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Collective Bargaining and the Unit 10 (Scientists) 2026-27 Special Salary Adjustments

PRESENTED TO: Senate Budget and Fiscal Review Subcommittee No. 5
Hon. Laura Richardson, Chair

LEGISLATIVE ANALYST'S OFFICE

Collective Bargaining

- ***Ralph C. Dills Act (1977).*** Establishes collective bargaining rights for state rank-and-file civil service employees regarding terms and conditions of employment. The law governs a collective bargaining process between the state employer—represented by the Governor who is, in turn, represented by the California Department of Human Resources (CalHR)—and recognized employee organizations (unions) representing state employees organized into 21 bargaining units.
- ***Parties Reach Tentative Agreement.*** Union representatives and the Governor's representatives from CalHR negotiate the terms of labor agreements. When an agreement is reached, the parties sign a tentative agreement and transmit the tentative agreement to the Legislature for determination.
- ***Tentative Agreements Only Go Into Effect After Ratification.*** The Legislature and union members must approve, or ratify, a tentative agreement for it to go into effect as the operating Memorandum of Understanding (MOU) between the state employer and bargaining unit. If either (or both) the Legislature or the union do not ratify the agreement, it does not go into effect.
- ***A Ratified MOU May Be Amended During the Term of the MOU.*** The parties may agree to addenda, side letters, or other changes to a ratified MOU during the term of the MOU. Typically, the term of an MOU ranges from two to three years.
- ***Ratification Does Not Guarantee Future Funding.*** The Legislature retains annual appropriation authority over state expenditures. Consequently, ratification of an economic provision of an MOU or an MOU addenda does not bind a future Legislature to appropriate funding for that provision.

Legislature's Role in Collective Bargaining Process

- ***Approve or Reject, Not Amend, Agreements.*** The Legislature is not a party of a labor agreement and plays no role in determining the provisions of a tentative agreement or subsequent MOU addenda. When an agreement is submitted to the Legislature for determination, the Legislature cannot amend the contents of the agreement. Rather, the Legislature accepts or rejects a tentative agreement in its totality.
- ***Appropriation Authority Grants Legislature Authority to Open Ratified Agreements.*** The Legislature may choose not to fund an economic provision of a ratified labor agreement in the annual budget act. If the Legislature does not appropriate funds for an economic provision of a ratified MOU, (1) the unfunded provision does not go into effect and (2) either the Governor or the union may reopen negotiations on all or part of the MOU.

Employee Compensation in the Budget

- ***Base Funding Levels Appear in Departmental Budgets.*** Salary and benefit costs account for a significant portion of departments' state operations costs. Elements of compensation that have previously been funded in the budget appear in departments' budget.
- ***Augmentations to Base Funding Levels Appear in Item 9800.*** Any new augmentation to the base funding level of employee compensation appears in one item of the budget: Item 9800. Item 9800 typically funds growth in state costs associated with rising health/dental premiums, pay, and other elements of compensation established in ratified MOUs.
- ***Item 9800 Log.*** In January and May each year, the administration submits to the budget committees of the Legislature and the Legislative Analyst's Office technical backup that itemizes the costs that are included in Item 9800. This document is referred to as the 9800 Log. The administration informs us that although the document routinely is provided only to legislative offices, it is a public document that can be provided to anyone upon request.
- ***Reductions to Scheduled Employee Compensation Typically Done Through Control Sections, With Advance Notice.*** In response to worsening fiscal conditions, the Legislature has in the past invoked its authority not to fund economic provisions of ratified MOUs—most notably through furloughs in 2008-09 through 2012-13, Personal Leave Program (PLP) 2020, and PLP 2025. In each case, a control section identified the specific savings to be achieved through collective bargaining or administrative action, and the proposal was presented to and discussed by the Legislature in public budget hearings before enactment.

Bargaining Unit 10 (Scientists) Labor Relations

- ***Long-Standing Disagreement Between Union and Administration Regarding Appropriate Salary Levels.*** For many years, Unit 10 has argued that it should receive significant salary increases to address pay equity concerns between (1) Unit 9 (professional engineers) and Unit 10 rank-and-file employees and (2) Unit 10 rank-and-file workers and their supervisors.
- ***Relations Deteriorated Between Administration and Unit 10 in 2023.*** In 2023, union members rejected a tentative agreement reached between the parties in December 2022. By September 2023, the Public Employment Relations Board officially determined that the state and Unit 10 had reached an impasse. In November 2023, the union authorized a three-day strike. This was the first time that a California state employee union went on strike.

2026-27 Special Salary Adjustments (SSAs) Under Unit 10 Labor Agreements

- ***2024 MOU Established SSAs.*** In 2024, the parties agreed to and the Legislature and union members ratified a three-year MOU to be in effect through July 1, 2027. The agreement included a number of provisions to increase Unit 10 pay. Most significantly in addressing the long-standing dispute between the state and Unit 10, the agreement included SSAs that would increase all Unit 10 members' salaries on July 1 of 2024, 2025, and 2026. In 2026-27, the agreement provided employees at the top step of their salary range a salary increase of between 4 percent and 5 percent and employees below the top step of their salary range a 3 percent salary increase. When the administration submitted the agreement to the Legislature for ratification in August 2024, it identified the costs associated with the entirety of the agreement, including the 2026-27 SSAs.
- ***2025 Agreement Affirmed 2026-27 SSAs.*** In 2025, the administration negotiated agreements with all 21 bargaining units to achieve savings assumed in the budget under Control Section 3.90 of the 2025-26 budget. In the case of Unit 10, the 2025 agreement made a number of changes to Unit 10 compensation; however, the agreement made no change to the scheduled 2026-27 SSAs. The Legislature ratified the agreement in September 2025.
- ***2025 Agreement Included Reopener Clause Referencing Legislature's Existing Authority.*** The 2025 agreement included a provision stating that, if the Legislature does not fund an economic provision in 2026-27, either party may reopen negotiations, with a meet-and-confer deadline of July 1, 2026. This authority is consistent with the Legislature's standing authority under the Dills Act.

Unit 10 and the 2026-27 Budget

- ***Administration Did Not Include Unit 10 SSAs in 9800 Log.*** The 9800 Logs submitted to the Legislature in January and in May did not include funding for the agreed upon Unit 10 2026-27 SSAs. Consequently, the enacted 2026-27 budget does not include funding for the Unit 10 SSAs. The administration indicates that it would cost $8.6 million General Fund ($28.7 million all funds) to pay for the agreed upon SSAs.
- ***Other Pay Increases Included in the 9800 Log.*** The administration included in the 9800 Log funding for retention and duty-specific pay differentials, longevity/seniority pay differentials, and the Unit 5 (highway patrol) general salary increase. These funded pay increases include longevity pay differentials for Unit 10 provided by the same MOU as the SSAs. In total, these pay increases that were included in the 9800 Log increase ongoing state costs by $16.8 million General Fund ($140.4 million all funds).
- ***No Communication Identifying Proposal to Forego 2026-27 SSAs.*** The policy decision to provide the 2026-27 SSAs was made with the ratification of the 2024 MOU and affirmed by the ratification of the 2025 agreement in September 2025. However, beginning in January 2026, the Governor's 2026-27 budget proposal assumed that the SSAs would not be funded. Although the funding was not included in the 9800 Log, the administration did not communicate to the Legislature its intent to change the state's policy regarding Unit 10 compensation. Moreover, while the administration states foregoing the SSAs was due to the underlying budget condition, the administration did not include this change as part of its list of proposed solutions.