
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No: AB 1231 **Hearing Date:** May 9, 2018
Author: Weber
Version: January 3, 2018
Urgency: No **Fiscal:** Yes
Consultant: Ian Johnson

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

SUMMARY

This bill requires each support staff employee of the California State University (CSU) to receive a five percent merit salary intermediate step adjustment after his or her first year in the position, upon meeting the standards for satisfactory performance in their position.

BACKGROUND

Existing law establishes the Higher Education Employer-Employee Relations Act (HEERA) to provide a statutory framework to regulate labor relations at the University of California, CSU, and Hastings College of Law, and their employees. The Public Employment Relations Board has the authority to enforce HEERA.

Employees at CSU are explicitly exempt from civil service, and their salary terms are a negotiated item in collective bargaining agreements and subject to approval by the Trustees.

ANALYSIS

This bill requires each support staff employee of the CSU to receive a five percent merit salary intermediate step adjustment after his or her first year in the position, upon meeting the standards for satisfactory performance in their position.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, "Evidence strongly suggests that the CSU is the only California state agency that does not provide salary steps to its employees. This creates an "inversion" in salaries where new hires are earning more than more experienced employees. Following a 1996 impasse in contract negotiations, the CSU Board of Trustees unilaterally eliminated existing employee salary steps, increases tied to job performance and longevity. Since this change, CSU employee salaries have not progressed through an "open range" salary structure imposed by the CSU to replace salary steps."

"For 20 years, the CSU has been unwilling to reinstate salary steps, despite the failure of the existing salary structure and the inability of employees to earn a fair and equitable wage. A 2017 state audit found that CSU management positions

grew at twice the rate of support staff, with a half-billion dollars per year total compensation outpacing salary increases of other employee.”

- 2) ***Salary step increases at other state agencies.*** State law charges the California Department of Human Resources (CalHR) with establishing and adjusting salary ranges for each position class in state civil service, with each salary range consisting of minimum and maximum salary limits and intermediate steps within the limits to govern salary adjustments. State law also establishes the merit salary adjustment (MSA), an 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. The amount of each step increase—defined for most represented employees in a Memorandum of Understanding and in CalHR regulations for non-represented employees—is five percent.

While California State University (CSU) employees are exempt from civil service, they received MSAs consistent with civil service employees until the early 1990s.

- 3) ***CSU collective bargaining history and status.*** In April 1994, 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 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.

In October 2017, the CSU and CSU Employees Union (CSUEU) reached a tentative agreement on a successor contract. The new three-year collective bargaining agreement will run through June 2020. CSUEU represented employees will receive 3 percent general salary increases on July 1, 2017 (retroactive), July 1, 2018, and July 1, 2019. Current full-time employees will receive a one-time recognition bonus of \$650 upon ratification of the successor agreement by the CSU Trustees.

- 4) ***Wages are within the mandatory scope of the Higher Education Employer-Employee Relations Act.*** California's Higher Education Employee-Employer Relations Act (HEERA) is the law that governs labor relations between public institutions of higher education and their employees. Under HEERA, terms and conditions of employment, such as wages, hours, and working conditions are considered to be within the mandatory scope of bargaining or scope of representation. Matters that are not within the scope of representation include: “consideration of the merits, necessity, or organization of any service, activity, or program established by statute or regulations adopted by the trustees, except for the terms and conditions of employment of employees who may be affected thereby.”

The Public Employer-Employee Relations Board (PERB) is responsible for enforcing HEERA. PERB has issued thousands of decisions regarding what matters are within the scope of HEERA, which generally are those matters that: (1) are reasonably related to wages, hours, or conditions of employment, (2)

areas where management and employees are likely to conflict, and (3) areas that would not significantly abridge the employer's freedom to exercise managerial choices.

- 5) ***Audit of California State University (CSU) management growth and compensation.*** In stating the need for this bill, the sponsors cite an April 2017 report by the California State Auditor concerning the growth and compensation of CSU management personnel. The report finds that stronger oversight is needed for hiring and compensating management personnel and for monitoring campus budgets. The report specifically cites the following:
- a) Staffing levels and compensation for CSU management personnel have increased at a faster rate than for other employee groups. While staffing levels and compensation for CSU employees have grown over a nine-year period, the number and compensation of management personnel significantly outpaced those of other types of employees.
 - b) Campuses do not adequately oversee their budgets, of the six campuses audited none had written policies in place that require periodic comparisons of spending levels to budget limits and only two documented the results for their budget oversight.
 - c) State law exempts CSU from many of the budget oversight mechanisms that apply to other state agencies; CSU does not need authorization to establish new employee positions.
 - d) CSU has recently granted minimal raises to its executives, but board policy does not cap reimbursements of relocation costs. CSU granted nominal raises to its executives who also receive substantial amounts of other compensation, such as car and housing allowances.
- 6) The report also makes the following recommendations:
- a) The Legislature should require the CSU to submit annual information that demonstrates how its activities meet the State's goals for students.
 - b) The Chancellor's Office should take action to:
 - i) Require that its departments and campuses prepare and maintain written justifications for any proposed new management positions.
 - ii) Ensure campus create, implement and adhere to written merit evaluation plans for management personnel.
 - iii) Work with the board to develop, approve, and implement an executive compensation policy that prohibits the use of foundation funds to pay campus presidents and establish caps on the relocation reimbursements it pays to executives as well as require campuses to establish similar caps for nonexecutive staff.

- 7) **CSU response to audit recommendations.** In response to the recommendations made by the California State Auditor, the California State University (CSU) Chancellor's Office adopted two policies relative to management personnel. The adopted policies require:
- a) Written justifications for both the purpose and the specific number of proposed additional management positions. The justification should include the number of management personnel to be hired for a specific position as well as information about assessments of skills, knowledge and other qualifications outlined in regulations.
 - b) The creation and implementation of and adherence to a written merit evaluation plan for management personnel. In addition campuses and the Chancellor's Office must comply with their written merit evaluation plans and grant raises to management personnel based on merit as evidence by current, documented performance evaluations.
- 8) **Arguments in support.** Proponents of this bill argue that salary steps are foundational to public service, and can be found at every state agency, as well as the other public higher education systems. For 20 years, the CSU has been unwilling to reinstate salary steps, despite the failure of the existing salary structure and the inability of employees to earn a fair and equitable wage. As employee salaries have become marginalized, a 2017 state audit showed CSU management positions grew at twice the rate of support staff, with a half-billion dollars per year total compensation that far outpaced the salary increases of other employees.
- 9) **Arguments in opposition.** CSU states that it recently completed its negotiations with the CSU Employees Union and a compensation pool of nine percent over the next three years was agreed to by both parties. The negotiations occurred in good faith and came to a successful agreement, as envisioned by the labor relations act that guides public higher education. This bill is contrary to that act, which was enacted to create a "harmonious and cooperative process" on issues related to wages, hours, and working conditions. Statutorily mandating salary adjustments for one group of employees above all other budget priorities undermines the ability of the board to manage its budget to address other high priority needs of the system.
- 10) **Technical Amendment.** As currently drafted, this measure specifies that if a provision of the bill is in conflict with a memorandum of understanding (MOU), the MOU shall prevail. If it is the will of the Committee to pass this measure, the bill should be amended to clarify that the MOU is subject to collective bargaining.

SUPPORT

California State University Employees Union (co-sponsor)
 Service Employees International Union (co-sponsor)
 American Federation of State, County and Municipal Employees, AFL-CIO Local 3299
 California Faculty Association
 California Federation of Teachers

California Labor Federation
California Nurses Association/National Nurses United
California School Employees Association, AFL-CIO
California Teamsters Public Affairs Council
University Professional and Technical Employees-CWA Local 9119

OPPOSITION

California State University

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