislature does not separately review the benefits program.

The insurance provisions also generally become part of the Legislative Plan for Employee Benefits, so that they apply to members and staff. Changes to the Legislative Plan, including any changes to insurance provisions must be approved by the Legislative Coordinating Commission before becoming effective.

Insurance changes are generally effective January 1, 2018, although it is unclear how MMB has implemented these changes since only some contracts have been implemented.

MMB and the employee representatives negotiated the following with regard to insurance:

- No changes to the underlying medical plan design, apart from eliminating co-pays for in-network convenience clinics and for online care.
- First dollar deductibles, office and prescription co-pays and co-insurance increase are unchanged.

- Incorporate statutory requirement to permit employees to opt out of coverage, if they provide other proof of coverage.

Premiums increase by approximately 2.86% in CY 18. Increases for CY 19 will be established in mid-2018 based on actual and estimated cost trends. (Premiums are determined by MMB, and are not negotiated.)

Salary increases. The collective bargaining agreement and compensation plans have consistent provisions regarding salary increases:

- 2.0% increase in salaries effective July 1, 2017.
- 2.25% increase in salaries effective July 1, 2018.
- Annual merit-based increases for eligible employees that generally vary between 2.75% and 3.5%. On average, about half of the employees are eligible for these increases.
- MMB has testified to the Subcommittee on Employee Relations that agencies can pay for these salary cost increases within their appropriations.

Paid Parenting Leave. Each of the contracts and plans incorporates paid parenting leave, a benefit that was negotiated as amendments to the previous contracts. The benefit provides:

- Six weeks of paid leave, if eligible under FMLA.
- Employee must have worked at least 1,250 hours.
- Leave can be used when employee or spouse give birth, for adoption, or placement to adjudicate parentage in cases of surrogacy.
- Leave must be completed within 6 months, although Appointing Authority may extend that to 12 months.

Section 1. Labor agreements and compensation plan. This section ratifies collective bargaining agreements.

Subdivision. 1. AFSCME, Council 5 contract. This collective bargaining unit represents approximately 14,800 employees in five bargaining units, including clerical and technical workers, health care non-professional employees, and craft and service workers. This contract was rejected by the Subcommittee on Employee Relations, and is not in effect.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Step increases in each year for employees who are eligible. Step increases represent approximately a 2.7% increase. About half of employees are below the maximum of their salary ranges and receive these increases.
3. At various state facilities, provide recruitment incentives for Human Services Technicians that may be up to \$1,500 and provide referral incentives up to \$500.
4. For specified agencies, permit Achievement Awards (similar to those offered by other agencies and other collective bargaining agreements).

Subd. 2. Minnesota Association of Professional Employees contract. This collective bargaining unit represents approximately 14,350 employees. This contract was rejected by the Subcommittee on Employee Relations, and is not in effect.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Step increases in each year for employees who are eligible. Step increases represent approximately a 3.6% increase. About 57% of these employees are eligible to receive these step increases.
3. Increase the employer match for deferred compensation from the current level of \$100 per year to \$200.
4. Establish a pilot phased retirement program in selected agencies (most major agencies).
5. For the Department of Human Services, for selected employee classes (e.g., psychologists, social workers, and rehabilitation counselors) provide various recruitment, retention and referral incentives.

Subd. 3. AFSCME Unit 8, Corrections Officers contract. This collective bargaining unit represents 1,956 corrections officers at state prisons. This agreement was submitted to the Subcommittee on Employee Relations on January 10, 2018, and became effective 30 days later.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Step increases in each year for employees who are eligible. Step increases represent approximately a 2.9% increase. About half of employees are below the maximum of their salary ranges and receive these increases.

Subd. 4. AFSCME, Radio Communications Operators contract. This collective bargaining unit represents 52 Radio Communications Operators in the Department of Public Safety. This agreement was submitted to the Subcommittee on Employee Relations on January 10, 2018, and became effective 30 days later.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Step increases in each year for employees who are eligible. Step increases represent approximately a 2.7% increase. About three-quarters of employees are below the maximum of their salary ranges and receive these increases, which are granted on either an annual or semi-annual basis depending on the employee's position in the salary range.

Subd. 5. Middle Management Association contract. This collective bargaining unit represents approximately 3,079 supervisors. This agreement was submitted to the Subcommittee on Employee Relations on January 10, 2018, and became effective 30 days later.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Step increases in each year for employees who are eligible. Step increases represent approximately a 3.6% increase. About 40% of employees are below the maximum of their salary ranges and receive these increases.
3. The State will increase its match of deferred compensation from \$300 to \$325 per fiscal year.

Subd. 6. State Residential Schools Education Association contract. This collective bargaining unit represents 197 teachers employed at the Minnesota Academies for the Deaf and Blind, the Perpich Center for Arts Education, the Department of Human Services, and the Department of Corrections. The contract was submitted to the Subcommittee on Employee Relations during the 2018 session, and has not been implemented.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Continue step increases in each year for employees who are eligible. Step increases represent approximately a 3.4% increase. About 41% of these employees are eligible to receive these increases.
3. Increase the employer's matching contribution to the employee's deferred compensation account from \$100 to \$200 per year.

Subd. 7. Minnesota Government Engineering Council contract. This collective bargaining unit represents 1,018 engineers, primarily employed in the Department of Transportation.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Continue step increases in each year for employees who are eligible. Step increases represent approximately a 4.0% increase. About 33% of engineers are below the maximum of their salary ranges and are eligible to receive these increases.
3. Implement pilot phased retirement program, similar to those in other contracts.
4. Permit the Appointing Authority to consider military service and relevant private sector experience when determining vacation leave accrual rates.

Subd. 8. Inter Faculty Organization contract. This contract covers 3,209 FTE faculty at state universities. The contract was submitted to the Subcommittee on Employee Relations during the 2018 session, and has not been implemented.

1. Effective July 1, 2017, faculty receive a 1.6% across the board increase in salary and a 2.4% increase on July 1, 2018.
2. Effective fall semester 2017, increase the salaries of adjunct faculty from \$1,426 per credit to \$1,449 per credit, equivalent to a 1.6% increase. Effective fall semester 2018, increase the salaries of adjunct faculty to \$1,484 per credit, equivalent to a 2.4% increase.
3. Increase the teaching load cap for adjunct faculty from 10 credits to 12 credits per academic year.
4. Modify career steps: Faculty reaching 10, 20 and 30 years of service receive career steps equal to two steps (\$4,800). In FY 19, modify benefit so that career steps are provided after completion of the 10, 17 and 25 year thresholds.

Section 2. Compensation plans. This section ratifies compensation plans for unrepresented employees.

Subdivision. 1. Commissioners Plan. The Commissioner's Plan establishes terms and conditions of employment for about 1,200 unrepresented employees including confidential staff, and employees who have severed from their bargaining units. This plan also covers medical specialists, whose benefits are determined in a separate appendix to the Commissioners Plan. This plan was submitted to the Subcommittee on Employee Relations on February 19, 2018, and has not been implemented.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Continue annual performance-based increases effective pay period coinciding with January 1, 2018 and each January thereafter. Employees may receive increases up to 3.5%. Approximately 40% of employees are eligible for these increases.

3. Expand recruitment, retention and referral incentives related to the employment of Behavior Modification Practitioners (which are similar to those provided in other contracts).
4. Add pilot phased retirement program, similar to those in other contracts and plans.

Subd. 2. Managerial Plan. The Managerial Plan establishes terms and conditions of employment for about 1,500 unrepresented managers including deputy and assistant commissioners, bureau heads and division directors. This plan also establishes insurance benefits for heads of state agencies. This plan was submitted to the Subcommittee on Employee Relations on February 19, 2018, and has not been implemented.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Continue annual performance-based increases effective pay period coinciding with January 1, 2018 and each January thereafter. Employees may receive increases up to 3.5%. Approximately 36% of managers are eligible for these increases.
3. Increase the hiring incentive for appointments of hard to fill positions from the current level of \$7,500 to \$10,000.

Subd. 3. Office of Higher Education Unclassified Personnel Compensation Plan. This compensation plan establishes terms and conditions of employment for about 39 employees. This plan was submitted to the Subcommittee on Employee Relations on February 19, 2018, and has not been implemented.

1. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018.
2. Continue annual performance-based increases effective pay period coinciding with January 1, 2018 and each January thereafter. Employees may receive increases up to 3.5%. Approximately 35% of managers are eligible for these increases.

Subd. 4. Compensation Plan for MNsure. This compensation plan establishes terms and conditions of employment for 17 managerial employees of MNsure. This plan was submitted to the Subcommittee on Employee Relations on February 19, 2018, and has not been implemented.

1. Most terms and conditions of employment provided under this plan are incorporated by reference to the Managerial Compensation Plan.
2. 2.0% across the board increases effective July 1, 2017 and 2.25% effective July 1, 2018 for managers who meet performance standards.
3. Performance-based increases effective pay period coinciding with January 1, 2018 and each January thereafter. Employees may receive increases up to 3.5%. Approximately 73% of managers are eligible for these increases.

Sec. 3. Provides that Sections 1-2 are effective the day following final enactment.

Attach: settlement sheet

STATE EMPLOYEE SALARY SETTLEMENTS

FY 18-19 ESTIMATED COSTS

LCC Subcommittee on Employee Relations
March 8, 2018

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO NEXT BIENNIUM (3)	\$ IMPACT ON NEXT BIENNIUM
	7/1/2017	1/1/2018	7/1/2018	1/1/2019					
R AFSCME, Council 5	2.00%		2.25%		\$1,974,265,786	\$60,025,862	3.04%	4.51%	\$89,039,387
I AFSCME, Unit 8, Correctional Officers	2.00%		2.25%		\$315,468,586	\$8,514,943	2.70%	3.79%	\$11,956,259
I AFSCME, Unit 25, Radio Communications Oper	2.00%		2.25%		\$9,492,096	\$288,685	3.04%	4.50%	\$427,144
R MN Association of Professional Employees	2.00%		2.25%		\$2,738,433,672	\$105,887,851	3.87%	5.84%	\$159,924,526
I Middle Management Association	2.00%		2.25%		\$694,149,486	\$27,187,838	3.92%	6.16%	\$42,759,608
> MN Government Engineering Council (5)	2.00%		2.25%		\$238,618,058	\$8,341,954	3.50%	5.30%	\$12,646,757
> Minnesota Nurses Association	2.00%		2.25%		\$181,722,624	\$7,756,023	4.27%	6.88%	\$12,502,517
MN Law Enforcement Association									
> State Residential Schools Education Assoc	2.00%		2.25%		\$33,899,624	\$1,246,559	3.68%	5.75%	\$1,949,228
Service Employees International Union (6)					\$884,559,652	\$20,411,000			
> State University Inter Faculty Organization	1.60%		2.40%		\$609,668,437	\$19,796,623	3.25%	4.87%	\$29,690,853
MN State University Assoc of Admin & Service Faculty									
Minnesota State College Faculty									
Personnel Plan for MnSCU administrators									
Personnel Plan for St Bd of Invest employees									
> Office of Higher Education Plan	2.00%		2.25%		\$7,552,714	\$358,412	4.75%	7.80%	\$589,112
> Managerial Plan	2.00%		2.25%		\$414,274,424	\$15,330,145	3.70%	5.47%	\$22,660,811
> Commissioners Plan (4)	2.00%		2.25%		\$240,867,122	\$7,653,765	3.18%	4.48%	\$10,790,847
Office of Legislative Auditor									
> MnSure Compensation Plan	2.00%		2.25%		\$5,229,364	\$235,749	4.51%	6.93%	\$362,395
TOTAL					\$8,348,201,645	\$283,035,409	3.39%	4.74%	\$ 395,299,445

The ">" indicates proposed contract or plan not been acted on by the Subcommittee.
 The "R" indicates the contract or plan was rejected by the Subcommittee.
 The "I" indicates a contract or plan that has been implemented absent Subcommittee action
 The "" indicates the proposed contract or plan has not been ratified by the Legislature

- (1) Includes all funds, including higher education agencies. Includes across the board salary increases, steps, FICA, insurance & pension.
- (2) Percent of new money needed over base.
- (3) This percentage reflects the annualized cost of the increases granted during the biennium.
This figure depicts all of the costs of the contract, including "tails."
- (4) Groups within plan follow lead of comparable bargaining units.
- (5) The arbitration award provided 3.5% across the board increases each year for engineers in the 3 highest classes
- (6) Includes federal and state funds. Does not include funds for administration, grants and training.