

## Analysis

### Item 19: Department of Human Services

#### State Employee Collective Bargaining

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**Analyst:** Laurie Byerly

**Request:** Increase General Fund by \$4,959,109 and increase the Federal Funds expenditure limitation by \$3,093,632 for collective bargaining costs.

**Analysis:** The Department of Human Services (DHS) is requesting additional funding to pay for certain 2019-21 collective bargaining agreement costs not anticipated to be covered by prospective statewide compensation adjustments. The request has four components:

- 1) Salary ranges for the Social Services Specialist 1 and 2 classifications (child welfare case workers) were each increased by one salary range; the new ranges are 25 and 27. With least cost implementation, these changes affect 431 employees (out of 1,800) at a cost of \$2,985,636 General Fund and \$1,511,131 Federal Funds.
- 2) One of the classifications used at the Stabilization and Crisis Unit, Mental Health Therapy Technician, is being discontinued and replaced with a new, unique classification called Direct Support Crisis Specialist; the new classification's salary range (19) is three ranges higher than the old one. With least cost implementation, this change affects 171 (out of 600) employees at a cost of \$465,796 General Fund and \$936,354 Federal Funds.
- 3) Child welfare case workers are now eligible for a shift differential of \$1 per hour for work performed after hours or on weekends. The estimated cost for this change is \$241,921 General Fund and \$103,680 Federal Funds.
- 4) A letter of agreement provides for union-represented Child Welfare program employees to receive a one-time retention payment of \$500 in recognition of their dedication to public service; this is expected to cost \$1,265,756 General Fund and \$542,467 Federal Funds. Since DHS' letter was submitted, actual payments made (2,357 employees) were reconciled; the revised amount is \$824,950 General Fund and \$353,550 Federal Funds.

The 2019-21 legislatively adopted budget includes \$200 million General Fund for state employee compensation issues, which is currently appropriated to the Emergency Board as a special purpose appropriation. This funding, often referred to as the "salary pot", is expected to be allocated to agencies once collective bargaining is final. Typically, salary pot allocations account for compensation costs associated with step increases, cost of living adjustments, and health insurance. This means additional expenditures required under contracts for selective salary increases, differentials, or other bargained changes need to be managed within existing agency budgets, along with any shortfall if salary pot allocations or estimates prove insufficient for covering even the "typical" costs.

However, nothing precludes the Legislature from adjusting salary pot allocations to accommodate collective bargaining actions and associated costs that disproportionately affect a specific agency or group of agencies. Similarly, nothing precludes the executive branch from considering costs beyond

the typical when negotiating collective bargaining agreements, and ensuring those projected expenditures fit within the salary pot funding level. While salary pot allocations have not yet been made, the DHS request presents legitimate funding needs that appear to not have been considered as eligible for salary pot funding.

When coupled with a collective bargaining agreement for non-state employees (Item #23) that explicitly directs DHS to request the Legislature for funding beyond the amount appropriated for that purpose, it appears the executive branch approach to addressing state costs during contract negotiations might benefit from a higher level of discipline or accountability.

Process concerns aside, the collective bargaining agreements driving these costs are already in place and impacting the agency. Accordingly, the Legislative Fiscal Office recommends that the proposed budgetary increases, with the exception of the request to offset shift differential costs, be included in a budget reconciliation bill during the 2020 legislative session. The cost magnitude of the shift differential component does not appear to be a significant burden and should be managed by DHS consistent with past practice.

This recommendation to increase the budget makes no assumption about a corresponding source of General Fund resources (e.g., salary pot, emergency fund, or ending balance); that decision, along with any other issues or concerns related to the request, needs to be made considering statewide resource availability, legislative priorities, and the most current information available for 2020 legislative session action.

**Legislative Fiscal Office Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$4,276,382 General Fund and an increase of \$2,801,035 in the Federal Funds expenditure limitation for the Department of Human Services in a budget reconciliation bill during the 2020 legislative session to cover state employee collective bargaining costs.

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Department of Human Services  
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**Request:** Acknowledge receipt of the report and recommend an increase of \$4,959,109 General Fund and an increase of \$3,093,632 Federal Funds expenditure limitation for bargained salary selectives and other related costs.

**Recommendation:** Acknowledge receipt of the report and approve the request during the 2020 Legislative Session.

**Discussion:** Salary increases for cost of living adjustments (COLAs) and step increases are negotiated in collective bargaining agreements and are generally included in the salary pot distribution each biennium. Some position classifications receive salary selective adjustments through collective bargaining negotiations, which increase the salary ranges for those specific classifications, however, they are not typically included in the salary pot distribution. In addition, some classifications may receive retention incentives or other salary adjustments specific to a position classification. The Department of Human Services (DHS) has four salary adjustments that were bargained outside of the salary pot calculation and result in budget impacts outlined below:

Request	General Fund	Federal Funds	Total Funds
Salary Selectives - Child Welfare	\$ 2,985,636	\$ 1,511,131	\$ 4,496,767
Salary Selectives - IDD	\$ 465,796	\$ 936,354	\$ 1,402,150
Shift Differential - Child Welfare	\$ 241,921	\$ 103,680	\$ 345,601
Retention Payments - Child Welfare	\$ 1,265,756	\$ 542,467	\$ 1,808,223
<b>Total</b>	<b>\$ 4,959,109</b>	<b>\$ 3,093,632</b>	<b>\$ 8,052,741</b>

The Department has two classifications, which received significant salary selective increases that cannot be managed through savings in other budget categories. The first is for Social Service Specialist 1 (SSS1) positions and the second is for Social Service Specialist 2 (SSS2) positions. These positions serve as child welfare caseworkers and represent approximately 1,700 SSS1 positions and 100 SSS2 positions. The timing of the salary increases depend on an employee's salary eligibility date. Initially, 431 of the 1,800 positions will receive a salary selective increase in the 2019-21 biennium, resulting in an impact of \$2,985,636 General Fund and \$1,511,131 Federal Funds.

The second significant salary selective is associated with Mental Health Therapy Technician (MHTT) positions. The DHS has over 600 MHTT positions in the Intellectual and Developmental Disabilities Stabilization and Crisis Unit. Of the 600 positions, 171 will be impacted by salary selective increases in the 2019-21 biennium, resulting in an impact of \$465,796 General Fund and \$936,354 Federal Funds.

In addition to salary selective increases, an expedited collective bargaining session was held for child welfare staff with the intent of recruiting and retaining qualified child welfare caseworkers. After months of negotiations, two items were included in the final agreement dated December 4, 2019. The first item consisted of a \$1 shift differential for SSS1 and SSS2 positions for work performed during the hours of 6pm to 6am, as well as work performed on Saturday and Sunday.

The fiscal impact of the shift differential results in a cost of \$241,921 General Fund and \$103,680 Federal Funds.

The second negotiated increase is a one-time retention incentive of \$500, applicable to all current SEIU represented employees in the Child Welfare program who were employed on or before July 1, 2019. The cost of these incentives result in a fiscal impact of \$1,265,756 General Fund and \$542,467 Federal Funds.

After DHS submitted its budget request, the Department provided additional information indicating the \$500 retention incentives for child welfare workers may be less than the projected amount referenced above. The incentive payments are still being reconciled and the final amount will be known after payroll reconciliation.

The Department requested an increase of \$4,959,109 General Fund and \$3,093,632 Federal Funds expenditure limitation to support select salary increases bargained. The increased costs were negotiated and agreements have been executed, incurring a budget impact in the 2019-21 biennium. The Department believes these negotiations were necessary and critical to ensuring the recruitment and retention of staff in the Child Welfare and Intellectual and Developmental Disabilities programs.

**Legal References:** Appropriate \$4,493,313 General Fund to supplement the appropriation made by chapter 668, section 1(3), Oregon Laws 2019, for the Department of Human Services, Child Welfare Program for the 2019-21 biennium.

Increase the Federal Funds expenditure limitation established by chapter 668, section 3(3), Oregon Laws 2019, for the Department of Human Services, Child Welfare Program, by \$2,157,278 for the 2019-21 biennium.

Appropriate \$465,796 General Fund to supplement the appropriation made by chapter 668, section 1(4), Oregon Laws 2019, for the Department of Human Services, Aging and People with Disabilities/Intellectual Developmental Disabilities Program for the 2019-21 biennium.

Increase the Federal Funds expenditure limitation established by chapter 668, section 3(4), Oregon Laws 2019, for the Department of Human Services, Aging and People with Disabilities/Intellectual Developmental Disabilities Program, by \$936,354 for the 2019-21 biennium.



# Oregon

Kate Brown, Governor

**Department of Human Services**

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December 9, 2019

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair  
The Honorable Senator Betsy Johnson, Co-Chair  
The Honorable Representative Dan Rayfield, Co-Chair  
Interim Joint Committee on Ways and Means on Human Services  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048



Re: Request for funding for estimated costs of bargained salary selectives and other costs

Dear Co-Chairpersons:

## **Nature of the Request**

DHS requests the Committee acknowledge receipt of this report and recommend an increase of \$4,959,109 General Fund and \$3,093,632 in Federal Funds expenditure limitation due to bargained costs.

## **Agency Action**

### Salary Selectives

During the 2019 Legislative Session, a Special Purpose Appropriation (SPA) of \$200 million General Fund was created for state employee bargaining. As part of bargaining, some classifications receive salary selectives which increase the salary range of those classifications. While bargained with the cost of living adjustments and steps, these salary selectives are generally not considered in the distribution of the salary pot to agencies to help defray the costs of bargaining.

A number of salary selectives will impact DHS, but there are two large specific salary selectives that DHS will have to manage through vacancy or other currently unidentified savings if not funded.

The first salary selective is for the Social Service Specialist 1 (SSS1) and Social Service Specialist 2 (SSS 2) classifications which are the main classifications of

*"Assisting People to Become Independent, Healthy and Safe"*

child welfare caseworkers. For context, DHS has almost 1700 SSS1s and over 100 SSS2s. However, the implementation of the salary selective is a “least cost” implementation, meaning it won’t impact employees until their salary eligibility date for those at top step currently or for those employee’s whose salary is within the new range. Of the total of just over 1800 positions, 431 were impacted. The cost of this implementation is estimated to be \$2,985,636 General Fund and \$1,511,131 of Federal Funds limitation.

The second major salary selective is in the Intellectual and Developmental Disabilities (I/DD) Stabilization and Crisis Unit (SACU) for the Mental Health Therapy Technicians (MHTTs). For context, DHS has over 600 MHTTs, of which 171 will be impacted in 2019-21 by the salary selective. Estimated costs to SACU are \$465,796 General Fund and \$936,354 in Federal Funds.

In total the two salary selectives are estimated to cost DHS a total of \$3,451,432 General Fund and \$2,447,485 in Federal Funds.

#### Child Welfare Bargained Differentials and one-time payments

During bargaining at the SEIU Central table, it was agreed to have an expedited bargaining session related to child welfare staff. After several months of negotiations, final agreement was reached on the following two items on December 4, 2019.

- 1) Effective upon signature of the agreement, employees working in the Child Welfare program at the Department of Human Services classified as Social Service Specialist 1 or Social Service Specialist 2 shall be eligible for Shift Differential. The differential is \$1.00/hr for work done after hours (6pm-6am) or work done on Saturday or Sunday. The estimated cost for this agreement is \$345,601, which equates to \$241,921 General Fund and \$103,680 Federal Funds.
- 2) SEIU represented employees working in the Child Welfare program at the Department of Human Services will receive a one-time \$500 retention and continued dedication to public services payment during the Child Welfare system crisis. This payment is applicable to all current SEIU represented employees in Child Welfare who were employed on or before July 1, 2019. The estimated cost, not including management, is \$1,808,223 TF or \$1,265,756 GF and \$542,467 FF.

## Action Requested

DHS requests the Committee acknowledge receipt of this report and recommend an increase of \$4,959,109 General Fund and \$3,093,632 in Federal Funds expenditure limitation.

## Legislation Affected:

PROGRAM	PROPOSED LEGISLATION / SECTION	FUND TYPE	REQUESTED ADJUSTMENTS
Child Welfare	Ch. 668 1(3)	General	\$4,493,313
	Ch. 668 3(3)	Federal	\$2,157,278
Aging and people with disabilities and intellectual/developmental disabilities programs	Ch. 668 1(4)	General	\$ 465,796
	Ch. 668 3(4)	Federal	\$936,354

If you have questions, please contact Eric Moore at 503-884-4701.

Sincerely,



Eric Luther Moore  
DHS Chief Financial Officer

cc: Laurie Byerly, Legislative Fiscal Office  
Ken Rocco, Legislative Fiscal Office  
George Naughton, Department of Administrative Services  
Tamara Brickman, Department of Administrative Services  
Ali Webb, Department of Administrative Services  
Mike Streepey, Department of Administrative Services