

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER ADRIN NAZARIAN, CHAIR****TUESDAY, MARCH 24, 2015
1:30 P.M. - STATE CAPITOL ROOM 447**

| VOTE-ONLY CALENDAR | | |
|---------------------------|--|---|
| ITEM | DESCRIPTION | |
| 7501 | DEPARTMENT OF HUMAN RESOURCES | |
| VOTE-ONLY ISSUE 1 | CALHR VARIOUS BUDGET CHANGE PROPOSALS | 1 |
| | | |
| 7920 | STATE TEACHERS' RETIREMENT SYSTEM | |
| VOTE-ONLY ISSUE 2 | CALSTRS VARIOUS BUDGET CHANGE PROPOSALS | 2 |
| | | |
| 1750 | CALIFORNIA HORSE RACING BOARD | |
| VOTE-ONLY ISSUE 3 | EQUINE DRUG TESTING | 3 |

| ITEMS TO BE HEARD | | |
|--------------------------|---|----|
| ITEM | DESCRIPTION | |
| 2100 | DEPARTMENT OF ALCOHOLIC AND BEVERAGE CONTROL | |
| INFORMATION ITEM 1 | DISCUSSION ON 2014-15 SUPPLEMENTAL REPORTING LANGUAGE RELATING TO ALCOHOLIC BEVERAGE AND CONTROL | 5 |
| ISSUE 1 | PERSONNEL YEARS – TECHNICAL ADJUSTMENT | 7 |
| | | |
| 7501 | DEPARTMENT OF HUMAN RESOURCES | |
| ISSUE 2 | FEDERAL AFFORDABLE CARE ACT MANDATES – POLICY AND COMPLIANCE | 8 |
| ISSUE 3 | ADDITIONAL APPOINTMENTS TRAILER BILL LANGUAGE | 11 |
| | | |
| 7920 | STATE TEACHERS' RETIREMENT SYSTEM | |
| INFORMATION ITEM 2 | UPDATE ON CALSTRS FUNDING PROGRAM | 13 |
| | | |
| ISSUE 4 | GOVERNOR'S PROPOSAL ON STATE EMPLOYEE AND RETIREE HEALTH CARE | 14 |
| | | |

VOTE-ONLY CALENDAR

7501 DEPARTMENT OF HUMAN RESOURCES

VOTE-ONLY ISSUE 1: CALHR VARIOUS BUDGET CHANGE PROPOSALS

The Governor's budget includes two proposal related to the Department of Human Resources (CalHR) overall budget.

BACKGROUND

The CalHR budget includes two BCPs outlined below:

- **Veteran Opportunity in the Workforce and the State.** Chapter 645, Statutes of 2014 (AB 1397) requires CalHR to collect statistical information on veterans seeking civil service employment, veterans in the state civil service system, and veterans separating from state civil service. It also requires CalHR to maintain a tracking system to provide data for the analysis of veteran utilization within the state civil service.

CalHR is requesting one two-year limited-term position and \$135,000 in 2015-16, \$133,000 in 2016-17, and \$20,000 for ongoing costs.

- **Long-term Delegation Compliance Monitoring.** CalHR is requesting five permanent positions and \$540,000 in 2015-16 and ongoing, to address workload resulting from Goal No. 1 of CalHR 2014-2018 Strategic Plan, which incorporates the Governor's Reorganization Plan No. 1 of 2011, to provide a more delegated decision-making to line agencies under a system of unified oversight, transparency, and accountability.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted.

7920 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

VOTE ONLY ISSUE 2: CALSTRS VARIOUS BUDGET PROPOSALS

There are four budget change proposals related to the California State Teachers' Retirement System (CalSTRS).

BACKGROUND

The CalSTRS budget includes four BCPs outlined below:

- **Investment Portfolio Complexity.** CalSTRS is requesting permanent funding augmentation of \$2,705,193 and 10 permanent positions to address an increase in internal management and the growing complexity of the investment portfolio.
- **CalSTRS Member Service Center Development and Operations.** CalSTRS requests eight full-time permanent positions and an augmentation of \$3,269,592 for 2015-16. CalSTRS also requests a permanent augmentation of \$1,001,120 for 2016-17 and beyond to establish and staff the San Diego Member Service Center.
- **Technology Infrastructure and Licenses.** CalSTRS requests a permanent annual augmentation of \$1,576,925 for software licenses and support, and \$2,191,440 to cover the refresh costs of CalSTRS technology infrastructure for a total of \$3,768,365 in operating expenses and equipment.
- **Enterprise Information Management.** CalSTRS requests a permanent funding augmentation of \$435,859 and four permanently authorized positions for the Enterprise Information Management program.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted.

1750 CALIFORNIA HORSE RACING BOARD

VOTE ONLY ISSUE 3: EQUINE DRUG TESTING

The California Horse Racing Board (CHRB) is requesting a \$1.2 million augmentation (Horse Racing Fund), beginning in FY 2015-16, to fund increased costs of the equine drug testing program.

BACKGROUND

The mission on the CHRB is to ensure the integrity, viability, and safety of the California horse racing industry by regulating pari-mutuel wagering for the protection of the public, promoting horse racing, breeding, and wagering opportunities, and fostering safe racing through the development and enforcement of track safety standards and regulations for the health and welfare of all participants.

The Equine Analytical Chemistry Laboratory located at the University of California, Davis, is the provider of equine drug testing for CHRB. EACL's equine drug testing program was established in 1997 and testing began in 2000.

The purpose of the equine drug program is to deter improper or illegal drug use, and to provide an alarm system for emerging threats that could compromise the health and safety of racehorses and jockeys. EACL employs the most innovative testing methodologies and newest analytical technologies available, while leading the industry in adoption of quality assurance/quality control standards.

The majority of funding for EACL is derived from the California horse racing industry. Funding is received through an annual contract with CHRB and through a direct allocated from the pari-mutuel handle, a take-out on wagering from California's racetracks. Declining pari-mutuel handle funding (revenue derived from wagering has declined by 33 percent since 2007-08), increased workload, and increased EACL costs have combined to create fiscal pressures on the EACL. Without an augmentation to its current funding level, EACL will not be able to continue its current level of service.

| Fiscal Year | Pari-mutuel wagering handle | Drug-Testing Contract from CHRB | Total |
|-------------|--------------------------------|------------------------------------|-------------|
| 2007-08 | \$1,534,079 | \$1,938,250 | \$3,472,329 |
| 2008-09 | \$1,286,204 | \$1,938,250 | \$3,224,454 |
| 2009-10 | \$1,059,490 | \$1,987,250 | \$3,046,740 |
| 2010-11 | \$1,207,460 | \$1,987,250 | \$3,194,710 |
| 2011-12 | \$1,077,053 | \$1,987,250 | \$3,064,303 |
| 2012-13 | \$1,009,275 | \$1,917,250 | \$2,926,525 |
| 2013-14 | \$1,014,788 | \$1,987,250 | \$3,002,038 |

Due to the decline in pari-mutuel proceeds and stagnant funding from CHRB, the EACL has deferred equipment purchases and pursued other clients to have sufficient funding for the program. In 2013-14, EACL received \$3.96 million in net revenues from all sources, and expenditures totaled \$4.49 million. The program has been meeting the shortfall by spending down reserves, which at the projected rate will be depleted during the 2015-16 fiscal year.

Since CHRB accounts for approximately 84.8 percent of the EACL's projected workload, this proposal requests funding for 84.8 percent of EACLs' operating shortfall. The EACL anticipated shortfall for 2015-16 is \$1,458 million. The \$1.2 million request represents 84.8 percent of the CHRB share of the shortfall.

| |
|-----------------------|
| STAFF COMMENTS |
|-----------------------|

There is a need for the industry to continue to test for the safety and health of the horses and the jockeys. The Maddy Lab at UC Davis tests for many things to ensure safety, including any performance enhancing drugs, too much therapeutic drugs, and research for any new drugs. The costs for the EACL is born by the industry. This proposal has no General Fund impact.

Staff Recommendation: Approve as Budgeted.

ITEMS TO BE HEARD

2100 DEPARTMENT OF ALCOHOLIC AND BEVERAGE CONTROL

INFORMATIONAL ITEM 1: 2014-15 SUPPLEMENTAL REPORTING LANGUAGE ON ABC

The Department will provide a brief report on the ongoing challenges to filling vacancies and challenges with recruitment and retention.

BACKGROUND

The Department of Alcoholic Beverage Control (ABC) Fund Reserve Balance was created to provide a dedicated stream of revenue for the Department to process and enforce license applications. For the FY 2015-16 budget, the reserve balance is \$24.6 million compared to current year, which is estimated to be \$29.2 million.

The 2014 Budget Act provided authority for 10 additional enforcement positions at the Department of Alcohol and Beverage Control and required the Department to report back to the committee on its vacancy rates, challenges of recruitment and retention, and other practices the Department is employing to streamline the hiring process.

According to the Department, it has 439.9 authorized positions. Of those positions 145 are sworn rank-and-file agents. As of December 31, 2014, the Department's overall vacancy rate was 10.7 percent, and the sworn agent vacancy rate was 27.8 percent or 40 positions.

ABC Agent Vacancy Rate

| Fiscal Year | Authorized Agent Positions | # Vacant | % Vacant |
|--------------------|-----------------------------------|-----------------|-----------------|
| 04/05 | 165 | 24 | 15% |
| 05/06 | 153 | 29 | 19% |
| 06/07 | 146 | 32 | 22% |
| 07/08 | 143 | 29 | 20% |
| 08/09 | 141 | 26 | 18% |
| 09/10 | 142 | 35 | 25% |
| 10/11 | 142 | 46 | 32% |
| 11/12 | 132 | 39 | 30% |
| 12/13 | 132 | 24 | 18% |
| 13/14 | 133 | 20 | 15% |
| 14/15 | 145 | 40 | 28% |

The Department has worked with the Department of Human Resources (CalHR) to address the issue of recruitment and retention in the following manners:

- **Establishment of New Minimum Qualifications.** The Department worked closely with CalHR to revise the sworn agent minimum qualifications to expand the candidate pool and to improve recruitment and retention.
- **New ABC Agent Classifications and Exams.** Prior to 2012, ABC agents were part of the Statewide Investigator classification. The classification did not account for many of the aspects of ABC investigators, such as undercover operations and the late-night, weekend and holiday shifts that are a necessary requirement. To address the issue, CalHR approved the Department's proposal to create the ABC Agent classification in April 2012.

In January 2014, CalHR completed a new on-line agent exam, which did not produce the wide pool of candidates desired. The Department is now using a written exam that should help the Department increase the qualified candidate pool.

- **Streamline Selection Processes.** The Department relies on CalHR during the medical and psychological screening of agent candidates.

Employee exit interviews conducted with ABC Agents leaving the Department indicate that a majority are choosing other employment options for a variety of reasons, including compensation and nature of ABC's work. The exit interviews reflect that 56 percent of agents leaving ABC are going to other state agencies that can offer either increased pay, or equal pay combined with better working conditions.

The same situation is reflected in the hiring process. Over the last five years, the Department extended 36 conditional offers of employment to candidates who elected not to work for the Department but instead accepted employment offers from other state agencies. Forty percent of ABC's Agents have less than five years tenure with the Department.

| |
|-----------------------|
| STAFF COMMENTS |
|-----------------------|

ABC continues to face many challenges with recruitment and retention. The Department has taken steps to streamline the exam process. Time will show if those changes will lead to hiring more agents. The challenge of equity of pay will continue for ABC agents until addressed.

This item is for information only.

ISSUE 1: PERSONNEL YEARS – TECHNICAL ADJUSTMENT

The Governor's budget includes a request to transfer nine positions within the Department of Alcohol and Beverage Control's (Department) blanket authority to permanent positions. This request is a technical adjustment that will not require an appropriation.

BACKGROUND

During the recent economic downturn, the department was required to eliminate a significant number of positions as part of a statewide salary savings effort. The department chose to eliminate a total of 18.8 non-sworn peace officer positions that provide administrative and licensing support to the department. However, the department identified a total of nine administrative and licensing positions that were critical to the day-to-day operations of the department, and chose to use administrative flexibility to fill the positions through the temporary help blanket. The department is currently funding the nine positions through existing budget authority, and has requested that the positions be established on a permanent basis.

STAFF COMMENTS

This item is non-controversial. Staff recommends approval.

Staff Recommendation: Approve as Budgeted.

7501 DEPARTMENT OF HUMAN RESOURCES

ISSUE 2: FEDERAL AFFORDABLE CARE ACT MANDATES – POLICY AND COMPLIANCE

CalHR is requesting two permanent positions and \$426,000 in reimbursement authority for 2015-16, and \$408,000 for 2016-17, to comply with provisions of the federal ACA and address related health policy issues, including addressing the state's unfunded liabilities for Other Post-Employment Benefits (OPEB).

BACKGROUND

Over the next few years, CalHR will implement several employer-administered provisions of the ACA to ensure the state's compliance with federal mandates. Implementation of these provisions will require significant departmental resources which will impact CalHR's ability to provide ongoing monitoring and analysis of healthcare reform and address other critical health-related policies, such as those that implement cost-management strategies to reduce the state's OPEB liability exposure.

The ACA was enacted on March 23, 2010, and includes several employer-administered provisions that impact the state, such as the Employer Shared Responsibility provisions, Automatic Enrollment and the excise tax on high-cost benefits – known as the Cadillac Tax. CalHR has the primary responsibility for implementing these provisions and overseeing statewide administration.

The Employer Shared Responsibility provisions will take effect in 2015 and automatic enrollment of new hires and implementation of the 40 percent excise tax on high-cost benefits are set to take effect over the next few years. Implementation has and will continue to require significant resources. Many changes necessary to conform to the law will require changes to how departments administer health benefits for employees and are subject to collective bargaining.

Employer Shared Responsibility Provisions

- Mandates large employers (the state) to offer state health coverage to at least 95 percent (70 percent in 2015) of its full-time employees, defined as those that are credited with 130 or more hours of service per month.
- Requires health coverage to be affordable (may not exceed 9.5 percent of employee's monthly salary or wages for the calendar year.)
- Requires the state to demonstrate compliance by filing annual reports via the State Controller's Office (SCO) beginning in January 2016. CalHR has been working with the SCO to implement processes and procedures to capture the data on the offer of health coverage to comply with the reporting requirements and ensure timely reporting.

Automatic Enrollment

- Requires additional changes to how department administer health benefits for state employees.
- Requires CalHR to develop new business processes and procedures to conform to law and work with various stakeholders.

Excise Tax on High Cost Health Plans

- Imposes a 40 percent excise tax, beginning in 2018, on the cost of coverage for health plans that exceed a certain threshold; \$10,200 for individual coverage and \$27,500 for family coverage. This tax will impact an employer's retiree health valuations as it will be included in the value of retiree benefits.
- Makes employers responsible for calculating the excise tax on the cost of an employee's health coverage and reporting the taxable excess benefit to the health plan and the IRS.

Other Post-Employment Benefit Liability

- Discusses ACA's focus on cost containment, and the need for the state to address the unfunded liability for future retiree health care costs estimated to be \$72 billion.
- Discusses CalHR's need to access a consulting actuary in mid-2015 and begin discussion with various stakeholders on potential strategies to reduce the state's OPEB liabilities for possible adoption in 2016.

Positions requested. The BCP requests two positions; a Staff Personnel Program Analyst and a Personnel Program Analyst to do the following:

- Ongoing monitoring of department's compliance and compliance with health care reform
- Providing ongoing research and analysis of health care reform and other critical health-related policies issues
- Providing ongoing guidance, consultation, and training to departments on new ACA related policies and procedures
- Coordinating statewide implementation activities to ensure the state's ACA adherence
- Monitoring of the state's safe harbor analysis on a monthly basis to determine where the state stands in relationship to offering health coverage to 95 percent of its full-time employees
- Consulting with legal and labor staff, and labor organizations on potential impact of health reform to the state

- Developing and supporting a joint ongoing audit and compliance program with SCO and departments
- Consulting with legal and labor staff, labor organizations, and subject matter experts, including actuaries, on other related health policies, including the development and adoption of costs-management proposals to reduce the state's OPEB liabilities.

| |
|-----------------------|
| STAFF COMMENTS |
|-----------------------|

The resources requested in this proposal will help CalHR meet the demand of the new ACA requirements.

The subcommittee may wish to ask CalHR to expand on the role of the actuary for the Department? How will it differ or complement other work that is occurring with the implementation of ACA work as well as addressing the OPEB liability?

Staff Recommendation: Approve as Budgeted.

ISSUE 3: ADDITIONAL APPOINTMENTS TRAILER BILL LANGUAGE

Government Code Section 19210 (b) requires CalHR to propose legislation to establish the state's policy regarding the use of additional appointments. The proposed trailer bill language will establish CalHR's authority to set policies directing the appropriate use of additional appointments.

BACKGROUND

The Governor's Reorganization Plan 1 of 2011 consolidated the human resources management functions and authorities previously vested with SPB and Department of Personnel Administration, except for the constitutional responsibilities of SPB into CalHR. The goal was for state departments to have a single entity to offer guidance to non-merit personnel issues, and to allow SPB to retain its constitutional authority over the interpretation of civil service law and the merit-based system.

In response to questions from the Legislature in 2013, concerning the authority utilized in making additional appointments without CalHR permission, the Legislature directed CalHR to look into the state human resource practice where managers with a fixed salary also assumed a secondary rank-and-file position within the same department.

On January 30, 2013, CalHR issued Policy Memo 2013-007 to prohibit departments from making new additional appointments without CalHR's authorization. CalHR then began the process of reviewing relevant laws, rules, and prior procedures that have been applied to additional appointments to date. On April 25, 2013, CalHR issued Policy Memo 2013-015 to prohibit departments from making any additional appointments for managers and supervisors.

As part of the 2015-16 budget proposal, CalHR was required to propose legislation to establish the state's policy regarding the use of additional appointments. Currently, CalHR promulgates policies on matters involving employee salaries and benefits, job classifications, civil rights, training, exams, recruitment and retention and other matters through Policy Memorandum. The proposed legislation will establish CalHR's authority to set policy regarding the state's effective and efficient use of additional appointments.

Trailer Bill Language.

"Additional Appointment" is the term used when a state civil service employee is appointed to more than one position in state service. An additional appointment shall comply with state civil service laws and rules. Consistent with board rules, the Department of Human Resources shall adopt policies to advise state agencies regarding the procedures and appropriate use of additional appointments.

STAFF COMMENTS

Staff does not have any concerns about the trailer bill language for additional appointments. The language provides clear direction that CalHR sets the policy for additional appointments.

The subcommittee may wish to ask CalHR about how many additional appointments still exist statewide? Which departments have the additional appointments? What is CalHR's current policy for additional appointments?

Staff Recommendation: Approve as Budgeted.

7920 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

INFORMATION ITEM 2: OVERVIEW OF THE CALSTRS FUNDING PLAN

CalSTRS will provide an update on the implementation of the funding plan to address the \$74 billion CalSTRS funding plan enacted in AB 1469 (Bonta, Chapter 47, Statutes of 2014) as part of the 2014 Budget Act.

BACKGROUND

AB 1469 included provisions to address the CalSTRS shortfall in funding of about \$74 billion. AB 1469 discussed a shared solution with increased contributions from teachers (over three years), schools (over seven years), and the state (over three years).

CalSTRS Funding Plan – Updated 1-10-15 3-Year Ramp Up for State and Teachers 7-Year Ramp Up for Schools

| Share of Unfunded Liability | STATE \$20 billion | TEACHERS \$8 billion | | SCHOOLS \$47 billion | TOTAL \$74 billion |
|--|-----------------------|-------------------------|--------|-------------------------|-----------------------|
| Total Contribution Rate | STATE | TEACHERS | | SCHOOLS | TOTAL |
| | | Classic | PEPRA | | |
| 2013-14 | 3.04% | 8.00% | 8.00% | 8.25% | 19.29% |
| 2014-15 | 3.45% | 8.15% | 8.15% | 8.88% | 20.48% |
| 2015-16 | 4.89% | 9.20% | 8.56% | 10.73% | 24.82% |
| 2016-17 | 6.33% | 10.25% | 9.205% | 12.58% | 29.16% |
| 2017-18 | 6.33% | 10.25% | 9.205% | 14.43% | 31.01% |
| 2018-19 | 6.33% | 10.25% | 9.205% | 16.28% | 32.86% |
| 2019-20 | 6.33% | 10.25% | 9.205% | 18.13% | 34.71% |
| 2020-21 – 2045-46 | 6.33% | 10.25% | 9.205% | 19.10% | 35.68% |
| Incremental Increase Over 2013-14 Contribution Rate | | | | | |
| 2014-15 | \$59 million | \$42 million | | \$175 million | \$276 million |
| 2015-16 | \$371 Million | \$329 million | | \$714 million | \$1.414 billion |
| Total Lifetime Payments | | | | | |
| 2014-15 – 2045-46 | \$42.4 billion | \$25.4 billion | | \$169.9 billion | \$237.7 billion |

Notes:

- "Teachers" and "Schools" columns refer to all CalSTRS members and CalSTRS employers (K-12 and community colleges).
- PEPRA members would contribute a total of 9.205% of pay.

Staff Recommendation: This item is for information only.

GOVERNOR'S PROPOSAL ON RETIREE HEALTH CARE

ISSUE 4: GOVERNOR'S PROPOSAL ON STATE EMPLOYEE AND RETIREE HEALTH CARE

The Department of Finance will present the Governor's plan on State Employee and Retiree Health Care.

- Eric Stern, Principal Program Budget Analyst, Department of Finance

BACKGROUND

The Governor's budget proposes to address the funding and scope of retiree health benefits earned by state employees. The proposal discusses the \$72 billion in unfunded liability for retiree health care benefits and how the current pay-as-you-go method will not address the unfunded liability.

Eliminate the Unfunded liability. The budget calls for employees and employers to equally share in the prefunding of the normal costs of retiree health care, similar to the new pension-funding standard. The Administration will seek to phase in cost sharing as labor contracts come up for renewal.

Pay-as-You-Go Payments. For the next 30 years, the state would continue paying for retiree health premiums as these costs are incurred. State costs would grow as health care costs are expected to increase faster than general inflation and people are expected to live longer. By the 30th year, the administration estimates that the state's annual pay-as-you-go costs would exceed \$7 billion (in today's dollars).

Prefunding Benefits. The Governor's proposal would establish a "standard" that state employees and their employer share the costs to prefund retiree health benefits. Under this plan, employees and the state each would pay half of the amount of money actuaries estimate is needed to be invested to pay for these future obligations. Employees and the state each would contribute funds equal to about 3 percent of pay. This money would be put into a pre-existing CalPERS trust fund, invested, and allowed to grow for the next 30 years, as shown in the chart above. Although the fund is designated as a prefunding trust fund, no money would be withdrawn from the fund to pay for retiree health benefits until about 2046-47.

Collective Bargaining. Under the Governor's proposal, for employees subject to collective bargaining, the employer and employees' contributions to the trust fund would be established through the collective bargaining process and phased in as existing MOUs expire. The proposal does not specify how the new contribution requirement would be established for other state employees: CSU employees excluded from collective bargaining, legislative staff, and judicial employees.

Retiree Health Benefits for Future Employees. The Governor's proposal would reduce the retiree health benefits received by future employees—those first hired after January 1, 2016. Specifically, the Governor proposes (1) requiring employees to work five additional years before being eligible to receive the benefit and (2) aligning the state contribution towards health benefits in retirement with the one for most active state employees.

| |
|---------------------|
| LAO COMMENTS |
|---------------------|

The Legislative Analyst's Office will present their comments on the Governor's proposal.

- Nick Schroeder, Legislative Analyst's Office
- Marianne O'Malley, Legislative Analyst's Office

The LAO raises some key questions to consider for the Legislature including the following:

- Should California change its benefit package for future employees?
- Does the proposal fund normal costs and reduce unfunded liabilities?
- Will the proposal cause pressure to increase compensation?
- Are all funding sources considered?
- Will the proposal reduce the state's long term fiscal flexibility?
- Would the plan affect employee recruitment and retention?
- Should employees make contributions to prefund retiree health benefits?
- Would a More Traditional Amortization schedule reduce future budgetary pressure?

LAO recommends that the policy committees of the Legislature hold hearings to discuss the Governor's proposal – as well as other options to address retiree health liabilities with actuaries, employee groups, policy experts, and the public.

STAFF COMMENTS

The Governor's proposal includes a two part approach to address the unfunded liability. The first part discusses the need to prefund the retiree health care benefits for state employees through the budget process. The second part includes proposed legislation to make extensive policy changes through the budget process. With the trailer bill language there are a lot of unknowns including what happens with the collective bargaining, and what all the changes could actually mean in the future.

Staff Recommendation: Hold Open.
