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# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Holly Mitchell, Chair  
2017 - 2018 Regular

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**Bill No:** SB 28 **Hearing Date:** February 9, 2017  
**Author:** Pan  
**Version:** February 8, 2017 As amended  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Anita Lee

**Subject:** State public employment: memoranda of understanding: approval

**Summary:** This bill makes various statutory changes necessary to implement the employee compensation-related provisions of the Budget Act of 2016. SB 28 makes necessary statutory changes to ratify and implement six memoranda of understanding (MOUs) between 14 bargaining units (BUs), respectively, and the state, represented by the California Department of Human Resources (CalHR). The MOUs cover approximately 126,000 state employees represented by five separate exclusive employee representatives, as follows:

Service Employees International Union, Local 1000 (SEIU 1000)

- BU 1 (Administrative, Financial, and Staff Services)
- BU 3 (Professional Educators and Librarians)
- BU 4 (Office and Allied)
- BU 11 (Engineering and Scientific Technicians)
- BU 14 (Printing Trades)
- BU 15 (Allied Services)
- BU 17 (Registered Nurses)
- BU 20 (Medical and Social Services)
- BU 21 (Education Consultants and Library Employees)

CAL FIRE Local 2881

- BU 8 (California Department of Forestry and Fire Protection Firefighters)

International Union of Operating Engineers (IUOE)

- BU 12 (Craft and Maintenance)
- BU 13 (Stationary Engineers)

California Association of Psychiatric Technicians (CAPT)

- BU 18 (Psychiatric Technician)

American Federation of State, County and Municipal Employees-Health and Social Service Professionals (AFSCME)

- BU 19 (Health and Social Services/Professional)

**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) Requires the Office of the Legislative Analyst (LAO) to analyze state MOUs and to report on its findings to the Legislature within 10 days of receiving the MOU from CalHR.
- 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) 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.
- 6) 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).
- 7) Requires Medicare-eligible retirees to 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 the employer contribution for active state employee health care shall be determined through collective bargaining. In its MOU effective 2015 to 2018, BU 6 California Correctional Peace Officers Association (CCPOA) agreed to a flat dollar amount, as specified.

**Proposed Law:** SB 28 approves the MOUs between the state and the following state bargaining units and would cover the full-time equivalent (FTE) positions for the term duration of the agreements as cited below:

Bargaining Unit	FTEs Covered	Term of Agreement
BU 1	51,476	7/2/2016 - 1/1/2020
BU 3	1,670	7/2/2016 - 1/1/2020
BU 4	25,257	7/2/2016 - 1/1/2020
BU 11	2,557	7/2/2016 - 1/1/2020
BU 14	414	7/2/2016 - 1/1/2020
BU 15	4,589	7/2/2016 - 1/1/2020
BU 17	5,345	7/2/2016 - 1/1/2020
BU 20	4,709	7/2/2016 - 1/1/2020
BU 21	591	7/2/2016 - 1/1/2020
BU 8	5,881	1/1/2017 - 7/1/2021
BU 12	10,778	7/1/2015 - 7/1/2020
BU 13	978	7/2/2016 - 6/30/2019
BU 18	6,283	7/1/2016 - 7/1/2019
BU 19	5,238	7/1/2016 - 7/1/2020
<b>Total FTEs</b>	<b>125,766</b>	

- 1) Provides that expenditure of funds shall not take effect unless funds are specifically appropriated by the Legislature; authorizes the state employer or the affected employee organization to reopen negotiations on all or part of the memorandum of understanding if funds for these provisions are not specifically appropriated; and continuously appropriates funds for the 2017, 2018, 2019, and 2020 fiscal years if the respective budget acts are not enacted by July, 1, of the respective fiscal year.

### Health Benefits

- 2) Employer Contribution for Active State Employees
- a) The state's monthly benefit contributions for employees in BU 3, 12, 13, and 18 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.
- i. For BU 3, effective the first day of the pay period following ratification, the flat dollar amounts shall be adjusted as appropriate pursuant to the

formulas on January 1, 2017, January 1, 2018, January 1, 2019, and January 1, 2020.

- ii. For BU 12, the flat dollar amounts shall be increased as appropriate pursuant to the formulas on January 1, 2017, January 1, 2018, January 1, 2019, and January 1, 2020.
- iii. For BU 13, the flat dollar amounts shall be adjusted as appropriate pursuant to the formulas on the first day of the pay period following ratification, January 1, 2018, and January 1, 2019.
- iv. For BU 18, the flat dollar amounts shall be increased as appropriate pursuant to the formulas on January 1, 2017, January 1, 2018, and January 1, 2019.

### 3) Retiree Healthcare and Dental Benefits.

- a) Employees in BU 8, 13, 18 and 19 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.
- b) Employees in BU 8, 13, 18, and 19 first hired on or after January, 1, 2017, will be required to meet an extended vesting schedule for retiree health benefits. Affected employees will be eligible for 50 percent of the employer contribution toward health benefits upon completion of 15 years of state service, increasing 5 percent for each additional year of service, until the employee is eligible to receive 100 percent of the employer contribution upon completion of 25 years of state service.
- c) Employees in BU 8, 12, 13, 18, and 19 first hired on or after January, 1, 2017, will be required to meet an extended vesting schedule for retiree dental benefits. Affected employees will be eligible for 50 percent of the employer contribution toward health benefits upon completion of 15 years of state service, increasing five percent for each additional year of service, until the employee is eligible to receive 100 percent of the employer contribution upon completion of 25 years of state service.
- d) Employees in BU 8, 12, 13, 18, and 19 first hired on or after January, 1, 2017, shall not be eligible to use the retiree health benefit employer contribution for reimbursement of Medicare Part B premiums.

### 4) Prefunding of Other Post-Employment Benefits

- a) BUs 1, 3, 4, 11, 14, 15, 17, 20, and 21: The state and SEIU members will prefund retiree healthcare with the goal of reaching 50 percent cost sharing of

the actuarially determined total normal cost for employer and employees by July 1, 2020. The state and employees will each make the following contributions:

- i. Effective July 1, 2018, 1.2 percent of pensionable compensation.
  - ii. Effective July 1, 2019, an additional 1.1 percent for a total of 2.3 percent of pensionable compensation.
  - iii. Effective July 1, 2020, an additional 1.2 percent for a total of 3.5 percent of pensionable compensation.
- b) BU 8: The state and BU 8 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:
- i. Effective July 1, 2017, 1.5 percent of pensionable compensation.
  - ii. Effective July 1, 2018, an additional 1.5 percent for a total of three percent of pensionable compensation.
  - iii. Effective July 1, 2019, an additional 1.4 percent for a total of 4.4 percent of pensionable compensation.
- c) BU 12: Beginning on July 1, 2013, BU 12 members started the process of prefunding their retiree healthcare by contributing 0.5 percent of their base salary. The state and BU 12 members will now both 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, 2020. The state and employees will each make the following contributions:
- i. Effective July 1, 2017, 1.5 percent of pensionable compensation.
  - ii. Effective July 1, 2018, an additional one percent for a total of 2.5 percent of pensionable compensation.
  - iii. Effective July 1, 2019, an additional one percent for a total of 3.5 percent of pensionable compensation.
  - iv. Effective July 1, 2020, an additional 1.1 percent for a total of 4.6 percent of pensionable compensation.
- d) BU 13: The state and BU 13 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:
- i. Effective July 1, 2017, 1.3 percent of pensionable compensation.
  - ii. Effective July 1, 2018, an additional 1.3 percent for a total of 2.6 percent of pensionable compensation.

- iii. Effective July 1, 2019, an additional 1.3 percent for a total of 3.9 percent of pensionable compensation.
- e) BU 18: The state and BU 18 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:
- i. Effective July 1, 2017, 1.3 percent of pensionable compensation.
  - ii. Effective July 1, 2018, an additional 1.3 percent for a total of 2.6 percent of pensionable compensation.
  - iii. Effective July 1, 2019, an additional 1.4 percent for a total of four percent of pensionable compensation.
- f) BU 19: Beginning July 1, 2017, the state and BU 19 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:
- i. Effective July 1, 2017, a total of one percent of pensionable compensation.
  - ii. Effective July 1, 2018, an additional one percent for a total of two percent of pensionable compensation.
  - iii. Effective July 1, 2019, an additional one percent for a total of three percent of pensionable compensation.

### Compensation

#### 5) One-time Bonus

- a) BUs 1, 3, 4, 11, 14, 15, 17, 20, and 21: Effective upon ratification, all eligible employees shall receive a one-time bonus of \$2,500.

#### 6) General Salary Increase (GSI)

- a) BUs 1, 3, 4, 11, 14, 15, 17, 20, and 21:
  - i. Effective July 1, 2017, employees shall receive a four percent GSI,
  - ii. Effective July 1, 2018, employees shall receive a four percent GSI,
  - iii. Effective July 1, 2019, employees shall receive a three and a half percent GSI.
- b) BU 12:
  - i. Effective January 1, 2017, employees shall receive a three and a half percent GSI.

- ii. Effective July 1, 2017, employees shall receive a three and a half percent GSI.
  - iii. Effective July 1, 2018, employees shall receive a three and a half percent GSI.
  - iv. Effective July 1, 2019, employees shall receive a three and a half percent GSI.
- c) BU 13:
- i. Effective November 1, 2016, employees shall receive a three percent GSI.
  - ii. Effective July 1, 2017, employees shall receive a three percent GSI.
  - iii. Effective July 1, 2018, employees shall receive a two percent GSI.
- d) BU 18:
- i. Effective July 1, 2016, employees shall receive a three percent GSI.
  - ii. Effective July 1, 2017, employees shall receive a three percent GSI.
  - iii. Effective July 1, 2018, employees shall receive a three percent GSI.
- e) BU 19:
- i. Effective January 1 2017, employees shall receive a three and a half percent GSI.
  - ii. Effective July 1, 2017, employees shall receive a three and a half percent GSI.
  - iii. Effective July 1, 2018, employees shall receive a two and a half percent GSI.
  - iv. Effective July 1, 2019, employees shall receive a two percent GSI

7) Special Salary Adjustments (SSA)

- a) BUs 1, 3, 4, 11, 14, 15, 17, 20, and 21: Employees in various classifications will receive SSAs from two percent to 15 percent effective July 1, 2017.
- b) BU 8: Employees in various classifications will receive SSAs from two percent to 6.5 percent effective, January 1, 2017, July 1, 2017, July 1, 2018, July 1, 2019, and July 1, 2020, as specified.
- c) BU 12: Employees in various classifications will receive SSAs from one percent to five percent effective January 1, 2017 and/or July 1, 2017, as specified.
- d) BU 13: Employees in various classifications will receive SSAs of two percent effective November 1, 2016, July 1, 2017, and July 1, 2018.

- e) BU 18: Employees in the Psychiatric Technician Instructors classification will receive a SSA of five percent effective January 1, 2017, and those in the Senior Psychiatric Technicians and Senior Psychiatric Technician (Safety) classifications will receive SSAs of one percent effective January 1, 2017, July 1, 2017, and July 1, 2018.
- f) BU 19: Employees in various classifications will receive SSAs from five percent to 10 percent effective January 1, 2017.

**Fiscal Effect:**

MOU	Fiscal Year 2016-17 Cost (Dollars in millions)			Total Incremental Cost (Dollars in millions)			Total Budgetary Cost (Dollars in millions)		
	Total	General Fund	Other Funds	Total	General Fund	Other Funds	Total	General Fund	Other Fund
1, 3, 4, 11, 14, 15, 17, 20, 21	\$261.5	\$112.3	\$149.2	\$1,518.3	\$658.8	\$859.5	\$3,955.8	\$1,737.3	\$2,218.5
8	\$ 17.0	\$ 11.0	\$ 6.0	\$146.2	\$ 94.9	\$ 51.3	\$ 475.6	\$ 308.5	\$ 167.1
12	\$ 18.9	\$ 6.1	\$ 12.8	\$179.8	\$ 57.7	\$122.1	\$580.8	\$186.7	\$394.1
13	\$ 3.2	\$ 2.2	\$ 1.0	\$ 17.7	\$ 12.3	\$ 5.4	\$48.5	\$33.6	\$14.9
18	\$ 16.5	\$ 15.6	\$ 0.9	\$ 73.3	\$ 69.3	\$ 4.0	\$196.7	\$185.9	\$ 10.8
19	\$ 12.6	\$ 10.3	\$ 2.3	\$ 92.2	\$ 75.5	\$ 16.7	\$231.3	\$189.3	\$ 42
<b>Total</b>	<b>\$329.70</b>	<b>\$157.5</b>	<b>\$172.2</b>	<b>\$2,027.5</b>	<b>\$968.5</b>	<b>\$1,059</b>	<b>\$5,488.7</b>	<b>\$2,641.3</b>	<b>\$2,847.4</b>

In addition, CalHR estimates that about \$139 million General Fund in 2016-17, and about \$155 million General Fund in 2017-18 and thereafter, will be absorbed within departmental resources for costs associated with leave cash out.

**Support:**

American Federation of State, County and Municipal Employees  
 CAL FIRE Local 2881  
 California Labor Federation  
 California-Nevada Conference of Operating Engineers  
 Service Employees International Union, Local 1000

**Opposed:** None received

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