

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/19/2017
POSITION: Oppose

BILL NUMBER: AB 621
AUTHOR: Bocanegra, Raul

BILL SUMMARY: Classified employees: Classified School Employees Summer Furlough Fund

This bill allows specified classified employees to elect to have a portion of their paycheck withheld that is the equivalent of up to 80 hours or 10 days of employment during the school year, and requires the employing school district (District) to deposit the amounts withheld into the Classified School Employees Summer Furlough Fund (Fund) maintained by the District. The bill also requires the Department of Education to provide applicable Districts \$2 for every \$1 held in the District's Fund, effectively creating a 2-for-1 payroll matching program. The bill requires applicable Districts to pay participating classified employees during the summer recess period the amount withheld and the applicable matching funds provided by the Department.

Finally, the bill specifies Legislative intent that the matching funds provided by the Department be appropriated in the annual Budget Act or other statute.

FISCAL SUMMARY

This bill could result in estimated costs ranging from \$5 million to \$250 million Proposition 98 General Fund annually by providing eligible K-12 classified school employees a 2-for-1 match on payroll withholdings made during the regular school year. This assumes that ten to fifty percent of the approximately 250,000 K-12 classified employees would be eligible to participate and that each participating employee would withhold \$100 to \$1,000 during the school year.

The bill could create a state-reimbursable mandate that could cost millions of dollars Proposition 98 General Fund annually by requiring Districts to administer payroll withholdings, manage the specified Fund, and process additional payroll warrants during the summer recess period. For example, if 100 to 500 Districts incurred an annual average cost of \$20,000 to \$100,000 each, the cost would be \$2 million to \$50 million Proposition 98 General Fund.

According to the Department of Education, the bill would likely result in ongoing costs of approximately \$30,000 non-Proposition 98 General Fund to allocate matching funds to applicable Districts. The Department of Finance believes that these costs could be absorbed within existing resources.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the original version include the following amendments which do not change our position:

- Limits participation to classified employees whose pay is less than three times full-time pay at the state minimum wage and specifically excludes certificated and confidential employees.
- Caps the amount of payroll withholding eligible for matching funds to the amount of pay that reflects up to 80 hours or 10 days of employment during the school year, whichever is greater.

Analyst/Principal (0332) E.Hanson	Date	Program Budget Manager Jeff Bell	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

Bocanegra, Raul

06/19/2017

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COMMENTS

Finance is opposed to this bill for the following reasons:

- This bill could result in millions of dollars Proposition 98 General Fund costs by providing classified school employees a 2-for-1 match on limited voluntary payroll withholdings.
- The bill could create a state-reimbursable mandate that could cost millions of dollars Proposition 98 General Fund by requiring Districts to administer payroll withholdings, manage the specified Fund, and process additional payroll warrants. Mandated programs are effectively unfunded categorical programs where the state has no control over the ultimate cost of the program. Given the precarious balance of the state budget, creating new programs without fiscal constraints or controls is counterproductive to the Administration's efforts to sustain a balanced budget.
- The bill could result in tens of thousands of dollars non-Proposition 98 General Fund costs by requiring the Department to allocate matching funds to applicable Districts, provided that these costs could not be absorbed within existing resources.
- This bill could set a precedent for certificated employees and other employees who work less than 12 months a year to seek parity by requesting a similar voluntary payroll withholding and matching program.

This bill attempts to address the fiscal burden that some classified employees may encounter during the summer months when school is not in session and applicable employees do not receive a paycheck from the District. Specifically, this bill, beginning with the 2018-19 school year, allows a classified employee of a District that does not receive his or her annual or monthly salary in 12 equal monthly payments to elect to participate in the Classified School Employees Summer Furlough Fund program (Program).

If a classified employee elects to participate in the Program, the employing District is required to establish the specified Fund and deposit the classified employees withholdings into the Fund, as well as the matching funds provided by the Department. Applicable employees may participate in the Program by: (1) notifying the District within 30 days of the start of the school year or within 30 days of employment on a form developed by the Department; (2) specifying the amounts to be withheld; and (3) choosing to have the amounts held by the District be paid in one or two payments during the summer recess period.

School employees subject to a collective bargaining agreement are not eligible to collect unemployment benefits during school summer break.

Since 1976, existing law has authorized local educational agencies to allow each classified employee to voluntarily withhold pay during the regular school year for deferred payment during the summer recess in one, two, or three monthly installments, depending on how many months of the year the employee is scheduled to work.

Prior Legislation

AB 2197, (Garcia, 2016), would have allowed classified employees to collect unemployment insurance benefits between school years. This bill was vetoed. The veto message stated that the bill creates conformity issues with the federal Unemployment Insurance laws, which could result in sanctions from the federal government, including the loss of significant tax credits for California's employers.

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code	
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2017-2018	FC	2018-2019	FC	2019-2020	
6100/Dep of Educ	LA	Yes	C	--	C	7,000-300,000	C	7,000-300,000	0001
6100/Dep of Educ	SO	No	A	0	A		30	A	30 0001