

# Joint Legislative Budget Committee

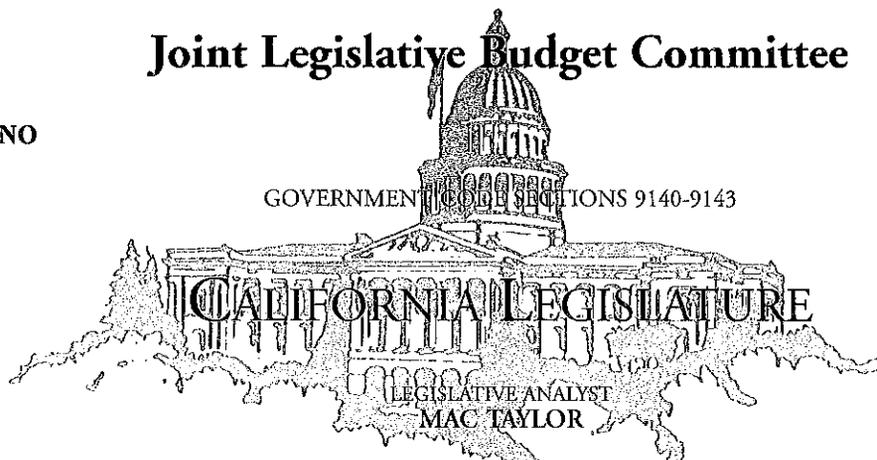
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May 15, 2013

Ms. Julie Chapman, Director  
Department of Human Resources  
1515 S Street, North Building, Suite 400  
Sacramento, CA 95811-7258

Dear Ms. Chapman:

On April 10, 2013, the Department of Human Resources (CalHR) submitted the following addenda for review by the Joint Legislative Budget Committee (JLBC):

- (1) An addendum to the memorandum of understanding (MOU) between the state and employees represented by the Service Employees International Union, Local 1000 (Local 1000), affecting employees being transferred between the Gambling Control Commission and the Department of Justice (DOJ), as a result of the Governor's Reorganization Plan No. 2 of 2012. The proposed agreement requires the expenditure of funds to reimburse affected employees for costs incurred for, and restore any leave credits used to obtain, the required DOJ background check. I understand that this cost is not expected to exceed \$1,000 for the 12 to 18 employees who are affected.
- (2) An addendum to the MOU between the state and employees represented by Local 1000, affecting employees subject to layoff at the Department of Correctional Health Care Services. Among other things, this proposal would provide a three percent increase for employees who, in lieu of layoff, have been demoted to the top step of a lower classification and who would otherwise have been eligible for a "top step" increase of three percent in their previous position. I understand that 81 employees will be affected by this aspect of this addendum. Although I understand that there will be a cost to provide this 3 percent increase to these employees in the position to which they have been demoted; that cost is

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less than the 3 percent increase they would have received at their previous higher salary.

The agreements reflected in these addenda are reasonable changes to the existing MOU's, in light of the legislative approval of the Governor's Reorganization Plan No. 2 and public safety realignment. Further, given the small number of affected employees, and the marginal associated costs, I do not believe it is the intent of the Legislature, as described in Government Code (GC) § 3517.63, to require legislative approval prior to implementation. Therefore, the Administration may implement these agreements without further need for additional legislative action.

However, there remains ongoing confusion, and a disparity in views, as to the intent of GC § 3517.63 in setting a \$250,000 threshold for costs associated with any side letter, appendix, or other addendum, that require submission to the JLBC; and the general requirement in the Ralph C. Dills Act that any MOU necessitating the expenditure of funds be first approved by the Legislature. Therefore, I would strongly encourage CalHR, in consultation with the Legislative Analyst's Office and other legislative staff to explore possible statutory clarification that would ensure JLBC review of all MOU addenda, and necessitate legislative approval of those that significantly deviate from the parameters of the original MOU and/or have significant cost implications.

Sincerely,



Mark Leno  
Chair

cc: Members of the Joint Legislative Budget Committee  
Ana J. Matosantos, Director of Finance