



The CSU has refused to honor the agreement, declining to give modest wage increases and salary steps to their hard-working employees in favor of, in some instances, massive increases in executive compensation. AB 1818 will clarify HEERA to ensure the CSU must comply with its obligations under a collective bargaining agreement. By closing this dangerous loophole, this bill will ensure the CSU abides by the law's intent to protect workers and students, aligning with California's values.

According to the CSU, this potential for renegotiation is a long-standing reality of their budget and planning process. Writing in reference to the CBA between the Teamsters Local 2010 and the CSU, the CSU states the assumed state budget funding contingencies were not met, which "triggered the mutually agreed to salary reopening process." Further, writing in opposition of this bill, the CSU states:

When state appropriations are reduced, the CSU has no mechanism to replace that revenue. Moreover, the state budget is not finalized until June, and public institutions like the CSU must retain the ability to reasonably adjust budgets once final funding levels are known. Approximately 75 percent of CSU operating expenditure is dedicated to salaries and benefits. Salary increases create permanent financial obligations that cannot be scaled back. Committing to ongoing compensation increases without guaranteed, ongoing funding could expose the university to significant fiscal risk and would divert resources from core student services.

- 2) **Background. *Higher Education Employer-Employee Relations Act (HEERA)*.** The HEERA, established by the Legislature in 1978, governs collective bargaining in higher education. Unlike the treatment for other public employers under existing law, the HEERA provides that a Memorandum of Understanding (MOU) between a higher education employer and its employees is not subject to review or approval by the Legislature. Current law places administration of the HEERA under the jurisdiction of the Public Employment Relations Board (PERB).

The HEERA provides that, specifically for the CSU and its employees, if an MOU requires legislative action, but the Legislature and Governor fail to fully fund the MOU or take required curative action, the entire MOU must be referred back to the parties for further meeting and conferring. Similarly, the parties may agree that provisions of the MOU are nonbudgetary which results in immediate effectuation regardless of Legislative approval. This bill would repeal this provision and state that the CSU shall not fail to comply with its obligations under a CBA with a labor organization should the Legislature and Governor fail to fund the amount of state funding for the CSU assumed in the bargaining process.

***Current CSU State Funding.*** Ongoing CSU core funds increased by just over \$400 million annually from fiscal year 2024-25 to 2025-26, and by \$765 million from fiscal year 2025-26 to the Governor's proposed amount for 2026-27, including the restoration of a \$143.8 million funding deferral of 2025-26 into 2026-27 that was enacted as part of the 2025 Budget Act. However, the Governor's proposal for fiscal year 2026-27 maintained an additional year of the \$143.8 million funding deferral, which the Governor's administration

intends to retire in fiscal year 2027-28. In the case of labor strife between the CSU and Teamsters Local 2010 regarding an MOU within a recently ratified CBA, the CSU claims, because of this 2025-26 deferral, the CSU failed to receive a “defined level of new, ongoing state funding” agreed upon in CSU’s CBA; as a result, salary negotiations reopened. The Legislature provided the CSU with a one-time zero-interest loan for the amount of the deferral, which the CSU requested and received in the fall of 2025.

***CSU Spending and Reserves.*** The LAO finds that, since the 2019-20 fiscal year, the CSU’s spending on core operating expenses has not kept pace with inflation and increased at an average annual rate of 3.6% between 2019-20 and 2024-25. However, in that same period, CSU’s spending for salaries increased by \$805 million, or 23% total, slightly outpacing inflation, with the bulk of this spending represented by salary increases. According to the LAO, the cost to increase salaries at the CSU by 1% is \$59 million and the CSU expects employee health premiums in fiscal year 2026-27 to increase by \$21 million. Salary negotiations for fiscal year 2025-26 are still ongoing but nonrepresented employees received a one-time salary increase of 3% in fiscal year 2025-26, which was also offered to represented employees. Notably, as of June 30, 2025, the CSU fell short of its targeted uncommitted reserve amount, with \$760 billion in uncommitted core funding reserves, slightly below an estimated month of expenses, but \$2.3 billion in total core funding reserves.

- 3) **Prior and Related Legislation.** AB 1630 (Caloza), of the current legislative session, makes changes to the HEERA regarding observation of the meet and confer process. AB 1630 is currently pending hearing in this committee.

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