

## The LOOMING THREAT of Minimum Wage

The State Constitution requires a State Budget or other statutory authorization before the State Controller may issue checks or other payments. If the Legislature fails to meet its Constitutional obligation to adopt a State Budget in June each year for the next fiscal year beginning on July 1, the Legislature could pass a law to authorize a continuing appropriation in the interim. **The question** is whether State employees can be issued their full paychecks in the absence of a Budget.

**The Legislature is almost always late** in adopting the Budget, sometimes going into August or September before the job is done. State vendors and others sometimes see payments delayed in the interim. State employees have always been paid on time, even in the absence of a Budget. **The Governor filed suit** in 2008 when State Controller John Chiang refused to obey his order to limit State employee salary payment to the federal minimum wage (currently \$7.25 per hour).



In addition to arguing the legal aspects of the issue, the Controller essentially stated that the current payroll computer system, which has been in place for decades, cannot handle suddenly changing everyone's paychecks. Some would receive minimum wage; others would receive \$455 per week; yet others would receive full salaries (if they work overtime, under federal law) or no salary at all, although everyone would receive their full salary for the intervening months once the Budget is passed.

**The Court of Appeal heard oral arguments** from the parties on June 21. (PECG is also a party in the case, in support of the Controller). It is unknown when the three judge panel will issue its decision to either uphold the Superior Court ruling (which concluded that full paychecks cannot be issued in the absence of a Budget) or to reverse that decision.

Limiting salaries to the federal minimum wage will impose a great hardship on State employees for no good

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## Four Units Reach Agreement



Unions representing four of the State's twenty-one Bargaining Units have reached agreement with the Governor on new contracts. The organizations representing Psychiatric Technicians and Health and Social Services professionals agreed to a contract with one

furlough day per month for one year, a permanent 5% increase in employee contributions to PERS, a reduced pension formula for future hires, and a 5% increase in the top pay step of each classification in January 2012, all as part of a two year contract. Organizations representing the Highway Patrol and Firefighters agreed to three year contracts with no furloughs. Highway Patrol Officers were also guaranteed pay increases based on a survey of local agencies.

As this is written, PECG and other labor organizations are continuing to meet with DPA (the Governor's negotiators) to attempt to reach agreement on new labor contracts (MOUs).

## Increased Health Plan Premiums



In addition to administering the retirement plan for State employees, CalPERS also negotiates rates and benefits for health plans. For HMOs, effective January 1, 2011, the premiums for Kaiser will increase by **5.6%** and for Blue Shield by **16.4%**. The premiums for the various PERS-sponsored plans -- PERS Care, PERS Choice, and PERS Select -- will

see premium hikes of **2.3% to 9.9%**. Essentially, the coverage and co-payments will remain unchanged, except for some increases for some of the drugs and medicines. The details can be found on the PERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) and click on Health Benefits Program, then 2011 Health Plan Rates.

Unit 9 employees are covered by an 85%/80% formula which means the employer pays a percentage of the weighted average premium for the four most utilized plans for employees (85%) and dependents (80%). The State contribution has not yet been calculated for 2011.

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purpose -- the full salaries will be paid eventually, so there is no Budget saving, but in the meantime employees will have difficulties making ends meet. Many California businesses, particularly in areas with a high concentration of State employees (such as Sacramento), will also suffer.

To resolve this problem, **PECG is sponsoring two bills**, AB 790 and AB 1699, either of which would provide a continuous appropriation to authorize full paychecks on time for State employees, whether or not the Budget is passed by July 1. AB 1699 was recently approved by the Assembly, 54 to 17. Both bills are now in the Senate, awaiting further action. Even if they are passed, the Governor has indicated that he plans to veto them.

Regarding the paychecks and withholding, while nothing is fully established, the following appears to be the case, based on conversations with the Controller's Office and actions by the parties in the past.

If the Legislature is late with the Budget, if there is a Court Order to limit the salaries of State employees to the federal minimum in the interim, **and** if the continuous appropriation bills do not pass, then it appears the following will occur. Any employees working overtime, or who can reasonably be expected to work overtime, shall receive their full salaries, plus overtime payments, pursuant to federal law. Otherwise, employees who qualify for overtime (typically Associates/Range D and below) would receive \$7.25 per hour. Employees not eligible for overtime, typically Seniors and above, would receive \$455 per week. It is likely that the only deductions made from the paychecks will be Federal and State income tax and Social Security.

DPA and PERS have informed us that their contracts with health, dental, and vision care providers provide a 90 day grace period. This means that no deductions would be made from employee paychecks for their premiums, and any payments by DPA or PERS to the plan providers would be delayed but coverage would continue uninterrupted. PECG is working with

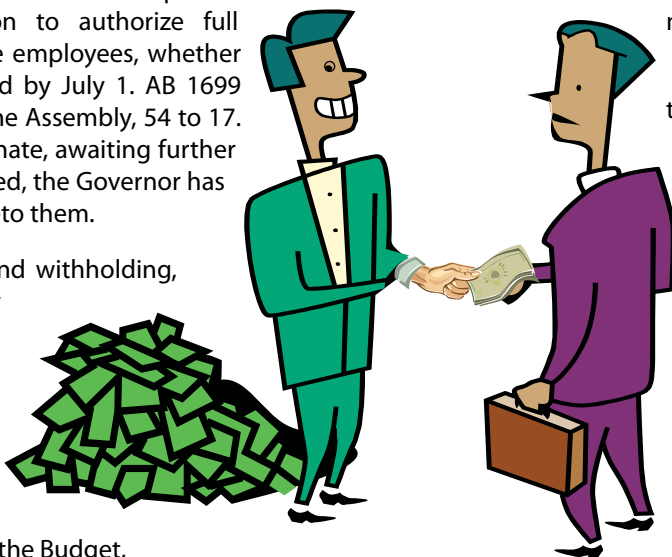
the plan providers for PECG life, auto, and other insurance to ensure uninterrupted coverage, even in the absence of deductions for payment of premiums for a period of time.

PECG is negotiating with some of the larger financial institutions to determine if they will agree to provide **short term loans** to PECG-represented employees, either with or without interest, in case full paychecks are not issued in July or subsequent months.

In the meantime, it is recommended that employees approach your current banks or other financial institutions to determine if short term loans will be available to you in the event your paychecks are reduced to minimum wage for one or more months and you do not have adequate savings to carry you through that period. Again, there is no question that you will receive your full paychecks at some point in the future; the only issue is whether you will receive a lesser check for one or more months (if the Legislature is late with the Budget) before receiving the remainder of your paycheck.

These are difficult times for all PECG members, other State employees, and many in our society who have lost their jobs or face other serious difficulties during this ongoing economic recession. Please be assured that PECG is doing everything in our power to protect your job, your pay and benefits, and timely payment of your salary.

The State is facing a substantial General Fund Budget deficit which the Legislature and the Governor must address. However, 96% of PECG's member are paid through Special Funds, not the General Fund, so cutting your pay, putting you on furloughs, or holding back the major portion or your paycheck does nothing to alleviate the State's Budget shortfall. You do your job. It is unfair for your pay to be withheld because the Legislature and the Governor fail to do their job.



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