

ASSEMBLY THIRD READING

AB 1818 (Ortega)

As Amended May 18, 2026

Majority vote

SUMMARY

Amends the Higher Education Employer-Employee Relations Act (HEERA) relating to the California State University (CSU), a written memorandum of understanding (MOU), and funding of the MOU via the annual state Budget Act.

Major Provisions

Require, as to whether a MOU requires legislative action or if the Legislature or Governor fail to fully fund the MOU or take requisite curative action, the determination to be made by the Director of Finance by written notification to parties.

COMMENTS*Meeting and Conferring Under the HEERA*

In the public sector, including the HEERA, the core mechanics of collective bargaining are twofold: (i) Each party must give up something to receive something in return to, (ii) achieve the manifestation of the art of compromise represented by a written and signed agreement that is formally executed as a MOU. Achieving the agreement, i.e., contract, is identical to the common law principles of the formation of a contract, i.e., offer, acceptance, and exchange of consideration. However, to achieve an agreement assumes that the collective bargaining process and negotiation strategy or tactics used by both the employer and employee organization are in good faith and not to reach an impasse, nor the employer driving negotiations in a manner ultimately to be able to unilaterally implement (also commonly referred to by employee organizations as "impose") what might be considered by the employee organization as an unfair or objectionable contract.

While the employer and exclusive representative are the only parties to the agreed-upon and executed MOU, pursuant to the HEERA, the CSU is required to maintain close liaison with the Department of Finance and the Legislature relative to that process on provisions of the written MOU that have fiscal, i.e., state budgetary, ramifications. In addition, the Governor is required to appoint one person to attend the meeting and conferring as well as impasse procedures who provides advice to the parties of the Governor's views on matters that require appropriation or legislative action. The Speaker of the Assembly and the Senate Committee on Rules are each authorized to appoint one representative to attend the meet and confer process to advise the parties on the views of the Legislature on matters that require an appropriation or legislative action. Unlike the Dills Act governing employment relations for executive branch civil service employees, the HEERA does not require an agreed-upon MOU between the CSU and an employee organization to be presented to, and approved by, the Legislature. Where the acts differ in this regard, they are similar with respect to those MOU provisions that may be implemented if they do not require legislative action. Thus, although the procedural manner by which a MOU becomes effective among both acts differ, the means of their effectuation are both governed by legislative action via the annual state Budget Act consistent with the Legislature's plenary constitutional "power of the purse." (Section 12, art. IV, Cal. Const.)

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 percent between 2019-20 and 2024-25. However, in that same period, CSU's spending for salaries increased by \$805 million, or 23 percent 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 percent 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 percent 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.

The CSU and CSU Bargaining Unit 6: Relevant MOU Provisions and Recent Labor Strife at the CSU Regarding an MOU

An MOU between the CSU and CSU Bargaining Unit 6 (Teamsters, Local 2010) covers a range of matters of interest to both the employer and employees represented by the employee organization. Within this agreement, Article 24 provides for the salary of bargaining unit members. Various matters relating to salary pursuant to that Article explicitly state that their effectuation is contingent upon the "State of California's final Budget Act of 2024..." and establish that if the specific contingency is not met, the CSU and the union must reopen negotiations." In addition, Section 32.3 of Article 32 of this MOU expressly states, "[any] term(s) of this Agreement which is deemed by the Employer to carry an economic cost shall not be implemented until the Employer determines that the amount required therefore has been appropriated and makes such amount available for expenditure for such purpose. If the Employer determines that less than the amount needed to implement this Agreement or any provision herein has been appropriated or makes available less than the amount needed to implement this Agreement or any provision herein, the term(s) of this Agreement deemed by the CSU to carry economic cost shall automatically be subject to the meet and confer process."

In an update regarding the Teamsters, Local 2010's labor action, the CSU stated that, "[this] labor action stems from a dispute over salary provisions for the 2025-26 fiscal year. Teamsters' leadership has publicly claimed that the CSU received full state funding for that year and that

salary increases provided for in the agreement should therefore be implemented. This claim is incorrect. Under the parties' agreement, the salary provisions for 2025-26 were expressly contingent upon the CSU receiving a defined level of new, ongoing state funding, approximately \$250 million. Instead, the enacted state budget reduced CSU's ongoing base by \$143.8 million. While the Legislature subsequently provided CSU with a zero-interest loan in the same amount as the reduction, that funding is one-time and must be repaid. Because the loan is not permanent, it cannot be used to support ongoing salary increases. For this reason, the CSU authorized the use of the loan for one-time payments to employees, subject to the collective bargaining process. The contingent salary increases outlined in the Teamsters agreement depended on the receipt of the sufficient new, ongoing funding, which the CSU did not receive, even with the loan. As a result the CSU notified the Teamsters of its request for a salary reopener as required by the parties' agreement...[.]"

Please refer to the policy committee analysis for a full discussion of this bill.

According to the Author

“Once a contract is signed, it is up to both employer and employee to uphold their end of the [agreement]. However, the CSU has been using an antiquated section of law which gives them sole authority to interpret the State Budget and decide whether or not they received enough funding to keep their end of the CBAs they reach with employees. As it stands, CSU has a legal backdoor to deny employees the raises they have agreed to give. [This bill] will eliminate this section of code so that the CSU cannot break the contracts they have made with their employees. In the instance the CSU cannot meet their agreements, they will have recourse with the [PERB] to renegotiate contracts, just like any other public employer.”

Arguments in Support

In part, Teamsters California states, “[the] hardworking employees of the CSU are what make the affectionately known people's university great. Every day, on all 22 campuses, the people's university reaps the benefits of their tireless workforce. The loophole [the] CSU exploits was intended to protect higher education institutions in California from unforeseen budget emergencies or policy changes initiated by the Legislature. In such instances, the CSU can refuse to honor their collective bargaining agreements, a decision made at their sole discretion. The California Legislature and the Governor have honored the five-year budget compact, increasing CSU's annual base funding by five percent each year. CSU has raised tuition by 36% by 2029. The resulting revenue increase is projected to be [...] of \$1.2 billion systemwide. According to the CSU budget summaries published on their own website, in the 2024-2025 fiscal year they allocated \$8,466,495,000 of the \$8,471,495,000 in state support, indicating a \$5,000,000 surplus. They also report having significant reserves north of \$8 billion in cash investments and \$2.4 billion in surplus/designated balances and reserves. This makes their reserves equal to the entirety of their state allocated funds in the prior fiscal year. Still, citing funding deferrals in the 2025-26 state budget, CSU used its statutory authority to refuse to pay raises it agreed to in 2024. In the same month, they increased executive compensation by 5-17% for the CSU presidents. “[...] The actions of [the] CSU go beyond betraying workers; they are betraying their students. Without qualified mechanics and technicians at work, this means deliveries turned away and construction delayed. It leaves elevators, lighting, heating, and cooling, electrical systems, and restrooms potentially inoperable. Students already face enough challenges. Students attending any public school in California deserve freedom from learning disruptions caused by poor management. [The] CSU's behavior pollutes the very spirit of HEERA and is antithetical to California's long history of protecting workers. This

unconscionable mismanagement is poisoning [the] CSU and the State of California's reputation as an employer. California, amid this national affordability crisis, must ensure it remains a place where workers are paid and treated fairly. California must stand in its values. [This bill] is essential to close this dangerous loophole and protect workers, students, and California values. The California Federation of Teachers – a Union of Educators and Classified Professionals, AFT, AFL-CIO, the California State Council of the Service Employees International Union, and the California State University Employees Union offer similar statements in support of this bill.

Arguments in Opposition

The CSU states that, "[it] relies on a combination of tuition and state General Fund support to balance the system's operating budget. State appropriations make up 60 percent of the CSU's operating budget. The volatility of the annual state budget has had a significant effect on the CSU and its year-to-year budget. For example, in 2024–25 the CSU absorbed a one-time \$75 million reduction and in 2025–26 the enacted state budget included a \$143.8 million one-time reduction. These appropriations are foundational to the university's financial planning, as the CSU cannot responsibly commit to ongoing compensation costs without certainty regarding the level of state funding ultimately provided. 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.

The author's office has stated that [this bill] is necessary to uphold the 2024 ratified collective bargaining agreement (CBA) between Teamsters Local 2010 and the CSU. The CSU respectfully disagrees with this assessment. The CBA, which was agreed to by the Teamsters and ratified by its membership, included clear provisions tying certain salary increases to the receipt of \$239.7 million in new, unallocated, ongoing state funding in the 2025–26 budget. Those contingencies were not met. The state budget fell short of providing new, unallocated, ongoing funding, as it included the \$143.8 million reduction and instead provided one-time funding through a loan that must be paid back this year. This triggered the mutually agreed to salary reopening process. The CSU and Teamsters have participated in mediation through the [PERB], and a fact-finding report will become public later this month. [This bill] could alter a carefully structured and longstanding collective bargaining framework by inserting statutory requirements into matters that are best resolved at the bargaining table. It risks undermining mutually agreed to agreements, increasing fiscal exposure beyond state appropriated funding, and limiting CSU's ability to responsibly manage public resources. Moreover, the bill could limit future agreements to one-year terms and delay finalizing contracts until state funding levels are known each summer. This would create uncertainty for employees and undermine the multi-year planning that benefits both the university and its workforce."

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, to the extent this bill results in an increase in single-year as opposed to multi-year bargaining terms, given the uncertainty of funding for ongoing compensation costs, subject to written notification from the director of the Department of Finance, the bill creates ongoing General Fund costs of an unknown but

potentially significant amount, possibly in the tens of thousands to low hundreds of thousands of dollars annually, for the CSU to support additional staff responsible for collective bargaining negotiations. To the extent the bill results in no net increase in the number of memoranda referred back to the parties for negotiations as occurs under current law then the bill creates no new costs.

VOTES

ASM PUBLIC EMPLOYMENT AND RETIREMENT: 7-0-0

YES: McKinnor, Lackey, Alanis, Boerner, Garcia, Nguyen, Michelle Rodriguez

ASM APPROPRIATIONS: 11-3-1

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Dixon, Tangipa

ABS, ABST OR NV: Ta

UPDATED

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