

Assembly Bill No. 138

CHAPTER 78

An act to amend Sections 19829.9854, 19829.9855, 19829.9856, 19851, 20677.5.1, 20677.61, 20677.92, 20677.93, 20677.94, 20683.81.3, and 22944.5 of the Government Code, and to amend Section 3.90 of the Budget Act of 2025, relating to state employment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor July 29, 2025. Filed with Secretary of State July 29, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 138, Committee on Budget. State employment: state bargaining units.

(1) Existing law provides that a provision of a memorandum of understanding reached between the state employer and a recognized employee organization representing state civil service employees that requires the expenditure of funds does not become effective unless approved by the Legislature in the annual Budget Act.

Existing law requires the Department of Human Resources to provide a memorandum of understanding to the Legislative Analyst, who then has 10 calendar days from the date the tentative agreement is received to issue a fiscal analysis to the Legislature. Existing law prohibits the memorandum of understanding from being subject to legislative determination until either the Legislative Analyst has presented a fiscal analysis of the memorandum of understanding or until 10 calendar days have elapsed since the memorandum was received by the Legislative Analyst.

This bill, notwithstanding the above-described statutory provisions, would approve provisions of the agreements entered into by the state employer and specified state bargaining units. The bill would provide that the provisions of the agreements that require the expenditure of funds will not take effect unless funds for these provisions are specifically appropriated by the Legislature. The bill would authorize the state employer or the bargaining units to reopen negotiations if funds for these provisions are not specifically appropriated by the Legislature. The bill would require the provisions of the agreement that require the expenditure of funds to become effective even if the provisions are approved by the Legislature in legislation other than the annual Budget Act. By approving provisions of the agreements that require the expenditure of funds, this bill would make an appropriation.

(2) Existing law, for the 2026–27 fiscal year, continuously appropriates to the Controller from the General Fund unallocated special funds, including federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment and compensation and employee benefits to state employees

covered by specified memoranda of understanding if the Budget Act of 2026 is not enacted by July 1, 2026.

This bill would additionally include the memoranda of understanding for State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 7 (effective July 1, 2023, to June 30, 2027, inclusive), State Bargaining Unit 13 (effective July 1, 2025, to June 30, 2027, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive).

Existing law, for the 2027–28 fiscal year, continuously appropriates to the Controller from the General Fund unallocated special funds, including federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment and compensation and employee benefits to state employees covered by specified memoranda of understanding if the Budget Act of 2027 is not enacted by July 1, 2027.

This bill would additionally include the memoranda of understanding for State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive).

Existing law, for the 2028-29 fiscal year, continuously appropriates to the Controller from the General Fund unallocated special funds, including federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment and compensation and employee benefits to state employees covered by the memorandum of understanding for State Bargaining Unit 6, if the Budget Act of 2028 is not enacted by July 1, 2028.

This bill would additionally include the memorandum of understanding for State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive).

(3) Existing law states that it is the policy of the state that the workweek of the state employee shall be 40 hours, and the workday of state employees 8 hours, except that workweeks and workdays of a different number of hours may be established in order to meet the varying needs of the different state agencies.

Existing law also requires state employees in Bargaining Units 6, 9, and 12, except as specified, from July 1, 2025, to June 30, 2027, inclusive, to participate in the Personal Leave Program 2025 (PLP 2025), either as required by an applicable memorandum of understanding reached or by the direction of the department for excluded employees, under which each employee receives a reduction in pay not greater than 3% in exchange for a specified number of hours per month of PLP 2025 leave credits.

This bill would also require state employees in Bargaining Units 1, 2, 3, 4, 5, 7, 11, 13, 14, 15, 16, 17, 19, 20, and 21 to participate in the PLP 2025, for the period from July 1, 2025, to June 30, 2027, inclusive, either as required by an applicable memorandum of understanding or by the direction

of the department for excluded employees. Under the program, in exchange for a reduction in pay not greater than certain listed amounts, those employees would receive monthly PLP 2025 leave credits, subject to certain exclusions. The bill would make other related and conforming changes to these provisions.

(4) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System for the purpose of providing public employees pension and other benefits, which are funded by employee and employer contributions and investment returns. Contributions and investment returns are deposited in the Public Employees' Retirement Fund, which is continuously appropriated for the payment of benefits and administration of the system. PERL vests management and control of PERS in its board of administration. PERL and labor agreements prescribe different normal rates of contribution for employees depending on bargaining unit, employer, and inclusion of service in the federal social security system, among other factors.

Under PERL, effective July 1, 2023, the normal contribution rates for state miscellaneous or state industrial members who are represented by State Bargaining Unit 2 are adjusted in accordance with specified procedures based on increases or decreases in normal cost rates, as determined by the board.

This bill would change the above-described effective date to July 1, 2027. The bill would also provide that, effective July 1, 2025, to June 30, 2027, inclusive, specified employee contributions for state miscellaneous and industrial members represented by State Bargaining Unit 2 will remain in place.

Existing law adjusts the normal contribution rate for state miscellaneous and industrial members who are represented by State Bargaining Unit 12 in accordance with certain procedures. Under existing law, effective July 1, 2026, certain employee contribution rates are to remain in effect for those members unless the board makes certain determinations regarding cost rate increases or decreases.

This bill would suspend increases to those employee retirement contributions effective July 1, 2025, to June 30, 2027, inclusive.

Under existing law, effective July 1, 2026, the normal rate of contribution for state safety members who are represented by State Bargaining Unit 12 is to remain in effect unless the board determines that certain total normal cost rates have increased or decreased, as prescribed.

This bill would suspend increases to those employee retirement contributions effective July 1, 2025, to June 30, 2027, inclusive.

Existing law establishes that, effective July 1, 2026, the employee contribution rates for state miscellaneous, state industrial, and state safety members who are represented by State Bargaining Unit 19 shall remain in effect unless the board determines that specified conditions have been met regarding increases or decreases in normal cost rates.

This bill would revise the above-described effective date for those provisions to July 1, 2027.

Existing law, effective July 1, 2023, requires an adjustment in the normal contribution rates for state safety members represented by State Bargaining Unit 2 when specified conditions occur regarding normal cost rate increases or decreases, as determined by the board.

This bill would revise the effective date of the above provision to July 1, 2027. The bill would also require the employee contribution for state safety members represented by State Bargaining Unit 2 to remain at 11.5% from July 1, 2025, to June 30, 2027, inclusive.

(5) The Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by the Board of Administration of the Public Employees' Retirement System, prescribes methods for calculating the state employer contribution for postemployment health care benefits for eligible retired public employees and their families and for the vesting of these benefits. PEMHCA establishes the Annuitants' Health Care Coverage Fund, which is continuously appropriated, for the purpose of prefunding health care coverage for annuitants, including administrative costs.

PEMHCA requires employees in specified state bargaining units to prefund retiree health care and the state to make a matching contribution. PEMHCA suspends employer's and employees' monthly contributions for prefunding other postemployment benefits for the 2025–26 and 2026–2027 fiscal years for specified state bargaining units, including State Bargaining Unit 6.

This bill would suspend the employee and employer monthly contributions for prefunding other post employment benefits for other employees in specified bargaining units for the 2025-26 and 2026-27 fiscal years, including State Bargaining Units 1, 2, 3, 4, 5, 7, 13, 14, 15, 16, 17, 19, 20, and 21. The bill would establish the percentage of pensionable compensation to be contributed for prefunding those benefits commencing July 1, 2027, and for each year thereafter, as prescribed. The bill would make other related changes to these provisions.

(6) The Budget Act of 2025 makes various appropriations for the purpose of employee compensation.

This bill would provide for the reduction of specified Budget Act item appropriations pursuant to agreements reached between the state employer and State Bargaining Units 1, 2, 3, 4, 5, 7, 8, 11, 13, 14, 15, 16, 17, 18, 19, 20, and 21 in accordance with a specified schedule.

The Budget Act of 2025 also states that it is the expectation of the Legislature that all state employee bargaining units meet and confer in good faith with the Governor or the Governor's representative on or before July 1, 2025, to achieve savings through the collective bargaining process for represented employees and existing authority for the administration to adjust compensation for nonrepresented employees.

This bill would provide that the reductions achieved through the PLP 2025 do not apply to employees of specified state entities.

(7) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares that the purpose of this act is to approve the agreements entered into by the state employer and State Bargaining Unit 10 and State Bargaining Unit 16 pursuant to Section 3517.5 of the Government Code.

SEC. 2. Notwithstanding Section 19829.5 of the Government Code, the provisions of the memoranda of understanding or addenda, or both, prepared pursuant to Section 3517.5 of the Government Code and entered into by the state employer and State Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21, dated June 28, 2025, State Bargaining Unit 2, dated June 25, 2025, State Bargaining Unit 5, dated June 30, 2025, State Bargaining Unit 7, dated June 24, 2025, and June 30, 2025, State Bargaining Unit 8, dated June 24, 2025, State Bargaining Unit 10, dated July 8, 2025, State Bargaining Unit 13, dated June 24, 2025, State Bargaining Unit 16, dated July 7, 2025, State Bargaining Unit 18, dated June 23, 2025, and State Bargaining Unit 19, dated June 23, 2025, and June 30, 2025, which require the expenditure of funds, are hereby approved for the purposes of Section 3517.6 of the Government Code.

SEC. 3. The provisions of the memoranda of understanding and addenda approved in Section 2 of this act that require the expenditure of funds shall not take effect unless funds for these provisions are specifically appropriated by the Legislature. If funds for these provisions are not specifically appropriated by the Legislature, either the state employer or State Bargaining Units 1, 2, 3, 4, 5, 7, 8, 11, 13, 14, 15, 16, 17, 18, 19, 20, and 21 may reopen negotiations on all or part of the memoranda of understanding or addenda, or both.

SEC. 4. Notwithstanding Section 3517.6 of the Government Code, the provisions of the memoranda of understanding or addenda, or both, included in Section 2 of this act that require the expenditure of funds shall become effective even if the provisions of the memoranda of understanding or addenda, or both, are approved by the Legislature in legislation other than the annual Budget Act.

SEC. 5. Section 19829.9854 of the Government Code, as amended by Section 6.5 of Chapter 26 of the Statutes of 2025, is amended to read:

19829.9854. (a) Notwithstanding Section 13340, for the 2026–27 fiscal year, if the Budget Act of 2026 is not enacted by July 1, 2026, for the memoranda of understanding entered into between the state employer and State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 5 (effective July 1, 2024, to June 30, 2027, inclusive), State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive), State Bargaining Unit 7 (effective July 1, 2023, to June 30, 2027, inclusive), State Bargaining Unit 9 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 10 (effective July 1, 2024, to July 1, 2027, inclusive), State Bargaining Unit 12 (effective July 1, 2023, to June 30, 2027, inclusive), State Bargaining Unit 13 (effective July 1, 2025, to June 30, 2027, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive),

and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive), there is hereby continuously appropriated to the Controller from the General Fund, unallocated special funds, including, but not limited to, federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment of compensation and employee benefits to state employees covered by the above memoranda of understanding until the Budget Act of 2026 is enacted. The Controller may expend an amount no greater than necessary to enable the Controller to compensate state employees covered by the above memoranda of understanding for work performed between July 1, 2026, of the 2026–27 fiscal year and the enactment of the Budget Act of 2026.

(b) If the memoranda of understanding entered into between the state employer and State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 5 (effective July 1, 2024, to June 30, 2027, inclusive), State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive), State Bargaining Unit 7 (effective July 1, 2023, to June 30, 2027, inclusive), State Bargaining Unit 9 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 10 (effective July 1, 2024, to July 1, 2027, inclusive), State Bargaining Unit 12 (effective July 1, 2023, to June 30, 2027, inclusive), State Bargaining Unit 13 (effective July 1, 2025, to June 30, 2027, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive), are in effect and approved by the Legislature, the compensation and contribution for employee benefits for state employees represented by these bargaining units shall be at a rate consistent with the memoranda of understanding referenced above, unless otherwise provided for by the Budget Act or other legislative enactment.

(c) Expenditures related to any warrant drawn pursuant to subdivision (a) are not augmentations to the expenditure authority of a department. Upon the enactment of the Budget Act of 2026, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2026 for each affected department.

(d) This section shall only apply to an employee covered by the terms of the State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 5 (effective July 1, 2024, to June 30, 2027, inclusive), State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive), State Bargaining Unit 7 (effective July 1, 2023, to June 30, 2027, inclusive), State Bargaining Unit 9 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 10 (effective July 1, 2024, to July 1, 2027, inclusive), State Bargaining Unit 12 (effective July 1, 2023, to June 30, 2027), State Bargaining Unit 13 (effective July 1, 2025, to June 30, 2027, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive), memoranda of understanding. Notwithstanding Section 3517.8, this section shall not apply after the term of the memoranda of understanding has expired. For purposes of this section, the memorandum

of understanding for State Bargaining Unit 2 expires on June 30, 2028, the memorandum of understanding for State Bargaining Unit 5 expires on June 30, 2027, the memorandum of understanding for State Bargaining Unit 6 expires on July 2, 2028, the memorandum of understanding for State Bargaining Unit 7 expires on June 30, 2027, the memorandum for State Bargaining Unit 9 expires on June 30, 2028, the memorandum of understanding for State Bargaining Unit 10 expires on July 1, 2027, the memorandum of understanding for State Bargaining Unit 12 expires on June 30, 2027, the memorandum of understanding for State Bargaining Unit 13 expires on June 30, 2027, the memorandum of understanding for State Bargaining Unit 16 expires on July 1, 2028, and the memorandum of understanding for State Bargaining Unit 19 expires on June 30, 2028.

SEC. 6. Section 19829.9855 of the Government Code, as amended by Section 7.5 of Chapter 26 of the Statutes of 2025, is amended to read:

19829.9855. (a) Notwithstanding Section 13340, for the 2027–28 fiscal year, if the Budget Act of 2027 is not enacted by July 1, 2027, for the memoranda of understanding entered into between the state employer and State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive), State Bargaining Unit 9 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 10 (effective July 1, 2024, to July 1, 2027, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive), there is hereby continuously appropriated to the Controller from the General Fund, unallocated special funds, including, but not limited to, federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment of compensation and employee benefits to state employees covered by the above memoranda of understanding until the Budget Act of 2027 is enacted. The Controller may expend an amount no greater than necessary to enable the Controller to compensate state employees covered by the above memoranda of understanding for work performed between July 1, 2027, of the 2027–28 fiscal year and the enactment of the Budget Act of 2027.

(b) If the memoranda of understanding entered into between the state employer and State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive), State Bargaining Unit 9 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 10 (effective July 1, 2024, to July 1, 2027, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive) are in effect and approved by the Legislature, the compensation and contribution for employee benefits for state employees represented by these bargaining units shall be at a rate consistent with the applicable memorandum of understanding referenced above, unless otherwise provided for by the Budget Act or other legislative enactment.

(c) Expenditures related to any warrant drawn pursuant to subdivision (a) are not augmentations to the expenditure authority of a department. Upon the enactment of the Budget Act of 2027, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2027 for each affected department.

(d) This section shall only apply to an employee covered by the terms of the State Bargaining Unit 2 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive), State Bargaining Unit 9 (effective July 1, 2025, to June 30, 2028, inclusive), State Bargaining Unit 10 (effective July 1, 2024, to July 1, 2027, inclusive), State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), and State Bargaining Unit 19 (effective July 1, 2025, to June 30, 2028, inclusive) memoranda of understanding. Notwithstanding Section 3517.8, this section shall not apply after the term of the applicable memorandum of understanding has expired. For purposes of this section, the memorandum of understanding for State Bargaining Unit 2 expires on June 30, 2028, the memorandum of understanding for State Bargaining Unit 6 expires on July 2, 2028, the memorandum of understanding for State Bargaining Unit 9 expires on June 30, 2028, the memorandum of understanding for State Bargaining Unit 10 expires on July 1, 2027, the memorandum of understanding for State Bargaining Unit 16 expires on July 1, 2028, and the memorandum of understanding for State Bargaining Unit 19 expires on June 30, 2028.

SEC. 7. Section 19829.9856 of the Government Code, as added by Section 8 of Chapter 26 of the Statutes of 2025, is amended to read:

19829.9856. (a) Notwithstanding Section 13340, for the 2028–29 fiscal year, if the Budget Act of 2028 is not enacted by July 1, 2028, for the memoranda of understanding entered into between the state employer and State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive) and State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive), there is hereby continuously appropriated to the Controller from the General Fund, unallocated special funds, including, but not limited to, federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment of compensation and employee benefits to state employees covered by the above memoranda of understanding until the Budget Act of 2028 is enacted. The Controller may expend an amount no greater than necessary to enable the Controller to compensate state employees covered by the above memoranda of understanding for work performed between July 1, 2028, of the 2028–29 fiscal year and the enactment of the Budget Act of 2028.

(b) If the memoranda of understanding entered into between the state employer and State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive) and State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive) are in effect and approved by the Legislature, the compensation and contribution for employee benefits for state employees represented by the bargaining units shall be at a rate consistent with the

applicable memorandum of understanding referenced above, unless otherwise provided for by the Budget Act or other legislative enactment.

(c) Expenditures related to any warrant drawn pursuant to subdivision (a) are not augmentations to the expenditure authority of a department. Upon the enactment of the Budget Act of 2028, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2028 for each affected department.

(d) This section shall only apply to an employee covered by the terms of the State Bargaining Unit 6 (effective July 3, 2025, to July 2, 2028, inclusive) and State Bargaining Unit 16 (effective July 1, 2025, to July 1, 2028, inclusive) memoranda of understanding. Notwithstanding Section 3517.8, this section shall not apply after the term of the applicable memorandum of understanding has expired. For purposes of this section, the memorandum of understanding for State Bargaining Unit 6 expires on July 2, 2028, and the memorandum of understanding for State Bargaining Unit 16 expires on July 1, 2028.

SEC. 8. Section 19851 of the Government Code, as amended by Section 9.5 of Chapter 26 of the Statutes of 2025, is amended to read:

19851. (a) It is the policy of the state, except during the operation of subdivision (c), that the workweek of the state employee shall be 40 hours, and the workday of state employees eight hours, except that workweeks and workdays of a different number of hours may be established in order to meet the varying needs of the different state agencies. It is the policy of the state to avoid the necessity for overtime work whenever possible. This policy does not restrict the extension of regular working-hour schedules on an overtime basis in those activities and agencies where it is necessary to carry on the state business properly during a manpower shortage.

(b) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

(c) (1) Notwithstanding any other law, for the period from July 1, 2012, to June 30, 2013, inclusive, a state employee shall participate in the Personal Leave Program 2012 (PLP 2012 Program), either as required by an applicable memorandum of understanding reached pursuant to Section 3517.5 or by the direction of the department for excluded employees. Under the PLP 2012 Program, each employee shall receive a reduction in pay not greater than 5 percent. In exchange for this reduction in pay, each employee shall receive eight hours of PLP 2012 Program leave credits on the first day of each monthly pay period. This subdivision shall not apply to retired annuitants or to employees of entities listed in Section 3.90 of the Budget Act of 2012.

(2) Notwithstanding any other law, for the period from July 1, 2020, to June 30, 2021, inclusive, a state employee shall participate in the Personal Leave Program 2020 (PLP 2020 Program), either as required by an

applicable memorandum of understanding reached pursuant to Section 3517.5 or by the direction of the department for excluded employees. Under the PLP 2020 Program, each employee shall receive a reduction in pay not greater than 10 percent. In exchange for this reduction in pay, each employee shall receive up to 16 hours of PLP 2020 Program leave credits on the first day of each monthly pay period. This subdivision shall not apply to retired annuitants or to employees of entities listed in Section 3.90 of the Budget Act of 2020.

(3) Notwithstanding any other law, for the period from July 1, 2025, to June 30, 2027, inclusive, a state employee in Bargaining Unit 6 shall participate in the Personal Leave Program 2025 (PLP 2025), as required by an applicable memorandum of understanding reached pursuant to Section 3517.5 or by the direction of the department for excluded employees. Under PLP 2025, each employee in Bargaining Unit 6 shall receive a reduction in pay not greater than 3 percent. In exchange for this reduction in pay, on the first day of each monthly pay period, each employee shall receive up to five hours of PLP 2025 leave credits, except that an employee with the class title Fire Captain (Class Code 9001) and Ranges L or M (192-hour schedule) or Ranges N or P (216-hour schedule) shall receive up to seven hours of PLP 2025 leave credits. This subdivision shall not apply to employees of entities listed in Section 3.90 of the Budget Act of 2025.

(4) Notwithstanding any other law, for the period from July 1, 2025, to June 30, 2027, inclusive, a state employee in Bargaining Unit 9 or Bargaining Unit 12 shall participate in the Personal Leave Program 2025 (PLP 2025), as required by an applicable memorandum of understanding reached pursuant to Section 3517.5. Under PLP 2025, each employee in Bargaining Unit 9 or 12 shall receive a reduction in pay not greater than 3 percent. In exchange for this reduction in pay, on the first day of each monthly pay period, each employee shall receive up to five hours of PLP 2025 leave credits. This subdivision shall not apply to employees of entities listed in Section 3.90 of the Budget Act of 2025.

(5) Notwithstanding any other law, for the period from July 1, 2025, to June 30, 2027, inclusive, a state employee in State Bargaining Units 1, 2, 3, 4, 5, 7, 11, 13, 14, 15, 16, 17, 19, 20, and 21 shall participate in the Personal Leave Program 2025 (PLP 2025), either as required by an applicable memorandum of understanding reached pursuant to Section 3517.5 or by the direction of the department for excluded employees. Under PLP 2025, each employee in State Bargaining Units 1, 2, 3, 4, 5, 7, 11, 13, 14, 15, 16, 17, 19, 20, and 21 shall receive a reduction in pay not greater than the amount listed in an applicable memorandum of understanding or as directed by the department for excluded employees. In exchange for this reduction in pay, each employee shall receive PLP 2025 leave credits on the first day of each monthly pay period, at the rate outlined in the applicable memorandum of understanding or as directed by the department for excluded employees. This subdivision shall not apply to employees of entities listed in Section 3.90 of the Budget Act of 2025.

SEC. 9. Section 20677.5.1 of the Government Code is amended to read:

20677.5.1. (a) Effective July 1, 2025, to June 30, 2027, inclusive, the employee contributions described in Section 20677.5 for state miscellaneous and industrial members represented by State Bargaining Unit 2 shall remain in place.

(b) Notwithstanding Sections 20677.4, 20677.5, and 20683.1, effective July 1, 2027, the normal contribution rates for state miscellaneous or state industrial members who are represented by State Bargaining Unit 2 shall be adjusted in accordance with this section when both of the following occur:

(1) The total normal cost rate for the category in effect for the 2022–23 fiscal year has increased or decreased by at least 1 percent.

(2) Fifty percent of the new normal cost rate, rounded to the nearest one-quarter of 1 percent, is greater or less than the normal contribution rate established in Section 20677.5.

(c) If on July 1, 2027, the board determines that the requirements of paragraphs (1) and (2) of subdivision (a) have been met, the normal rate of contribution for state miscellaneous or state industrial members who are represented by State Bargaining Unit 2 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest one-quarter of 1 percent, but not to increase or decrease by more than 1 percent.

(d) Each year thereafter, the rate shall only be adjusted if the board determines the total normal cost rate increases or decreases by more than 1 percent of payroll above the total normal cost rate in effect at the time the employee contribution rate was last adjusted. The increase or decrease to the employee contribution in any given fiscal year shall not exceed 1 percent per year.

(e) The normal rate of contribution established pursuant to this section shall be applied to the compensation in excess of three hundred seventeen dollars (\$317) per month paid to a member whose service is not included in the federal system or in excess of five hundred thirteen dollars (\$513) for one whose service is included in the federal system.

(f) Consistent with the normal rate of contribution for all members identified in this section, the Director of the Department Human Resources may exercise their discretion to establish the normal rate of contributions for a state employee who is excepted from the definition of “state employee” in subdivision (c) of Section 3513, and an officer or employee of the executive branch of state government who is not a member of the civil service. The normal rate of contribution shall be the same for all members identified in this subdivision. The contribution rate shall be effective at the beginning of the pay period indicated by the Director of the Department of Human Resources.

(g) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless and until approved by the Legislature in the annual Budget Act.

SEC. 10. Section 20677.61 of the Government Code is amended to read: 20677.61. (a) Notwithstanding Sections 20677.4 and 20677.6, effective July 1, 2024, the normal contribution rate for state miscellaneous and industrial members who are represented by State Bargaining Unit 12 shall be as follows:

(1) Nine and one-half percent of compensation in excess of five hundred thirteen dollars (\$513) per month paid to that member whose service has been included in the federal system.

(2) Ten and one-half percent of compensation in excess of three hundred seventeen dollars (\$317) per month paid to that member whose service is not included in the federal system.

(b) Effective July 1, 2025, the normal contribution rate for state miscellaneous members who are represented by State Bargaining Unit 12 shall be as follows:

(1) Nine percent of compensation in excess of five hundred thirteen dollars (\$513) per month paid to that member whose service has been included in the federal system.

(2) Ten percent of compensation in excess of three hundred seventeen dollars (\$317) per month paid to the member whose service is not included in the federal system.

(c) Effective July 1, 2025, the normal contribution rate for state industrial members who are represented by State Bargaining Unit 12 shall remain at:

(1) Nine and one-half percent of compensation in excess of five hundred thirteen dollars (\$513) per month paid to that member whose service has been included in the federal system.

(2) Ten and one-half percent of compensation in excess of three hundred seventeen dollars (\$317) per month paid to the member whose service is not included in the federal system.

(d) Effective July 1, 2026, the employee contribution rates in subdivisions (b) and (c) shall remain in effect for state miscellaneous or industrial members unless the board determines that:

(1) The total normal cost rate increases or decreases by more than 1 percent from the 2025–26 fiscal year total normal cost.

(2) Fifty percent of the normal cost rate rounded to the nearest one-quarter of 1 percent is greater or lesser than the employee contribution rates in subdivisions (b) and (c).

(e) When the board determines that paragraphs (1) and (2) of subdivision (d) have been met, the employee contribution rate for miscellaneous or industrial members shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of 1 percent on July 1 of the fiscal year after the determination.

(f) (1) Each year thereafter, the employee contribution rate shall not be adjusted again on account of a change to the normal cost rate unless the board determines that the normal cost rate has increased or decreased by more than 1 percent of payroll above the total normal cost rate in effect at the time the employee contribution rate was last adjusted.

(2) Employee contributions shall continue to be a percentage of pensionable compensation in excess of five hundred and thirteen dollars (\$513) per month paid to the member whose service has been included in the federal system or in excess of three hundred and seventeen dollars (\$317) per month paid to the member whose service has not been included in the federal system.

(g) Effective July 1, 2025, to June 30, 2027, inclusive, increases to employee contributions provided in subdivisions (d) and (f) shall be suspended.

(h) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless and until approved by the Legislature in the annual Budget Act.

(i) Consistent with the normal rate of contribution for all members identified in this section, the Director of the Department of Human Resources may exercise discretion to establish the normal rate of contribution for a related state employee who is excepted from the definition of “state employee” in subdivision (c) of Section 3513, and an officer or employee of the executive branch of state government who is not a member of the civil service.

SEC. 11. Section 20677.92 of the Government Code is amended to read:

20677.92. (a) Notwithstanding Sections 20683 and 20677.9, effective July 1, 2026, the normal rate of contribution for state safety members who are represented by State Bargaining Unit 12 described in Section 20677.9 shall remain in effect unless the board has determined that both of the following conditions have been met:

(1) The total normal cost rate has increased or decreased by more than 1 percent from the 2025–26 fiscal year total normal cost.

(2) Fifty percent of the new normal cost rate, rounded to the nearest one-quarter of 1 percent, is greater or less than the normal contribution rates established in Section 20677.9.

(b) If the board determines that the requirements of paragraph (1) and (2) of subdivision (a) have been met, the normal contribution rate for state safety members who are represented by State Bargaining Unit 12 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest one-quarter of 1 percent on July 1 of the fiscal year after the determination.

(c) (1) Each year thereafter, the rate shall only be adjusted if the board determines that the total normal cost rate increases or decreases by more than 1 percent of payroll above the total normal cost rate in effect at the time the employee contribution rate was last adjusted.

(2) Employee contributions shall continue to be a percentage of pensionable compensation in excess of three hundred and seventeen dollars (\$317) per month paid to the member.

(d) Effective July 1, 2025, to June 30, 2027, inclusive, increases to employee contributions provided in subdivision (a) shall be suspended.

(e) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless and until approved by the Legislature in the annual Budget Act.

(f) Consistent with the normal rate of contribution for all members identified in this section, the Director of the Department of Human Resources may exercise discretion to establish the normal rate of contribution for a related state employee who is excepted from the definition of “state employee” in subdivision (c) of Section 3513, and an officer or employee of the executive branch of state government who is not a member of the civil service.

SEC. 12. Section 20677.93 of the Government Code is amended to read:

20677.93. (a) Notwithstanding Sections 20677.4 and 20677.6, effective July 1, 2024, the normal contribution rate for state miscellaneous and industrial members who are represented by State Bargaining Unit 19 shall be as follows:

(1) Nine and one-half percent of compensation in excess of five hundred thirteen dollars (\$513) per month paid to that member whose service has been included in the federal system.

(2) Ten and one-half percent of compensation in excess of three hundred seventeen dollars (\$317) per month paid to that member whose service is not included in the federal system.

(b) Effective July 1, 2025, the normal contribution rate for state miscellaneous members who are represented by State Bargaining Unit 19 shall be as follows:

(1) Nine percent of compensation in excess of five hundred thirteen dollars (\$513) per month paid to that member whose service has been included in the federal system.

(2) Ten percent of compensation in excess of three hundred seventeen dollars (\$317) per month paid to the member whose service is not included in the federal system.

(c) Effective July 1, 2025, the normal contribution rate for state industrial members who are represented by State Bargaining Unit 19 shall remain at:

(1) Nine and one-half percent of compensation in excess of five hundred thirteen dollars (\$513) per month paid to that member whose service has been included in the federal system.

(2) Ten and one-half percent of compensation in excess of three hundred seventeen dollars (\$317) per month paid to the member whose service is not included in the federal system.

(d) Effective July 1, 2027, the employee contribution rates in subdivisions (b) and (c) shall remain in effect unless the board has determined that both of the following conditions have been met:

(1) The total normal cost rate increases or decreases by more than 1 percent from the 2025–26 fiscal year total normal cost.

(2) Fifty percent of the normal cost rate rounded to the nearest one-quarter of 1 percent is greater or lesser than the employee contribution rates in subdivisions (b) and (c).

(e) When the board determines that paragraphs (1) and (2) of subdivision (d) have been met, the employee contribution rate for miscellaneous or industrial members shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of 1 percent on July 1 of the fiscal year after the determination.

(f) Each year thereafter, the employee contribution rate shall not be adjusted again on account of a change to the normal cost rate unless the board determines that the normal cost rate has increased or decreased by more than 1 percent of payroll above the total normal cost rate in effect at the time the employee contribution rate was last adjusted.

(g) Employee contributions shall continue to be a percentage of pensionable compensation in excess of five hundred and thirteen dollars (\$513) per month paid to the member whose service has been included in the federal system or in excess of three hundred and seventeen dollars (\$317) per month paid to the member whose service has not been included in the federal system.

(h) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless and until approved by the Legislature in the annual Budget Act.

(i) Consistent with the normal rate of contribution for all members identified in this section, the Director of the Department of Human Resources may exercise discretion to establish the normal rate of contribution for a related state employee who is excepted from the definition of “state employee” in subdivision (c) of Section 3513, and an officer or employee of the executive branch of state government who is not a member of the civil service.

SEC. 13. Section 20677.94 of the Government Code is amended to read:

20677.94. (a) Notwithstanding Sections 20677.9 and 20683, effective July 1, 2027, the normal rate of contribution for state safety members who are represented by State Bargaining Unit 19 described in Section 20677.9 shall remain in effect unless the board has determined that both of the following conditions have been met:

(1) The total normal cost rate has increased or decreased by more than 1 percent from the 2025–26 fiscal year total normal cost.

(2) Fifty percent of the new normal cost rate, rounded to the nearest one-quarter of 1 percent, is greater or less than the normal contribution rates established in Section 20677.9.

(b) If the board determines that the requirements of paragraph (1) and (2) of subdivision (a) have been met, the normal contribution rate for state safety members who are represented by State Bargaining Unit 19 shall be

adjusted to 50 percent of the normal cost rate rounded to the nearest one-quarter of 1 percent on July 1 of the fiscal year after the determination.

(c) (1) Each year thereafter, the rate shall only be adjusted if the board determines that the total normal cost rate increases or decreases by more than 1 percent of payroll above the total normal cost rate in effect at the time the employee contribution rate was last adjusted.

(2) Employee contributions shall continue to be a percentage of pensionable compensation in excess of three hundred and seventeen dollars (\$317) per month paid to the member.

(d) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless and until approved by the Legislature in the annual Budget Act.

(e) Consistent with the normal rate of contribution for all members identified in this section, the Director of the Department of Human Resources may exercise discretion to establish the normal rate of contribution for a related state employee who is excepted from the definition of “state employee” in subdivision (c) of Section 3513, and an officer or employee of the executive branch of state government who is not a member of the civil service.

SEC. 14. Section 20683.81.3 of the Government Code is amended to read:

20683.81.3. (a) Effective July 1, 2025, to June 30, 2027, inclusive, the employee contribution rate for state safety members represented by State Bargaining Unit 2 shall remain at 11.5 percent.

(b) Notwithstanding Sections 20683.1, 20683.2, and 20683.81.2, effective July 1, 2027, the normal rate of contribution for state safety members who are represented by State Bargaining Unit 2 shall be adjusted in accordance with this section when both of the following occur:

(1) The total normal cost rate for the category in effect for the 2022–23 fiscal year has increased or decreased by at least 1 percent.

(2) Fifty percent of the new normal cost rate, rounded to the nearest one-quarter of 1 percent, is greater or less than the normal contribution rate established in Section 20683.81.2.

(c) If on July 1, 2027, the board determines that the requirements of paragraphs (1) and (2) of subdivision (a) have been met, the normal rate of contribution for state safety members who are represented by State Bargaining Unit 2 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest one-quarter of 1 percent, but not to increase or decrease by more than 1 percent.

(d) Each year thereafter, the rate shall only be adjusted if the board determines the total normal cost rate increases or decreases by more than 1 percent of payroll above the total normal cost rate in effect at the time the employee contribution rate was last adjusted. The increase or decrease to

the employee contribution in any given fiscal year shall not exceed 1 percent per year.

(e) The normal rate of contribution established pursuant to this section shall be applied to the compensation in excess of three hundred seventeen dollars (\$317) per month paid to a member whose service is not included in the federal system.

(f) Consistent with the normal rate of contribution for all members identified in this section, the Director of the Department Human Resources may exercise their discretion to establish the normal rate of contributions for a state employee who is excepted from the definition of “state employee” in subdivision (c) of Section 3513, and an officer or employee of the executive branch of state government who is not a member of the civil service. The normal rate of contribution shall be the same for all members identified in this subdivision. The contribution rate shall be effective at the beginning of the pay period indicated by the Director of the Department of Human Resources.

(g) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if the provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless and until approved by the Legislature in the annual Budget Act.

SEC. 15. Section 22944.5 of the Government Code, as amended by Section 10.5 of Chapter 26 of the Statutes of 2025, is amended to read:

22944.5. (a) (1) The state and employees in State Bargaining Unit 2, 7, 8, 9, 10, 13, 18, or 19 shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2019.

(2) The state and employees in State Bargaining Units 6 and 16 shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2018.

(3) The state and employees in the judicial branch shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2017.

(4) The state and employees in State Bargaining Unit 1, 3, 4, 5, 11, 12, 14, 15, 17, 20, or 21 shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2020.

(b) (1) The employees in State Bargaining Unit 9 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 0.5 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 0.5 percent for a total employee contribution of 1.0 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.0 percent for a total employee contribution of 2.0 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning with the July 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) The employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(2) The employees in State Bargaining Unit 10 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 0.7 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 0.7 percent for a total employee contribution of 1.4 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.4 percent for a total employee contribution of 2.8 percent of pensionable compensation.

(D) Effective July 1, 2020, the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of the actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than one-half of 1 percent from the total normal cost contribution percentages in effect on July 1, 2019. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(E) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (D), is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (D).

(3) The employees in State Bargaining Unit 6 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2016, 1.3 percent of pensionable compensation.

(B) Effective July 1, 2017, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(C) Effective July 1, 2018, an additional 1.4 percent for a total employee contribution of 4.0 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning on July 1, 2020, and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment

benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) The employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–2027 fiscal years, as described in subparagraph (C), is suspended and shall not be contributed by the employer. The employees' monthly contribution of 4.0 percent for prefunding other postemployment benefits will continue uninterrupted.

(4) The state employees in the judicial branch shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2016, 1.5 percent of pensionable compensation.

(B) Effective July 1, 2017, up to an additional 1.5 percent for a total employee contribution of up to 3.0 percent of pensionable compensation. The additional amount shall be determined by the Director of Finance no later than April 1, 2017, based on the actuarially determined normal costs identified in the state valuation.

(C) This paragraph does not apply to a judge who is subject to Chapter 11 (commencing with Section 75000) or Chapter 11.5 (commencing with Section 75500) of Title 8.

(5) The employees in State Bargaining Unit 12 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1.5 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.0 percent for a total employee contribution of 2.5 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.0 percent for a total employee contribution of 3.5 percent of pensionable compensation.

(D) Effective July 1, 2020, an additional 1.1 percent for a total employee contribution of 4.6 percent of pensionable compensation.

(E) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (D), is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (D).

(F) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, the employer and employee contribution percentages shall be increased or decreased to maintain a 50-percent cost sharing of the actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than one-half of 1 percent from the total normal cost contribution percentages in effect at the time. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(G) The employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (D) and (F), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(H) Effective July 1, 2027, 1.4 percent of pensionable compensation.

(I) Effective July 1, 2028, an additional 1.3 percent for a total employee contribution of 2.7 percent of pensionable compensation.

(J) Effective July 1, 2029, an additional 1.4 percent for a total employee contribution of 4.1 percent of pensionable compensation.

(K) Effective July 1, 2030, the employer and employee contribution percentages shall be increased or decreased to maintain a 50-percent cost sharing of the actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages shall occur if the actuarially determined total normal costs increase or decrease by more than one-half of one percent from the total normal contribution percentages in effect at the time. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(6) The employees in State Bargaining Unit 2 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 0.7 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 0.6 percent for a total employee contribution of 1.3 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 0.7 percent for a total employee contribution of 2.0 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective October 1, 2022, the employer and State Bargaining Unit 2 employee contribution percentages will be adjusted based on actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing the first day of the pay period following ratification, and on July 1 of each fiscal year thereafter, the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of actuarially determined total normal costs. Furthermore, the increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(F) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in

subparagraphs (C) and (E), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(7) The employees in State Bargaining Unit 7 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1.3 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.4 percent for a total employee contribution of 2.7 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.3 percent for a total employee contribution of 4.0 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(F) Effective July 1, 2027, 1.3 percent of pensionable contributions.

(G) Effective July 1, 2028, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(H) Effective July 1, 2029, an additional 1.4 percent for a total employee contribution of 4 percent of pensionable compensation.

(I) Beginning July 1, 2030, the employer and employee contribution percentages shall be increased or decreased to maintain a 50-percent cost sharing of the actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages shall occur if the actuarially determined total normal costs increase or decrease by more than one-half of one percent from the total normal contribution percentages in effect at the time. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(8) The employees in State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2018, 1.2 percent of pensionable compensation.

(B) Effective July 1, 2019, an additional 1.1 percent for a total employee contribution of 2.3 percent of pensionable compensation.

(C) Effective July 1, 2020, an additional 1.2 percent for a total employee contribution of 3.5 percent of pensionable compensation.

(D) Effective the first day of the pay period following ratification, the contribution percentage in subparagraph (C) shall be reduced by 0.5 percent for a total employee contribution of 3.0 percent of pensionable compensation.

(E) Effective July 1, 2024, and each July thereafter, State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21 employee contribution percentages will be adjusted based on actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than 0.5 percent from the total normal cost contribution percentages in effect at the time. The employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of actuarially determined total normal costs. Furthermore, the increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(F) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning on July 1, 2020, and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(G) Effective July 31, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (D) and (E), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(9) The employees in State Bargaining Unit 8 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1.5 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.5 percent for a total employee contribution of 3.0 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.4 percent for a total employee contribution of 4.4 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective the first day of the pay period following ratification by both parties, but no sooner than November 1, 2022, the employer and employee contribution will be decreased by 1 percent from 4.4 percent to 3.4 percent.

(F) Effective July 1, 2023, the contribution percentages will be adjusted based on the actuarially determined total normal cost. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than "0.5 percent" or "one-half of 1 percent" from the normal total cost contribution percentages in effect at the time. If it is determined that an

adjustment to the contribution rate is necessary, commencing no sooner than July 1, 2023, and July 1 of each fiscal year thereafter, the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of actuarially determined total normal costs. Furthermore, the increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(G) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (E) and (F), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(10) The employees in State Bargaining Unit 13 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1.3 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.3 percent for a total employee contribution of 3.9 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning with the August 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective August 2, 2022, the employer and employee contribution percentages will be adjusted based on actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing no sooner than July 1, 2022, the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of actuarially determined total normal costs. Furthermore, the increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(F) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (D) and (E), is suspended and shall not be withheld from employee's salaries or contributed by the employer.

(G) Effective July 1, 2027, 1.2 percent of pensionable compensation.

(H) Effective July 1, 2028, an additional 1.3 percent for a total employee contribution of 2.5 percent of pensionable compensation.

(I) Effective July 1, 2029, an additional 1.3 percent for a total employee contribution of 3.8 percent of pensionable compensation.

(J) Beginning 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 per year.

(11) The employees in State Bargaining Unit 18 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1.3 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.4 percent for a total employee contribution of 4.0 percent of pensionable compensation.

(D) After July 1, 2019, the employer and employee contribution percentages will be adjusted based on actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase by more than 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing no sooner than July 1, 2021, and on July 1 of each fiscal year thereafter, if it is determined that an adjustment to the contribution rate is necessary, the employer and employee contribution percentages will be increased to maintain a 50-percent cost sharing of actuarially determined total normal costs. The increase to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(E) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraphs (C) and (D), is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraphs (C) and (D).

(F) Effective October 1, 2022, the employer and employee contribution percentages will be adjusted based on actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing the first day of the pay period following ratification, and on July 1 of each fiscal year thereafter, the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of actuarially determined total normal costs. Furthermore, the increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(G) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in

subparagraphs (C) and (F), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(12) The employees in State Bargaining Unit 19 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1.0 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.0 percent for a total employee contribution of 2.0 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.0 percent for a total employee contribution of 3.0 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning with the July 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(13) The employees in State Bargaining Unit 16 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 0.4 percent for a total employee contribution of 1.4 percent of pensionable compensation.

(C) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (B), is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (B).

(D) Effective the first day of the pay period following ratification by both parties, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (B), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(14) Notwithstanding Section 22944.3 of the Government Code, the state and employees in State Bargaining Unit 5 shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined total normal costs for both employer and employees by July 1, 2020.

(A) The employees in State Bargaining Unit 5 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(B) Effective July 1, 2020, 0.0 percent of pensionable compensation for employees and 3.4 percent of pensionable statutory salary increases redirected to prefund OPEB paid for by the employer.

(C) After July 1, 2020, the employer and employee contribution percentages will be adjusted based on actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing no sooner than July 1, 2021, and on July 1 of each fiscal year thereafter, if it is determined that an adjustment to the contribution rate is necessary, 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 per year.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraphs (B) and (C), is suspended and shall not be withheld from employees' salaries beginning with the July 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will also be suspended during the 2020–21 fiscal year, as described in subparagraphs (B) and (C), beginning with the July 2020 pay period and ending on June 30, 2021.

(E) Effective July 1, 2020, the statutory increase redirected as a result of subdivision (a) of Section 19827 shall count towards the employee contribution percentage when determining the 50-percent cost sharing of actuarially determined total normal costs.

(F) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, the parties shall incorporate the 3.4 percent employee share of pensionable compensation into the salary survey conducted pursuant to Section 19827 of Government Code.

(G) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, the employees in State Bargaining Unit 5 and the state shall make contributions to prefund retiree health care based on the following schedule:

(i) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, employees shall contribute 0.9 percent of pensionable compensation and the employer shall contribute 5.9 percent of pensionable compensation, for a total of 6.8 percent pensionable compensation.

(ii) Effective July 1, 2022, or July 1, 2024, employees shall contribute 1.7 percent of pensionable compensation and the employer shall contribute 5.1 percent of pensionable compensation, for a total of 6.8 percent pensionable compensation.

(iii) Effective July 1, 2023, or July 1, 2025, employees shall contribute 2.6 percent of pensionable compensation and the employer shall contribute 4.2 percent of pensionable compensation, for a total of 6.8 percent pensionable compensation.

(iv) Effective July 1, 2024, employees shall contribute 3.4 percent of pensionable compensation and the employer shall contribute 3.4 percent of pensionable compensation, for a total of 6.8 percent of pensionable compensation.

(v) Effective the first day of the pay period following ratification by both parties but no earlier than July 31, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in clause (iv), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(c) This section only applies to employees who are eligible for health benefits, including permanent intermittent employees.

(d) Contributions paid pursuant to this section shall be deposited in the Annuitants' Health Care Coverage Fund and shall not be refundable under any circumstances to an employee or the employee's beneficiary or survivor.

(e) If the provisions of this section are in conflict with the provisions of a memorandum of understanding or addenda, or both, reached pursuant to Section 3517.5, that memorandum of understanding or addenda, or both, shall be controlling without further legislative action, except that if those provisions of the memorandum of understanding or addenda require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

(f) This section shall also apply to a state employee related to a bargaining unit described in subdivision (a) who is excepted from the definition of "state employee" in subdivision (c) of Section 3513, and the Director of the Department of Human Resources may establish the total employee contribution to prefund retiree health care as a percentage of pensionable compensation.

(g) (1) With the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2020, the Director of the Department of Human Resources may establish the total employee contribution to prefund retiree health care as a percentage of pensionable compensation for the following:

(A) A state employee who is not related to a bargaining unit described in subdivision (a) and who is excepted from the definition of "state employee" in subdivision (c) of Section 3513.

(B) An officer or employee of the executive branch of state government who is not a member of the civil service.

(2) An employee or officer to whom this subdivision applies shall make contributions to prefund retiree health care based on the percentages established in paragraph (1), and the state shall match the contributions.

SEC. 16. Section 3.90 of the Budget Act of 2025, as added by Section 236 of Chapter 5 of the Statutes of 2025, is amended to read:

Sec. 3.90. It is the expectation of the Legislature that all state employee bargaining units meet and confer in good faith with the Governor or the Governor's representative on or before July 1, 2025, to achieve savings through (a) the collective bargaining process for represented employees and (b) existing authority for the administration to adjust compensation for nonrepresented employees. The Legislature finds that the savings will likely be needed to maintain the sound fiscal condition of the state. The reductions achieved through the Personal Leave Program 2025 shall not apply to employees of the Legislative Counsel Bureau and the California State Auditor's Office.

SEC. 17. Pursuant to the agreements reached between the state employer and State Bargaining Units 1, 2, 3, 4, 5, 7, 8, 11, 13, 14, 15, 16, 17, 18, 19, 20, and 21, Items 9800-001-0001, 9800-001-0494, and 9800-001-0988 of Section 2.00 of the Budget Act of 2025 shall be reduced for a total of five hundred twenty-eight million and seventy-four thousand dollars (\$528,074,000) in accordance with the following schedule:

(a) Two hundred twenty-seven million five hundred forty-five thousand dollars (\$227,545,000) from the General Fund is reduced from Item 9800-001-0001 of Section 2.00 of the Budget Act of 2025.

(b) Two hundred sixteen million three hundred fifty-one thousand dollars (\$216,351,000) from unallocated special funds is reduced from Item 9800-001-0494 of Section 2.00 of the Budget Act of 2025.

(c) Eighty-four million one hundred seventy-eight thousand dollars (\$84,178,000) from other unallocated nongovernmental cost funds is reduced from Item 9800-001-0988 of Section 2.00 of the Budget Act of 2025.

SEC. 18. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.