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## CALIFORNIA STATE SENATE

### COMMITTEE ON BUDGET AND FISCAL REVIEW

STATE CAPITOL – ROOM 5019  
SACRAMENTO, CA 95814



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## Agenda

August 31, 2016

Upon Call of the Chair – State Capitol Room 4203

<u>BILL</u>	<u>AUTHOR</u>	<u>SUBJECT</u>
A.B. 1630	Committee on Budget	State Employment
S.B. 831	Committee on Budget and Fiscal Review	Monterey County Water Resources Agency: Lake Nacimiento and Lake San Antonio



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 1630 would ratify the proposed BU 2 MOU provisions, effective July 1, 2016 through July 1, 2019, and affect approximately 3,890 full-time equivalent positions. This bill provides the following:

#### 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 adjusted 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 2 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, 0.7 percent of pensionable compensation.
  - b) Effective July 1, 2018, an additional 0.6 percent for a total of 1.3 percent of pensionable compensation.
  - c) Effective July 1, 2019, an additional 0.7 percent for a total of 2.0 percent of pensionable compensation.
- 4) Post-Employment Health and Dental 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 the first day of the pay period following ratification, BU 2 employees shall receive a five percent GSI.
  - b) Effective July 1, 2017, BU 2 employees shall receive a five percent GSI.
  - c) Effective July 1, 2018, BU 2 employees shall receive a four percent GSI.

#### MISCELLANEOUS

- 1) Prohibits the implementation of a furlough program or a mandatory personal leave program during the first year of the agreement. Any furlough during the second or third year must be authorized by the Legislature.
- 2) Effective May 1, 2017, and depending on the availability of departmental funds, the amount of leave that can be cashed out each year increases from 20 hours to 80 hours.
- 3) Removes the requirement that a new employee must work two years before receiving the full employer health contribution for dependents.
- 4) Effective the first day of the pay period following ratification, the lodging reimbursement rate increases from \$150 to \$250 for San Francisco.
- 5) Incorporates the Wounded Warriors Transitional Leave Act (Senate Bill 221, 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.

- 6) Increases the pension contribution rates by one percent for BU 2 excluded employees for the purpose of ensuring the same contribution rate as BU 2 rank and file employees.

#### OTHER PROVISIONS

- 1) Chief Sergeant-at-Arms. This bill also classifies the chief sergeant-at-arms of the Assembly as a peace officer in CalPERS for the purpose of ensuring that the Assembly chief sergeant-at-arms and the rank and file sergeants are subject to the same retirement benefit formulas. The chief sergeant-at-arms of the Senate will continue to be excluded from the peace officer classification in CalPERS.

This change is due to the passage of the Public Employees' Pension Reform Act of 2013, which closed the Legislator's Retirement System to new members and inadvertently resulted in a new chief sergeant-at-arms (now classified as a "miscellaneous" member in CalPERS) receiving a retirement benefit formula lower than that provided to rank and file sergeants who are classified as peace officers in CalPERS.

**Fiscal Effect:** According to CalHR, BU 2's MOU results in the following costs:

- Fiscal Year 2016-17: \$24.2 million (\$6.6 million General Fund)
- Total Incremental: \$109.1 million (\$29.7 million General Fund)
- Total Budgetary: \$309 million (\$84.1 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.

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## SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Mark Leno, Chair  
2015 - 2016 Regular

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**Bill No:** SB 831 **Hearing Date:** 08-31/2016  
**Author:** Committee on Budget and Fiscal Review  
**Version:** August 23, 2016 As amended  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Catherine Freeman

**Subject:** Monterey County Water Resources Agency: Lake Nacimiento and Lake San Antonio

**Summary:** Appropriates \$10 million General Fund for the Department of Water Resources to provide a grant to the Monterey County Water Resources Agency to construct a water conveyance between Lake Nacimiento and Lake San Antonio..

**Background:**

The currently proposed Interlake Tunnel and Spillway Modification Project (Project) is a gravity flow water conveyance tunnel approximately 12,000 feet long connecting Lake Nacimiento and San Antonio reservoirs in San Luis Obispo and Monterey Counties, respectively. The Lake Nacimiento Reservoir fills three times faster than San Antonio resulting in unused storage in San Antonio when Nacimiento is at capacity and releasing flood spills. The tunnel connection provides the conveyance means to transfer water from Lake Nacimiento to Lake San Antonio before it is spilled in a flood release. Additionally, water can be transferred from Lake Nacimiento at appropriate times to maximize the net storage of the combined reservoirs. In addition to the Interlake Tunnel component, the proposed project includes consideration of spillway modifications to increase storage capacity in the San Antonio reservoir.

Under existing law, the Monterey County Water Resources Agency (MCWRA) is authorized to award a design-build project for an Interlake Tunnel to connect Lake San Antonio with Lake Nacimiento. The MCWRA is responsible for managing, protecting, and enhancing water supply and water quality, as well as providing flood protection, in the County of Monterey. The project has been under consideration since the late 1970s and was included in the 2013 Greater Monterey County Integrated Regional Water Management Plan. The MCWRA indicates that in 2014, a group of Salinas Valley growers revitalized the urgency for the Tunnel project due to heightened awareness from the multi-year drought. The MCWRA report indicates that constructing the Tunnel would add approximately 20,000 acre feet of net water storage. Increasing the capacity of the Lake San Antonio reservoir would also increase the storage capacity at that reservoir by 60,000 acre feet. This would provide additional storage for flood control and conservation releases. According to the MCWRA, the additional storage and controlled releases resulting from the project would benefit the watershed by reducing flood damage and flood safety concerns; increasing potential for groundwater recharge; improving water quality by reducing sediments and pesticide residues from flooded agricultural fields; reducing salinity from sea water intrusion; and improving instream flows benefitting biological habitat and wildlife. Reducing reservoir spills would also

reduce the likelihood of White Bass entering the Salinas River and the loss of juvenile Steelhead to predation.

**Proposed Law:** Appropriates \$10 million General Fund for the Department of Water Resources to provide a grant to the Monterey County Water Resources Agency to construct a water conveyance between Lake Nacimiento and Lake San Antonio.

**Fiscal Effect:** \$10 million General Fund, one-time.

**Support:** (None on file)

**Opposed:** (None on file)

**Comments:** According to proponents of the project, the total cost of the project is approximately \$68 million. Given that the proposed \$25 million would not cover the costs of the project, the local region intends to cover the remaining costs financed by local farmers and rate payers through a Proposition 218 process.

While the project may have merit, it is unclear what other state funding, including Integrated Regional Water Management or bond funds have been exhausted prior to expenditure of General Fund.

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