

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/16/2024
POSITION: Oppose

BILL NUMBER: AB 2335
AUTHOR: McKinnor, Tina S

BILL SUMMARY: Public employment: compensation and classification.

This bill establishes new requirements for the California Department of Human Resources (CalHR) to consider prevailing rates for comparable services between classifications, occupational groups, and other bargaining units when setting salary ranges for state employees. This bill also requires CalHR to maintain or restore historic salary relationships between represented and excluded state employees. If CalHR identifies compensation gaps based on the above criteria, this bill requires CalHR to negotiate salary increases to close the identified compensation gaps. If an agreement cannot be reached with the impacted bargaining units, this bill finds the state would still be required to adjust salary levels to close the identified compensation gap. Finally, this bill requires CalHR to report on the overutilization of specific groups based on race, ethnicity, or gender, in addition to existing reporting requirements on the underutilization of these groups in state civil service positions.

FISCAL SUMMARY

This bill requires the implementation of any increase in compensation necessary to address identified compensation gaps between classifications, occupational groups, other bargaining groups, or to restore historic salary relationships between represented and excluded state employees. This may result in unknown but potentially significant ongoing costs in the hundreds of millions of dollars to the state, if CalHR identifies existing compensation gaps for state employees. For illustration purposes, a one percent increase in annual compensation for state employees would result in costs of \$368 million (\$179 million General Fund).

CalHR also anticipates it will require 7.0 positions and \$1,860,000 General Fund in 2024-25 and ongoing to implement the requirements of this bill.

COMMENTS

The Department of Finance is opposed to this bill because it may result in significant ongoing General Fund costs that were not included in the Administration's fiscal plan and eliminates the state's ability to negotiate salary increases for state employees through the collective bargaining process.

Under the Ralph C. Dills Act of 1977, every state bargaining unit is required to enter into a collectively bargained memorandum of understanding with the state to receive salary adjustments, with the exception of Bargaining Unit 5 (Highway Patrol Officers), which receives annual salary adjustments based on the weighted average total compensation of local police departments identified in Government Code section 19287. This bill would require the state to negotiate for, or otherwise implement salary increases, to address identified compensation gaps, thereby biasing any negotiations which may occur. While the state is already required to consider

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COMMENTS (continued)

prevailing wages for comparable occupations at other public and private employers when setting and adjusting salary ranges for civil service classifications, the state also considers other factors such as available funding, recruitment and retention trends, and other economic trends. The bill's requirement to implement any salary increase necessary to mitigate identified compensation gaps effectively circumvents the collective bargaining process and limits the state's ability to consider these factors, which impacts the state or state employee bargaining units when proposing compensation packages through collective bargaining. This bill also authorizes CalHR to implement salary adjustments that require expenditures in excess of existing appropriations, circumventing the annual budget process through which employee compensation adjustments are funded and approved by the Legislature. This may result in unknown but potentially significant costs in future years, if the study required by this bill results in salary increases for state employees, and fundamentally alters the nature of collective bargaining between the state and employee bargaining units.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code	
	LA	(Dollars in Thousands)							
	CO	PROP	FC	2024-2025	FC	2025-2026	FC		2026-2027
7501/CalHR	SO	No	C	1,860	C	1,860	C	1,860	0001