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# SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Scott Wiener, Chair  
2025 - 2026 Regular

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**Bill No:** AB 161 **Hearing Date:** September 10, 2025  
**Author:** Committee on Budget  
**Version:** September 8, 2025 As amended  
**Urgency:** Yes **Fiscal:** Yes  
**Consultant:** Hans Hemann

**Subject:** State Bargaining Units – Memoranda of Understanding and Side Letters

**Summary:** Makes necessary statutory changes to codify and ratify a new memorandum of understanding (MOU), addenda to existing MOUs, side letter agreements and closure letters between the state and various state employee bargaining units (BUs).

The agreements cover state employees represented by eight exclusive employee representatives, as follows:

Service Employees International Union, Local 1000 (SEIU 1000)

- BU 1: Administrative, Financial, and Staff Services
- BU 3: Professional Educators and Librarians
- BU 4: Office and Allied
- BU 11: Engineering and Scientific Technicians
- BU 14: Printing Trades
- BU 15: Allied Services
- BU 17: Registered Nurses
- BU 20: Medical and Social Services
- BU 21: Education Consultants and Library Employees

California Association of Highway Patrolmen (CAHP)

- BU 5: Highway Patrol

California Department of Forestry and Fire Protection Firefighters, CAL FIRE Local 2881

- BU 8: California Firefighters

California Association of Professional Scientists (CAPS)

- BU 10: Professional Scientists

International Union of Operating Engineers (IUOE)

- BU 12: Craft and Maintenance
- BU 13: Stationary Engineers

AFSCME - Union of American Physicians and Dentists (UAPD)

- BU 16: Physicians, Dentists, and Podiatrists

California Association of Psychiatric Technicians (CAPT)

- BU 18: Psychiatric Technicians

American Federation of State, County and Municipal Employees (AFSCME)

- BU 19: Health and Social Services/Professional

**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 ten 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 a new/successor MOU with BU 18 (CAPT), two addenda to current MOUs with BU 8 (CalFire Firefighters) and BU 10 (PECG), side letters agreements with BUs 1, 3, 4, 11, 14, 15, 17, 20 and 21 (SEIU 1000), BU 5 (CAHP), BUs 12 and 13 (IUOE) and closure letters with BU 16 (UAPD) and BU 19 (AFSCME).

Specifically, this measure does the following:

**New Memoranda of Understanding or Successor Agreement with BU 18**

**Memorandum of Understanding with BU 18.** This bill ratifies a new MOU entered into on August 14, 2025 between the state and BU 18, which is represented by the California Association of Psychiatric Technicians (CAPT). The MOU agreement is as follows:

**Compensation**

*General Salary Adjustment and Special Salary Adjustments*

- Effective the first day of the pay period following ratification by both parties, all BU 18 classifications shall receive a general salary increase of 3%.
- Effective July 1, 2027, all BU 18 classifications shall receive a general salary increase of 3%.

*Personal Leave Program (PLP 2025)*

- Effective the first day of the pay period following ratification by both parties through the June 2027 pay period, PLP 2025 will apply to BU 18-represented employees.
- Employees will continue to work their assigned work schedules and receive a 3% pay reduction.
- Each full-time employee shall be credited with five hours of PLP 2025 on the first day of each pay period for the duration of the PLP 2025.
- 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.

*Bilingual Pay Differential*

- Effective the first day of the pay period following ratification by both parties, the bilingual pay differential will increase from \$100 to \$200 per month.

**Health Benefits**

*Health, Dental, Vision (CoBen)*

- The state’s monthly health benefit contribution for each employee shall continue to be a flat dollar amount equal to 80 percent 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, 2026, January 1, 2027, and January 1, 2028.

*Prefunding of Other Post-Employment Benefits (OPEB)*

- The employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025-26 and 2026-27 fiscal years, is suspended and shall not be withheld from employees' salaries or contributed by the employer beginning July 1, 2025, and ending June 30, 2027.
- Beginning July 1, 2027, with the goal of reestablishing a 50% cost sharing agreement of actuarially determined normal costs for both employer and employees, the amount of employees and matching employer contributions required to prefund retiree healthcare shall be phased in as follows:
  - July 1, 2027: by 1.5%
  - July 1, 2028: by 1.5%, for a total of 3%
  - July 1, 2029: by 1.5%, for a total of 4.5%.
- Effective July 1, 2030, both the employer and employee contribution percentages will be increased or decreased to maintain a 50% cost sharing of actuarially determined normal costs.
- The increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5% per year.

Retirement*State Miscellaneous/Industrial – First Tier A Retirement Formula (2% at age 55), First Tier B Retirement Formula (2% at age 60) and Public Employees' Pension Reform Act (PEPRA) First Tier Retirement Formula (2% at age 62)/Employee Contribution/Final Compensation*

- Effective July 1, 2025, the employee contribution for Miscellaneous and Industrial members shall remain in place through June 30, 2027.
- Cost sharing – effective July 1, 2027, when CalPERS determines the employee contribution rate for Miscellaneous or Industrial members increases or decreases by more than 1% from the 2026-27 fiscal year total normal cost, the rate shall be adjusted to 50% of the normal cost rate rounded to the nearest quarter of one percent on July 1 of the fiscal year after the determination, not exceed 1% per year.

*State Safety A Retirement Formula (2.5% at age 55), State Safety B Retirement Formula (2% at age 55), and Public Employees' Pension Reform Act (PEPRA) Retirement Formula (2% at age 57)/Employees Contribution/Final Compensation*

- Effective July 1, 2025, the employee contribution for State Safety members shall remain in place through June 30, 2027.
- Cost sharing – effective July 1, 2027, when CalPERS determines the employee contribution rate for State Safety increases or decreases by more than 1% from the 2021-22 fiscal year total normal cost, the rate shall be adjusted to 50% of the normal cost rate rounded to the nearest quarter of .25% on July 1 of the fiscal year after the determination, not to exceed 1% per year.

Miscellaneous

*Recruitment and Retention*

- The parties shall meet twice each year through June 30, 2028, to discuss methods and opportunities to increase the recruitment and retention of BU 18 employees.

*Overtime*

- Reduces mandatory overtime from four shifts per month (five shifts for the Department of Developmental Services Stabilization, Treatment, Integration, and Reintegration (STAR) homes), to three shifts per month (four shifts for STAR homes), effective June 30, 2028.

*Bereavement Leave*

- Provides five days of unpaid bereavement leave for permanent probational, and non-permanent employees, unless the employee is eligible for other leave, as defined. All bereavement leave must be taken within three months of the date of death.

*Business and Travel Expenses*

- During the term of this agreement, the state agrees to apply any future changes to the business and travel expense reimbursement rates to BU 18 employees.

*Floating*

- Adds that contracted registry staff shall normally be floated before any BU 18 employees.

*Union Release Time*

- Increases the rate the union shall reimburse the state for union release time from 130% over three years to:
  - 134% effective July 1, 2026,
  - 138% effective July 1, 2027,
  - 142% effective July 1, 2028, to cover costs associated with employee salary and benefits.

*Contracting Out Committee*

- The state agrees to meet with CAPT twice a year to examine existing personal services contracts that call for services found in BU 18 class specifications. The purpose of these meetings includes, but is not limited to, providing the opportunity for CAPT to present alternatives, which mitigate or avoid the need for contracting out, while still satisfying the needs of the state to provide services.

Term

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

Fiscal

- Fiscal Year 2025-26 cost: \$2.8 million (\$2.7 million General Fund).

**Addendum to the Memoranda of Understanding with BU 8**

**Addendum to the Memorandum of Understanding with BU 8.** This bill ratifies an addendum to an MOU entered into on July 16, 2025 between the state and BU 8, which is represented by CAL FIRE Local 2881. The agreement is as follows:

Compensation*General Salary Adjustment*

- Effective the first day of the pay period following ratification by both parties, all BU 8 represented employees shall receive a 2.5% general salary increase.

*Personal Leave Program (PLP 2025)*

- Effective the first day of the pay period following ratification by both parties through the June 2027 pay period, PLP 2025 will apply to BU 8-represented employees.
- Employees continue to work their assigned work schedules and shall have a reduction in pay equal to a 2.5% for all BU 8 employees.
- Each full-time employee shall be credited with PLP 2025 on the first day of each pay period for the duration of the PLP 2025 program. Six hours credited monthly for fire protection employees and four hours of PLP 2025 credited monthly for specialty classes.
- PLP 2025 accruals do not expire. PLP 2025 may be cashed out upon separation from state service.

*Duration*

- This side letter is effective the first day of the pay period following ratification by both parties and extends the MOU current term from June 30, 2026, to June 30, 2027.

*Miscellaneous*

- The state agrees that the 2027 successor MOU negotiations will include the 56-hour industry-standard work week in the MOU.
- The Department of Human Resources and CAL FIRE Local 2881 agree to meet on or before February 1, 2026, to allow the union an opportunity to present a Deferred Retirement Option Plan to the state.

*Fiscal*

- Fiscal Year 2025-26 Savings: \$492,000 (\$327,000 General Fund).

**Addendum to the Memoranda of Understanding with BU 10**

**Addendum to the Memorandum of Understanding with BU 10.** This bill ratifies an addendum to an MOU entered into on August 14, 2025 between the state and BU 10, which is represented by the California Association of Professional Scientists (PECG). The agreement is as follows:

**Compensation***Special Salary Adjustments*

- Group A: Employees in the Pest Prevention classification series will receive a Special Salary Adjustment as outlined below:
  - Effective the first day of the pay period following ratification, these classifications will be adjusted by increasing the maximum salary range by 4% and increasing the minimum salary by 3.5%. 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 3.5%. Employees in these classifications shall retain their anniversary date.
- Group B: Employees in the Energy Commission Specialist, Research Scientist, Research Specialist, Energy Resources Specialist, Energy Specialist, Energy Analyst, Toxicologist, and Spectroscopist classification series will receive a Special Salary Adjustment as outlined below:
  - Effective the first day of the pay period following ratification, these classifications will be adjusted by increasing the maximum salary range by 4% and increasing the minimum salary by 3.5%. 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 3.5%. Employees in these classifications shall retain their anniversary date.
- Group C: Employees in the Health Physicist, Ergonomic Specialist (State Compensation Insurance Fund), Industrial Hygienist, Public Health Biologists, Wildlife Forensic Specialist, Industrial Hygienist (State Compensation Insurance Fund), Ergonomic Specialist (State Compensation Insurance Fund), Economic Entomologist, Microbiologist Intern, Public Health Microbiologist, Examiner Laboratory Field Services, Cytotechnologist, Hazardous Materials Specialist, Cytotechnologist and Agricultural Biologist classification series will receive a Special Salary Adjustment as outlined below:
  - Effective the first day of the pay period following ratification, these classifications will be adjusted by increasing the maximum salary range by 4% and increasing the minimum salary by 3.5%. 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 3.5%. Employees in these classifications shall retain their anniversary date.

- Group D: Employees in the Veterinarian and Plant Sciences, Seismologist, Fish and Wildlife Interpreter, Archeologist, Environmental Scientist, Integrated Waste Management, Senior Geologist, Chemist, Senior Meteorologist Water Resources and Oceanographer classification series will receive a Special Salary Adjustment as outlined below:
  - Effective the first day of the pay period following ratification, these classifications will be adjusted by increasing the maximum salary range by 5% and increasing the minimum salary by 3.5%. 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 3.5%. Employees in these classifications shall retain their anniversary date.

#### *Telework Stipend Program*

- Effective the first day of the pay period following ratification, the telework stipend program will end.

#### *Personal Leave Program (PLP) 2025*

- Effective the first day of the pay period following ratification through the June 2027 pay period, BU 10 employees will participate in PLP 2025.
- Each full-time employee shall continue to work their assigned work schedule and shall have a reduction in pay equal to 3.5%.
- Each full-time employee shall be credited with 6 hours of PLP 2025 per month for the duration of the PLP 2025 Program.
- Employees in Work Week Group 2 may request and use PLP 2025 in 15-minute increments.
- PLP 2025 must be used before any other leave except for sick leave and Professional Development Days. Employees may elect to use PLP in lieu of approved sick leave.
- Employees should use all leave earned under PLP 2025 prior to voluntary separation. Appointing powers may schedule employees to take PLP 2025 time off to meet the intent of this section. In circumstances where an employee was not able to use their PLP 2025 prior to separation, PLP 2025 may be cashed out. If an employee's separation is not voluntary and the separation date cannot be extended, PLP 2025 shall be cashed out.
- PLP 2025 accruals do not expire.
- Time during which an employee is excused from work because of PLP 2025 leave shall not be considered as "time worked" for purposes of determining the number of hours worked in a work week.
- Seasonal and temporary employees are not subject to PLP 2025.
- Part-time and permanent intermittent employees shall be subject to the same conditions as stated above, on a prorated basis.



Health Benefits*Health, Dental, Vision*

- Effective the first day of the pay period following ratification, state employees shall receive the same level of state employer contributions for health, vision, dental, flex-elect cash option, and enhanced survivor's benefits the represented employee would have received had the PLP 2025 not occurred.

Leave*Leave*

- Effective the first day of the pay period following ratification, the 640-hour vacation and annual leave cap shall be increased by the equivalent number of PLP hours BU 10 employees have been credited with until June 30, 2028, thereby increasing the cap to 766 hours.
- Upon ratification of this side letter by both parties, BU 10 employees may elect to switch between either program, the Vacation and Sick Leave Program and the Annual Leave Program, until October 31, 2025. An employee may only elect to make the switch once during this time period.

*Voluntary Personal Leave Program (VPLP)*

- Continuation of the VPLP during the duration of PLP 2025 shall be at the discretion of the employee. If the employee elects to alter their participation in VPLP, they shall be allowed to opt out or change at any time during the PLP 2025 program. For the duration of any mandatory PLP program.

Retirement*Prefunding of Other Post-Employment Benefits*

- Effective the first day of the pay period following ratification by both parties, the employees' and employer's monthly contribution for prefunding other post-employment benefits is suspended and shall not be withheld from employees' salaries or contributed by the employer through the June 2027 pay period.

Miscellaneous*Telecommute/Telework Program*

- The provision is modified to include examples of "office" work.
- The provision is modified to provide at least a 60-day notice prior to implementation of, or a change to, an existing telecommuting policy or program.

*Electronic Monitoring*

- This section is now subject to the grievance and arbitration provision as outlined in the MOU.

*Reopener*

- The parties agree to reopen depending on 2026 Budget Act, consistent with the Dills Act and the 2026 Budget Act.
  - If the Legislature does not approve or fully fund any provision of the MOU which requires the expenditure of funds for the 2026-2027 fiscal year, either party may reopen negotiations on all or part of the MOU. The parties shall meet and confer in good faith on or before July 1, 2026.

Term

- Upon ratification by both parties, this Side Letter agreement becomes addendum to the July 1, 2024, through July 1, 2027, BU 10 MOU.

Fiscal

- Fiscal Year 2025-26 Savings: \$6.7 million (\$1.8 million General Fund).

**State Special Schools Recruitment and Retention Side Letters**

**State Special Schools Employees.** This bill ratifies three side letters and two closure letters related to recruitment and retention compensation adjustments for employees that work at California's State Special Schools, located in Fremont, Riverside and the Diagnostic Center North. The agreements include employees represented by SEIU 1000 (BUs 1, 3, 4, 11, 14, 15, 17, 20 and 21), International Union of Operating Engineers – IUOE (BUs 12 and 13), Union of American Physicians and Dentists – UAPD (BU 16) and the American Federation of State, County and Municipal Employees – AFSCME (BU 19).

The agreements contain various compensation increases including special salary adjustments for specified employee classifications and recruitment and retention pay differentials for various identified job classifications.

In addition, the side letters and closure letters include workforce stability incentive stipends for staff employed at the California School for the Deaf in Fremont, the California School for the Blind in Fremont and the Diagnostic Center North.

**Out-of-State Health Benefits Side Letter**

**Out-of-State Health Benefits.** This bill ratifies a side letter entered into on August 12, 2025 between the state and BUs 1, 3, 4, 11, 14, 15, 17, 20, and 21, which are represented by SEIU 1000.

The agreement increases monthly payments to state employees who are headquartered out-of-state and enrolled in a CalPERS sponsored Preferred Provider Organization health plan because they are unable to enroll in a CalPERS sponsored HMO plan.

#### **Mass Transit Side Letter**

**Mass Transit.** This bill ratifies a side letter entered into on August 3, 2025 between the state and BU 5, which is represented by California Association of Highway Patrolmen (CAHP). The agreement increases the amount employees can be reimbursed for public transit passes and vanpool services to 100% of the current maximum exclusion amount provided by the Internal Revenue Service.

#### **Phlebotomy Differential Side Letter**

**Phlebotomy Differential.** This bill ratifies a side letter entered into on August 6, 2025 between the state and BU 11, which is represented by SEIU 1000. The agreement increases the pay differential for the Laboratory Assistant Series and Laboratory Assistant, Correctional Facility Series classification specifications to include licensure/certification requirements for phlebotomy work.

**Fiscal Effect:** This bill results in an overall cost of \$14.6 million (\$1.6 million General Fund) after accounting for savings associated with the addenda to MOUs and side letters. Note: The appropriation in this bill includes \$11.4 million in Proposition 98 General Fund associated with the State Special Schools Recruitment and Retention side and closure letters, as described above.

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