

# AGENDA ITEM

July 143  
Voluntary Separation  
Incentive Program –  
Approval of

**DATE:** July 9, 2010

**TO:** Members, Board Planning, Program Development and Budget Committee  
Members, Board of Governors

**FROM:** Patti White, Chair of PPDB Committee

**SUBJECT:** Voluntary Separation Incentive Program – Approval of

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## **EXECUTIVE SUMMARY**

The Budget Subcommittee consisting of Patti White, Richard Rubin, Joe Chairez, and John Streeter has met several times this year to review options to address the State Bar's anticipated budget deficits. At the May Board meeting, a presentation was given to the PPDB Committee outlining the options recommended by the Subcommittee to balance the budget through 2013. One of the recommendations was a voluntary separation incentive program designed to reduce staffing costs in the Bar by offering staff the opportunity to separate voluntarily. This agenda item sets out the details of the recommended program for approval by the PPDB Committee and the Board.

## **BACKGROUND**

The Budget Subcommittee has worked with staff throughout the year to develop options for balancing the General Fund budget for the next three years. Personnel costs comprise 70% of controllable expenses in the General Fund. In order to obtain significant savings, the most logical approach is through a workforce reduction. In lieu of mandatory layoffs, the Subcommittee recommends the creation of a voluntary separation incentive designed to accomplish at least a 5% workforce reduction. Historically, the State Bar has successfully used voluntary programs of this nature to reduce staff. This was last done in 2006.

## **DISCUSSION**

The Subcommittee has evaluated a number of incentive options, including the purchase of CalPers credit for separating employees. This option is not recommended because

of a number of requirements imposed by CalPERS that the Subcommittee did not feel were acceptable at this time. Instead, the Subcommittee is recommending a cash separation incentive. The cash payments would be calculated based on one month's salary for each year of service capped at 6 months. Assuming that 5% of staff opts to participate, the estimated cost of the cash outs is \$1.3 million. Even if a number of positions are reinstated at a later date, the savings to the General Fund is estimated at \$2 million for 2011 with an ongoing \$1.3 savings.

The details of the program will replicate what has successfully been done in the past. This separation incentive will be offered to all employee groups. To participate, an employee will be required to fill out an application for submission to the Office of Human Resources. State Bar management retains the discretion to reject applications if the position to be vacated would result in a hardship to the affected department. The time frame and steps to be accomplished are as follows:

- Early August – Announce creation of the program
- Mid August – Meet with bargaining unit representatives to discuss the program
- Early September – Applications submitted
- October – Approval of applications
- December – Effective date of separation
- January – Cash payments distributed

Once applications are received in September, we will have firmer numbers to use in preparation of the 2011 budget scheduled for adoption in November.

## **CONCLUSION**

The Subcommittee encourages this approach to balancing the budget for the next 3 years. There are a number of benefits to this approach, the foremost of which is the ability to achieve a workforce reduction while maintaining employee morale and avoiding the hidden costs and disruption of bumping.

This is a significant step in ensuring the ongoing fiscal stability of the State Bar through 2013, but it is only the first step. I recommend that the Budget Subcommittee continue to explore other options to maintain fiscal stability for 2014 and beyond.

## **FISCAL / PERSONNEL IMPACT:**

Attached is a forecast through 2013 reflecting the impact of implementing the voluntary separation program. As you can see, the Bar has sufficient General Fund reserves to cover the cash payout in January of 2011, and the ongoing savings result in a balanced budget for 2012 and 2013.

**RULE AMENDMENTS:**

None

**BOARD BOOK/ ADMINISTRATIVE MANUAL IMPACT:**

None

**RECOMMENDATION**

The Budget Subcommittee recommends approval of a voluntary separation incentive program in the form discussed above. The program will be offered to all employee groups.

**PROPOSED BOARD COMMITTEE RESOLUTION:**

Should the Planning, Program Development and Budget Committee agree with the above recommendation, adoption of the following resolution would be appropriate:

**RESOLVED**, that the Planning, Program Development and Budget Committee recommends that the Board authorize a voluntary separation incentive program and direct staff to implement the necessary steps to effect the workforce reduction by December 31, 2010.

**PROPOSED BOARD RESOLUTION:**

Should the Board concur with the Planning, Program Development and Budget Committee's recommendation, adoption of the following resolution would be in order:

**RESOLVED**, that upon the recommendation of the Planning, Program Development and Budget Committee, the Board hereby authorizes a voluntary separation incentive program and directs staff to implement the necessary steps to effect the workforce reduction by December 31, 2010.