

# California on hook for massive banked vacation payoffs

By Thomas Peele and Daniel J. Willis, San Jose Mercury News

They could leave their hearts in San Francisco – or any of the Golden State’s other big vacation spots – but thousands of California’s state workers won’t even leave their desks.

An analysis of the last three years of government salary data shows state employees are continuing to store up massive banks of vacation, instead of heading to Big Sur or hitting the slopes at Lake Tahoe. They’re cashing in by retiring with whopping final paychecks worth, in some cases, more than \$500,000 in unused time off.

From 2009 through 2011, cash-strapped California paid more than \$800 million for days off state workers never used – a problem that has grown by tens of millions of dollars in the four years since the San Jose Mercury News first investigated the costly practice.

It’s an accounting liability that private companies work aggressively to avoid, but one that continues to pile up in Sacramento. And the problem grew even worse in recent years when the state tried to save cash by forcing workers to take unpaid furlough days as an emergency budget fix. As a result, banks of unused vacation grew even larger.

“Is the system broken? Obviously the system’s broken,” said Tim Malan, a supervising dentist at Avenal State Prison, who retired in 2009 with 247 days off still on the books, sweetening his final paycheck by an extra \$317,000.

Like Malan, more than 4,000 people retired from the state over

the past three years with an extra \$50,000 or more for unused vacation and comp time, the newspaper's analysis of pay data from 153 state departments shows. That's almost four employees cashing out at least that much money every day. An additional 16,302 state workers retired during the three-year period with payments from \$10,000 to \$50,000 each.

While Malan sees why taxpayers might be bug-eyed at the vacation payouts, he said staffing shortages are largely to blame.

"If you go anywhere on vacation they give you grief for not doing the job," Malan said. "I had plenty of vacation, and I couldn't take it. Then I got all this money."

When asked last month about vacation and comp time payouts, Gov. Jerry Brown downplayed the issue, saying the state makes employees take vacation before it piles up.

But when pressed for a further response, a spokeswoman from Brown's office acknowledged that the administration intends to tackle what the newspaper's analysis shows was a \$293 million problem in 2011 at a time the governor is asking voters to approve a tax hike at the polls to avoid billions of dollars in cuts. By comparison, the payout was \$174million in the 2007-08 fiscal year.

"This problem, like the \$26billion deficit, is a carry-over from a prior era," Elizabeth Ashford wrote in an email. "Employees were furloughed for short-term savings, which has left a long-term debt in the form of accumulated leave.

"We have already cut compensation for state employees by 5 percent and reformed the public pension system, and we'll fix this problem too."

The state doesn't allow employees to cash in vacation time while they are still employed. But earlier this year, several state parks employees were disciplined and one fired after

auditors found a secret program that allowed more than 50 parks employees to cash in a combined \$270,000 worth of unused time.

This newspaper's analysis showed the biggest payouts go to state workers with vital jobs, like firefighters, highway patrol officers and doctors at state hospitals or prisons. But others – lawyers, researchers at obscure state commissions, traffic engineers – also got fat checks. Managers are supposed to help workers keep vacation balances under 640 hours or 80 days, and Ashford said 87 percent of current state employees are under that cap.

However, state officials said in interviews, nothing stops employees from exceeding it.

“You can't force people to take time off. I've never been able to do that in my time as a manager,” said Nancy Kincaid, a spokeswoman for the state Correctional Health Care Services department, which provides prison medical care.

But in the private sector, employers cap vacation accruals and make workers take their time off before they can accumulate more.

Twenty-seven people, including 19 prison doctors and dentists, got checks for more than \$250,000, and some had more than 500 unused days off on the books when they retired. That's enough money to reserve a seat on British billionaire Richard Branson's future Virgin Galactic space flights or book a three-day stay at the \$65,000-a-night Royal Penthouse Suite at the Hotel President Wilson in Geneva, the world's most expensive hotel.

Topping the list was Napa State Hospital psychiatrist Gertrudis Agcaoili, who retired after 33 years with 642 days of accrued vacation and comp time. It cost taxpayers nearly \$609,000.

How did she manage to bank so much time?

"It's none of your business," Agcaoili said in a brief telephone interview. "I deserve all of it. I worked very hard."

A representative for the Department of State Hospitals, Wanda Yepez, wouldn't say how Agcaoili accrued so much time.

"The demands of 24-hour hospital staffing often (make it) difficult for employees to be absent from the workplace in sufficient hours to maintain vacation balances below" 80 days, Yepez wrote in an email. Department records showed Agcaoili took only about 2 weeks of vacation in the five years before she retired, Yepez wrote.

A veteran observer of government spending said six-figure payouts like Agcaoili's can be crippling and called on the state to revise its personnel policies.

"It's an unfunded liability and a burden on the taxpayer," said Thomas Schatz, executive director of Citizens Against Government Waste, a Washington, D.C., watchdog group. "California needs to look very closely at it. They have to enforce the 80-day limit."

Payouts in state government spiked in 2010, topping \$300million, data shows.

Part of the reason is that when former Gov. Arnold Schwarzenegger ordered workers to take as many as three unpaid days off a month in 2009 and 2010, saying it would reduce costs by \$1.66 billion, they were still allowed to accrue vacation at their normal rate. That can be as high as 15 hours a month for rank-and-file workers and 16 hours for managers.

But vacation balances climbed even higher because employees were required to take furlough days first, said Lynelle Jolley, who retired last week as the spokeswoman for the Human

Resources Department.

When furloughs were enacted, "we knew leave balances went up," she said.

Some workers with critical jobs, like Highway Patrol officers, firefighters and prison guards, are sometimes restricted from taking time off.

"We have to have coverage 24 hours a day," said Janet Upton, a spokeswoman for the Department of Forestry and Fire. The department paid \$40million for unused time during the three years.

A lot of that time, Upton said, came from the past decade when California experienced 11 of the 20 largest fires in state history.

Three of its retirees topped payouts of \$250,000 each, including an administrator, Jay Wickizer, who was paid for 514 vacation days. His job, Upton said, was to restore fire scenes.

But not all employees who were paid for hundreds of vacation hours had critical public safety jobs.

The person with the highest amount of unused vacation during the three-year period analyzed was Seymour Goldstone, a research specialist who retired from the state energy commission in 2010 with 539 vacation days. Goldstone couldn't be reached; commission spokesman Adam Gottlieb could not immediately explain how the time was accrued.

At state prisons, unused time cost \$293 million over the three years analyzed and included time from both corrections officers and health care providers.

Kincaid said many of those professionals were in high demand because of court-ordered improvements to the care provided to inmates. "Some of them worked 20 to 30 years when there were

massive vacancies and then they cashed out," she said.