

August 28, 2006

MOU Fiscal Analysis: Bargaining Unit 18 (Psychiatric Technicians)

LEGISLATIVE ANALYST'S OFFICE

Presented To:

The Legislature

Pursuant to Chapter 499, Statutes of 2005

(SB 621, Speier)





Summary

- Two-Year Agreement.** The proposed agreement would expire June 30, 2008. Following an impasse in negotiations between the administration and the unit, an outside mediator assisted negotiators in reaching this agreement.
- Major Provisions.** Major provisions include:

 - General salary increases of 2.5 percent in 2006-07 and 2.5 percent in 2007-08.
 - 5 percent increase in top salary for licensed psychiatric technicians in 2007-08.
 - Increases in state health premium contributions for 2007 and 2008.
 - Specified decreases in retirement and health benefits for new employees beginning in 2007.
- DPA Cost Projections.** The Department of Personnel Administration (DPA) estimates that the memorandum of understanding (MOU) would cause state costs to increase by \$11 million in 2006-07 and an additional \$29 million in 2007-08—virtually all from the General Fund. This includes costs to extend some comparable increases to supervisors and managers. A portion of these costs are then reimbursed by federal funds.
- LAO Bottom Line.** The DPA's estimates are generally reasonable. The unit suffers from high vacancy rates. Currently, 23 percent of authorized positions are vacant. Due to a number of recruitment and retention issues, it will be difficult for departments to significantly reduce vacancy rates in the short term.



Bargaining Unit at a Glance

- What Is Unit 18?*** Unit 18 consists of 5,200 psychiatric technicians. Psychiatric technicians provide a basic level of behavioral and psychiatric nursing care to persons with mental illnesses or developmental disabilities in state institutions. Some classifications work with criminal inmates or patients and perform custodial tasks for such populations. Most employees in the unit are licensed—either as psychiatric technicians or certified nursing assistants. About 23 percent of authorized positions covered by this bargaining unit are currently vacant.

- Where Do Unit 18 Members Work?*** Unit 18 members work in three departments: the Department of Developmental Services (DDS) with 56 percent of current unit members, the Department of Mental Health (DMH) with 40 percent, and the California Department of Corrections and Rehabilitation (CDCR) with 4 percent.

- What Union Represents Unit 18?*** The California Association of Psychiatric Technicians (CAPT) represents Unit 18.



Previous MOU

- Term.** The prior MOU had a term of July 1, 2005 to June 30, 2006.
- Pay Increases.** The MOU increased psychiatric technician salaries by 2.5 percent retroactive to August 1, 2004, and by an additional 2.5 percent effective January 1, 2005.
- Mandatory Overtime.** Consistent with federal requirements (for those unit members subject to federal labor laws), the state must compensate psychiatric technicians for overtime hours at 150 percent of their regular hourly pay in either cash or compensating time off. The MOU specified several limits on departments' ability to require overtime work by employees. If departments were unable to pay cash for overtime hours worked, the state was obligated to meet and confer with CAPT on this matter.
- Health Benefits.** The MOU provided for Unit 18 members to receive a specific dollar amount equal to about 80 percent of average health premium costs in effect as of February 2005. The MOU provided for no subsequent increases when the California Public Employees' Retirement System (CalPERS) raises premium rates.
- Retirement.** About one-half of Unit 18 members are in the "2.5 percent at 55" safety retirement category of CalPERS. About 40 percent are in the "2 percent at 55" Miscellaneous Tier I category of CalPERS. The rest are in other CalPERS retirement categories. In general, retirement benefits for these employees are calculated based on the employee's highest annual salary.



Proposed MOU— Pay Increases

- General Salary Increases.** Effective July 1, 2006, employees would receive a 2.5 percent salary increase under the proposed MOU. Effective July 1, 2007, employees would receive another 2.5 percent increase.
- Step Increases for Licensed Psychiatric Technicians.** Under the proposed MOU, the maximum salary for all classifications in the unit requiring a psychiatric technician license would increase by 5 percent on July 1, 2007. The DPA estimates that this would affect two-thirds of Unit 18 members.
- Recruitment and Retention Differentials.** On or before May 15, 2007, CAPT would be able to request reopening of the section of the MOU concerning recruitment and retention differentials, which many unit members receive based on the need to keep positions filled in a specific classification or facility. Under state collective bargaining law, any agreement requiring expenditures would require legislative approval.



Proposed MOU— Health and Retirement

- Health Benefits.** Effective July 1, 2006, state contributions to employee health premiums would increase to an amount equal to 80 percent of average CalPERS health premiums in 2006. State contributions also would increase in 2007 and 2008 to amounts equal to 80 percent of average CalPERS premiums then in effect. In 2009 and thereafter, the proposed MOU would provide for no increases in state contributions. 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.



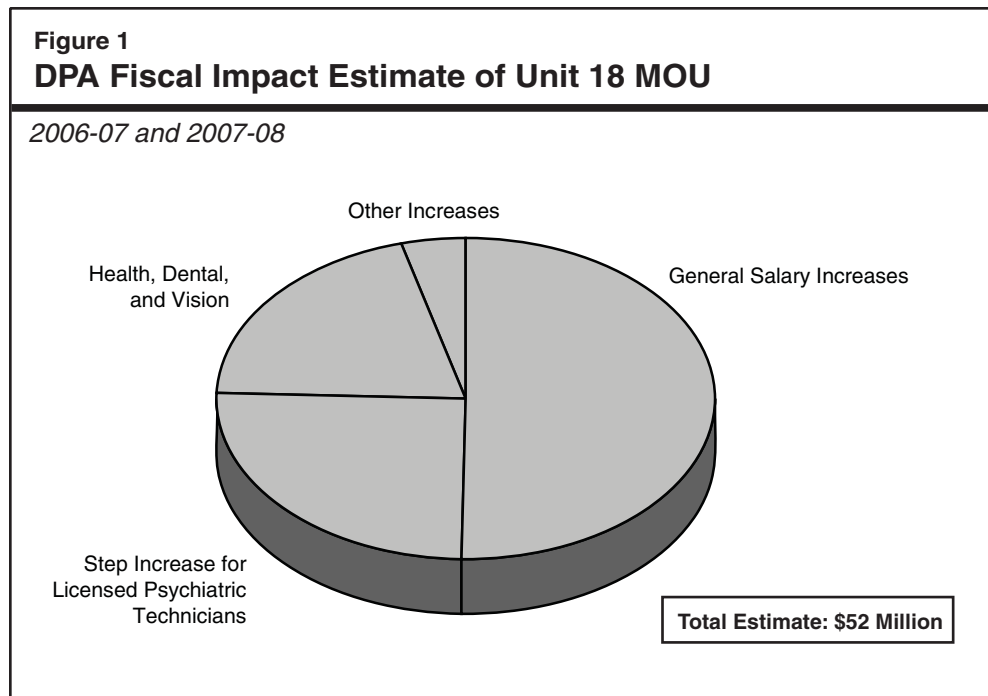
Proposed MOU— Other Provisions

- Mileage Reimbursements.*** The prior MOU provided for employees to be reimbursed for use of 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.
- CDCR Retired Annuitant Registry.*** Under the proposed MOU, officials of CDCR and CAPT would meet within 60 days of the MOU's ratification to discuss the feasibility of a registry of retired annuitants and permanent intermittent employees to work at CDCR facilities. If the parties agree and the registry requires the expenditure of funds, legislative approval also would be required.
- Benefit Adjustments.*** Effective July 1, 2006, the MOU would provide that employees at DDS's Sierra Vista and Canyon Springs facilities would be covered by industrial disability and special death benefits available to some other unit members.
- Overtime.*** The MOU would make technical and clarifying changes to the prior MOU's provisions concerning overtime. The agreement would clarify that employees may secure a volunteer to cover for them during mandatory overtime hours, subject to certain conditions. Under the proposal, CAPT may request to reopen negotiations on the overtime section of the MOU no more than once during the term of the agreement.



Proposed MOU— DPA Estimates

- 2006-07.** The DPA estimates that additional state costs resulting from the MOU would be \$11 million in 2006-07—virtually all to be paid from the General Fund. Three-fourths of these costs would result from the 2.5 percent general salary increase. A portion of these costs paid by DDS are then reimbursed by federal funds.
- 2007-08.** The DPA estimates that the MOU would result in an additional \$27 million of state costs in 2007-08 related to rank-and-file Unit 18 members and \$2 million to extend comparable increases to supervisors and managers. One-half of these costs result from the 5 percent step increase for licensed psychiatric technicians.
- Fiscal Impact.** Figure 1 shows DPA's estimate of the fiscal impact of the MOU by cost category over its proposed two-year term.





LAO Comments

- DPA Estimates Reasonable.*** The DPA's estimates are generally reasonable. In part because of the position vacancies, psychiatric technicians earn significant amounts of overtime pay (at 150 percent of employees' regular hourly pay rate). Departments often mandate that employees work overtime because state institutions require extra hours of work in order to meet institutional licensing and certification requirements. According to the State Controller's Office, Unit 18 members were paid \$42 million for overtime work in 2005-06. This equals over \$8,000 per current employee (equal to about 20 percent of the average base pay for state psychiatric technicians). If departments were able to reduce vacancy rates over time, state overtime costs probably would decline.

- High Vacancy Levels Are Likely to Persist.*** The state must compete with public and private employers to attract persons trained in nursing and related skills, such as psychiatric technicians. In addition, some DDS, DMH, and CDCR facilities have difficulty in recruiting and retaining qualified applicants for positions because of facilities' remote locations, local costs of living, mandatory overtime requirements, or other reasons. Because of these challenges, we believe it would be difficult for departments to reduce current vacancy levels significantly in the short term.



LAO Comments

(Continued)

- ☑
Total Compensation Costs. Figure 2 shows our estimate of total compensation costs (including benefits) for Unit 18 rank and file. We estimate that Unit 18 costs equaled about \$420 million in 2005-06. Under the proposed MOU, we estimate that costs would total about \$435 million (up 3 percent) in 2006-07 and \$460 million (up 6 percent) in 2007-08.

