

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Support

BILL NUMBER: AB 3043
AUTHOR: Assembly Public Employees, Retirement and Social Security

SPONSOR: Department of Personnel Administration

BILL SUMMARY

This bill would approve addenda to memoranda of understanding entered into by the state employer and State Bargaining Units (BUs) 2, 4, 16, 17, 19, and 20 that require the expenditure of funds.

FISCAL SUMMARY

BU 2 (Attorneys and Hearing Officers)

The cost of BU 2 health benefit contributions is \$2.6 million (\$955,000 General Fund) for 2007-08 and \$4.4 million (\$1.6 million General Fund) for 2008-09. Budget Act Item 9800 has additional appropriation authority that will be used to cover the costs and will therefore, not require an additional appropriation.

The remaining BU 2 addendum are related to the equity adjustments for the Department of Mental Health (DMH), Department of Developmental Services (DDS), and the Department of Veterans Affairs (DVA) to the Department of Corrections and Rehabilitation (CDCR) for either the United States District Court case Plata v. Schwarzenegger (Plata) or the United States District Court case Perez v. Tilton (Perez).

BU 4 (Office and Allied)

The cost of BU 4 increases related to the Plata equity adjustment is \$139,000 for 2007-08, \$484,000 for 2008-09, and \$691,000 for 2009-10. These funds do not require an appropriation because they were either funded in Item 9800 or absorbed in 2007-08 due to the high vacancy rate, but will be fully funded in 2008-09 and beyond.

BU 16 (Physicians, Dentists, and Podiatrists)

The cost of the BU 16 increases related to the Plata equity adjustment is \$1.6 million for 2007-08, \$4.2 million for 2008-09, and \$5.3 million for 2009-10. These funds do not require an appropriation because they were either funded in Item 9800 or absorbed in 2007-08 due to the high vacancy rate, but will be fully funded in 2008-09 and beyond.

The cost of BU 16 increases related to the Perez equity adjustment is \$218,000 for 2007-08, \$590,000 for 2008-09, and \$744,000 for 2009-10. These funds do not require an appropriation because they were either funded in their departments' respective budget or absorbed in 2007-08 due to the high vacancy rate, but will be fully funded in 2008-09 and beyond.

BU 17 (Registered Nurse)

The cost of BU 17 increases related to the Plata equity adjustment is \$11.8 million for 2007-08, \$30.3 million for 2008-09, and \$37 million for 2009-10. These funds do not require an appropriation because they were either funded in Item 9800 or absorbed in 2007-08 due to the high vacancy rate, but will be fully funded in 2008-09 and beyond.

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Analyst/Principal Date Program Budget Manager Date
(0930) K. Hansen Diana Ducay

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

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FISCAL SUMMARY (continued)**BU 19 (Health and Social Services/Professional)**

The cost of BU 19 increases related to the *Plata* equity adjustment is \$1.5 million for 2007-08, \$3.6 million for 2008-09, and \$4.3 million for 2009-10. These funds do not require an appropriation because they were either funded in Item 9800 or absorbed in 2007-08 due to the high vacancy rate, but will be fully funded in 2008-09 and beyond.

BU 20 (Medical and Social Services)

The cost of BU 20 increases related to the *Plata* equity adjustment is \$1.1 million for 2007-08, \$2.9 million for 2008-09, and \$3.6 million for 2009-10. These funds do not require an appropriation because they were either funded in Item 9800 or absorbed in 2007-08 due to the high vacancy rate, but will be fully funded in 2008-09 and beyond.

The cost of BU 20 increases related to the *Perez* equity adjustment is \$383,000 for 2007-08, \$844,000 for 2008-09, and \$942,000 for 2009-10. These funds do not require an appropriation because they were either funded in their departments' respective budget or absorbed in 2007-08 due to the high vacancy rate, but will be fully funded in 2008-09 and beyond.

COMMENTS

The Department of Finance is recommending support of this bill because it is necessary to implement the agreements between BUs 2, 4, 16, 17, 19, and 20 and the state. We support the costs that are associated with these addenda and note that no additional appropriation is necessary. We would also note that the total expenditure exposure related to these addenda for BUs 4, 16, 17, 19, and 20 that will not be funded in 2007-08 are primarily for DMH in the amount of \$4.5 million and are not necessary because of the high vacancy rate.

The 2007 Budget Act provided \$18.7 million (\$18.4 million General Fund) for DDS, DMH, and DVA (within the Budget Act Item 9800) that would have brought positions related to *Plata* within 18 percent of the similar classifications at CDCR as of July 1, 2007. At that point in time, DDS, DMH, and DVA also had \$3.4 million (\$2.9 million General Fund) collectively within their budgets for *Perez*. We note that since funding was provided in Item 9800, when the department-by-department funding requirements changed, we were able to re-distribute funds so excess need could be moved to underfunded departments.

This bill would adopt a different agreement for increased funding than what was proposed in the 2007 Budget Act to DMH, DDS, and DVA that would bring specified classification to within 10 percent of those classifications at CDCR on January 1, 2008 and within 5 percent on January 1, 2009. The following numbers are specific to the addenda in this bill and we would point out that departments are not being required to expend funds for the amounts that will be "absorbed" in the first year because of their high vacancy rate. These expenditures will be funded in 2008-09 and beyond. The following chart outlines the costs and available funding as a result of BUs 4, 16, 17, 19, and 20:

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COMMENTS (continued)

Plata/Perez Cost (exc BU 16 before less 18%)			
	GF	OF	Total
DDS	\$7,628,011	\$99,679	\$7,727,690
DMH	\$7,069,048	\$175,308	\$7,244,356
DVA	\$1,715,807	\$0	\$1,715,807
	\$16,412,866	\$274,987	\$16,687,853

Plata/Perez Funding Available (exc BU 16 before less 18%)			
	GF	OF	Total
DDS	\$8,408,000	\$184,000	\$8,592,000
DMH	\$1,740,000	\$43,000	\$1,783,000
DVA	\$1,791,000	\$0	\$1,791,000
	\$11,939,000	\$227,000	\$12,166,000

Absorbed (exc BU16 before less 18%)			
	GF	OF	Total
DDS	\$0	\$0	\$0
DMH	(\$4,473,866)	(\$47,987)	(\$4,521,853)
DVA	\$0	\$0	\$0
	(\$4,473,866)	(\$47,987)	(\$4,521,853)

ANALYSIS

A. Fiscal Analysis

BU 2

The employer health benefit contribution would be a flat dollar amount equal to 85 percent of the weighted average of the basic health benefit plan premiums for a state, active, civil service employee. For enrolled family members, the contribution shall be 80 percent. The flat rate is established as follows:

- For employee only, the employer contribution is increased from \$365 to \$439 per month.
- For employee and one dependent, the employer contribution is increased from \$696 to \$836 per month.
- For employee and two or more dependents, the employer contribution is increased from \$906 to \$1084 per month.

New employees hired on or after July 1, 2006 will be subject to a vesting schedule for their dependents during their first two years of employment.

The current flat dollar amount paid on behalf of BU 2 employees has fallen behind the contribution amount paid for the majority of state employees. The current amount and the amount approved by this addendum cannot be increased without new agreements between the state and BU 2.

The addendum was agreed to on August 30, 2007. The Joint Legislative Budget Committee (JLBC) was provided with the appropriate documents on September 17, 2007. The JLBC directed DPA to obtain legislative approval on October 22, 2007.

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A. Fiscal Analysis (continued)

There is sufficient appropriation authority in the 2007 Budget Act Item 9800 to fund this provision; therefore, no additional appropriation is needed.

BU 4, 16, 17, 19, and 20

These BUs are all related to the equity for the *Plata* and *Perez* lawsuits and the addenda are applied as follows:

- They are applicable to medical professionals at DMH, DDS, and DVA.
- As of January 1, 2008, the employees covered by the agreements will achieve increases to salary ranges to within 10 percent of salaries paid, as of the beginning of 2007-08, to the same or similar employee classes at CDCR.
- As of January 1, 2009, the employees covered by the agreements will achieve increases to salary ranges to within 5 percent of salaries paid, as of the beginning of 2007-08, to the same or similar employee classes at CDCR.
- They cover salary increases for the affected classes through June 30, 2010. Therefore, when contract negotiations take place in 2008 for new contracts for these bargaining units, salaries for these medical classes will have been already addressed, with two exceptions for BU 16. BU 16 has reserved the option to negotiate in 2008 for a recruitment and retention salary differential and bilingual differential pay.
- The increases shall be subject to prorated PERS-ability. Specifically, increases below 15 percent will be fully PERS-able; increases between 15-30 percent shall be PERS-able over two years; and increases above 30 percent shall be PERS-able over 3 years.
- The seven addenda were agreed to on December 20 and 21, 2007, and January 3, 2008. The JLBC was provided with the appropriate documents on January 3, and January 14, 2008. The JLBC directed DPA to obtain legislative approval on February 4, 2008.
- Appropriations in the 2007 Budget Act provided DMH, DDS, and DVA with funding to provide increases to within 18 percent of CDCR employees as of July 1, 2007. However, DPA and the affected unions were unable to reach agreement on those terms in most cases. Because of continuing vacancy rates and the fact that the funded raises did not go into effect on July 1, 2007 as anticipated, the departments are already funded for the costs associated with the raises under these addenda. Any costs not already funded under the 2007 Budget Act for these increases will be absorbed by the affected departments. The affected departments are in agreement with this directive as the high vacancy rate does not necessitate a need for these funds in 2007-08.

Specific information for each agreement follows:

BU 4

This addendum, dated December 20, 2007, pertains to Health Records Technologists, which are the same as, or similar to, classes affected by the *Plata* court decisions.

BU 16

There are two agreements with BU 16.

An addendum dated December 20, 2007 pertains to Dentists, which are the same as classes affected by the *Perez* court decisions. These employees received increases in 2007 to within 18 percent of the CDCR dentists; however, a subsequent agreement was necessary to provide parity with the increased salaries being provided to the other affected bargaining units.

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ANALYSIS

A. Fiscal Analysis (continued)

An addendum dated January 3, 2008 pertains to Physicians, Surgeons, and Podiatrists, which are the same as classes affected by the *Plata* court decisions. These employees received increases in 2007 to within 18 percent of the CDCR doctors; however, a subsequent agreement was necessary to provide parity with the increased salaries being provided to the other affected BUs.

BU 17

This addendum, dated December 20, 2007, pertains to Registered Nurses, Surgical Nurses, Nurse Instructors, Health Services Specialists, Nurse Consultants, Public Health Nurses, and Nurse Practitioners, which are the same as, or similar to, classes affected by the *Plata* court decisions.

BU 19

This addendum, dated January 4, 2008, pertains to Clinical Dieticians and Pharmacists, which are the same as, or similar to, classes affected by the *Plata* court decisions.

BU 20

There are 2 agreements for BU 20, both dated December 20, 2007.

One agreement pertains to Pharmacy Technologists, Radiological Technicians, and Licensed Vocational Nurses, which are the same as, or similar to, classes affected by the *Plata* court decisions.

The second agreement pertains to Dental Assistants and Hygienists, which are the same as, or similar to, classes affected by the *Perez* court decisions.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)							Fund Code
		PROP 98	FC	2007-2008		2008-2009		2009-2010	
				FC	FC	FC	FC		
9800/Emp Comp	SO	No	B	\$955	B	\$1,638		--	0001
9800/Emp Comp	SO	No	B	\$1,091	B	\$1,871		--	0494
9800/Emp Comp	SO	No	B	\$537	B	\$921		--	0988
4300/Develop Svcs	SO	No	B	\$747	B	\$747	B	\$747	0001
4300/Develop Svcs	SO	No	B	\$184	B	\$184	B	\$184	0995
4440/Mental Hth	SO	No	B	\$1,560	B	\$1,560	B	\$1,560	0001
4440/Mental Hth	SO	No	B	\$32	B	\$32	B	\$32	0995
8950/Dept VetsAFF	SO	No	B	\$575	B	\$575	B	\$575	0001
9800/Emp Comp	SO	No	B	\$9,057	B	\$23,073	B	\$49,420	0001
9800/Emp Comp	SO	No	B	\$11	B	\$59	B	\$59	0988
4440/Mental Hth	SO	No	C	\$4,474		--		--	0001
4440/Mental Hth	SO	No	C	\$48		--		--	0995

<u>Fund Code</u>	<u>Title</u>
0001	General Fund
0494	Other Unallocated Special Funds
0988	Various Other Unallocated NGC Funds
0995	Reimbursements