



INFORMER

#12, September 2008

Professional Engineers in California Government

Well, Well... at Last, a State Budget!

A record 77 days into the new fiscal year, facing a \$15 billion General Fund Budget shortfall, a near-unanimous signed declaration by minority party legislators that they would not agree to any tax increases, amidst threats of vetoes and veto overrides, ongoing conflicts over paychecks for state employees, and vendors going unpaid for more than two months, the Governor and Legislature finally agreed to a State Budget for the current fiscal year which began on July 1.

The Governor agreed to sign the Budget bill, which required a two-thirds vote of approval in each house of the Legislature. Not so clear is what will happen to a number of so-called "trailer bills," which are separate companion bills which include all kinds of provisions regarding how the money will be spent and, in a few cases, seemingly unrelated matters. The final Budget picture won't be complete until those bills are signed or vetoed.

However, this much appears clear, among all the smoke and mirrors. The Budget bill has been approved, which is an authorization for the state to resume spending money and writing checks. Because of creative bookkeeping, advancing revenues, and other budget gimmicks, next year's budget will be as big a headache as this year's, with another huge deficit and strong ideological differences between legislators of both parties.

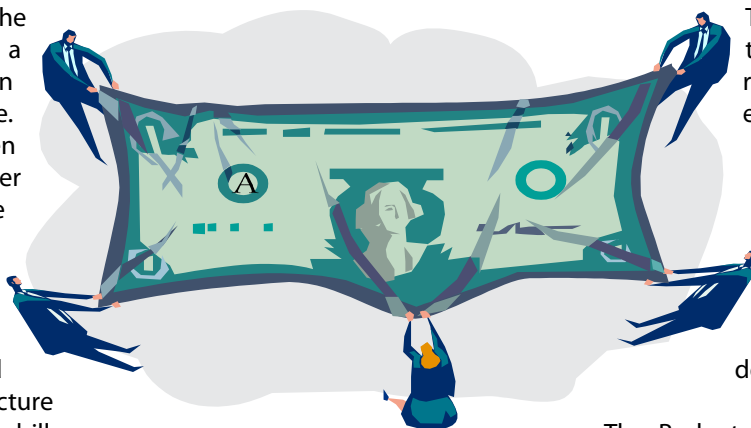
A lawsuit challenging salary payments to state employees (and the Governor's Executive Order demanding they be paid minimum wage) is now moot for this year, although court proceedings may continue to establish what should be done in future years. The major factors include the State Constitution, which prohibits issuing paychecks in the absence of a spending authorization, such as the Budget; federal law, which requires employees to be paid something, such as minimum wage; and an antiquated payroll system.

The latter makes it difficult for the State Controller to make rapid or complicated changes to employee payroll, such as issuing full paychecks to employees who work overtime in a given month and minimum wage to others. All that may or may not be resolved by the courts, or there may be an annual battle when the State Budget is delayed again in future years.

The Budget also eliminates restrictions on reimbursing travel expenses, authorizing overtime, and hiring in some departments, and will enable PECG and DPA to resume meet and confer discussions on compensation increases for supervisors and managers.

In October, the State Controller will begin including the pay raises negotiated by PECG and DPA for Unit 9 employees in employee paychecks. He will also issue checks to all Unit 9 employees for the retroactive raises, back to July 1.

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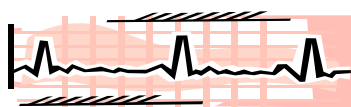
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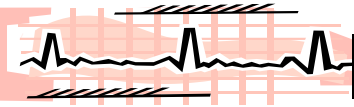
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2009 Health Plan Premiums



September 15 through October 10 is the open enrollment period for those who wish to make changes to their health plan coverage.

For PEGC-represented Unit 9 employees, effective January 1, 2009, the state's contribution to the health plan premiums will increase to \$405 per single employee, \$788 for employee plus one, and \$1018 for the family rate. The state contribution for Unit 9 employees is higher than other bargaining units because PEGC negotiated a formula which requires the state to pay 85% of the premium of the four most utilized plans for the employee and 80% for dependents. For example, in other bargaining units, the state's contribution for a single employee ranges from \$321 to \$382 per month, compared to \$405 for PEGC members.

On January 1, the premiums for Kaiser will go up by 8.2% and, for Blue Shield, 5.3%. PERSChoice and PERSCare premiums will remain unchanged. Kaiser premiums remain the lowest, but are only slightly less than PERSChoice.

What does all this mean? As the state's contribution is based on the weighted average of the four most utilized plans, the increase in the state's contribution effective January 1 means that employee out of pocket premium costs will be less for PERSChoice and PERSCare next year than the current payment. Both the state and employees will share the premium increase for Kaiser and Blue Shield.

In some years, co-payments by employees for office visits, prescription drugs, etc. have increased. That is not the case in 2009 – the coverage will remain unchanged.

For more information, go to the PERS website at www.Calpers.ca.gov.

The dental plan coverage and premiums will remain unchanged. The state continues to fully fund the vision care benefit.

Supervisors and managers represented by PEGC are covered by the "CoBen" plan, meaning the state pays a flat amount for health, dental, and vision care premiums. For 2009, the state's contribution will be \$452 for employee only, \$872 for employee plus one, and \$1133 for family coverage.



Member-Only Benefits



More than 80% of Unit 9 employees and a majority of eligible supervisors and managers are members of PEGC. Members have certain rights and privileges, such as voting on whether or not to approve a new MOU, electing Corporate and Section Officers, providing input to the bargaining team on priorities in contract negotiations, receiving updated information, and much more.

In addition, only PEGC members can participate in PEGC's low-cost group insurance benefit programs. In addition to an automatic \$1500 life insurance plus \$1500 accidental death and dismemberment coverage at no cost, members can purchase additional low cost life insurance in any amount up to \$521,000. They can also cover their dependents for up to \$255,000. Long-term disability insurance and auto and homeowner coverage are also available to PEGC members, all through payroll deduction.

Life and disability insurance is age rated, meaning that if you already have insurance through PEGC, you might see a premium increase in your October pay stub if you reached age 30, 35, 40, 45, 50, 55, or 60 after October 1, 2007. The PEGC insurance plan's rates have been stable for many years, but premiums do increase with age (or salary, for disability insurance).

For more information on the insurance package, go to the PEGC website at www.pegc.org and click on "PEGC-Sponsored Low Cost Life & Disability Insurance." For life or disability insurance, you can call Laura Donahoe at (415) 956-1344 or email her at pegcinsurance@secure.cwo.com. For auto and homeowners insurance, click on the link to the Liberty Mutual Insurance Company website for PEGC members only.

2009 Health Plan Monthly Premiums for Unit 9 Employees

STATE CONTRIBUTION			
	Single	Two-Party	Family
2008	394	763	982
2009	405	788	1,018

BLUE SHIELD EXT			
Premium	Single	Two-Party	Family
2008	479	959	1,247
2009	505	1010	1,313
Out-of-Pocket Cost			
2008	85	196	265
2009	100	222	295

BLUE SHIELD HPN (New in 2008)			
Premium	Single	Two-Party	Family
2008	430	861	1,119
2009	446	893	1,161
Out-of-Pocket Cost			
2008	36	98	137
2009	41	105	143

KAISER			
Premium	Single	Two-Party	Family
2008	436	873	1,134
2009	472	944	1,227
Out-of-Pocket Cost			
2008	42	110	152
2009	67	156	209

PERSChoice			
Premium	Single	Two-Party	Family
2008	478	955	1,242
2009	478	955	1,242
Out-of-Pocket Cost			
2008	84	192	260
2009	73	167	224

PERSCare			
Premium	Single	Two-Party	Family
2008	742	1485	1,930
2009	742	1485	1,930
Out-of-Pocket Cost			
2008	348	722	948
2009	337	697	912

PERS Select (NEW in 2008)			
Premium	Single	Two-Party	Family
2008	463	925	1,203
2009	449	897	1,167
Out-of-Pocket Cost			
2008	69	162	221
2009	44	109	149

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Is it Going to Be Like This Every Year?

Delays in passing the State Budget occur almost every year. The delays tend to be the longest when the economy is bad and state revenue is down, creating a deficit, as occurred this year. The Budget is supposed to be passed and signed by July 1, the beginning of the new fiscal year, but there is no particular incentive or penalty for the Legislature and the Governor to do so. The Democrats hold a majority in each house of the Legislature, but not the two-thirds required to pass the Budget bill. Thus, some members of both parties must support the final Budget. That has been one of the problems.

On issues such as the Budget, Legislators in each house vote in line with their leadership's decision. Some years the "Big Five", meaning the Democratic and Republican leadership of the Senate and Assembly and the Governor, meet to resolve the issues. Sometimes that works, sometimes it doesn't.

In a year where there is a significant deficit, there are three ways to address it. These include expenditure and program cuts, increased revenue (such as new or increased taxes), and/or borrowing. Program cuts can't fully eliminate a \$15 billion deficit; Republican Legislators signed a pledge not to agree to any tax increases; and borrowing is prohibited by the State Constitution, except for voter-approved bonds.

Thus, the budget impasse dragged on for months as health care clinics, day care centers, community colleges, and private

vendors weren't paid for their costs, services, and merchandise in the absence of a budget. Public opinion of the Legislature dropped to an all-time low, with 73% disapproving their job performance in the latest poll. The Governor's approval rating is down to 38%, well below the 70% he once enjoyed.



The Legislature finally passed a Budget in the early morning hours of September 16. The Governor said he would veto it. Legislative leaders said that was fine; they would simply override his veto. When they became less confident that the votes were there for an override, the Governor and Legislative leadership began meeting to see if they could work out the remaining differences. They did so within 24 hours and before the week was out, a new budget was approved and sent to the Governor, which he agreed to sign. It included about \$9 billion in cuts, with another \$6 billion in plugging loopholes, accounting adjustments, and other sleight of hand.

In the end, no one was happy with the Budget, the process, or the delay in coming to a resolution. However, at least for the next few months, the state has a Budget and can pay its bills.

In January, the Governor will announce his Budget proposal for the fiscal year beginning in July 2009, and the process will begin all over again.

Return Service Requested

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