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CALIFORNIA STATE SENATE
COMMITTEE ON BUDGET AND FISCAL REVIEW

STATE CAPITOL – ROOM 5019
SACRAMENTO, CA 95814



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COMMITTEE ASSISTANT
MARY TEABO

(916) 651-4103
FAX (916) 668-7004

Agenda

August 17, 2016

Upon Call of the Chair – State Capitol Room 4203

BILL

AUTHOR

SUBJECT

A.B. 1612

Committee on Budget

Public Resources: Energy

A.B. 1627

Committee on Budget

Memorandum of Understanding

SENATE COMMITTEE ON SENATE BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair

2015 - 2016 Regular

Bill No:	AB 1612	Hearing Date:	August 17, 2016
Author:	Committee on Budget		
Version:	June 27, 2016 Amended		
Urgency:	Yes	Fiscal:	Yes
Consultant:	Catherine Freeman		

Subject: Public resources: energy

Summary: This bill makes various changes to implement the resources and energy budget actions adopted as part of the 2016-17 Budget package.

Proposed Law: This bill includes the following key changes.

Oil Definition. Defines “oil,” as currently specified for under the Elder California Pipeline Safety Act of 1981, to mean petroleum, petroleum products, anhydrous ammonia, and ethanol.

Pipeline Reporting. Requires the State Fire Marshall to provide to the Legislature an annual report containing specified information regarding the inspection of intrastate pipelines that transport hazardous materials.

Fund Transfer Repeal. Repeals the requirement that \$1 million be transferred annually from the Public Interest Research, Development, and Demonstration Fund to the Alternative and Renewable Fuel and Vehicle Technology Fund.

Oil, Gas, and Geothermal Administrative Fund (OGGAF) Uses. Authorizes the use of OGGAF for the State Air Resources Control Board and Office of Environmental Health Hazard Assessment for their activities related to oil and gas operations that may affect air quality, public health and public safety.

California Public Utilities Commission (CPUC) Reporting. Requires the CPUC to report to the Legislature on options to locate operations and staff outside the commission’s San Francisco headquarters.

Green Tariff Sunset. Repeals the sunset that would have ended the requirement that investor-owned utilities offer the Green Tariff Shared Renewable Program to customers. The program will now end when the 600 megawatt cap of the program is reached.

Biomethane Injection Study. Requests a study from the California Council on Science and Technology on technical aspects of biomethane related to its delivery in common carrier pipelines and impacts on end uses of biomethane.

Search Warrants for Smart Readers. Clarifies that a search warrant is not necessary for the collection of data related to smart meters.

New Solar Homes Partnership Program. Requires that, should the California Public Utilities Commission order a continuation of the New Solar Homes Partnership Program and determines that the California Energy Commission be the third party administrator, funds should be made available for this purpose.

Bioenergy Project Interconnections (BioMAT). Expedites transmission interconnections for specified bioenergy or biomass projects in order to give them first priority to commence operations over other renewable energy resources.

Self-Generation Incentive Program (SGIP). Doubles, from \$80 million to \$160 million annually, the amount of ratepayer subsidy paid to customers who install certain energy storage systems. These subsidies are intended to increase investments in energy storage and to provide both customers and energy storage manufacturers with incentives to purchase and install the systems.

Net Energy Metering For Fuel Cells (NEM FC). Extends the sunset from January 1, 2017 to January 1, 2022, for the NEM FC program; increases the overall megawatt cap on the program; and increases the amount of megawatts eligible for ratepayer subsidy.

Energy Service Companies (ESCOs). Authorizes the Department of General Services or any other state agency to enter into sole source, no bid contracts for up to 35 years with qualified energy service companies to install energy retrofit projects at state buildings provided the agency has a project labor agreement and meets other conditions.

Fiscal Effect: Provides for an appropriation of \$275,000 to the California Energy Commission for appliance efficiency standards compliance assistance and enforcement.

Support: None received.

Opposed: None received.

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SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair
2015 - 2016 Regular

Bill No: AB 1627 **Hearing Date:** August 17, 2016
Author: Committee on Budget
Version: August 11, 2016 As amended
Urgency: No **Fiscal:** Yes
Consultant: Anita Lee

Subject: State employment: memorandum of understanding: Bargaining Unit 7

Summary: Provides legislative ratification for the memoranda of understanding (MOU) agreed to by the state and Bargaining Unit (BU) 7, which includes protective service and public safety employees represented by the California Statewide Law Enforcement Association.

Existing Law:

- 1) Establishes the Ralph C. Dills Act, which requires the state to collectively bargain with the exclusive representatives of employee groups (i.e. bargaining units) regarding wages and working conditions, and to define negotiated agreements in MOUs.
- 2) Establishes the California Department of Human Resources (CalHR) as the official representative of the Governor in all matters related to collective bargaining with state employees.
- 3) Requires that any MOU between the state and an exclusive representative must be ratified by the Legislature.
- 4) Establishes the California Public Employees' Retirement System (CalPERS), which administers health and retirement benefits for state employees.
- 5) Requires the Legislative Analyst's Office (LAO) to analyze all state MOUs and to provide analyses of an MOU and its fiscal impact to the Legislature within 10 days of receipt of an MOU from CalHR.
- 6) Provides that fully vested state retirees (e.g., with 20 or more years of state employment) are entitled to an employer contribution for retiree health care equal to 100 percent of the weighted average premium of the four health plans most highly utilized by all members. Dependents are eligible for a contribution based on 90 percent of the average additional premiums paid for dependents during the benefit year in which the formula is applied. This is referred to as the 100/90 formula.
- 7) Requires that Medicare-eligible retirees enroll in Medicare and choose a Medicare-coordinated health plan. Since these plans may be cheaper than non-Medicare (or "Basic" plans), thus resulting in some portion of the employer contribution going unused, current law requires that any unused portion of the 100/90 formula

contributions may be applied to reimburse retirees for the costs of Medicare Part B premiums. These reimbursements are made in the form of an additional payment to the retiree on the retirement warrant up to the cost of the Part B premium. Whether or not a retiree receives the Medicare Part B reimbursement in full or in part depends upon the cost of that retiree's health plan.

- 8) Provides that most state employees (those hired after 1985 or 1989, depending on class) must work for 10 years to receive 50 percent of the 100/90 formula, with an additional five percent per year of service until, after 20 years, they are vested to receive 100 percent of the 100/90 formula. Individuals hired prior to 1985 or 1989 could be subject to either five year or 10 year vesting for full coverage of the 100/90 formula.
- 9) Provides that retirees who were covered in certain bargaining units while actively employed will receive an employer retiree health contribution based on the 80/80 formula (i.e., 80 percent of the weighted average premium of the four health plans most highly utilized by all members).
- 10) Provides that the employer contribution for active state employee health care shall be determined through collective bargaining.

Proposed Law: AB 1627 would ratify the proposed BU 7 MOU provisions, effective July 2, 2016 through July 1, 2019 and affecting approximately 7,204 full-time equivalent positions, as summarized by CalHR below:

HEALTH BENEFITS

- 1) Employer Contribution for Active State Employees. The state's monthly consolidated benefit contribution for each employee shall continue to be a flat dollar amount equal to 80 percent of the weighted average of the basic health benefit plan premiums of the four largest enrolled basic health plans. For each employee with enrolled family members, the employer shall continue to contribute an additional flat dollar amount equal to 80 percent of the weighted average of the additional premiums. The flat dollar amounts shall be increased as appropriate pursuant to the formulas on January 1, 2017, January 1, 2018, and January 1, 2019.
- 2) Employer Contribution for Future Retirees. Employees first hired on or after January 1, 2017, will receive an employer contribution for retiree health benefits based on an "80/80" formula. Retirees and their dependents enrolled in a basic health benefit plan will receive an employer contribution equal to 80 percent of the weighted average premium of the four largest basic health benefit plans based on state active employee enrollment. Retirees and their dependents enrolled in a Medicare health benefit plan will receive an employer contribution equal to 80 percent of the weighted average premium of the four largest Medicare health benefit plans based on state retiree enrollment.
- 3) Prefunding of Other Post-Employment Benefits. The state and BU 7 members will prefund retiree healthcare with the goal of reaching 50 percent cost sharing of actuarially-determined total normal cost for employer and employees by July 1, 2019. The state and employees will each make the following contributions:

- a. Effective July 1, 2017, 1.3 percent of pensionable compensation.
 - b. Effective July 1, 2018, an additional 1.4 percent for a total of 2.7 percent of pensionable compensation.
 - c. Effective July 1, 2019, an additional 1.3 percent for a total of 4.0 percent of pensionable compensation.
- 4) Post-Employment Health and Dental Benefit Vesting Schedule. All employees first employed by the state on or after January 1, 2017, will be subject to an extended vesting schedule providing 50 percent of the employer contribution upon completion of 15 years of state service, increasing five percent for each additional year of service, until the employee is 100 percent vested at 25 years of state service.
- 5) Medicare Part B Supplemental Benefit. All employees first hired on or after January 1, 2017, will no longer be eligible to use the employer contribution for a retiree health benefit plan for Medicare Part B premiums.

COMPENSATION

1) General Salary Increase (GSI)

- a. Effective July 1, 2016, BU 7 employees shall receive a three percent GSI.
- b. Effective July 1, 2017, BU 7 employees shall receive a three percent GSI.
- c. Effective July 1, 2018, BU 7 employees shall receive a two percent GSI.

2) Special Salary Adjustments

- a. Effective July 1, 2016, BU 7 employees in the public safety dispatcher, public safety operator, and communications operator classifications shall receive a special salary adjustment of five percent.
- b. Effective July 1, 2016, BU 7 employees in the motor carrier specialist I classification shall receive a special salary adjustment of three percent.
- c. Effective July 1, 2016, BU 7 employees in the state park peace officer (ranger and lifeguard) classifications shall receive a special salary adjustment of five percent.
- d. Effective July 1, 2016, BU 7 employees in specified investigator classifications shall receive a special salary adjustment of five percent.
- e. Effective July 1, 2016, BU 7 employees in the agent, alcoholic beverage control classification shall receive a special salary adjustment, which will increase the bottom and top steps of pay ranges. After this special salary adjustment and the GSI, these employees will receive up to a 22 percent pay increase over the course of the MOU.

- f. Effective July 1, 2016, BU 7 employees in the coordinator (fire and rescue services, and law enforcement) classifications shall receive a special salary adjustment, which will increase the bottom and top steps of pay ranges for these classifications. After this special salary adjustment and GSI, these employees will receive up to a 36 percent pay increase over the course of the MOU.

3) Longevity Peace Officer Pay Differential

- a. Effective the first day of the pay period following ratification, each step of the longevity pay differential for peace officers shall be increased by one percent.

4) Education Incentive Pay

- a. Effective the first day of the pay period following ratification, the monthly education incentive pay shall increase from \$50 to \$75 for an Associate of Arts or Associate of Science degree and from \$100 to \$125 for a Bachelor of Arts or Bachelor of Science degree.

5) Uniform Allowance

- a. Effective the first day of the pay period following ratification, the uniform replacement allowance shall be increased as follows:
 - o From \$640 to \$950 for full-time employees in specified classifications;
 - o From \$540 to \$640 for less than full-time employees in specified classifications;
 - o From \$20 to \$55 for specified Lifeguards;
 - o From \$385 to \$950 for oil spill prevention specialist;
 - o From \$450 to \$950 for communications operators employed at Department of Forestry and Fire Protection.
- b. Effective the first day of the pay period following ratification, specified employees shall receive a uniform maintenance and cleaning allowance of \$25 per month.
- c. Effective the first day of the pay period following ratification, employees in the motor carrier specialist I and school pupil transportation safety coordinator classifications shall receive an annual boot reimbursement of \$150.

MISCELLANEOUS

- 1) The maximum amount of leave that can be deducted from each employee for the Union Release Time Bank shall increase from 1.5 hours to two hours.
- 2) Effective May 1, 2017, and depending on the availability of departmental funds, the amount of leave that can be cashed out each year shall increase from 20 hours to 80 hours.

- 3) Incorporates the Wounded Warriors Transitional Leave Act (Chapter 794, Statutes of 2015) which provides up to 96 hours of additional sick leave for an employee hired on or after January 1, 2016, who is a military veteran with a service-connected disability rated 30 percent.
- 4) Allows an employee to transfer up to three months of leave credits to a family member under certain conditions.
- 5) Removes the requirement that a new employee must work two years before receiving the full employer health contribution for dependents.
- 6) Effective the first day of the pay period following ratification, the lodging reimbursement rates shall increase from \$125 to \$140 for Alameda, San Mateo, and Santa Clara counties and from \$150 to \$250 for San Francisco.
- 7) Effective the first day of the pay period following ratification, the Overtime Meal Allowance shall increase from \$7.50 to \$8.00.
- 8) Requires the state to provide specified items of protective equipment based on an employee's classification and place of employment.
- 9) Effective the first day of the pay period following ratification, physical fitness pay shall be included in regular base pay, and will no longer be contingent on an employee's physical condition.
- 10) Extends the amount of time between voluntary transfers from 12 months to 24 months for special agents and special agent supervisors at the Department of Justice.
- 11) Requires special agents and special agent supervisors at Department of Justice who reinstate or are hired from a reemployment list to work 24 months before requesting a voluntary transfer.

Fiscal Effect: According to CalHR, BU 7's MOU results in the following costs:

- Fiscal Year 2016-17: \$38.6 million (\$9.7 million General Fund)
- Total Incremental Cost: \$91.5 million (\$24.8 million General Fund)
- Total Budgetary Cost: \$267.9 million (\$71.3 million General Fund)

In addition, according to CalHR roughly \$4 million General Fund a year will be absorbed within departmental resources for costs associated with leave cash out.

Support: None on file.

Opposed: None on file.