

Employee Compensation and Retirement

The revised budget includes changes to the state's costs for employee compensation and teacher's retirement.

Augmentation for Employee Compensation

- 2005-06 \$11 million General Fund
- 2006-07 \$81 million General Fund

The Governor's Budget includes funding for salary increases required under current contract obligations for a number of bargaining units, including attorneys, highway patrol, correctional peace officers, safety employees, and engineers. An increase of \$11.3 million from the Motor Vehicle Account is included in the May Revision as a result of a higher than estimated salary increase for Bargaining Unit 5 (Highway Patrol). An increase of \$47.5 million General Fund is required for Bargaining Unit 6 (Correctional Peace Officers) as a result of a revised estimate of their salary increase. Both of these increases are based on the results of the annual highway patrol salary survey. An additional \$8.3 million General Fund is included for health care contributions for two recent bargaining agreements. The Administration is continuing to bargain with the exclusive representatives of the 17 collective bargaining units whose contracts have expired.

A Plata v. Schwarzenegger court order required the state to provide specified compensation increases to health care staff in the Department of Corrections and Rehabilitation, effective

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December 1, 2005. The Governor's Budget requested an increase of \$12.2 million General Fund for fiscal year 2005-06 for these costs. Further analysis of the court order's requirements by the Department of Personnel Administration identified additional positions to which the order applies, at a cost of \$11.0 million. In order to maintain staffing levels in the Department of Mental Health the Plata compensation increases were extended to Department of Mental Health level-of-care staff as these employees often work in the same locations as the CDCR health care staff. An increase of \$25.2 million General Fund is requested for 2006-07 to fund pay increases resulting from the Plata court order.

The Department of Personnel Administration (DPA) recently published a preliminary survey of total compensation for a number of benchmark classifications in state civil service. The survey did not include safety or peace officer classifications as they will be surveyed separately. Additionally, the survey includes only limited data from private employers. This preliminary survey showed that, in general, most state classifications lag behind similar classifications in public agencies in California in both salary and total compensation, while comparisons with private employers yielded mixed results. The survey will allow DPA to focus the state's limited employee compensation dollars to achieve the greatest benefit in recruitment and retention of state employees.

As the DPA enters into the next phase of negotiations, it will need to balance the findings from the compensation survey against the continuing structural deficit the state faces. The Department must also remain cognizant of the possibility of new compensation costs being ordered by federal courts, and problems that departments are now facing with "compaction" issues for managers and supervisors. While no additional funding is proposed at this time in order to maintain a level playing field for both sides during the upcoming collective bargaining, the Administration remains committed to recruiting and retaining quality employees, managers, and supervisors.

State Contributions to the State Teachers' Retirement System

- 2005-06 No Change
- 2006-07 -\$121.5 million General Fund

The state's contribution to CalSTRS' retirement benefits is reduced by \$121.5 million due to an error recently discovered in the CalSTRS' accounting system. The error resulted in the

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state contributing more than is required by law in fiscal years 2002-03, 2004-05 and 2005-06. Since the General Fund transfers have already been completed for these fiscal years, the \$121.5 million correction is included as an adjustment to the state's 2006-07 transfer from the General Fund.

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