
SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Scott Wiener, Chair
2025 - 2026 Regular

Bill No:	AB 139	Hearing Date:	June 25, 2025
Author:	Committee on Budget		
Version:	June 24, 2025 Amended		
Urgency:	Yes	Fiscal:	Yes
Consultant:	Hans Hemann		

Subject: State Bargaining Unit 9 and State Bargaining Unit 12

Summary: Makes necessary statutory changes to ratify and implement a memorandum of understanding (MOU) between the state and Bargaining Unit (BU) 9 and an addendum to an MOU between the state and BU 12. The agreements cover state employees represented by two exclusive employee representatives, as follows:

Professional Engineers in California Government (PECG)

- BU 9: Professional Engineers

International Union of Operating Engineers (IUOE)

- BU 12: Operating Engineers

Existing Law:

- 1) Establishes the Ralph C. Dills Act, which requires the state to collectively bargain with the exclusive representatives of employee groups (i.e., bargaining units) - regarding wages and working conditions, and to define negotiated agreements in MOUs.
- 2) Establishes the California Department of Human Resources (CalHR) as the official representative of the Governor in all matters related to collective bargaining with state employees.
- 3) Requires that any MOU between the state and an exclusive representative be ratified by the Legislature.
- 4) Establishes the California Public Employees' Retirement System (CalPERS), which administers health and retirement benefits for state employees.
- 5) Requires the Legislative Analyst's Office (LAO) to analyze all state MOUs and to provide an analysis of an MOU and its fiscal impact to the Legislature within 10 days of receipt of an MOU from CalHR.
- 6) Provides that fully vested state retirees (e.g., with 20 or more years of state employment or with 25 years or more, depending on the bargaining unit) are entitled to an employer contribution for retiree health care equal to 80 or 100 percent of the weighted average premium of the four health plans most highly utilized by all members. Depending on the bargaining unit, dependents are eligible for a contribution based on 80 or 90 percent of the average additional

premiums paid for dependents during the benefit year in which the formula is applied. These are referred to as the 80/80 and 100/90 formulas.

- 7) Requires that Medicare-eligible retirees enroll in Medicare and choose a Medicare-coordinated health plan.
- 8) Provides that the employer contribution for active state employee health care shall be determined through collective bargaining.

Proposed Law: This bill ratifies an MOU entered into between the state and BU 9 and an addendum to an MOU entered into between the state and BU 12. Specifically, this measure does the following:

Memorandum of Understanding with BU 9. This bill ratifies an MOU entered into on June 19, 2025 between the state and BU 9, which is represented by the Professional Engineers in California Government (PECG). The MOU agreement is as follows:

Compensation

Salary Adjustments

- Effective July 1, 2025, all Bargaining Unit (BU) 9 classifications shall receive a general salary increase of 3 percent (3%).
- Effective July 1, 2027, all BU 9 classifications shall receive a special salary adjustment, increasing the maximum salary range by 4.5 percent (4.5%) and increasing the minimum salary rate by 2 percent (2%). Employees at the old maximum of the classification shall move to the new maximum of the classification. Employees not at the old maximum of the classification shall receive a Special Salary Adjustment of 2 percent (2%).

Personal Leave Program 2025

- Effective with the July 2025 pay period through the June 2027 pay period.
- Three percent (3%) pay reduction for all BU 9 employees.
- Five (5) hours credited monthly for the PLP 2025 Program.

Telework Stipend Program

- Effective June 30, 2025, the Telework Stipend Program will sunset.

Prefunding of Post-Retirement Health Benefits

- Effective July 1, 2025, the employee and employer monthly contributions to prefunding other post-employment benefits for BU 9 will be suspended through June 30, 2027.

Leave*Bereavement Leave*

- This section was updated to reflect changes to bereavement leave authorized on January 1, 2023, by Assembly Bill 1949, which added section 12945.7 to the Government Code.

Vacation Leave

- Effective July 1, 2025, the BU 9 vacation leave cap will continue to be 832 hours.
- Effective January 1, 2026, the BU 9 vacation leave cap will be 768 hours.
- Effective January 1, 2027, the BU 9 vacation leave cap will be 704 hours.
- Effective January 1, 2028, the BU 9 vacation leave cap will be 640 hours.

Annual Leave Program

- Effective July 1, 2025, the BU 9 annual leave cap will continue to be 832 hours.
- Effective January 1, 2026, the BU 9 annual leave cap will be 768 hours.
- Effective January 1, 2027, the BU 9 annual leave cap will be 704 hours.
- Effective January 1, 2028, the BU 9 annual leave cap will be 640 hours.

Miscellaneous*Business and Travel Expense*

- This section reflects the current travel program that has been in place since October 1, 2024. This is consistent with the BU 9 Side Letter agreement that was signed on September 12, 2024.

On-Call/Standby Time

- This article clarifies that on-call/standby time applies to all BU 9 employees.

Furlough Protection

- For the term of the Personal Leave Program 2025, July 1, 2025, through June 30, 2027, the State will not implement a Furlough Program.

Post-Retirement Health and Dental Benefit Vesting

- This section aligns the health and dental vesting schedules with CalPERS provisions.

Return-to-Office Side Letter

- This Side Letter suspends Executive Order N-22-25 immediately, and reinstates it on July 1, 2026, unless the agreement is not ratified by both parties. Departments shall rescind any existing Return-to-Office notices and revise policies tied to Executive Order N-22-25.

Term

- July 1, 2025, through June 30, 2028.

Duration

- Effective July 1, 2025. The union ratification process will be completed no later than July 3, 2025.

Fiscal

- Fiscal Year 2025-26 Savings: \$38.6 million (\$2.8 million General Fund)
- Total 3-Year Budgetary Cost: \$92.7 million (\$6.6 million General Fund)

Addendum to a Memorandum of Understanding with BU 12. This bill ratifies an addendum to an MOU entered into between the state and BU 12, which is represented by International Union of Operating Engineers (IUOE). The agreement is, as follows:

Compensation*General Salary Adjustment*

- The existing MOU contains a 4 percent (4%) increase to the maximum of the salary range for all BU 12 classifications effective July 1, 2025. This agreement amends that provision and all BU 12 employees shall receive a general salary increase of 3 percent (3%) effective July 1, 2025.

Personal Leave Program (PLP 2025)

- Effective July 1, 2025 pay period through the June 2027 pay period, PLP 2025 will apply to BU 12-represented employees.
- Employees continue to work their assigned work schedules and shall have a reduction in pay equal to three percent (3%) pay reduction.
- Each full-time employee shall be credited with five (5) hours of PLP 2025 on the first day of each pay period for the duration of the PLP

2025 program. On June 1, 2027, BU 12-represented employees shall receive an additional eight (8) hours of PLP 2025.

- PLP 2025 accruals do not expire. PLP 2025 may be cashed out upon separation from state service.
- PLP 2025 leave shall not be considered as “time worked” for overtime purposes except when an employee is “mandated” to work overtime.
- The State shall not seek furlough compensation or additional personal leave program (PLP) reductions from BU 12-represented employees during the term of this MOU.

Health Benefits

Health, Dental, Vision

- The State’s monthly health benefit contribution for each employee shall continue to be a flat dollar amount equal to 80 percent (80%) of the weighted average of the basic health benefit plan premiums of the four largest enrolled basic health plans. The flat dollar amounts shall be increased or decreased as appropriate pursuant to the formula on January 1, 2027.

Prefunding of Other Post-Employment Benefits (OPEB)

- The employer and employee’s monthly contribution for prefunding other post-employment benefits (OPEB) for the 2025-26 and 2026-27 fiscal years of 4.1 percent (4.1%) is suspended and shall not be contributed by the employer and shall not be withheld from employees’ salaries from July 1, 2025 through June 30, 2027.
- Commencing July 1, 2027, OPEB contributions shall be restored with the goal of reestablishing a 50-percent cost sharing of actuarially determined total normal costs for both the employer and employees with a three-year phase-in period (see Side Letter). Beginning July 1, 2027, both the employer and employee shall contribute 1.40 percent (1.40%) of pensionable compensation.
- Beginning July 1, 2028, both the employer and employee shall contribute 2.7 percent (2.7%) of pensionable compensation.
- Beginning July 1, 2029, both the employer and employee shall contribute 4.1 percent (4.1%) of pensionable compensation.
- Effective July 1, 2030, both the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of actuarially determined total normal costs. The increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent (0.5%) per year.

Retirement

- The existing MOU contains changes to employee retirement contributions effective July 1, 2025. Increases to employee retirement

contributions provided for in Article 11.1 and Article 11.4 will be suspended through June 30, 2027.

Term

- Upon ratification by both parties, the MOU current term is extended from June 30, 2026, to June 30, 2027.

Fiscal

- Fiscal Year 2025-26 savings: \$30.3 million (\$10.9 million General Fund)

Achieving Additional Savings. Includes uncodified language that approves any memoranda of understanding or addenda to a memoranda of understanding entered into by the state employer and state employee bargaining unit between June 21, 2025 and June 30, 2025 that includes measures that achieve savings that contribute to meeting the reductions pursuant to Section 3.90 of the Budget Act of 2025.

Fiscal Effect: This bill results in a savings of \$68.9 million (\$13.7 million General Fund) in fiscal year 2025-26 with the implement the MOU and the addendum to an MOU as described above.

Support: None on file.

Opposed: None on file.

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