

THE FINAL TEMPORARY BUDGET FIX

In February, the Legislature adopted a budget for the 2008-09 fiscal year, eight months late, as well as the budget for the 2009-10 fiscal year, four months early. The good news was that for once, the budget would be in place when July 1 rolled around for the upcoming fiscal year (which runs from July through June for State government), meaning there would be authorization for spending money and State employees wouldn't be threatened with no paychecks or minimum wage.



The bad news was that, in very short order, the new budget fell \$26 billion out of balance. The ongoing recession and some unrealistic assumptions meant the General Fund Budget was about 30% short of revenues.

After raising taxes in February to help balance the budget, the Governor and most Legislators took the voter rejection of ballot measures at the May 19 special election to mean that voters didn't want any more tax increases. Thus, the huge budget hole was to be addressed through massive spending cuts, along with the usual measure of accounting gimmicks and smoke and mirrors.



After months of debate and wrangling, the Legislature and Governor agreed to a package of 32 Bills, passed on

July 24, which included about \$16 billion in spending cuts and about \$11 billion in gimmicks that made the books balance.

In the end, there were substantial cuts to education, local government, social programs, and much more, but State employees in general, and PECG members in particular, came out much better than most in the package of Bills approved by the Legislature. Heading the top of the list, three-day-per-month furloughs, the Legislature refused to approve the Governor's furloughs, although they plugged in the anticipated savings to help balance the budget. This means that PECG's challenges in Court and in grievance arbitration can proceed without the Governor and DPA being able to claim that the Legislature specifically authorized the furloughs. Those challenges are working their way through the Court and administrative processes and will take several more months to be resolved.



While that was a big hit on state employees, that was about it. The Governor's proposals to add a fourth furlough day, impose a five percent pay cut, and weaken the retirement plan were all rejected by the Legislature at the strong urging of PECG and other like-minded groups.

continued on page 4»

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PECG'S LEGISLATIVE PROGRAM EARNS AN "A"

PECG's Legislative Program was extremely successful this year, despite the tough economy. While most of the focus was on addressing the budget deficit, there were several Bills seeking to outsource PECG members' work. In all cases, they failed.

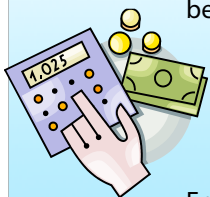
PECG has opposed Design Build and public-private partnership legislation in Caltrans and other agencies because the Bills typically gave huge overpriced no-bid contracts to private firms without any public oversight or cost controls, essentially outsourcing State Engineering and related services at more than twice the cost.



In recent years we have successfully opposed such Bills, much to the chagrin of the current Administration. A couple of years ago, PECG agreed to a Design Build Bill which would require Caltrans to perform preliminary (and some detailed) design, environmental documents, and construction inspection on a Route 405 project in Los Angeles. About 75% of the engineering and related services would be performed by Caltrans employees, with the remainder included in a Design Build contract.



This year, after PECG withdrew its opposition, a new law was passed and signed by the Governor which allows additional Design Build and public-private partnerships projects (Design Build with private financing) with similar provisions - - Caltrans would be responsible for performing all the inspection as well as the preliminary design and environmental work. This was a major breakthrough because in California and in other states, State Engineers have historically not been involved in such projects. To ensure that there would not be an end run by outsourcing most of the work, the Bills specified that the engineering work would be included in the Caltrans Capital Outlay Support Budget, which requires that 90% of the engineering work be performed by State staff.



In addition to a general understanding that contractors should not inspect the work of contractors, cost was a significant item. The Legislature found that a State Engineer costs the taxpayer \$103,000 per year, including salaries, benefits, and overhead, while an outsourced engineer costs \$232,000 per year. This made it easy for the Legislature to adopt a budget that uses public

engineers for most of the work. For the first time in several years, the Administration did not object.

During the year, there were several Bills by Assemblymember Caballero, along with a couple of others by Republican Legislators, that would allow Design Build for local agencies, healthcare districts, and various other functions. In the face of PECG's strong opposition, none of the Bills ever made it to the Assembly or Senate floors for a vote. PECG is also opposing efforts by local and regional agencies to gain more control over State Highway Projects.



The Budget Revisions adopted in July involved 32 Bills that were the subject of intense lobbying by numerous interests. The Legislature refused to approve the Governor's request for Legislative authorization for a fourth furlough day or a five percent pay cut for State employees. The Legislature never did authorize the first three days of furloughs either, although the budget assumes the savings will occur unless PECG and others are successful in legal challenges. The Governor proposed 7,000 layoffs, but these have really turned into position reductions which will largely be taken care of by attrition and filling current vacancies.



The Legislature rejected the Governor's proposals to reduce retirement benefits and increase employee costs. The Budget package in February eliminated two State holidays and changed the method of calculating overtime, but further inroads in the July Budget were repulsed.

After initial concerns that some Department Budgets would be slashed, particularly State Parks, in the end those reductions were minor. PECG was successful in reinstating 100 positions in Caltrans to work on Project Initiation Documents. A few Boards and Commissions were consolidated but there was no significant impact on the PECG membership.

Some of the "Big Dogs" were really hurt by the Budget cuts this year, particularly education and local government, so PECG's continuing success in the Legislature is even more significant. A special thanks goes to PECG Legislative Chair Matt Hanson and his Committee, along with Legislative Advocates Aaron Read, Steve Baker, and Ted Toppin for their round-the-clock efforts to represent the members' interest in the State Capitol.



THE BATTLE FOR SALARIES

Collective bargaining has been the law for state employees for thirty years. The Governor's Office, represented by DPA, and PEGC, representing Unit 9 engineers and related professionals, negotiate a contract which includes salary, benefits, and other provisions. This determines the salary for all employees in the Bargaining Unit.

The raises for Unit 9 employees in 2005, 2006, 2007, and 2008 were the result of a contract negotiated with the Davis Administration in 2003. Under state law, the provisions of the contract continue until a new one is agreed upon and implemented. While supervisors are not covered by the contract, the law requires that they receive comparable pay and provides for a meet and confer process. As more than 1,000 supervisors are in the same classes as their Unit 9 counterparts and the others are in parallel classes, the consistent practice has been to provide supervisors with the same percentage increase as Seniors in Unit 9.

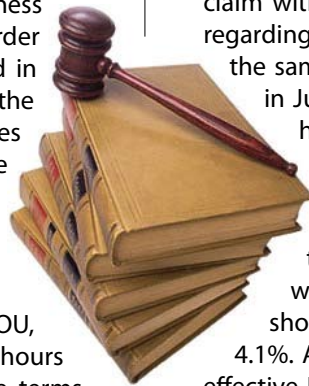


In 2008, that didn't occur. The Schwarzenegger Administration didn't refuse to agree to the pay raises, but never authorized DPA to pay them. The Budget crunch was used as an excuse, but 95% of the supervisors are paid through Special Funds, not the General Fund which faced the huge deficit.

Then, in February, and again in June, the Governor imposed furloughs, reducing pay and work hours for all employees. He asked the Legislature to authorize the furloughs, but they refused, so he proceeded with them anyway.

Here's what PEGC is doing to try to retain and improve salaries for the PEGC membership.

- In PEGC's view, the law does not permit the Governor to impose unpaid furloughs and the furloughs violate the continuing provisions of the Unit 9 contract which specifies salaries. PEGC filed suit the first business day after the Governor issued his Executive Order on furloughs. A Superior Court Judge ruled in favor of the Governor, so PEGC has appealed the ruling to the Court of Appeal. The process takes several months as the opposing parties file written legal arguments and a court hearing has to be scheduled for oral argument, which could occur before the end of the year.
- PEGC also filed a grievance under the Unit 9 MOU, alleging that the furlough violates the work hours and salary provisions of the contract whose terms continue to remain in effect. Typically, grievances go to arbitration, which means DPA and PEGC jointly select a neutral arbitrator who will issue a binding ruling after conducting a hearing. DPA is stalling on the selection of an arbitrator, so a court will have to force or compel arbitration.



- After the Governor issued his Executive Order for a third furlough day, PEGC also filed a grievance challenging that Order, which shall also proceed to arbitration.
- Because supervisors are not receiving comparable pay based on the provisions of state law, PEGC has filed a claim with DPA and is seeking a hearing and a ruling regarding whether supervisors should have received the same raise as their bargaining unit counterparts in July 2008. That claim is being scheduled for a hearing.
- Although the term of the Unit 9 MOU went through July 2, 2008, it provides that the Salary Survey and pay parity salary raises will continue "thereafter." The new Salary Survey shows the lag for Unit 9 classes ranges from 3.1% to 4.1%. As DPA refused to authorize the salary increases effective July 1, 2009, PEGC has filed a grievance and will seek a ruling from an arbitrator on that issue.
- PEGC has met with DPA on several occasions regarding the furloughs, salaries, budget deficit, and related issues. DPA asked PEGC to come up with alternative ways to save money which would result from furloughs.

PEGC made two proposals to achieve those savings. One would be to reduce the outsourcing of engineering and related services, as a state engineer costs \$103,000 and an outsourced engineer cost \$232,000. Caltrans and other agencies outsource well over 1,000 jobs per year. Another alternative would be to provide retirement incentives so older higher paid employees could be encouraged to retire sooner and be replaced by younger lower paid employees, which would save about \$60,000 per year per employee.



DPA has rejected these proposals. This underscores that fact that the Governor's furloughs are not about economics or costs savings – they are purely political.

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continued from page 1 _____

Positive gains in salaries and benefits are typically achieved in good economic years with a favorable administration. In tough economic times with budget deficits and a Governor who does not look favorably on State employees, the focus is more on protecting what has been achieved in the past so we can build on it in future years. That was the case this year and in that regard, other than the Governor's furloughs, we were successful.



Many of you wrote letters to the Governor and your Legislators regarding the furloughs, potential pay cuts, and related issues. It is very important for them to hear from their constituents on these issues. The PECG leadership appreciates and thanks those of you who took the time and effort to contact your elected officials.

PECG also appreciates the ongoing support of the membership as we seek to represent you effectively in these difficult times.

It is not over yet. The Legislature is on recess, but when they return, the Governor has pledged to resume his efforts to reduce retirement and health benefits for future employees and to increase retirement contributions from all employees. Depending on the economy, there may also be a new deficit to deal with in the coming months. Be assured PECG will be working with Legislative leadership, department heads, and other organizations to protect the interests of the PECG membership and the public we serve.

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