

PE INFORMER

CEG

#1, February 2011

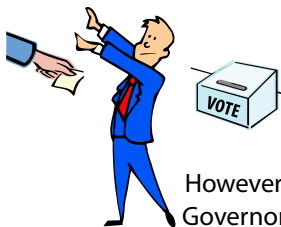
Professional Engineers in California Government

Another State Budget Battle

One week after taking office, Governor Brown (as required by law) submitted his proposed State Budget for the fiscal year beginning in July. He would resolve the \$25 billion projected State General Fund Budget deficit over the next 18 months with a combination of \$12.5 billion in spending reductions and address the other \$12.5 billion by continuing previous tax increases which are currently scheduled to expire. The latter would require approval by the voters.



The Governor's plan is to convince the Legislature to adopt a Budget by early March and place a measure on a Special Election June ballot to get voter approval for continuing the current tax structure. The Budget can be passed by a majority vote but placing the measure on the June ballot may require two-thirds approval in each house of the Legislature, meaning some Republican votes.



The initial reaction from Republicans was to oppose placing the measure on the ballot because they want the current tax increases to expire.

However, in his inaugural speech and elsewhere, Governor Brown has criticized them for refusing to allow the people to vote on their level of taxes. Realizing they had been put in a box, some Republicans are talking about agreeing to this special election if other measures also go on the ballot. These could include government spending caps and/or measures to destroy the pension system for public employees, turning it over to Wall Street profiteers.

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Bargaining Resumes

Governor Brown has appointed experienced practitioners with strong labor backgrounds to head his Department of Personnel Administration (DPA) for contract negotiations and other labor issues. The DPA Director is a labor attorney with many years of experience representing state safety employees and firefighters at the bargaining table. His Chief Deputy is a long time labor attorney who has represented unions and PERS, as well as DPA. His Chief of Labor Relations and other appointees also are experienced and capable.

Six of the state's twenty-one bargaining units, including PEGC-represented Unit 9, did not reach agreement on contracts with Governor Schwarzenegger. The other fifteen units agreed to compensation reductions through furloughs and increased employee contributions to PERS.

Your PEGC Bargaining Team is back at the table

to resume efforts to negotiate a contract with the new Administration and DPA appointees. Negotiations will not be easy, as experienced negotiators on both sides of the table can't create money during a Budget deficit and recession, nor can they establish the Governor's policies and priorities. Thus far, Governor Brown has announced that he will continue the three day per month furloughs for those six units, including PEGC, through June 2011, unless a different arrangement is reached through negotiations for a new contract or MOU.



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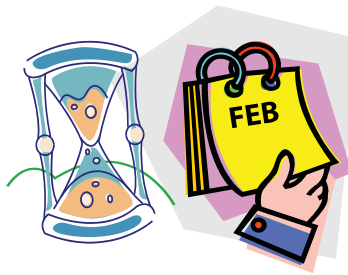
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ANOTHER STATE BUDGET BATTLE

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The Governor's Budget proposal does not significantly impact staffing in departments which employ PECG members. As shown in the table below, which lists, in descending order, departments which employ 30 or more PECG members, there are relatively minor reductions or increases in proposed staffing for the upcoming fiscal year, except for the Department of Corrections and Rehabilitation.



Prop 25 on the November ballot provided that the State Budget can be passed by a majority in the Legislature, rather than the previous two-thirds requirement, meaning that Republican votes are not needed. The idea was to eliminate the annual delay in passing the Budget. However, two-thirds are still required to increase revenue.

The Legislative Analyst complimented the Governor's Budget proposal. It includes a 10% state employee compensation reduction (roughly equivalent to two furlough days per month), but the Governor said he wants to resolve it at the Bargaining table. The Legislative Analyst said the Legislature can save even more money by increasing the compensation reductions.

Disagreement over how program cuts should be made could drag on beyond the March deadline for placing the tax issue on the June ballot. If that occurs, or if the measure is placed on the June ballot but is voted down, the \$12.5 billion in General Fund budget cuts might have to be doubled.

Staffing Increases or Decreases in Governor's Proposed State Budget

Department	Total Employees		Proposed Change
	Current 2010-11 Budget	Proposed 2011-12 Budget	
Caltrans (Cap. Outlay Support)	9,307	9,120	-187
Air Resources Board	1,225	1,225	0
Water Resources	3,123	3,231	+108
Water Resources Control Bd.	1,548	1,548	0
Industrial Relations	2,657	2,725	+68
Toxic Substances Control	982	982	0
Public Health	3,350	3,352	+2
Statewide Health Planning	450	458	+8
Conservation	407	407	0
Energy Commission	627	610	-17
Public Utilities Commission	976	988	+12
Technology Services	1,221	1,254	+33
Parks & Recreation	3,265	3,267	+2
Corrections & Rehabilitation	66,658	61,915	-4743
States Lands Commission	200	199	-1
Consumer Affairs	1,381	1,387	+6
General Services	3,708	3,701	-7

Saving - and Wasting - Taxpayer Dollars

Governor Brown has always been financially tight fisted. Some of you may remember his old blue Plymouth and flying on commercial flights during his first two terms as Governor in the late 1970s.

This time is no different. No limo, no motorcade, no private jets – sometimes he walks to work from his downtown loft apartment in Sacramento. He flies on Southwest Airlines.

Thus, his efforts to show voters that he won't waste their tax dollars comes naturally as he seeks to convince them to vote to continue temporary tax increases which are set to expire. This would help eliminate the large State Budget deficit once again facing California's General Fund.

He spent only a fraction of the funding allocated for his transition team before taking office. He cut the staff in the Governor's office. He issued Executive Orders to cut back on state employee cell phones and state vehicles. He rejected the previous Administration's proposal to sell eleven state office buildings and properties to private firms, then lease them back over the next thirty-five years because it would cost taxpayers \$6 billion more in the long run.

Unfortunately, some of the holdover state department heads from the previous Administration have not gotten the word. One current example is Caltrans.

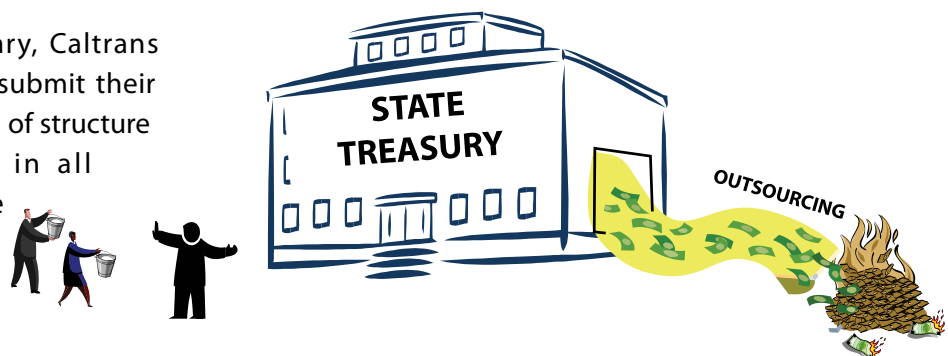
In the first week in February, Caltrans asked engineering firms to submit their qualifications for \$180 million of structure construction inspection in all twelve Caltrans districts. The State Budget shows that a person year of outsourced engineering work costs

\$226,000. Thus, the contracts would only fund 800 person years of consultant work.

By contrast, based on the Budget, state engineers cost the taxpayers \$113,000 per year. Thus, the proposal to outsource the work would waste \$90 million of taxpayers' money. It would also have contractors inspect bridge construction by other contractors while state engineers are being furloughed and Caltrans engineering staff is being reduced through attrition.

This is not an isolated example. Less than two hours before Governor Brown took office, Caltrans signed a no-bid design build public private partnership (P3) contract with foreign investors, guaranteeing them 20% profit on the project to finish the replacement of a 1.6 mile section of State Highway (Presidio Parkway) in San Francisco. Originally fully funded with competitively bid construction contracts being awarded at 40% under the Engineer's Estimate, the P3 contract will obligate the State Highway Account to pay the foreign investors about \$1 billion over the next thirty years – money which could have been used to build other infrastructure projects and create an additional 30,000 jobs.

PECG has filed suit to block the wasteful and illegal P3 contract. A decision from the Alameda Superior Court is expected within the next few weeks.



BARGAINING RESUMES

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The PEGC Bargaining Team has **surveyed the membership** in Unit 9 to determine their preference regarding reaching agreement on something resembling the SEIU Local 1000 package, retaining the pay parity provision in the MOU, and related issues. As always, the Team will be guided by the desires of the membership as it seeks to negotiate the new MOU.

PEGC's Supervisory Meet and Confer Team, which represents more than 1000 **supervisory PEGC members**,



is also meeting with the new DPA Director and his staff. The ongoing 10% disparity in salaries resulting from the previous Administration's failure to provide supervisors with the same raises as Unit 9 employees in 2008 continues to be a major unresolved issue.

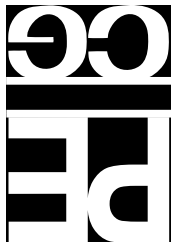
Both the PEGC Bargaining and Meet and Confer Teams express their appreciation for the continuing support of the membership during these difficult economic times.

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