

SENATE THIRD READING

SB 138 (Committee on Budget and Fiscal Review)

As Amended July 14, 2025

Majority vote. Budget Bill Appropriations Takes Effect Immediately

SUMMARY

Makes necessary statutory changes to codify and ratify memoranda of understanding (MOUs) between the state and Bargaining Units (BU) 2, 13, 16 and 19 and addenda to MOUs (side letters) between the state and BUs 1, 3, 4, 5, 7, 8, 10, 11, 14, 17, 18, 19, 20 and 21. The agreements cover state employees represented by 10 exclusive employee representatives, as follows:

Service Employees International Union, Local 1000 (SEIU 1000)

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

California Attorneys, Administrative Law Judges, and Hearing Officers in State Employment (CASE)

BU 2: Attorneys and Hearing Officers

California Association of Highway Patrolmen (CAHP)

BU 5: Highway Patrol

California Statewide Law Enforcement Association (CSLEA)

BU 7: Protective Services and Public Safety

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 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

Major Provisions

This bill codifies and ratifies new MOUs entered into between the state and BU 2, 13, 16 and 19 and addenda to MOUs (side letters) entered into between the state and BUs 1, 3, 4, 5, 7, 8, 10, 11, 14, 17, 18, 19, 20 and 21. Specifically, this measure does the following:

New Memoranda of Understanding with BUs 2, 13, 16 and 19:

Memorandum of Understanding with BU 2. This bill codifies a new MOU entered into on June 25, 2025 between the state and BU 2, which is represented by the California Attorneys, Administrative Law Judges, and Hearing Officers in State Employment (CASE). This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The MOU agreement is as follows:

Compensation

General Salary Adjustment (GSI)

Effective July 1, 2025, all Bargaining Unit 2 employees shall receive a GSI of 3%.

Special Salary Adjustments

- 1) Effective July 1, 2027, the following BU 2 classifications will be adjusted by increasing the maximum salary rate by 4.5%:
 - a) 5780 Attorney IV
 - b) 5781 Attorney V
 - c) 5705 Deputy Attorney General IV
 - d) 5701 Deputy Attorney General V

- 2) Employees at the old maximum of the above classifications shall move to the new maximum of the classification.
- 3) Employees in these classifications shall retain their anniversary date.
- 4) Employees not at the old maximum of the above classifications shall receive a Special Salary Adjustment of 2%.
- 5) Effective July 1, 2027, all BU 2 employees not identified above shall receive a Special Salary Adjustment of 2%.

Personal Leave Program (PLP 2025)

- 1) Effective the first day of the July 2025 pay period through the October 2026 pay period, PLP 2025 will apply to BU 2-represented employees.
- 2) Employees continue to work their assigned work schedules and shall have a reduction in pay equal to 4.62%.
- 3) Each full-time employee shall be credited with eight hours of PLP 2025 on the first day of each pay period for the duration of the PLP 2025 program.
- 4) PLP 2025 accruals do not expire. PLP 2025 may be cashed out upon separation from state service.
- 5) PLP 2025 leave shall not be considered as "time worked" for overtime purposes.

Telework Stipend

The Telework Stipend shall sunset on June 30, 2025.

Leaves

- 1) The 640 hour cap for both Vacation Leave and Annual Leave shall be increased by 128 hours, which is the equivalent number of PLP 2025 hours employees received, until December 31, 2027. On January 1, 2028, the cap shall revert to 640 hours.
- 2) Permanent or probationary employees, and non-permanent employees who have been employed for at least 30 days, may take up to five workdays of unpaid bereavement leave per occurrence for the death of a spouse, domestic partner (as defined in Family Code Section 297), child, parent, stepparent, sibling, grandparent, grandchild, or parent-in-law (defined in accordance with Section Government Code Section 12945.2), or any person residing in the immediate household. Of these five unpaid workdays, three days may qualify for pay if authorized by a department head or designee.

Health Benefits

Health, Dental, Vision

- 1) CoBen allowance increases as follows:

- a) The State shall contribute \$851 per month for coverage of an eligible employee.
- b) The State shall contribute \$1,689 per month for coverage of an eligible employee plus one dependent.
- c) The State shall contribute \$2,204 per month for coverage of an eligible employee plus two or more dependents.
- d) The State's monthly health benefit contribution for each employee shall continue to be a flat dollar amount equal to 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, 2026, January 1, 2027, and January 1, 2028.

Prefunding of Other Post-Employment Benefits (OPEB)

The employees' and employer's monthly contribution (scheduled to be 1.7% on July 1, 2025) for prefunding other post-employment benefits for the 2025-26 and 2026-27 fiscal year is suspended and shall not be withheld from employees' salaries or contributed by the employer beginning on July 1, 2025, and ending on June 30, 2027.

Allowances and Reimbursements

Bicycle Commuter Program added to the MOU consistent with state travel policy adopted in May 2018.

Term

The MOU term is from July 1, 2025, through June 30, 2028.

Fiscal

Fiscal Year 2025-26 savings: \$33.2 million (\$9.5 million General Fund)

Memorandum of Understanding with BU 13. This bill codifies a new MOU entered into on June 24, 2025 between the state and BU 13, which is represented by the International Union of Operating Engineers (IUOE). This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The MOU agreement is as follows:

Compensation

Salary Adjustment

Effective July 1, 2025, all BU 13 employees shall receive a general salary increase of 3%.

Personal Leave Program (PLP 2025)

- 1) Effective the first day of the July 2025 pay period through the June 2027 pay period, PLP 2025 will apply to BU 13-represented employees.

- 2) Employees will continue to work their assigned work schedules and shall have a reduction in pay equal to 3%.
- 3) 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 program. On June 1, 2027, BU 13-represented employees shall receive an additional eight hours of PLP 2025.
- 4) PLP 2025 accruals do not expire and must be used prior to any other leave, except sick leave and Professional Development Days. PLP 2025 may be cashed out upon separation from state service.
- 5) PLP 2025 leave shall not be considered as "time worked" for overtime purposes except when an employee is "mandated" to work overtime.
- 6) The state shall not seek furlough compensation or additional personal leave program reductions from BU 13-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% 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, and January 1, 2027.

Prefunding of Other Post-Employment Benefits (OPEB)

- 1) The employer and employee's monthly contribution for prefunding OPEB for the 2025-26 and 2026-27 fiscal years of 3.8% will be suspended and shall not be contributed by the employer or withheld from employees' salaries from July 1, 2025, through June 30, 2027.
- 2) Commencing July 1, 2027, OPEB contributions shall be restored with the goal of reestablishing a 50% cost sharing of actuarially determined total normal costs for both the employer and employees with a three-year phase-in period. Beginning July 1, 2027, both the employer and employee shall contribute 1.20% of pensionable compensation.
- 3) Beginning July 1, 2028, both the employer and employee shall contribute 2.5% of pensionable compensation.
- 4) Beginning July 1, 2029, both the employer and employee shall contribute 3.8% of pensionable compensation.
- 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 total 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 Formula Employee/Employer Contribution

First Tier A Retirement Formula, First Tier B Retirement Formula and Public Employees' Pension Reform Act Retirement Formula Employee Contribution/Final Compensation

- 1) Effective July 1, 2026, the employee contribution rate for miscellaneous members shall be reduced by 1% and the employee contribution rate for industrial members shall be reduced by a 0.5%.
- 2) Effective July 1, 2027, and each year thereafter, if the actuarially determined total normal cost increases or decreases by more than 1% from 2026-27 total normal cost, the employee contribution percentage will be increased or decreased, no sooner than July 1, 2027, to reach 50% of the actuarially determined total normal cost, rounded to the nearest quarter of 1%.

Retirement Formula for Safety Members: State Safety A Formula, State Safety B Formula and Public Employees' Pension Reform Act Retirement Formula Employee Contribution/Final Compensation

Effective July 1, 2027, and each year thereafter, if the actuarially determined total normal cost increases or decreases by more than 1% from the 2022-23 total normal cost, the employee contribution percentage will be increased or decreased, no sooner than July 1, 2027, to reach 50% of the actuarially determined total normal cost, rounded to the nearest quarter of 1%.

Health and Welfare

Non-Industrial Disability Insurance Family Care Leave (NDI-FCL)

Effective January 1, 2026, BU 13 employees who are enrolled in the annual leave program will be eligible for the NDI-FCL program. This program provides eligible employees up to six weeks of paid leave (50% of gross salary) within a 12-month period for the care of a seriously ill family member or to bond with a newborn child, adopted child or foster care placement. Employees have the option to use their own leave credits to supplement up to 75% or 100% income replacement at the time of filing the NDI-FCL.

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.

Miscellaneous

Business and Travel Expenses

This section reflects the current travel program that has been in place since October 1, 2024.

Bicycle Commuter Program

Bicycle Commuter Program added to the MOU consistent with the state travel policy adopted in May 2018.

Term

July 1, 2025, through June 30, 2027.

Fiscal

Fiscal Year 2025-26 savings: \$2.6 million (\$1.7 million General Fund).

Memorandum of Understanding with BU 16. This bill ratifies a new MOU entered into on July 7, 2025 between the state and BU 16, which is represented by the Union of American Physicians and Dentists (UAPD). The MOU agreement is as follows:

*Compensation**Salaries and Allowances*

- 1) Effective the first day of the pay period following ratification by both parties, all BU 16 employees shall receive a General Salary Increase of 3%.
- 2) Effective July 1, 2027, all BU 16 classifications shall be adjusted by increasing the maximum salary range by 3.5%. Employees at the old maximum of the classification shall move to the new maximum of the classification and shall retain their salary anniversary date. All other employees shall retain their salary and salary anniversary dates.

Personal Leave Program (PLP 2025)

- 1) Effective the first day of the pay period following ratification by both parties, BU 16 represented employees will be subject to PLP 2025 for at least 16 months.
- 2) Each full-time employee shall continue to work their assigned work schedule and shall have a reduction in pay equal to 4.62%.
- 3) Each full-time employee shall be credited with eight hours of PLP 2025 on the first day of each pay period for the duration of PLP 2025.
- 4) PLP 2025 accruals do not expire and must be used prior to any other leave, except sick leave. PLP 2025 must be used prior to voluntary separation. If an employee's separation is not voluntary and the separation date cannot be extended, unused PLP 2025 hours shall be cashed out.

Correctional Medicine Differential

Effective the first day of the pay period following ratification by both parties, CCHCS Physicians and Surgeons will receive a \$1,200 monthly differential to resolve PERB Case SA-CE-2168-S. This provision sunsets on June 30, 2028, and will be open for review and reconsideration in the successor MOU.

Telework Stipend Program

The Telework Stipend Program shall be extended to June 30, 2028.

Psychiatrists Additional Caseload (Department of State Hospitals and California Department of Corrections and Rehabilitations/Correctional Health Care System)

The provision shall be extended to June 30, 2028.

Transportation Incentives and Parking Rates

- 1) Incorporates into the MOU the existing side letter that provides employees working in areas served by mass transit are eligible for a 100% discount on public transit passes up to the exclusion amount provided by the Internal Revenue Service.
- 2) Incorporates into the MOU the existing side letter that provides employees riding in vanpools or driving vanpools are eligible for a 100% reimbursement of the monthly fee up to the exclusion amount provided by the Internal Revenue Service.

Prefunding of Post-Retirement Health Benefits

The employees' and employer's monthly contribution for prefunding other post-employment 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 the first day of the pay period following ratification by both parties, and ending June 30, 2027.

Miscellaneous

Hours of Work

- 1) All Department of State Hospital Physicians and Surgeons who provide patient care shall be allowed two hours per work week to review reports, complete documentation, and other duties outside of patient care appointments. This time will be scheduled in coordination with their supervisor to ensure it does not interfere with patient appointments. This time will be taken at the physical worksite and may be taken remotely with supervisor approval. Approval for remote time shall not be unreasonably denied. This time can only be interrupted for emergencies. This section is grievable.
- 2) All California Correctional Health Care Services Physicians and Surgeons who provide patient care shall be allowed up to one hour per day for a total of four hours per work week to review reports, complete documentation, and other duties. This time shall be scheduled at the end of the workday. Patient care assignments or patient appointments shall not be scheduled during this time. Two hours of this time may be worked remotely with supervisor approval, which will require the use of a laptop computer. Approval for remote time shall not be unreasonably denied. This time will only be interrupted for emergencies. This section is grievable.

Licensure – Continuing Medical Education

This provision increases the number of continuing medical education leave from 56 to 60 hours per fiscal year, and increases the total continuing medication education leave carry over cap from 112 to 120 hours.

Duty Statements

- 1) An employee shall be provided with a current duty statement for the employee's position within 15 calendar days of the employee's request. Duty statements must comply with the State Personnel Board job classification specifications.
 - a) Duty statements shall be determined by the appointing authority or designee and will be consistent with an employee's classification. At the time of an employee's annual appraisal, the employee's duty statement shall be reviewed, and if necessary, updated to reflect his/her current duties.
 - b) Annually upon request, a Union representative will be provided with access to existing duty statements for review.
 - c) Annually upon request, a Union representative will be provided with access to existing duty statements for review.
 - d) Upon the establishment of a new or revised classification or series, a new duty statement shall be provided to each affected incumbent. .
 - e) Any appeals and/or disputes regarding this section shall be handled in accordance with the Complaint procedure specified in the MOU.

Electronic Monitoring

The state shall not use the log on/off time to the computer or electronic access card entry/exit times of employees as the sole source of attendance reporting or as the sole reason for discipline. The use of technology for harassment may be grieved.

Hardship Transfer

- 1) The state and the Union recognize the importance of hardship transfers as a way of mitigating personal hardship e.g., domestic violence, mandatory job transfer of a spouse or domestic partner as defined in Family Code section 297, family illness, serious health condition, injury or death of family members, and may request a transfer to another geographic area to mitigate the hardship. Any request shall be processed in accordance with established departmental policy and/or practice.
- 2) A department shall provide in writing the reason(s) for an inability to grant the transfer within 30 calendar days and no later than 60 calendar days after receiving a written request.
- 3) Transfers under this section shall be considered voluntary and only occur intradepartmental.
- 4) This section is not subject to the grievance and arbitration procedures of this MOU.

Business and Travel Expenses

This article reflects the current travel program that has been in place since October 1, 2024.

Telework

This side letter suspends the return-to-office requirements as noticed under Executive Order N-22-25 immediately for employees in BU 16 and reinstitutes those requirements on July 1, 2026.

No Furlough

For the term of this MOU, July 1, 2025, through July 1, 2028, the state shall not implement a Furlough Program.

Term

Upon ratification by both parties, the MOU current term is from July 1, 2025, to July 1, 2028.

Fiscal

Fiscal Year 2025-26 Savings: \$13.2 million (\$11.9 million General Fund)

Memorandum of Understanding with BU 19. This bill codifies a new MOU entered into on June 30, 2025 and a side letter entered into on June 23, 2025 between the state and BU 19, which is represented by the American Federation of State, County and Municipal Employees (AFSCME). This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The MOU agreement is as follows:

Compensation

General Salary Adjustment (GSI)

Effective July 1, 2025, all BU 19 employees shall receive a GSI of 3%.

Special Salary Adjustments

Effective July 1, 2027, all BU 19 classifications will be adjusted by increasing the maximum salary range by 4% and increasing the minimum salary range by 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%. Employees in these classifications shall retain their anniversary date.

Personal Leave Program (PLP 2025)

- 1) Effective the first day of the July 2025 pay period through the June 2027 pay period, PLP 2025 will apply to BU 19-represented employees.
- 2) Employees continue to work their assigned work schedules and shall have a reduction in pay equal to 3%.
- 3) 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 PLP 2025.

- 4) PLP 2025 accruals do not expire and must be used prior to any other leave, except sick leave and Professional Development Days. PLP 2025 may be cashed out upon separation from state service.
- 5) The 640-hour cap for both Vacation and Annual Leave shall be increased by 120 hours, the equivalent number of PLP 2025 hours employees will receive until June 30, 2027. On July 1, 2027, the cap shall revert to 640 hours.

Telework Stipend Program

The Telework Stipend Program shall sunset on June 30, 2025.

Prefunding Post-Retirement Health Benefits

Effective July 1, 2025, the employee and employer monthly contributions to prefunding other post-employment benefits (OPEB) for all BU 19 members will be suspended through June 30, 2027.

Geographical Pay Differential

Effective the first day of the pay period following ratification by all parties, all employees whose designated worksite located in the following counties shall be eligible to receive a Geographical Pay Differential of \$250 per month for each qualifying pay period: Los Angeles, Napa, San Diego, San Francisco, Santa Barbara, and Marin. The effective date for implementation of automatic adjustments for miscellaneous and industrial retirement is deferred to July 1, 2027.

Retirement

Formula Employee/Employer Contribution First Tier A Retirement Formula, 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

The effective date for implementation of automatic adjustments for miscellaneous and industrial retirement is deferred to July 1, 2027.

State Safety A Retirement Formula (2.5% at age 55), State Safety B Retirement Formula (2% at age 55 up to 2.5% at age 60) and Public Employees' Pension Reform Act (PEPRA) State Safety Retirement Formula (2% at age 57) Employee Contribution/Final Compensation

The effective date for implementation of automatic adjustments for safety retirement is deferred to July 1, 2027.

Miscellaneous

Return to Office Suspension

Suspends Executive Order N-22-25 immediately, and reinstates it on July 1, 2026, unless this 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.

Business and Travel Expenses

This section reflects the current travel program that has been in place since October 1, 2024.

Term

July 1, 2025, through June 30, 2028.

Fiscal

Fiscal Year 2025-26 Cost: \$2.1 million (\$1.8 million General Fund)

MOU Addenda/Side Letters with BUs 1, 3, 4, 5, 7, 8, 10, 11, 14, 15, 17, 18, 20 and 21:

Memorandum of Understanding Addendum (Side Letter) with BUs 1, 3, 4, 11, 14, 15, 17, 20, and 21. This bill codifies an MOU addendum entered into on June 28, 2025 between the state and BU 1, 3, 4, 11, 14, 15, 17, 20, and 21, which is represented by the Service Employees International Union, Local 1000 (SEIU 1000). This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The side letter agreement is as follows:

Compensation

General Salary Increase (GSI)

- 1) Employees shall receive the negotiated 3% GSI effective July 1, 2025.
- 2) Adds a 3% General Salary Increase effective July 1, 2026, which is immediately deferred to July 1, 2027.

Personal Leave Program (PLP 2025)

- 1) Effective July 1, 2025 through June 30, 2027, PLP 2025 will apply to BU 1, 3, 4, 11, 14, 15, 17, 20 and 21 represented employees.
- 2) Employees will continue to work their assigned work schedules and receive a 3% pay reduction.
- 3) 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 program.
- 4) PLP 2025 accruals shall not expire. PLP 2025 may be cashed out upon separation from state service.
- 5) PLP 2025 leave shall not be considered "time worked" for overtime purposes unless expressly provided by an MOU.
- 6) The state shall not seek furlough compensation or additional PLP reductions from BU 1, 3, 4, 11, 14, 15, 17, 20, and 21 represented employees while subject to PLP 2025.

Health Benefits

Health, Dental, Vision

- 1) Units 1, 3, 4, 11, 14, 15, 20 and 21
 - a) 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 not occurred.
- 2) Unit 17
 - a) State employees shall receive the same level of state employer contributions for health, vision, dental, CoBen Cash Option, and enhanced survivor's benefits the BU 17 represented employee would have received had the PLP not occurred.

Prefunding of Other Post-Employment Benefits (OPEB)

The employees' and employer's monthly contribution for prefunding other post-employment 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 31, 2025, and ending June 30, 2027.

Leaves

Effective July 1, 2025, the 640-hour cap for both Vacation Leave and Annual Leave shall be increased by 120 hours until June 30, 2027.

Miscellaneous

The side letter suspends the return-to-office (RTO) requirements as noticed under Executive Order N-22-25 immediately for employees in BU 1, 3, 4, 11, 14, 15, 17, 20 and 21, excluding California Highway Patrol, and reinstitutes those requirements on July 1, 2026. Departments may initiate changes to telework policies 90 days following the ratification of the side letter.

Term

Provisions of the side letter are effective until June 30, 2027, unless modified or altered by subsequent successor MOU or side letter.

Fiscal

Fiscal Year 2025-26 savings: \$212.0 million (\$93.8 million General Fund)

Memorandum of Understanding Addendum (Side Letter) with BU 5. This bill codifies an MOU addendum entered into on June 30, 2025 between the state and BU 5, which is represented by the California Association of Highway Patrolmen (CAHP). This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The side letter agreement is as follows:

Compensation

General Salary Adjustment

- 1) The salary survey provided by Government Code Section 19827 shall continue to be completed for 2025 and 2026.
- 2) Effective July 1, 2025, all BU 5 represented employees shall receive a General Salary Increase (GSI) of 4.62% and thereafter any additional increase as determined by the final 2025 salary survey will be prospective.
- 3) Effective July 1, 2026, all BU 5 represented employees shall receive a GSI of the known amount of the 2026 salary survey as of May 1, 2026, and thereafter any additional increase as determined by the final 2026 salary survey will be prospective.

Personal Leave Program (PLP 2025)

- 1) Effective July 1, 2025, through June 2027, PLP 2025 will apply to BU 5 represented employees.
- 2) Employees will continue to work their assigned work schedules and receive a pay reduction equivalent to the GSI's determined each year by the final salary surveys of 2025 and 2026, respectively.
- 3) On the first day of each pay period for the duration of the PLP 2025 program, each full-time employee shall be credited with PLP 2025 hours equivalent to the reductions of pay as determined by the final salary surveys of 2025 and 2026, respectively.
- 4) PLP 2025 accruals shall not expire. PLP 2025 accruals may be cashed out upon separation from state service.
- 5) PLP 2025 leave shall be considered as "time worked" for overtime consistent with other leaves provided in the 2024-2027 MOU for BU 5.
- 6) The state shall not seek furlough compensation or additional PLP reductions from BU 5 represented employees during the term of the side letter.

Health Benefits

Prefunding of Other Post-Employment Benefits (OPEB)

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 beginning July 31, 2025, and ending June 30, 2027.

Leaves

- 1) The 924-hour cap for both Vacation Leave and Annual Leave shall be increased until June 30, 2027, by the total number of PLP 2025 hours.
- 2) Leave Reduction program enforcement will be suspended through December 31, 2025.

Term

The provisions of the side letter are effective July 1, 2025, through June 30, 2027.

Fiscal

Fiscal Year 2025-26 savings: \$35.6 million (\$0 million General Fund).

Memorandum of Understanding Addendum (Side Letter) with BU 7. This bill codifies an MOU addendum entered into on June 24, 2025 and a side letter entered into on June 30, 2025 between the state and BU 7, which is represented by the California Statewide Law Enforcement Association (CSLEA). This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The side letter agreement is as follows:

Compensation

General Salary Adjustment

The existing MOU contains a 2% General Salary Increase effective July 1, 2025, which shall remain in place.

Personal Leave Program (PLP 2025)

- 1) Effective July 1, 2025, pay period through the June 2027 pay period, PLP 2025 will apply to BU 7-represented employees.
- 2) Employees continue to work their assigned work schedules and receive a 2% pay reduction.
- 3) Each full-time employee shall be credited with 3.5 hours of PLP 2025 on the first day of each pay period for the duration of the PLP 2025 program.
- 4) PLP 2025 may be cashed out upon separation from state service.
- 5) PLP 2025 leave shall not be considered as "time worked" for overtime purposes except when an employee is "mandated" to work overtime.
- 6) The state shall not seek furlough compensation or additional PLP reductions from BU 7-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% 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)

- 1) The employees' and employer's monthly contribution for prefunding other post-employment 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.

- 2) 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:
 - a) July 1, 2027: by 1.3%.
 - b) July 1, 2028: by 1.3%, for a total of 2.6%.
 - c) July 1, 2029: by 1.4%, for a total of 4%.
- 3) 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.

Classification Study

- 1) No earlier than November 1, 2025, the state and the Union agree to meet, analyze and explore classification recommendations to the Fish and Game Warden (Class Code 8421), State Park Peace Officer (Lifeguard) (Class Code 0992) and State Park Peace Officer (Ranger) (Class Code 0993) classifications.
- 2) If changes to the class specification become necessary, such changes will be done in accordance with the MOU.

Side Letter – June 30, 2025

- 1) Suspends the state's return-to-office (RTO) requirements of Executive Order N-22-25.
- 2) Executive Order N-22-25 will be reinstituted on July 1, 2026.
- 3) Departments shall rescind any existing RTO notices and updated policies tied to Executive Order N-22-25 issued on or after March 3, 2025. Any telework agreements altered to comply with Executive Order N-22-25 will revert to their status as of March 2, 2025.
- 4) Departments can modify an employee's telework agreement as long as they comply with the requirements of the MOU.

Term

- 1) The current MOU term is extended from June 30, 2026, to June 30, 2027.
- 2) The state and CSLEA will meet and confer if state revenues are sufficient to fully fund existing statutory and constitutional obligations, existing fiscal policy, and the costs of providing the various pay items that have been suspended or reduced in fiscal year 2025-26. The determination of sufficient revenues relative to this section shall be at the sole discretion of the Director of the Department of Finance.

Fiscal

Fiscal Year 2025-26 savings: \$24.2 million (\$8.7 million General Fund).

Memorandum of Understanding Addendum (Side Letter) with BU 8. This bill codifies an MOU addendum entered into on June 25, 2025 between the state and BU 8, which is represented by the CAL FIRE Local 2881. This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The side letter agreement is as follows:

Compensation

Prefunding of Post-Retirement Health Benefits

Effective July 1, 2025, the employee and employer monthly contributions for prefunding other post-employment benefits for BU 8 will be suspended through June 30, 2027.

Duration

This side letter is effective July 1, 2025, through June 30, 2027.

Fiscal

Fiscal Year 2025-26 Savings: \$35.4 million (\$23.5 million General Fund).

Memorandum of Understanding Addendum (Side Letter) with BU 10. This bill ratifies an MOU addendum entered into on July 8, 2025 between the state and BU 10, which is represented by the California Association of Professional Scientists (CAPS). The side letter agreement is as follows:

Overview

- 1) Suspends the return-to-office (RTO) requirements of Executive Order N-22-25.
- 2) Executive Order N-22-25 will be reinstituted on July 1, 2026.
- 3) Departments shall rescind any existing RTO notices and updated policies tied to Executive Order N-22-25 issued on or after March 3, 2025. Any telework agreements altered to comply with Executive Order N-22-25 will revert to their status as of March 2, 2025.
- 4) Departments can modify an employee's telework agreement as long as they comply with the requirements of the MOU. Departments shall not initiate changes to telework policies 90 days following the ratification of the side letter.
- 5) This side letter is effective immediately and is operative through June 30, 2026.

Memorandum of Understanding Addendum (Side Letter) with BU 18. This bill codifies an MOU addendum entered into on June 23, 2025 between the state and BU 18, which is represented by the California Association of Psychiatric Technicians (CAPT). This MOU was "deemed ratified" pursuant to Section 11 of SB 139 (Committee on Budget and Fiscal Review), Chapter 25, Statutes of 2025. The side letter agreement is as follows:

Post-Employment Benefits

Prefunding of Post-Retirement Benefits (OPEB)

Effective July 1, 2025, the employee and employer contributions is suspended beginning July 1, 2025, through June 30, 2027, and shall not be withheld from the employees' salaries and shall not be contributed by the employer.

Duration

This Side Letter is effective July 1, 2025, through June 30, 2027.

Fiscal

Fiscal Year 2025-26 savings: \$17.2 million (\$16.8 million General Fund)

COMMENTS

This bill Makes necessary statutory changes to codify and ratify memoranda of understanding (MOUs) between the state and Bargaining Units (BU) 2, 13, 16 and 19 and addenda to MOUs (side letters) between the state and BUs 1, 3, 4, 5, 7, 8, 10, 11, 14, 17, 18, 19, 20 and 21.

According to the Author

Arguments in Support

None on File

Arguments in Opposition

None on File

FISCAL COMMENTS

This bill results in a savings of \$528,074,000 (\$227,545,000 General Fund) with the implement of the MOUs and the addenda to MOUs/side letters as described above.

VOTES

SENATE FLOOR: 28-10-2

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Reyes, Stern

UPDATED

VERSION: July 14, 2025

CONSULTANT: Guy Strahl / BUDGET / (916) 319-2099

FN: 0001113