

# CAPSule

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## Governor Brown's Proposed Budget

There's a lot to like about Governor Brown's proposed budget: no budget deficit, an end to mandatory unpaid furloughs, funding for the July 2013 3% pay raise, funding for health benefit and retirement fund increases, no layoffs and no significant program cuts.

There's also plenty left out: Like Pay for Like Work funding; a health benefit subsidy for employees living in areas with no HMO option; and no pre-funding for future retiree health care.

The Governor's budget will be sliced and diced in the legislature over the next several months. CAPS will be there to contribute, especially where salary, benefits and scientific programs are concerned. Changes will result from legislative augmentations, collective bargaining agreements, and other activities. A final budget is expected by the start of the next fiscal year, July 1, 2013.

Governor Brown vowed to "live within our means." This budget, he said, must pay down past budgetary debt and face additional costs based on efforts to reduce debt at the federal level, with costs passed down to the states, including the costs of implementing Obamacare. This is his way of lowering expectations — no small task considering years of cuts to spending across the board: education, public safety, local government and state programs.

**State Employee Pay:** The Governor's proposed budget for 2013-14 includes full funding for state scientist salaries (no furloughs), and for the 3% top step raise effective July 1, 2013. There is no money budgeted for additional raises beyond what has already been negotiated. Additional raises will need to be negotiated. At a news conference, Governor Brown said that *"We have to enter those negotiations with an open mind, but we have to live within our means. So I don't want to put too many of my cards on the table. Although everything's in the budget, so you can figure out sort of what the outside parameters are."*



**Health Care:** The state employer's share of health care costs are budgeted.



**Pensions:** There is full funding for pensions in accordance with current formulas. There is no proposal for any new pension or health care changes.



**Staffing:** The 2013-14 budget includes increases in positions in many state departments. The budget takes credit for past staffing reductions, *"...reducing the state workforce by more than 30,000 positions. The state workforce is at its lowest level as a share of the state's population in almost a decade — and California already had one of the nation's lowest levels of government employment."*

The full budget document can be found at [www.dof.ca.gov](http://www.dof.ca.gov).



# EnCAPsulations...



**DTSC Reorganizes.** CAPS rank-and-file and supervisory members met separately during December and January with state management to review plans to reorganize the Department of Toxic Substances Control. This reorganization includes organizational changes and reassignment of staff, some from one location to another. CAPS urged DTSC to be transparent and receptive to suggestions and changes from its employees. DTSC expects to implement the reorganization in mid-February. Specific concerns should be brought to CAPS' attention immediately: [caps@capsscientists.org](mailto:caps@capsscientists.org).

**CalPERS Returns Stellar.** The California Public Employees Retirement System earned roughly 13% on its assets last calendar year. This increase was driven primarily by its stock and private equity portfolio. In comparison, CalPERS earned just 1.1% in 2011 and lost 23% in 2009. CalPERS pays for its benefits primarily with investment returns, although contributions from its members and public agencies make up a crucial difference in the funding formula. Weak returns in recent years are due to the worldwide recession. This has given critics license to question whether its returns are sufficient to pay for promised obligations to current and future retirees. Last year's outstanding return exceeds the 7.5% CalPERS expects from its investments over time. That is the rate at which CalPERS expects to fully pay its obligations. This rate — 7.5% — has in fact been the average return posted by CalPERS over the last 10 years. CalPERS administers the largest pension system in the U.S., with total assets of \$250 billion. That's about 71% of the amount needed to meet all future obligations. A system is considered fully funded at about 80%.



**FICA Holiday Over.** The Social Security tax rate paid by state scientists and all state employees has increased to 6.2%. As has been widely reported, Congress on New Year's Day approved legislation to extend certain provisions of the Middle Class Tax Relief and Job Creation Act of 2012 (TRA) that expired on December 31, 2012.

Although the legislation averted many of the year-end tax hikes and spending cuts that were set to take effect on January 1 (commonly referred to as the "fiscal cliff"), it did not extend the TRA 2012's temporary reduction of the Social Security tax rate paid by employees for wages received through the end of December 2012. As a result, this tax rate has increased by two percentage points — from 4.2% to 6.2% — for all wages received beginning on January 1, 2013.

Federal tax rules explicitly require employers to use the tax rate that is in effect on the day that pay is officially issue-dated — the date printed on the paycheck. Because the December 2012 payroll was issue-dated on January 1, 2013, the 6.2% tax rate is applicable.

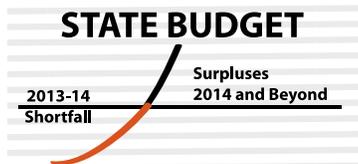
State scientists and all state employees got the full benefit of this tax "holiday." The 4.2% rate temporarily provided by the TRA 2012 was applied to a full 12 months of pay, not 11. Specifically, Social Security tax withholdings relating to the December 2011 payroll — which was issued-dated on January 1, 2012 — were calculated at the lower (4.2%) rate.

A December 27, 2012 Payroll Letter from the State Controller has more: [http://www.sco.ca.gov/Files-PPSD-Letters/Payr/2012\\_p12-022.pdf](http://www.sco.ca.gov/Files-PPSD-Letters/Payr/2012_p12-022.pdf).

# One Less Thing

By David Miller, President

These are the words made famous by Forrest Gump in the movie of the same name. Gump was referring to his newfound wealth as a result of an investment made on his behalf in “some kind of fruit company.” That “fruit” company was Apple, Inc.



Gump’s words remind me of the current state budget and the challenges faced by CAPS. Yes, lingering budget deficits are gone.

Instead of an endless sea of red ink, the state has a fiscal future of consecutive surpluses. What is projected to be a \$1.9 billion deficit this year will be a surplus of nearly \$8 billion by 2017. That’s incredibly good news after years of mandatory furloughs, benefit takeaways, increased contributions for retirement, and shrinking operating budgets in our state programs. In other words, consecutive deficits are “one less thing” to worry about in our quest for salary equity.

For those who believe that a balanced budget means immediate and full funding for Like Pay Like Work salary equity, think again. Brown’s proposed budget provides for the bare minimums with respect to salary and benefits. His January 10 comments regarding state employee compensation were telling—and rather typical of this tight fisted governor: “I’m not going to reveal my cards... this is all I have.”

The heavy lifting for salary equity still awaits us in the budget process and at the bargaining table. The effort must involve not just CAPS leaders and staff, but ALL state scientists. We



need to be seen and heard in pressing our demands for equitable salaries, and that means restoring the historical ties we’ve had with certain engineering classifications. The need and justification for salary equity goes beyond the 2008 Like Pay Like Work decision from what was then the Department of Personnel Administration (now CalHR). (That decision, as you may recall, concluded that 14 state scientific supervisory classifications

had a historical equivalency to related engineering classes, and that that salary equivalency must be restored. This was later confirmed in court.) Scientists working for local government, for the federal government, and in the private sector, have continued to receive raises, thus widening the gap between state scientists and scientists almost everywhere else.

But just because we have a great case doesn’t mean Governor Brown will support it. He has always been stingy when it comes to employee compensation. This year we can expect no different, and his initial comments confirm that. At this point in time, he’s willing to confirm that mandatory unpaid furloughs will end in June as scheduled, and that the negotiated 3% top step raise will be fully funded. This is GREAT news by itself actually, but NOT GOOD ENOUGH!

We know that CalHR (formerly DPA) recommended that the Like Pay Like Work formula be funded for state scientific supervisors. We also know that the Department of Finance declined to include it in the government’s proposed budget. Disappointing, but not too surprising.

*“The heavy lifting for salary equity still awaits us in the budget process and at the bargaining table.”*

This requires CAPS to do what we did last year. That is to seek an augmentation in the budget with the agreement of both houses of the legislature. We will ask state lawmakers to include funding for state scientific supervisors consistent with the 2008 Like Pay Like Work decision. We will attempt to do it retroactively — that is, to fund the decision from the date it was made and restore salary equity from the date it was taken from us in 2005. Ultimately, it will require Governor Brown to fund the augmentation when the state budget is signed, likely in late June 2013.

The same case will be made at the bargaining table on behalf of all rank-and-file state scientists. We will seek the same salary equity raises for rank-and-file scientists that we are seeking for state supervisors. The case for rank-and-file scientists must be made via the bargaining process. Along the way, we will keep all members informed and seek active participation in achieving our mutual goal: salary equity for ALL state scientists!

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## First Quarter CAPS Grants

CAPS awards a \$300 grant to four CAPS members every quarter to further professional development. CAPS has been awarding these grants for over 20 years to help state scientists realize professional development that otherwise would not be funded by the State. You can apply for a CAPS grant via the CAPS webpage: [www.capsscientists.org](http://www.capsscientists.org). NOTE: The CAPS grants program is separate from the two days of professional development leave earned by state scientists annually and provided for by section 15.3 (G) of the MOU. Below are the 2013 first quarter recipients.



**Staff Environmental Scientist Lorna Dobrovolny** of the Department of Fish and Wildlife in Rancho Cordova will use her grant to offset the cost of attending the Wildlife Society annual meeting in Portland, Oregon during October 2012. Ms. Dobrovolny works on conserving threatened and endangered species in the Sierra Nevada. This conference reviewed wildlife impacts from fire and a variety of forest management activities.



**Senior Environmental Scientist Robert William Fujimura** of the Department of Fish and Wildlife in Stockton will use his grant to offset costs of attending the 2013 California/Nevada Chapter of the American Fisheries Society annual meeting in Davis.



**Research Scientist Thomson Ho, Ph.D.**, of the Public Health's genetic disease laboratory in Richmond will use his grant to cover costs associated with the presentation of a research report at the national meeting of the American Association of Clinical Chemistry held in Los Angeles during July 2012.



**Research Scientist III Patricia McLendon** of Public Health in Richmond used her grant to offset the travel cost to attend ID Week 2012, the first ever joint meeting of the Infectious Diseases Society of America, the Society for Healthcare Epidemiology of America, HIV Medicine Association and the Pediatric Infectious Diseases Society. The meeting was held in San Diego during October 2012.

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