

SUBCOMMITTEE NO. 5

Agenda

Senator Loni Hancock, Chair
Senator Joel Anderson
Senator Holly Mitchell



Thursday, April 3, 2014
9:30 a.m. or upon adjournment - State Capitol Room 113

Consultant: Joe Stephenshaw
OUTCOMES

Items Proposed for Vote-Only

<u>Issue</u>	<u>Department</u>	<u>Page</u>
7320	Public Employment Relations Board	
Issue 1	Increased Litigation Workload.....	(Approved, 2-1, Anderson No)
7350	Department of Industrial Relations	
Issue 1	Enhanced Labor Enforcement Compliance, 2013 Leg	(Approved, 2-1, Anderson No)
7501	Department of Human Resources	
Issue 1	Examination and Certification Online System Project	(Approved 3-0)
Issue 2	CalHR Indian Gaming	(Approved 3-0)
7900	Public Employees' Retirement System	
Issue 1	Contingency Reserve Fund.....	(Approved 3-0)
7920	California Teachers' Retirement System	
Issue 1	CalSTRS Budget Proposals	(Approved, 2-1, Anderson No)
9800	Augmentation of Employee Compensation	
Issue 1	Phase in of Pay Increases Counting Toward Pensionable Comp	(Approved 3-0)

Items Proposed for Discussion

<u>Issue</u>	<u>Department</u>	<u>Page</u>
7920	California Teachers' Retirement System	
Issue 1	BusinessRenew – Pension Solution.....	(Approved 3-0)
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Items Proposed for Discussion

<u>Issue</u>	<u>Department</u>	<u>Page</u>
7100	Employment Development Department	
Issue 1	Unemployment Insurance Program Administration	(Held Open)
7350	Department of Industrial Relations	
Issue 1	Process Safety Management Unit Expansion	(Held Open)
Issue 2	Occupational Safety and Health Staffing.....	(Held Open)
Issue 3	Public Works Contracting Enforcement.....	(Held Open)
Issue 4	Unpaid Wage Fund Insolvency	(Approved, 2-1, Anderson No)

PROPOSED FOR VOTE ONLY**7320 Public Employment Relations Board****Issue 1 Increased Litigation Workload**

Governor's Budget Proposal. The Governor's budget includes \$360,000 General Fund and four positions to address increased workload due to new statutory requirements as well as increased workload due to a contract expiring, and expanding support functions in two regional offices.

Recommendation. Approve as proposed.

7350 Department of Industrial Relations**Issue 1 Enhanced Labor Enforcement Compliance from 2013 Legislation**

Governor's Budget Proposal. The Governor's budget includes \$1.1 million and 5.5 positions (\$624,000 ongoing) from the Labor Enforcement and Compliance Fund to fulfill the provisions of various legislative bills: AB 10 (Alejo), Chapter 351, Statutes of 2013; AB 241 (Ammiano), Chapter 374, Statutes of 2013; AB 263 (Hernández), Chapter 732, Statutes of 2013; SB 390 (Wright), Chapter 718, Statutes of 2013; SB 400 (Jackson), Chapter 759, Statutes of 2013; SB 530 (Wright), Chapter 721, Statutes of 2013; and SB 666 (Steinberg), Chapter 577, Statutes of 2013.

Staff Recommendation: Approve as budgeted.

7501 Department of Human Resources**Issue 1 Examination and Certification Online System Project**

Governor's Budget Proposal. The Governor's budget includes \$630,000 (\$359,000 GF and \$271,000 Central Service Cost Recovery Fund) to support the Examination and Certification Online System (ECOS) project.

Staff Recommendation. Approve as budgeted.

Issue 2 CalHR Indian Gaming

Governor's Budget Proposal. The Governor's budget proposes \$75,000 from the Indian Gaming Special Distribution Fund for disbursement to the Tribal Labor Panel to provide support for its labor relation duties.

Staff Recommendation. Approve as budgeted.

7900 Public Employees' Retirement System**Issue 1 Trailer Bill Language – Contingency Reserve Fund**

Governor's Budget Proposal. The Governor proposes trailer bill language that enables state employee and employer contributions toward their Health Maintenance Organization premiums to be deposited into the Contingency Reserve Fund.

Staff Recommendation. Approve as budgeted.

7920 California Teachers' Retirement System**Issue 1 CalSTRS Budget Proposals**

Governor's Budget Proposal. The following eight CalSTRS budget proposals are recommended for vote only:

- **Member Service Center Inland Empire.** CalSTRS requests an augmentation of one-time funding of \$1.4 million in 2014-15, and \$446,000 in 2015-16, and four full-time positions to support the establishment of the Inland-Empire CalSTRS-operated Member Service Center. This Member Service Center will be similar to other full-service counseling offices in Glendale, Santa Clara, and Orange County.
- **Expansion of Sustainability Program.** CalSTRS requests a permanent augmentation of \$100,000 and one permanent full-time position to expand existing sustainability efforts by creating a corporate sustainability program in accordance with the CalSTRS Strategic Plan. This new position will be responsible for developing a comprehensive corporate sustainability program at CalSTRS.
- **Legal Administrative Support.** The CalSTRS budget includes a request for permanent funding in the amount of \$57,000 and one position to support administrative functions associated with increased attorney workload from new audits stemming from the hiring of an attorney and legal analyst in 2013-14.
- **Investment Portfolio Internal Management.** CalSTRS requests a permanent funding augmentation of \$2.2 million and 19 permanent positions to address an increase in internal management and growing complexity of the investment portfolio. Thirteen positions will be assigned to the Investment Branch to manage a portfolio

and the additional six positions will be assigned to work in the Financial Services Branch.

- **Member Service Improvement.** CalSTRS requests \$205,000 and three permanent positions to increase customer service levels in the contact center.
- **Reduce Reliance on Contractor Staff.** CalSTRS requests a permanent augmentation of nine full-time staff to reduce the reliance on external contractors. No additional funding is requested because contractor dollars will be redirected to cover staffing costs.
- **IT Infrastructure Security and ISO Workload Growth and Risk Management.** CalSTRS requests a permanent augmentation of \$544,000 and five permanent positions to ensure the proper completion of on-going preventive maintenance and security activities and coordination of annual security audits. Over the past four years, CalSTRS IT infrastructure assets have grown significantly in volume but the resources to manage them have not increased accordingly. Additional resources are needed to address the increase in workload hours to manage these IT assets.
- **Actuarial Resources.** CalSTRS requests \$165,000 and one full-time position to perform new actuarial and benefit administration functions. In 2012-13 these duties were backfilled by Milliman, Inc., which is an outside consultant that performs other work for CalSTRS. It has been determined that having a contractor perform the new actuarial and benefit administration functions is not the most cost effective way of addressing the increased workload.

Staff Recommendation. Approve as proposed.

9800 Augmentation of Employee Compensation

Issue 1 Trailer Bill Language - Phase in of Pay Increases Counting Toward Pensionable Compensation
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Governor's Budget Proposal. This trailer bill language would affect any supervisor or manager of state Bargaining Unit 9 or 10 whose monthly salary will increase effective July 1, 2014.

Recommendation. Approve as proposed.

Items to be Heard**7920 California Teachers' Retirement System****Issue 1 BusinessRenew – Pension Solution**

Governor's Budget Proposal. CalSTRS proposes \$61.6 million in one-time funding in 2014-15, and an additional \$151.4 million in one-time funding in 2015-16 through 2019-20, for project resources, staff, and vendor costs to support the Pension Solution Project under the CalSTRS BusinessRenew program. The Pension Solution Project is a multi-year technology project to replace CalSTRS current pension administration system with a more modern one.

Staff Recommendation. Approve as proposed.

7100 Employment Development Department**Issue 1 Unemployment Insurance Program Administration**

Governor's Budget Proposal. The Governor's budget proposes a \$64.0 million augmentation from the Employment Development Department (EDD) Contingent Fund in support of the state's Unemployment Insurance (UI) program. These funds are proposed to be used to minimize the degradation of UI services due to underfunding from the federal Department of Labor (DOL) and the reduction of federal funding due to sequestration. This proposal includes: 1) \$38 million from the Contingency Fund, 2) an increase in withholding penalties deposited into the Contingency Fund from 10 to 15 percent, and 3) a one-time suspension of the transfer of personal income tax withholdings to the GF, and instead retaining \$15.9 million for the program.

Joint Legislative Budget Committee Letter (JLBC). On February 7, 2014, the Department of Finance sent a letter to the JLBC notifying the Legislature that the Administration intended to take three steps to address UI customer services issues:

1. Spend \$43.3 million in federal funds in the current year to address the customer service backlogs.
2. Submit a budget request to augment the EDD budget with General Fund, likely by "tens of millions."
3. Submit a Section 11 notification to the Legislature to augment resources for the UI Modernization project. The Legislature received this request on February 28, 2014, which anticipated \$3.6 million in project spending (this is in addition to \$1.7 million from a January Section 11 notification).

The DOF letter also included a letter from the Secretary of Labor and Workforce Development, David Lanier, to the EDD, which outlined the Administration's approach to addressing problems with the department's administration of the UI program. The elements of this approach are:

1. Hire 280 additional staff, starting March 1, 2014.
2. Retain 250 permanent intermittent staff currently, in place until June 30, 2015.
3. Continue overtime pay.
4. Rehire up to 50 program staff that are trained and can provide UI services immediately.
5. Hire 155 program staff to fill existing vacancies.
6. Implement Virtual Hold/Automatic Call notification technology for callers to EDD's UI system to improve customer service.
7. Obtain additional information technology expertise at EDD.

Staff Recommendation: Hold Open.

7350	Department of Industrial Relations
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Issue 1	Process Safety Management Unit Expansion
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Governor's Budget Proposal. The Governor's budget proposes \$2.4 million from the Occupational Safety and Health Fund and 11 positions to expand the Process Safety Management (PSM) Unit to implement the recommendations of the Governor's Interagency Working Group on Refinery Safety in enforcement of workplace health and safety regulations in 15 refineries and over 1,600 other chemical facilities.

Staff Recommendation: Hold open.

Issue 2	Occupational Safety and Health Staffing
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The Governor's budget proposes \$3.3 million from the Occupational Safety and Health (OSH) Fund to support 26.0 of the 31.5 existing, unfunded positions in the Cal/OSHA program to help increase the overall capacity to perform statewide safety inspections.

Staff Recommendation: Hold open.

Issue 3 Public Works Contracting Enforcement

Governor's Budget Proposal. The Governor's budget proposes to stabilize and consolidate funding support for the public works program within the Department of Industrial Relations (DIR), Division of Labor Standards (DLSE), by supporting the function with a new fee on public works contractors. This proposal includes an annual \$300 fee on all contractors, both prime and sub-contractors, who wish to bid on public works projects each year.

Staff Recommendation: Hold open.

Issue 4 Unpaid Wage Fund Insolvency

Governor's Budget Proposal. The Governor's budget includes a decrease of \$3.3 million in authority from the Industrial Relations Unpaid Wage Fund (UFW), and a corresponding increase of \$3.3 million from the Labor Enforcement and Compliance Fund (LECF), to shift existing labor enforcement positions to a more appropriate funding source. This will continue to support the Bureau of Field Enforcement, Labor Enforcement Task Force, and the wage claim collection functions within the Division of Labor Standards Enforcement (DLSE).

Staff Recommendation: Approve as budgeted.