

August 28 , 2006

MOU Fiscal Analysis: Bargaining Unit 10 (Professional Scientific)

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented To:

The Legislature

Pursuant to Chapter 499, Statutes of 2005

(SB 621, Speier)





Summary

- ☑ **Two-Year Agreement.** The proposed memorandum of understanding (MOU) with the unit representing state scientific personnel would extend to June 30, 2008.

- ☑ **Major Provisions.** Major provisions include:
 - Pay increase of 3.5 percent in 2006-07 and an inflation-based raise in 2007-08.
 - Other increases for about 20 percent of employees in classifications with salaries reported to be uncompetitive with those of other employers. Employees not receiving these increases would receive a \$1,000 bonus in 2006-07.
 - Reduction in the percentage of health premiums covered by state contributions beginning in 2007.

- ☑ **DPA Cost Projections.** The Department of Personnel Administration (DPA) estimates that additional state costs would be \$12 million (\$3 million General Fund) in 2006-07 and an additional \$10 million (\$2 million General Fund) in 2007-08, including costs to extend comparable increases to supervisors and managers.

- ☑ **LAO Bottom Line.** We believe that DPA's estimate for 2006-07 is reasonable, but that the estimate for 2007-08 likely overstates costs by around \$2 million (\$500,000 General Fund) due to a high estimate of inflation.



Bargaining Unit at a Glance

- ☑ **What is Unit 10?** Unit 10 consists of 2,300 scientific employees. Duties include scientific research, investigation, testing, and analysis in the life, earth, and environmental sciences. Among the largest classifications are environmental scientists, hazardous substances specialists, industrial waste management specialists, industrial hygienists, chemists, and marine and fish biologists. About 13 percent of authorized positions are vacant—about equal to the average throughout state government.

- ☑ **Where Do Unit 10 Members Work?** Figure 1 lists the six departments with the most Unit 10 positions. The Department of Fish and Game (DFG) and the Department of Health Services (DHS) employ the most scientific personnel.

Figure 1
Unit 10 Full-Time Equivalent Positions by Department^a

	Authorized Positions	Percent of Unit
Fish and Game	531	20%
Health Services	373	14
Toxic Substances Control	315	12
Water Resources Control Board	286	11
Food and Agriculture	197	7
Waste Management Board	185	7
Other	768	29
Total	2,655	100%

^a Excludes certain off-budget entities, such as the State Compensation Insurance Fund.

- ☑ **What Union Represents Unit 10?** Unit 10's representative is the California Association of Professional Scientists (CAPS).



Previous MOU

- Term.** The term of the prior Unit 10 MOU was July 1, 2003 to July 1, 2006.
- Pay Increases.** The MOU provided Unit 10 employees with a 5 percent general salary increase that took effect in 2003-04. In exchange for additional leave time, unit members agreed to defer receipt of the raise until 2004-05. This deferral produced short-term budgetary savings for the state.
- Health Benefits.** Under the MOU, the state agreed to cover 80 percent of average employee and dependent health premiums in 2004 and 2005. In 2006, the MOU provided for Unit 10 members to receive employer health premium contributions under the state's "85/80 formula": 85 percent of average premiums for the employee and 80 percent of average additional premiums for dependents. If the proposed MOU is not approved, Unit 10 members would continue to receive 85/80 formula health benefits.
- Retirement.** More than 90 percent of Unit 10 members are in the Miscellaneous Tier I category of the California Public Employees' Retirement System (CalPERS). In general, they are eligible for "2 percent at 55" retirement benefits. The benefits are calculated based on the employee's highest annual salary.



Proposed MOU— Salary Increases and Bonuses

- ☑ **Salary Increases.** All employees would receive the following salary increases:
 - 3.5 percent increase effective July 1, 2006.
 - Inflation-based increase of no less than 2 percent and no more than 4 percent effective July 1, 2007.

- ☑ **One-Time Bonus.** According to summaries of the proposal by DPA and CAPS, about 80 percent of employees would receive a one-time \$1,000 bonus within 90 days following legislative approval. Some part-time and intermittent employees would receive a \$500 bonus. The summaries indicate that employees in 33 specific classifications (which would receive other pay improvements described on pages 5) would not be eligible for the bonus.
 - **Text of Agreement Not Clear.** The text of the tentative agreement presented to the Legislature would provide the bonuses to employees who are not scheduled to receive a “special salary adjustment” during the term of the MOU. The term special salary adjustment is not defined in the text of the agreement. As described above, DPA and CAPS summaries of the MOU have similar descriptions of eligibility for the bonuses.



Proposed MOU— Pay Changes for Specific Classifications

- Increases in Maximum Salaries.*** The MOU would provide additional pay improvements to employees in 33 classifications with salaries reported to be uncompetitive with those of other public sector and private sector employers in pay surveys conducted by DPA and CAPS. These include increases of one or two steps to the top of classification pay ranges (with one step usually equal to 5 percent of salary) effective on January 1, 2007. Employees typically advance to the next available pay step after 12 months of service at a lower step.

 - ***Industrial Hygienists and Public Health Classes.*** Industrial hygienists, State Compensation Insurance Fund ergonomic specialists, microbiologists, and some related public health scientists would have two steps added to the top of their pay ranges.
 - ***Physicists, Biologists, and Veterinary Medical Officers.*** These groups would have one step added to the top of their pay ranges.
 - ***Chemists and Forensic Science Toxicologists.*** These groups would have the top of their pay ranges increased by one step equal to 2.5 percent of pay.

- Other Changes.*** The MOU would increase the minimum monthly salary for the entry-level public health microbiologist classification by 10 percent to \$3,593 effective January 1, 2007 and make other minor adjustments to pay ranges of specified public health personnel.



Proposed MOU— Health and Retirement

- Health Benefits.** Under the proposal, state health contributions to Unit 10 employees would be 80 percent of average premiums effective January 1, 2007. This would be a reduction from the percentage of average premiums covered by the state under Unit 10's current 85/80 formula. Since CalPERS premiums are increasing by 12 percent on average in 2007, state costs would still increase in 2007 under the proposed MOU. In addition, beginning in 2007, the agreement would require new employees to work for the state for two years before receiving the full state contributions for dependent health premiums.

- Retirement.** For employees hired beginning in 2007, retirement benefits would be based on the highest average salary received in three consecutive years instead of the current benefit, which is based on the highest single year's salary. Employees hired prior to 2007 would see no change in the current benefit.



Proposed MOU— Other Provisions

- Mileage Reimbursements.*** The prior MOU provided for employees to be reimbursed for use of their privately owned vehicles while on state business, generally at a rate of 34 cents per mile. This rate has not been increased for several years, despite significant increases in gasoline prices. The proposed MOU would instead provide reimbursement at the Federal Standard Mileage Rate (FSMR), which is set by the Internal Revenue Service and typically rises or falls based on changes in fuel prices. Currently, the FSMR is 44.5 cents per mile.

- Veterinary Medical Officer Emergency Pay.*** Subject to a “certification of available funds” and approval by DPA, the agreement would make veterinary medical officers eligible for a pay differential equal to (1) 5 percent of base pay when they are assigned increased responsibilities for a small project during an agricultural disaster (declared by an agency secretary) that involves animal pests or (2) 10 percent of base pay for larger projects during an animal pest disaster declared by the Governor. The administration’s cost estimate includes no costs related to this provision.

- Oil Spill Response Overtime.*** Specified employees in DFG’s Office of Spill Prevention and Response (OSPR) are on-call during non-work hours to respond to emergencies. The agreement would increase compensation for these on-call assignments for OSPR employees covered by the federal Fair Labor Standards Act. Specifically, these employees would receive greater amounts of compensating time off for their on-call time.



Proposed MOU— DPA Estimates

- 2006-07.** The *2006-07 Budget Act* includes about \$5 million for newly authorized scientific personnel, such as those related to pandemic influenza preparation and food safety in DHS and the Department of Food and Agriculture. The DPA estimate for the proposed MOU addresses only the costs that would be required in addition to amounts already budgeted. The DPA estimates that these costs would be \$12 million (\$3 million General Fund). This includes costs related to the proposed MOU and costs to extend some of the raises in the MOU to related supervisors and managers. (The administration indicates that general salary increases for excluded personnel affiliated with Unit 10 members will be included in a separate excluded personnel pay package.)

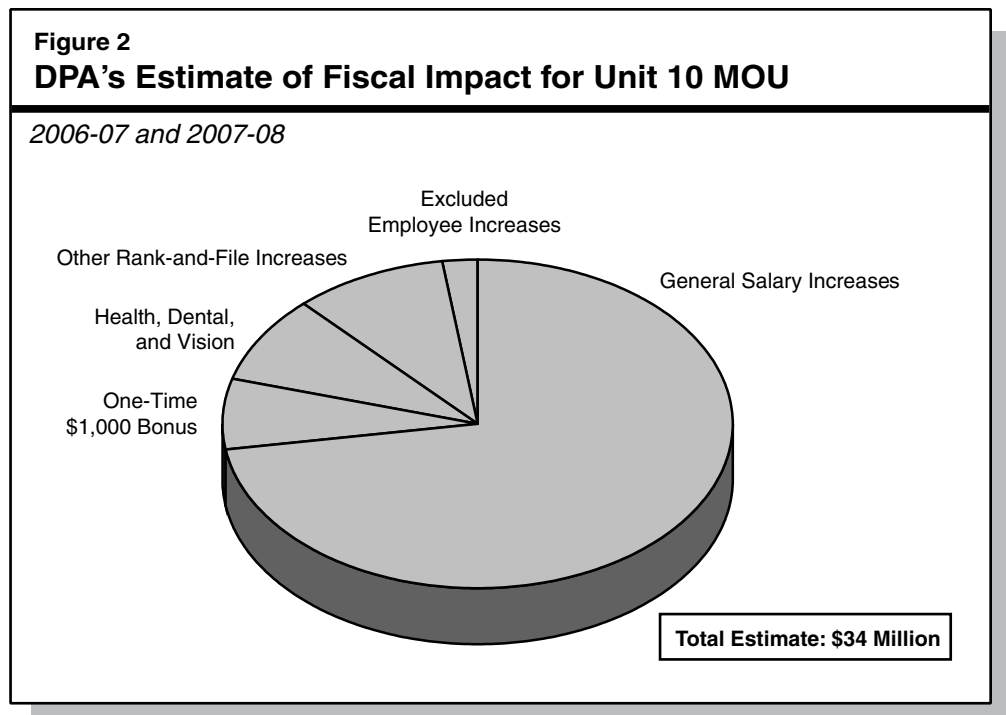
- 2007-08.** The DPA indicates that ongoing costs would increase an additional \$13 million (\$3 million General Fund) in 2007-08. This assumes that the inflation-based increases will be at the maximum level of 4 percent. Considering the one-time nature of the \$1,000 bonuses, the net budgetary increase in 2007-08 would be \$10 million (\$2 million General Fund).



Proposed MOU— DPA Estimates

(Continued)

- ☑ **Fiscal Impact.** Figure 2 shows DPA's estimate of the fiscal impact of the MOU by cost category over its proposed two-year term.





LAO Comments

- 2007-08 Estimate Too High.** We believe that DPA's estimate for 2006-07 is reasonable, but that the estimate for 2007-08 is likely too high by \$2 million (\$500,000 General Fund) due to a high estimate of inflation. While the administration's estimates assume that employees receive a 4 percent salary increase in 2007-08 (the highest level possible under the MOU), our estimates assume that there is a 3 percent increase, consistent with our forecast of inflation.
- Total Compensation Costs.** Figure 3 shows our estimate of total compensation costs (including benefits) for Unit 10 rank-and-file. We estimate that Unit 10 costs equaled about \$215 million in 2005-06. Under the proposed MOU, we estimate that costs would total about \$235 million (up 8 percent) in 2006-07 and over \$240 million (up 3 percent) in 2007-08. About two-thirds of the increased costs over the term of the agreement result from the proposed MOU. The balance largely results from additional hiring authorized by the Legislature in the budget.

