

Date of Hearing: April 2, 2019

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 369 (Weber) – As Introduced February 5, 2019

**SUBJECT:** Public postsecondary education: California State University: support staff employees: merit salary adjustments.

**SUMMARY:** Requires the California State University (CSU) to provide a 5% merit salary intermediate step adjustment to CSU employees, as specified. Specifically, **this bill:**

- 1) Requires the CSU, upon completion of each CSU support staff employees' first year and after completion of each subsequent year, to provide a 5% merit salary intermediate step adjustment.
- 2) Specifies that the merit adjustment, per (1) above, may only occur when employees meet the standard for satisfactory performance in the position, as determined by the employees' appropriate administrator pursuant to a uniform employee evaluation process.
- 3) Requires that on or after the operative date of this measure, any language that effectuates the provisions of (1) and (2) above, shall automatically be incorporated into any pertinent memorandum of understanding or collective bargaining agreement entered into, or renewed, by the CSU.
- 4) Mandates that any costs the CSU incurs to implement this measure shall be paid for by existing CSU resources.
- 5) Sunsets the provisions of this measure on January 1, 2031.

**EXISTING LAW:**

- 1) Establishes the CSU, governed by the Board of Trustees, and provides that the Trustees are responsible for the rule of government of their appointees and employees (Education Code Section 89500, et seq.).
- 2) Provides that officers and employees of the University of California (UC) and CSU are exempt from civil service (California Constitution, Article VII, Section 4(h)).
- 3) Establishes the Higher Education Employer-Employee Relations Act (HEERA) to provide a statutory framework to regulate labor relations between UC, CSU, and Hastings College of Law and their employees; provides the Public Employment Relations Board (PERB) authority to enforce HEERA (Government Code Section 3560-3599).

**FISCAL EFFECT:** Unknown. However, based on the 2018 Senate Appropriations Committee fiscal analysis of AB 1231 (Weber), which was virtually identical to this measure, according to the CSU, this bill would result in General Fund costs of approximately \$71 million in the first year and \$75 million thereafter, with ongoing growth in costs as the base amount grows. This estimate assumes an average cost of \$15 million for every 1 percent increase, and would apply to all staff excluding management personnel, executives, and faculty.

**COMMENTS:** *Background.* In 1945, the Merit Salary Adjustment (MSA) system was created in statute for state civil service employees. The MSA is a 5 percent annual salary increase for employees below the maximum step of their salary range. The MSA is contingent on satisfactory job performance and is effective on the employee's anniversary date.

Until the early 1990s, pay increases at CSU mirrored those provided to state civil service employees, thus CSU employees received MSAs. In April 1994, however, during collective bargaining, the CSU Trustees proposed that MSAs be replaced with discretionary performance pay. Labor fought this proposal, but after exhausting the statutory impasse procedures of mediation and fact-finding, the CSU unilaterally withdrew salary steps on April 1, 1996. The MSA was replaced with the Service Salary Increase (SSI), which was set at 2.5 percent. Unlike MSAs, SSIs are not automatic and are awarded only in years when they are funded.

*Purpose of the measure.* According to the author, "The California State University is the only California state agency that does not provide salary steps to its staff". The author contends that, "This inequity has created a \$95.4 million inversion gap between the salaries for newly-hired and long-employed CSU support staff". The author argues, "Maintaining a high quality CSU depends on the retention of experienced employees vested in the long-term health and growth of the university; the current salary structure does not facilitate that".

This measure reinstates MSAs for represented, nonacademic CSU employees.

As noted above, CSU employees are explicitly exempt from civil service, under the California Constitution, and instead are covered by the HEERA, which provides a framework to regulate labor relations.

*Current CSU Budget Pressures.* As noted by the Legislative Analyst's Office (LAO) in its analysis of the 2019-20 Governor's Budget Proposal, compensation is the largest component of CSU's core budget; salaries and benefits make up a significant share of CSU's core budget (about 75 percent). The CSU faces cost pressures of funding collective bargaining agreements already ratified by the Board of Trustees and covering basic cost increases, such as for health care and pensions.

To note, the CSU Trustees have statutory authority to negotiate collective bargaining agreements. Additionally, Trustees are expected to manage the cost of the agreements within CSU's overall budget.

Committee Staff understands that the CSU is in the process of addressing in-range progression; which seeks to bring more salary parity between newly hired support staff and existing support staff within the same job classifications.

*Arguments in support.* According to the co-sponsors of this measure, the California Teamsters Public Affairs Council and the Service Employees International Union, "For 20 years, the CSU has been unwilling to reinstate salary steps, despite the failures of the existing salary structure and the inability of employees to earn a fair and equitable wage". According to the California Teamsters Public Affairs Council, "The inability of support staff to move through salary ranges resulted in new in new hires earning higher salaries than existing employees – averaging \$712 per month – who worked in the same classification for many years". The Teamsters contend that, "This inequity created a \$95.4 million inversion gap between the salaries of newly-hired and long-employed CSU employees".

*Arguments in opposition.* The CSU contends that, “CSU has negotiated in good faith with the California State University Employees Union to come to two agreements that provided a 19% General Salary Increase from 2104 through 2019”. Further, the CSU states, “This agreement represents our good faith efforts to recognize the importance and contributions of this employee group in a manner comparable to that extended to other employee groups, while staying within the fiscal realities of our budget and funding”. The CSU argues that, “AB 369 sets the dangerous precedent of undermining the authority of our Board of Trustees to negotiate fair and reasonable compensation for our employees”.

*Committee comments.* This measure requires that any costs incurred by the CSU in order to meet the MSAs, must be paid for using existing CSU resources. Committee Staff understands said mandate could force CSU to redirect funds from other important projects and initiatives, like Graduation Initiative 2025 (an initiative that, in part, provides students with full wrap around services, significantly increasing their likelihood of graduating in four-years).

*Moving forward, the author may wish to remove the mandate that CSU must use existing resources in order to pay for on-going 5% MSA.*

Additionally, this measure stipulates a 5% MSA for CSU support staff. While this increase appears to bring parity with CSU support staff and other non-CSU employees, *this Committee may wish to determine whether or not the Legislature should stipulate the actual percentage, or should it be left to the bargaining units to negotiate the actual percentage.*

*Prior legislation.* AB 1231 (Weber) of 2017-18, which was vetoed by the Governor, is substantially similar to this measure.

AB 2019 (Santiago) of 2016, which was held on Suspense in the Assembly Appropriations Committee, would have provided an annual MSA of at least 2.65% for CSU academic employees.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California State University Employees Union (Sponsor)  
California State Council of Service Employees (Co-Sponsor)  
California Teamsters Public Affairs Council (Co-Sponsor)  
American Federation of State, County and Municipal Employees, AFL-CIO  
California Labor Federation, AFL-CIO  
California Nurses Association

### **Opposition**

California State University

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