

Budget Impact of 2023 Wage Contracts



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Prior to the execution of a collective bargaining agreement (CBA) for agencies under the Governor’s jurisdiction, the Independent Fiscal Office (IFO) is statutorily required to provide a cost analysis of the agreement. Most CBAs subject to IFO review expired June 30, 2023. Recently, members of the American Federation of State, County and Municipal Employees (AFSCME) ratified a new CBA effective July 1, 2023 through June 30, 2027. The AFSCME CBA is by far the largest agreement and comprised 65% of the total budget impact of all CBAs that required IFO review in the prior term (2019 to 2023). Historically, once this contract is approved, other CBAs will contain similar provisions.

This research brief provides a preliminary estimate of the budget impact if the terms of the AFSCME ratified CBA apply to all CBAs reviewed by the IFO, as well as management and non-represented workers. (See table below.) As each CBA is approved and transmitted to the IFO for review, a formal analysis will be published as required by statute. Those more detailed reviews will vary from this analysis based on the final negotiated terms of each CBA, changes in payroll assumptions and the turnover factor applicable to each collective bargaining unit.¹

Preliminary Impact of Collective Bargaining Agreements						
	Employees	Base Salary	FY Budget Impact			
			23-24	24-25	25-26	26-27
CBA ¹	42,489	\$2,314	\$143	\$249	\$335	\$427
Mgmt. and Non-Rep. ²	<u>13,067</u>	<u>\$1,056</u>	<u>\$66</u>	<u>\$114</u>	<u>\$167</u>	<u>\$223</u>
Wage Impact	55,556	\$3,370	\$209	\$363	\$503	\$650
Benefits ³			\$98	\$170	\$236	\$305
Health Care ⁴			<u>\$78</u>	<u>\$163</u>	<u>\$191</u>	<u>\$220</u>
Total Impact			\$385	\$696	\$930	\$1,175

Note: Dollars are in millions.

1 Collective bargaining units where the CBA requires IFO analysis. For a full list of collective bargaining agreements the IFO is required to analyze, see the IFO website.

2 Employees classified as management or non-represented.

3 An average employer-paid benefits (e.g., employer pension contribution, Social Security and Medicare) rate of 47% was applied to the salary increase.

4 The impact of the higher biweekly employer contribution rate as provided in the AFSCME CBA.

¹ This preliminary analysis does not incorporate a turnover factor to reflect budget savings from the application of salary adjustments to lower salaries due to the natural replacement of older and higher-paid workers that retire with new hires that have lower salaries. The turnover factor typically reduces the impact of the CBA salary adjustments by roughly 2% per annum.

For this preliminary estimate, the IFO utilized payroll data obtained from the state accounting system (SAP) as of July 24, 2023. Based on those data, there were 55,556 permanent employees (wage and salary) with a combined payroll base of \$3.37 billion.² For fiscal year (FY) 2023-24, the salary adjustments provided under the AFSCME CBA have a budget impact of \$209 million. The related impact on employer-paid benefits (e.g., pensions, payroll taxes) and healthcare contributions increases the budget impact to \$385 million. By FY 2026-27, the budget impact of salary adjustments increases to \$650 million, while employer-paid benefits and healthcare contributions bring the total increase to \$1.18 billion. Over the four-year contract period, the total budget impact is \$3.19 billion. These estimates assume no change in total complement and exclude salary adjustments for promotions.

The table below illustrates the impact of the compensation provisions contained in the ratified AFSCME CBA for an average full-time state employee earning \$52,070 on June 30, 2023.³ Over the four-year period, salary increases \$11,506 (22.1%), and healthcare contributions increase by \$4,558 (29.9%). Employer healthcare contributions are a fixed amount per pay period, while the employee pays a fixed percentage of biweekly gross base salary. Employees can reduce their contributions by 50% for voluntary participation in the Commonwealth’s Get Healthy wellness program.

Impact of the AFSCME CBA for an Average Full-Time Employee						
	As of June 30					Total Growth
	2023	2024	2025	2026	2027	
Average Salary ¹	\$52,070	\$55,904	\$58,305	\$60,958	\$63,576	22.1%
Healthcare ²	\$15,238	\$16,877	\$18,477	\$19,044	\$19,795	29.9%
Employer Share	\$13,936	\$15,340	\$16,874	\$17,368	\$17,888	28.4%
Employee Share	\$1,302	\$1,537	\$1,603	\$1,676	\$1,907	46.5%

1 Beginning in 2024, the annual salary for an average full-time employee based on the salary adjustments provided in the AFSCME CBA effective July 2023.

2 Employer/employee healthcare contributions consistent with the provisions of the AFSCME CBA. The employee contribution assumes that the employee receives a waiver for participation in the Commonwealth’s Get Healthy wellness program.

Staff Acknowledgments

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² The data include most agencies under the Governor’s jurisdiction, as well as the Attorney General, Auditor General, Ethics Commission, Health Care Cost Containment Council, Pennsylvania Infrastructure Investment Authority and the Pennsylvania Gaming Control Board. Law enforcement (e.g., State Police) covered under specific CBAs not reviewed by the IFO and other state government entities (e.g., Treasury, Judiciary, Legislature, PA State System of Higher Education) are excluded from the analysis.

³ Average salary for a full-time AFSCME employee on June 30, 2022, from the 2023 Pennsylvania State Government Workforce Statistics and adjusted for the salary increase in the AFSCME CBA that expired on June 30, 2023.