

**PART I****AGENDA  
SUBCOMMITTEE No. 4  
ON STATE ADMINISTRATION****ASSEMBLYMEMBER JUAN ARAMBULA, CHAIR****THURSDAY, MAY 17, 2007  
STATE CAPITOL, ROOM 447  
1:30 P.M.****CONSENT ADDENDUM****THE FOLLOWING ITEMS ON CONSENT CALENDAR HAVE BEEN  
UPDATED (CHANGES IN BOLD ITALICS)****8380 DEPARTMENT OF PERSONNEL ADMINISTRATION**

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**ISSUE 1: SPRING FINANCE LETTER**

The administration submitted a Spring Finance Letter requesting:

- ◆ \$2.8 million to develop and implement the Human Resource Modernization Project.
  - *The LAO recommends the adoption of the following Supplemental Report Language:*

*On or before February 5, 2008, the Department of Personnel Administration (DPA) shall submit an annual report concerning the Human Resources Modernization Project. The report will describe (1) key activities of the project to date during 2007-08, (2) major planned and proposed activities of the project for the remainder of 2007-08 and 2008-09, (3) any significant changes in the plans, goals, or timelines for the project, and (4) any changes in the anticipated long-term costs of the project. The DPA shall consult with the executive officer of the State Personnel Board (SPB) or her designee in preparing the report, and the executive officer or her designee may include with the report a letter describing any areas of significant disagreement between SPB and the administration concerning the progress and plans of the project. Should the administration submit a budget change proposal (BCP) concerning*

*the project to the Legislature as part of the 2008-09 Governor's Budget, the BCP may be designated as the submission satisfying this annual report requirement, provided that it includes all of the information described in this section.*

- ◆ \$1 million to contract with a private industry "head hunter" to assist the state with recruiting psychiatric and medical services within state institutions.
  - ***The LAO recommends the Legislature only approve \$350,000 of this proposal with the following Budget Bill Language:***

*(X) Of the funds appropriated in this item, \$350,000 may be spent by the Department of Personnel Administration to contract with one or more recruitment contractors to locate and develop a pool of prospective health care professionals for various state departments that employ medical, mental health, and/or dental professionals. It is the intent of the Legislature that these contracts will be structured on a performance basis with payments tied to the successful hiring of state staff. Should the Director of Finance, upon receiving a recommendation of the Director of the Department of Personnel Administration, determine that it would be in the interests of the state to expand the dollar amount committed to this project, he may submit to the Chairperson of the Joint Legislative Budget Committee and the Legislative Analyst a report describing the number of individuals that have been successfully hired to permanent positions in affected departments as a result of the recruitment contractors' work to date and the anticipated benefits (including funds that affected departments would revert to the treasury due to decreased overtime and contracted personnel costs) that would result from an expansion of the funds committed to this project. Not less than 30 days after submitting the report described above, the Director of Finance may augment this item by an amount not exceeding \$1,500,000 in order to increase health care personnel recruitment efforts.*

- ◆ Reduction of \$2.4 million for the Rural Health Care Equity Program, which provides health care subsidies for employees and retirees in areas of the state not served by HMOs. Blue Shield HMO has expanded to Humboldt County, which means residents of that county are no longer eligible for the subsidy.

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**Updated Staff Recommendation: Approve Spring Finance Letter, with the suggested changes by the LAO**

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**8860 DEPARTMENT OF FINANCE**

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**ISSUE 2: SPRING FINANCE LETTER: TECHNICAL ADJUSTMENTS TO SALARIES AND WAGES**

The administration submitted a Spring Finance Letter requesting an increase of \$613,000 for technical adjustments to salaries and wages and to adjust programmatic scheduling.

*Only the parts of this request that to not relate to the FI\$CAL proposal should be approved.*

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**Updated Staff Recommendation: Approve non-FI\$CAL parts of the Spring Finance Letter.**

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**9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS**

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**ISSUE 1: MAY REVISION PROPOSAL – UPDATED BUDGET PROPOSAL**

The Governor's May Revision includes an increase of \$73.4 million to fund Health and Dental Benefits for Annuitants to support a 10 percent increase and to fund the recent enrollment increase for health benefits for annuitants. The proposal also includes budget bill language requiring reports regarding future health care premium increases that exceed recent assumptions.

*The LAO has concerns as to whether the revised proposal will cover all budget year related costs and suggests that this issue be before the Conference Committee when additional information will be available.*

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**Updated Staff Recommendation: Approve May Revision Proposal, with the direction that this issue be sent to Conference.**

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**CONTROL SECTION 3.60**

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The Governor's May Revision includes changes to Control Section 3.60 to reflect changes in the state's retirement contributions and to reflect the change to the fourth quarter deferral payment for CalPERS. This will have a slight cost of \$1 million from the General Fund and a decrease of \$23 million for other funds.

***The LAO recommends, and CalPERS agrees that the budget reflect the following contribution rates:***

*Miscellaneous, First Tier 16.633 percent*  
*Miscellaneous, Second Tier 16.565 percent*  
*State Industrial 17.345 percent*  
*State Safety 18.835 percent*  
*Highway Patrol 32.212 percent*  
*Peace Officer/Firefighter 25.552 percent*

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**Updated Staff Recommendation: Approve the May Revision proposal, as update figures from the LAO**

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