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SB-873 State public employment: memorandum of understanding: approval: State Bargaining Units 9 and 10. (2017-2018)

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Senate Bill No. 873

CHAPTER 452

An act to amend Sections 19829.9847, 19829.9848, and 22944.5 of, and to add Sections 20683.6, 20683.61, 20683.62, 20683.7, 20683.71, 20683.72, and 22958.1.7 to, the Government Code, relating to state public employment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor September 17, 2018. Filed with Secretary of State September 17, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 873, Committee on Budget and Fiscal Review. State public employment: memorandum of understanding: approval: State Bargaining Units 9 and 10.

(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.

This bill would approve provisions requiring the expenditure of funds in the memorandum of understanding entered into between the state employer and State Bargaining Unit 9, Professional Engineers, and State Bargaining Unit 10, Professional Scientific.

This bill would provide that provisions of the memoranda of understanding described above and approved by this bill that require the expenditure of funds will not take effect unless funds for those provisions are specifically appropriated by the Legislature. The bill would authorize the state employer and the affected employee organization to meet and confer to renegotiate the affected provisions if funds for those provisions are not specifically appropriated by the Legislature. The bill would require that the provisions of this memoranda of understanding that require the expenditure of funds become effective even if these provisions are approved by the Legislature in legislation other than the annual Budget Act.

The bill would appropriate 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, in the amount necessary for the payment of compensation and employee benefits to state employees covered by the memoranda of understanding described above if the Budget Act is not enacted on or before July 1 in the 2019–20 fiscal year or, in the case of State Bargaining Unit 10 only, July 1 in the 2020–21 fiscal year, as specified.

(2) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System for the purpose of providing pension and other benefits to public employees, which are funded by employee and employer contributions and investment returns. PERL prescribes different normal rates for employee contributions depending on bargaining unit, employer, and inclusion of service in the federal Social Security system, among other factors.

This bill, on and after July 1, 2019, would adjust the normal rate of contribution for specified employees of State Bargaining Unit 9 and 10 to 50% of the normal cost rate rounded to the nearest quarter 1%, as specified, if certain conditions occur. The bill would authorize the Director of the Department of Human Resources to exercise his or her discretion to establish the normal rate of contribution for a related state employee or an officer or employee of the executive branch who is not a member of the civil service. The bill would revert to the normal rate of contribution on July 1, 2020, in the case of State Bargaining Unit 9, or July 1, 2021, in the case of State Bargaining Unit 10.

(3) 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 requires the employer contribution for an employee or annuitant who is in the employment of or retired from state service to be adjusted by the Legislature in the annual Budget Act, as specified. PEMHCA prescribes different ways of calculating the employer contributions for employees and annuitants depending on date of hire, years of service, and bargaining unit.

PEMHCA establishes the Public Employees' Contingency Reserve Fund for the purpose of funding health benefits and funding administrative expenses. 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 defines "prefunding" for these purposes. Existing law requires the state and employees of State Bargaining Unit 10 to prefund retiree health care with the goal of reaching a 50% cost sharing of normal costs by July 1, 2019, and prescribes schedules of contribution percentages in this regard.

This bill, effective July 1, 2020, would require that the contribution percentages the state and employees of State Bargaining Unit 10 be increased or decreased to maintain a 50% cost sharing of the actuarially determined total normal costs, as provided. The bill, effective July 1, 2021, would require that the contribution percentage for employees of State Bargaining Unit 10 to prefund retiree health care, and the matching contribution of the state, be 2.8% of pensionable compensation.

(4) Existing law, the State Employees' Dental Care Act, authorizes the state to enter into contracts, upon negotiations with employee organizations, with carriers for dental care plans for employees, annuitants, and eligible family members. Existing law permits these plans to include premiums to be paid by employees and annuitants and also authorizes the plans to be self-funded if an employer determines it to be cost effective. Existing law prohibits specified employees from receiving an employer contribution for these benefits for annuitants unless the person is credited with 10 or more years of state service or for other specified employees unless the person is credited with 15 or more years of state service.

This bill would prohibit state employees, as specified, who are first employed and become members of the retirement system on or after January 1, 2019, as specified, and are represented by, or related to, State Bargaining Unit 9 or 10, from receiving an employer contribution for dental benefits, as described above, for annuitants unless the person is credited with 15 or more years of state service. The bill would prescribe the percentage of the employer contribution payable for these dental benefits for these employees based on the number of completed years of credited state service at retirement, with 50% after 15 credited years of service and 100% after 25 or more years of service.

(5) This bill would appropriate the sum of \$132,786,000 for State Bargaining Units 9 and 10 for expenditure in the 2018–19 fiscal year, in augmentation of, and for the purpose of, state employee compensation, as provided.

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

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

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 Units 9 and 10 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 prepared pursuant to Section 3517.5 of the Government Code and entered into by the state employer and State Bargaining Unit 9, dated August 21, 2018, and State Bargaining Unit 10, dated August 22, 2018, and that require the expenditure of funds, are hereby approved for the purposes of subdivision (b) of Section 3517.6 of the Government Code.

SEC. 3. The provisions of the memoranda of understanding 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 the affected employee organization may reopen negotiations on all or part of the memorandum of understanding.

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

SEC. 5. Section 19829.9847 of the Government Code is amended to read:

19829.9847. (a) Notwithstanding Section 13340, for the 2019–20 fiscal year, if the Budget Act of 2019 is not enacted by July 1, 2019, for the memoranda of understanding entered into between the state employer and State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21 (each effective July 2, 2016, to January 1, 2020, inclusive), State Bargaining Unit 6 (effective July 3, 2018, to July 2, 2019, inclusive), State Bargaining Unit 9 (effective July 1, 2018, to June 30, 2020, inclusive), State Bargaining Unit 10 (effective July 1, 2018, to July 1, 2020, inclusive), State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2020, inclusive), State Bargaining Unit 16 (effective July 1, 2016, to July 1, 2020, inclusive), State Bargaining Unit 19 (effective July 1, 2016, to July 1, 2020, inclusive), and State Bargaining Unit 8 (effective January 1, 2017, to July 1, 2021, 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 2019 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, 2019, of the 2019–20 fiscal year and the enactment of the Budget Act of 2019.

(b) If the memoranda of understanding entered into between the state employer and State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21 (each effective July 2, 2016, to January 1, 2020, inclusive), State Bargaining Unit 6 (effective July 3, 2018, to July 2, 2019, inclusive), State Bargaining Unit 9 (effective July 1, 2018, to June 30, 2020, inclusive), State Bargaining Unit 10 (effective July 1, 2018, to July 1, 2020, inclusive), State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2020, inclusive), State Bargaining Unit 16 (effective July 1, 2016, to July 1, 2020, inclusive), State Bargaining Unit 19 (effective July 1, 2016, to July 1, 2020, inclusive), and State Bargaining Unit 8 (effective January 1, 2017, to July 1, 2021, 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.

(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 2019, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2019 for each affected department.

(d) This section shall only apply to an employee covered by the terms of the State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21 (each effective July 2, 2016, to January 1, 2020, inclusive), State Bargaining Unit 6 (effective July 3, 2018, to July 2, 2019, inclusive), State Bargaining Unit 9 (effective July 1, 2018, to June 30, 2020, inclusive), State Bargaining Unit 10 (effective July 1, 2018, to July 1, 2020, inclusive), State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2020, inclusive), State Bargaining Unit 16 (effective July 1, 2016, to July 1, 2020, inclusive), State Bargaining Unit 19 (effective July 1, 2016, to July 1, 2020, inclusive), or State Bargaining Unit 8 (effective January 1, 2017, to July 1, 2021, inclusive) memorandum 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, 2019, the memoranda of understanding for State Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21 expire on January 1, 2020, the memorandum of understanding for State Bargaining Unit 9 expires on June 30, 2020, the memoranda of understanding for State Bargaining Units 10, 12, 16, and 19 expire on July 1, 2020, and the memorandum of understanding for State Bargaining Unit 8 expires on July 1, 2021.

SEC. 6. Section 19829.9848 of the Government Code is amended to read:

19829.9848. (a) Notwithstanding Section 13340, for the 2020–21 fiscal year, if the Budget Act of 2020 is not enacted by July 1, 2020, for the memorandum of understanding entered into between the state employer and State Bargaining Unit 8 (effective January 1, 2017, to July 1, 2021, inclusive), and State Bargaining Unit 10 (effective July 1, 2018, to July 1, 2020, 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 memorandum of understanding until the Budget Act of 2020 is enacted. The Controller may expend an amount no greater than necessary to enable the Controller to compensate state employees covered by the above memorandum of understanding for work performed between July 1, 2020, of the 2020–21 fiscal year and the enactment of the Budget Act of 2020.

(b) If the memorandum of understanding entered into between the state employer and State Bargaining Unit 8 (effective January 1, 2017, to July 1, 2021, inclusive) and State Bargaining Unit 10 (effective July 1, 2018, to July 1, 2020, inclusive), is in effect and

approved by the Legislature, the compensation and contribution for employee benefits for state employees represented by this bargaining unit shall be at a rate consistent with the memorandum of understanding referenced above.

(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 2020, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2020 for each affected department.

(d) This section shall only apply to an employee covered by the terms of the State Bargaining Unit 8 (effective January 1, 2017, to July 1, 2021, inclusive) and State Bargaining Unit 10 (effective July 1, 2018, to July 1, 2020, inclusive) memorandum of understanding. Notwithstanding Section 3517.8, this section shall not apply after the term of the memorandum of understanding has expired. For purposes of this section, the memorandum of understanding for State Bargaining Unit 10 expires on July 1, 2020, and the memorandum of understanding for State Bargaining Unit 8 expires on July 1, 2021.

SEC. 7. Section 20683.6 is added to the Government Code, to read:

20683.6. (a) Notwithstanding Sections 20677.4 and 20677.71, effective July 1, 2019, the normal rate of contribution for state miscellaneous members who are represented by State Bargaining Unit 9 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 2016–17 fiscal year has increased 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 than the normal contribution rate established in Section 20677.71.

(b) If on July 1, 2019, 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 members who are represented by State Bargaining Unit 9 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest one-quarter of 1 percent, but not to increase by more than 0.5 percent.

(c) 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.

(d) After June 30, 2020, the normal rate of contribution shall return to the normal contribution rate established in Section 20677.71.

(e) Consistent with the normal rate of contribution for all members identified in this subdivision, the Director of the Department of Human Resources may exercise his or her 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.

(f) 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. 8. Section 20683.61 is added to the Government Code, to read:

20683.61. (a) Notwithstanding Sections 20677.4, 20677.71, and 20683.2, effective July 1, 2019, the normal rate of contribution for state industrial members who are represented by State Bargaining Unit 9 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 2016–17 fiscal year has increased 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 than the normal contribution rate established in Section 20683.2.

(b) If on the July 1, 2019, the board determines that the requirements of paragraphs (1) and (2) of subdivision (a) have been met, the normal rate of contribution for state industrial members who are represented by State Bargaining Unit 9 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest one-quarter of 1 percent, but not to increase by more than 0.5 percent.

(c) 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.

(d) After June 30, 2020, the normal rate of contribution shall return to the normal contribution rate established in Section 20683.2.

(e) Consistent with the normal rate of contribution for all members identified in this subdivision, the Director of the Department of Human Resources may exercise his or her 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.

(f) 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. 9. Section 20683.62 is added to the Government Code, to read:

20683.62. (a) Notwithstanding Sections 20683, 20677.91, and 20683.2, the normal rate of contribution for state safety members who are represented by State Bargaining Unit 9 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 2016–17 fiscal year has increased 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 than the normal contribution rate established in Section 20683.2.

(b) If on July 1, 2019, 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 9 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of 1 percent, but not to increase by more than 0.5 percent.

(c) 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.

(d) After June 30, 2020, the normal rate of contribution shall return to the normal contribution rate established in Section 20683.2.

(e) Consistent with the normal rate of contribution for all members identified in this subdivision, the Director of the Department of Human Resources may exercise his or her 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.

(f) 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 20683.7 is added to the Government Code, to read:

20683.7. (a) Notwithstanding Sections 20677.4 and 20677.71, effective July 1, 2019, the normal rate of contribution for state miscellaneous members who are represented by State Bargaining Unit 10 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 2016–17 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 than or less than the normal contribution rate established in Section 20677.71.

(b) On the July 1 of the fiscal year that 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 members who are represented by State Bargaining Unit 10 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.

(c) Once established, the normal rate of contribution shall not be adjusted on account of a change to the normal cost rate unless the normal cost rate increases or decreases by more than 1 percent of payroll above or below the normal cost rate in effect at the time the normal rate of contribution is first established or, if later, the normal cost rate in effect at the time of the last adjustment to the normal rate of contribution under this subdivision. Furthermore, the increase or decrease to the normal rate of contribution in any given fiscal year shall not exceed 1 percent per year.

(d) 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.

(e) On July 1, 2021, the normal rate of contribution shall return to the normal contribution rate established in Section 20677.71.

(f) Consistent with the normal rate of contribution for all members identified in this subdivision, the Director of the Department of Human Resources may exercise his or her 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.

(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. 11. Section 20683.71 is added to the Government Code, to read:

20683.71. (a) Notwithstanding Sections 20677.4, 20677.71, and 20683.2, effective July 1, 2019, the normal rate of contribution for state industrial members who are represented by State Bargaining Unit 10 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 2016–17 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 than or less than the normal contribution rate established in Section 20683.2.

(b) On the July 1 of the fiscal year that the board determines that the requirements of paragraphs (1) and (2) of subdivision (a) have been met, the normal rate of contribution for state industrial members who are represented by State Bargaining Unit 10 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of 1 percent, but not to increase or decrease by more than 1 percent.

(c) Once established, the normal rate of contribution shall not be adjusted on account of a change to the normal cost rate unless the normal cost rate increases or decreases by more than 1 percent of payroll above or below the normal cost rate in effect at the time the normal rate of contribution is first established or, if later, the normal cost rate in effect at the time of the last adjustment to the normal rate of contribution under this subdivision. Furthermore, the increase or decrease to the normal rate of contribution in any given fiscal year shall not exceed 1 percent per year.

(d) 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.

(e) On July 1, 2021, the normal rate of contribution shall return to the normal contribution rate established in Section 20683.2.

(f) Consistent with the normal rate of contribution for all members identified in this subdivision, the Director of the Department of Human Resources may exercise his or her 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.

(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. 12. Section 20683.72 is added to the Government Code, to read:

20683.72. (a) Notwithstanding Sections 20683, 20677.91, and 20683.2, the normal rate of contribution for state safety members who are represented by State Bargaining Unit 10 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 2016–17 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 than or less than the normal contribution rate established in Section 20683.2.

(b) On the July 1 of the fiscal year that 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 10 shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of 1 percent, but not to increase or decrease by more than 1 percent.

(c) Once established, the normal rate of contribution shall not be adjusted on account of a change to the normal cost rate unless the normal cost rate increases or decreases by more than 1 percent of payroll above or below the normal cost rate in effect at the time the normal rate of contribution is first established or, if later, the normal cost rate in effect at the time of the last adjustment to the normal rate of contribution under this subdivision. Furthermore, the increase or decrease to the normal rate of contribution in any given fiscal year shall not exceed 1 percent per year.

(d) 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.

(e) On July 1, 2021, the normal rate of contribution shall return to the normal contribution rate established in Section 20683.2.

(f) Consistent with the normal rate of contribution for all members identified in this subdivision, the Director of the Department of Human Resources may exercise his or her 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.

(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. 13. Section 22944.5 of the Government Code 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, 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.

(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) Effective July 1, 2021, 2.8 percent of pensionable compensation.

(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.

(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.

(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.

(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.

(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.

(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.

(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.

(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.

(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.

(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) 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 his or her beneficiary or survivor.

(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 those 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.

(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.

(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. 14. Section 22958.1.7 is added to the Government Code, to read:

22958.1.7. (a) Notwithstanding Sections 22953, 22957, and 22958, the following employees shall not receive any portion of the employer contribution payable for annuitants unless the person is credited with 15 or more years of state service, as defined by this section, at the time of retirement:

(1) A state employee, as defined by subdivision (c) of Section 3513, who is first employed by the state and becomes a state member of the system on or after January 1, 2019, and is represented by State Bargaining Unit 9 or 10.

(2) A state employee related to State Bargaining Unit 9 or 10 who is excepted from the definition of "state employee" in subdivision (c) of Section 3513 and is first employed by the state and becomes a state member of the system on or after January 1, 2019.

(b) The percentage of the employer contribution payable for postretirement dental care benefits for an employee subject to this section shall be based on the funding provision of the plan and the completed years of credited state service at retirement as shown in the following table:

Credited Years of Service	Percentage of Employer Contribution
15	50
16	55
17	60
18	65
19	70
20	75
21	80
22	85
23	90
24	95
25 or more	100

(c) This section shall apply only to state employees that retire for service. For purposes of this section, "state service" means service rendered as an employee of the state or an appointed or elected officer of the state for compensation.

(d) This section does not apply to:

(1) Former state employees previously employed prior to January 1, 2019, who return to state employment on or after January 1, 2019.

(2) State employees hired prior to January 1, 2019, who become subject to representation by State Bargaining Unit 9 or 10 on or after January 1, 2019.

(3) State employees on an approved leave of absence employed before January 1, 2019, who return to active employment on or after January 1, 2019.

(4) State employees hired after January 1, 2019, who are first represented by a State Bargaining Unit other than Bargaining Unit 9 or 10, who later become represented by State Bargaining Unit 9 or 10.

(e) In those cases where the state has assumed from a public agency a function and the related personnel, service rendered by that personnel for compensation as employees or appointed or elected officers of that public agency may not be credited as state service for the purposes of this section unless the former employer has paid or agreed to pay the state the amount actuarially determined to equal the cost for any employee dental benefits that were vested at the time that the function and the related personnel were assumed by the state, and the Department of Finance finds that the contract contains a benefit factor sufficient to reimburse the state for the amount necessary to fully compensate for the postretirement dental benefit costs of those personnel. For noncontracting public agencies, the state agency that has assumed the function shall certify the completed years of public agency service to be credited to the employee as state service credit under this section.

SEC. 15. The sum of one hundred thirty-two million seven hundred eighty-six thousand dollars (\$132,786,000) is hereby appropriated for State Bargaining Units 9 and 10 for expenditure in the 2018–19 fiscal year in augmentation of, and for the purpose of, state employee compensation, as provided in Items 9800-001-0001, 9800-001-0494, and 9800-001-0988 of Section 2.00 of the Budget Act of 2018, in accordance with the following schedule:

(a) Six million two hundred twenty-two thousand dollars (\$6,222,000) from the General Fund in augmentation of Item 9800-001-0001 of Section 2.00 of the Budget Act of 2018.

(b) Eighty-four million seven hundred ninety-eight thousand dollars (\$84,798,000) from unallocated special funds in augmentation of Item 9800-001-0494 of Section 2.00 of the Budget Act of 2018.

(c) Forty-one million seven hundred sixty-six thousand dollars (\$41,766,000) from other unallocated nongovernmental cost funds in augmentation of Item 9800-001-0988 of Section 2.00 of the Budget Act of 2018.

SEC. 16. 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.