

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 10/20)

Fiscal Year 2022-23	Business Unit 0840	Department State Controller's Office (SCO)	Priority No. 3
Budget Request Name 0840-047-BCP-2022-A1		Program 0500 - State Controller's Office	Subprogram 0500500 - Disbursements

Budget Request Description
 California State Employees Telework and Healthcare Stipends

Budget Request Summary
 The State Controller's Office (SCO) requests \$495,000 [\$297,000 General Fund (GF); \$198,000 Central Service Cost Recovery Fund (CSCRF)] in 2022-23 and \$194,000 [\$116,000 GF; \$78,000 CSCRF] in 2023-24 and ongoing to support the disbursement of the California State Employees Telework and Improving Affordability and Access to Healthcare stipends.

Requires Legislation <input type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. Project Approval Document:

Approval Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Monica Cuellar, Assistant Division Chief, Admin and Disb. Division	Date	Reviewed By Jennifer Chavez, Chief, Admin and Disb. Division	Date
Department Director Russell Fong, Chief Administrative Officer	Date	Agency Secretary N/A	Date

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE Dept. of Technology

PPBA Susan Wekanda	Date submitted to the Legislature April 1, 2022
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Analysis of Problem

A. Budget Request Summary

The State Controller's Office (SCO) requests \$495,000 [\$297,000 General Fund (GF); \$198,000 Central Service Cost Recovery Fund (CSCRF)] in 2022-23 and \$194,000 [\$116,000 GF; \$78,000 CSCRF] in 2023-24 and ongoing to support the disbursement of the California State Employees Telework and Improving Affordability and Access to Healthcare stipends.

B. Background/History

Telework Stipend

The State of California (state) has a responsibility to protect its residents in cases of emergency including, but not limited to, natural disasters, terrorism, and public health crises. Moreover, the state has a responsibility to ensure government functions are performed efficiently. On March 4, 2020, due to the rapidly changing public health needs related to the Coronavirus disease (COVID-19) pandemic, the Governor declared a state of emergency and the Administration directed all non-essential telework eligible staff to transition to telework as a protective measure to limit the spread of the virus. The state deployed an emergency telework program (ETP) based on guidance from the California Department of Human Resources (CalHR) in order to reduce the number of employees at state buildings.

Since the initial ETP, the state conducted multiple studies related to staff telework eligibility, and benefits and savings attributed to teleworking such as reduced vehicle expenses, time saved due to decreased commute times, and other pertinent sources of information. In 2021-22, the state began implementing a mostly permanent teleworking workforce. The statewide telework program was established pursuant to Government Code sections 14200-14203; which requires every state department to incorporate telecommuting as a work option.

CalHR informed state departments and SCO of agreements reached with specified bargaining units (BUs) for a telework stipend and the requirements departments must meet to ensure timely payment of the stipend upon full ratification. SCO anticipates the statewide telework stipend upon ratification and legislative approval, will be retroactive to October 1, 2021. As of March 2022, six BUs have negotiated consistent telework stipend side letters.

There are approximately 237,000 active state employees within the 21 BUs. All active state employees who have a telework agreement on file and meet criteria to telework shall receive either a \$25 (if office-centered employee) or \$50 (if remote-centered employee) stipend for each eligible pay period. Employees on leave, paid or unpaid, for the entire period will not receive the payment, and there are no receipts required for payment. Based on the initial analysis of the telework stipend and the known population of state employees eligible to receive these payments, SCO anticipates issuing 200,000 direct deposit payments and 32,000 printed warrants in 2021-22 (1 retroactive payment and 3 payments for April, May and June) and 600,000 direct deposit payments and 96,000 printed warrants beginning in 2022-23.

SCO's Personnel and Payroll Services Division (PPSD) processes payroll and leave accounting for all state civil service and exempt employees, state courts, and California State University employees. SCO's Administration and Disbursements Division, Disbursements Bureau (Disbursements), produces these payments to employees via paper warrant and electronic fund transfers from the State Treasury, annually issuing about 55 million payments including state payroll, retirement rolls, In-Home Supportive Services, Medi-Cal, personal income tax refunds, and payments to vendors. As a result of the nature of the stipend and certifications necessary to authorize the payment per employee monthly, SCO is not able to combine the telework stipend with existing master payroll. Therefore, the new telework stipend will require SCO to produce an additional payroll payment to each eligible employee monthly. This will result in a significant increase to workload ongoing related to issuing timely payments/warrants.

Analysis of Problem

Affordability and Access to Healthcare Pay Differential

According to an SEIU side letter, regarding Improving Affordability and Access to Healthcare, all SEIU Local 1000 represented employees eligible to be enrolled in a CalPERS health plan will receive a monthly cash payment of \$260, regardless of party code enrollment. This payment will be provided for 36 months commencing with the July 1, 2020 pay period, expiring the June 30, 2023 pay period. This letter was revised, effective, July 1, 2022, and provides that anyone enrolled in state sponsored health benefits will still be eligible to receive the \$260 cash payment; anyone not enrolled in state sponsored health benefits will not be eligible to receive the \$260. This population may be eligible to enroll in a flex cash program during a special open enrollment period. Further, Excluded and Exempt employees aligned with SEIU BUs are also receiving this monthly additional cash payment (Pay Differential 440).

At the time this Healthcare benefit was negotiated, the SCO did not know it would require an additional monthly payment to all state employees. In 2020-21, SCO issued a monthly average of more than 109,000 new healthcare payments. While the update to the side letter will reduce the number of monthly payments related to the Healthcare payments for the final year of the program, SCO will continue to incur increased costs and therefore requires additional funding to process and disburse these payments. This request is for the necessary resources to support the additional costs to disburse the telework stipend and healthcare payments.

C. State Level Consideration

SCO ensures the state's monetary resources are independently accounted for and disbursed according to law in a timely manner. As a control agency, SCO has a statewide responsibility to manage the personnel resources of the state, account for salary and wage expenditures, and provide data to entities such as: CalHR, Department of Finance (DOF), the Legislature, and unions specific to personnel and payroll activity. Once BU contracts are ratified, SCO will implement a process to issue telework stipend payments. If updates or changes are made to the Affordability and Access to Healthcare language, SCO will continue to evaluate its process to issue these stipends.

D. Justification

SCO does not have the resources to absorb increased costs related to the telework stipend and healthcare payments. Based on initial estimates, these workloads will result in SCO issuing an additional 1,786,000 (696,000 telework stipend and 1,090,000 healthcare payments) in 2022-23; and 696,000 telework stipend payments in 2023-24 ongoing. The estimated costs for this workload was calculated based on current eligible and actual telework percentages from DGS Telework Dashboard statistics as of February 2022. These additional costs include direct deposit electronic funds transfer service fees for the new payment type, personal services and operating expenses indirectly distributed to this workload, to include equipment and printing costs for printed warrants.

Telework Stipend

In 2021-22, SCO anticipates issuing Telework Stipend payments based on the total number of active employees in each BU at a rate of 78% of active employees eligible to telework. The current number of active state employees in the state's 21 BUs is approximately 237,000. As of March 2022, six BUs have entered into telework stipend agreements. SCO Disbursements will issue payments to approximately 58,000 state employees (1 retroactive payment and 3 payments for April, May and June).

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For 2022-23 and ongoing, as detailed on the following Telework Stipend Analysis and Costs tables, SCO anticipates issuing 696,000 telework stipend payments (600,000 Direct Deposits and 96,000 Printed Warrants), at an estimated cost of \$194,000 ongoing. As additional BUs enter into telework agreements, SCO will require increased funding to support the increased payments.

Telework Stipend Analysis

A Current # of State employees		31,000		
B	Eligible for telework (based on A)	78%	24,000	A# x B%
C	Actually teleworking (based on A)	94% ¹	23,000	B# x C%
D	Direct Deposit (based on C)	85%	20,000	C# x D%
E	Printed Warrants (based on C)	15%	3,000	C# x E%
F	Direct Deposit (Volume)	12 (months)	240,000 ²	D# x F (months)
G	Printed Warrants (Volume)	12 (months)	36,000 ²	E# x G (months)
A Excluded State Employees		48,000		
B	Eligible for telework (based on A)	78%	37,000	A# x B%
C	Actually teleworking (based on A)	94% ¹	35,000	B# x C%
D	Direct Deposit (based on C)	85%	30,000	C# x D%
E	Printed Warrants (based on C)	15%	5,000	C# x E%
F	Direct Deposit (Volume)	12 (months)	360,000 ²	D# x F (months)
G	Printed Warrants (Volume)	12 (months)	60,000 ²	E# x G (months)

¹ DGS Telework Dashboard statistics as of February 2022.

² Based on a percentage of total active state employees teleworking, including excluded employees, of BUs with current telework stipend agreements.

Telework Stipend Costs (2022-23 ongoing)

Payment Type		Annual Volume¹	Rate per Payment²	Cost
F	Direct Deposit	600,000	\$0.27	\$162,000
G	Printed Warrants	96,000	\$0.33	\$32,000
Total		696,000		\$194,000

¹ Based on a percentage of total active state employees teleworking, including excluded employees, of BUs with current telework stipend agreements.

² Based on Disbursements 2021-22 Rate for this payment type.

Affordability and Access to Healthcare Payment

According to an SEIU side letter, regarding Improving Affordability and Access to Healthcare, all SEIU Local 1000 represented employees eligible to be enrolled in a CalPERS health plan will receive a monthly cash payment of \$260, regardless of party code enrollment, commencing with the July 1, 2020 pay period, expiring the June 30, 2023 pay period. The side letter was revised to expire on June 30, 2022, which would result in same number of payments to be issued in 2021-22 as prior year (1,320,000), and a slightly reduced number of payments for 2022-23 (less 230,000 equals 1,090,000), based on employees that were dis-enrolled in Flex Elect in order to receive the healthcare payment.

At the time the healthcare benefit was negotiated, SCO did not know it would require an additional monthly payment to all state employees. While PPSD was able to develop an automated process for the healthcare payment, Disbursements does not have the resources to absorb the increased costs to produce these new payments. In 2022-23, SCO anticipates issuing 981,000 direct deposits and 109,000 printed warrants related to the healthcare payment, for a

Analysis of Problem

total cost of \$301,000, as detailed on the following Improving Affordability and Access to healthcare Stipend Analysis table. This includes a reduction of 19,200 members that were disenrolled in Flex Elect in order to receive the healthcare payment. The Flex Elect cash program payment which has been a long-standing state program prior to temporary suspension in 2020-21, is processed through and will be reinstated as part of monthly Master Pay and so does not require a separate/additional payment.

Payment Type	Annual Volume¹	Rate per Payment²	Cost
Direct Deposit	981,000	\$0.27	\$265,000
Printed Warrants	109,000	\$0.33	\$36,000
1,090,000			\$301,000

¹Volume represents the 19,200 member reduction, which equates to a 230,000 annual payment volume reduction (19.2k x 12 months = 230k payments). These volumes prior to 2020-21 were 1,188,000 direct deposit and 132,000 printed warrants, respectively.

²Based on Disbursements 2021-22 Rate for this payment type.

Similar to the Telework Stipend payment, the Improving Affordability and Access to Healthcare Cash Payment Analysis Costs table also represents the estimated costs for this workload, to include direct deposit electronic funds transfer service fees for the new payment type, personal services and operating expenses indirectly distributed to this workload, and the printing and postage costs associated with the printed and mailed warrants.

E. Outcomes and Accountability

The Administration and the Legislature have approved these new payments through ratification and Budget Act appropriation of state BU agreements. To effectively implement these programs as approved, SCO requires increased resources. Accountability for project resources will be achieved through various management processes, with updates provided to stakeholders, and through ongoing partnership with individual state departments and CalHR.

F. Analysis of All Feasible Alternatives

Alternative 1: Provide SCO with the \$495,000 [\$297,000 GF; \$198,000 CSCRF in 2022-23 and \$194,000 [\$116,000 GF; \$78,000 CSCRF] in 2023-24 and ongoing to support the disbursement of the California State Employees Telework and Improving Affordability and Access to Healthcare stipends.

Pros:

- Provides SCO resources to disburse the Telework and Improving Affordability and Access to Healthcare stipends payments, based the known population of state employees eligible to receive these payments.

Cons:

- An increase in state resources is necessary.

Alternative 2: Deny this request.

Pros:

- No increase in funding will be necessary.

Cons:

- Would not provide the required resources to implement this workload.
- Will result in delayed implementation activities and timeliness of disbursing payments and processing exceptions.

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- SCO will be required to defer existing workloads which will negatively impact SCO's ability to timely complete other critical workloads and comply with mandated activities.
- The increased work would by default be supported through redirection of funding appropriated for other state mandated programs.

G. Implementation Plan

Timeline	Outcomes
March 2022	Telework stipend payments to begin March 1, 2022.
July 1, 2022 and ongoing	Disbursements to process and issue monthly telework stipend payments, including retroactive payments from October 1, 2021 and continue to process and issue Improving Affordability and Access to Healthcare stipends.

H. Supplemental Information

None.

I. Recommendation

Approve Alternative 1 and provide SCO with the requested resources to successfully support the disbursement of the telework and Improving Affordability and Access to Healthcare stipends.

BCP Fiscal Detail Sheet

BCP Title: California State Employees Telework and Healthcare Stipends

BR Name: 0840-047-BCP-2022-A1

Budget Request Summary

Personal Services

Personal Services	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Salaries and Wages Overtime/Other	0	266	104	104	104	104
Total Salaries and Wages	\$0	\$266	\$104	\$104	\$104	\$104
Total Personal Services	\$0	\$266	\$104	\$104	\$104	\$104

Operating Expenses and Equipment

Operating Expenses and Equipment	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5301 - General Expense	0	214	83	83	83	83
5302 - Printing	0	4	2	2	2	2
5368 - Non-Capital Asset Purchases - Equipment	0	11	5	5	5	5
Total Operating Expenses and Equipment	\$0	\$229	\$90	\$90	\$90	\$90

Total Budget Request

Total Budget Request	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Total Budget Request	\$0	\$495	\$194	\$194	\$194	\$194

Fund Summary

Fund Source

Fund Source	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
State Operations - 0001 - General Fund	0	297	116	116	116	116
State Operations - 9740 - Central Service Cost Recovery Fund	0	198	78	78	78	78
Total State Operations Expenditures	\$0	\$495	\$194	\$194	\$194	\$194
Total All Funds	\$0	\$495	\$194	\$194	\$194	\$194

Program Summary

Program Funding

Program Funding	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
0500500 - Disbursements	0	495	194	194	194	194
Total All Programs	\$0	\$495	\$194	\$194	\$194	\$194