

# INTERNATIONAL UNION OF OPERATING ENGINEERS

## Craft-Maintenance Division State of California Unit 12 Locals 3, 39 & 501, AFL-CIO

### Unit 12 Members:

In response to the State's request to return to the negotiation table to address the State's budget deficit, your Unit 12 Negotiations Committee began negotiations for a Side Letter Agreement over the past few weeks. On Friday, June 20, 2025, the Unit 12 Negotiations Committee reached a tentative agreement with the State of California. Please see attached side letter. A brief description of the side letter is below.

### **General Salary Increase:**

The tentative agreement includes a modification of the previously scheduled four percent (4%) special salary adjustment for unit 12 members who have been at the max pay for a minimum of 12 months. The modification results in a three percent (3%) general salary increase (GSI) for all Unit 12 members effective July 1, 2025. The three percent (3%) GSI will positively affect the overtime pay rate and CalPERS pension calculation for Unit 12 members.

### **Personal Leave Program (PLP) 2025:**

In order to address the State's \$12 billion budget deficit, CalHR was tasked with securing \$766 million in savings via a temporary salary reduction. This will be accomplished via the implementation of the Personal Leave Program (PLP) for 24 months. In exchange for securing the three percent (3%) GSI noted above, each Unit 12 member will participate in the PLP. For the duration of this agreement Unit 12 members will receive five (5) hours of PLP per month. The five (5) hours of PLP are in exchange for a temporary three percent (3%) salary reduction. By securing the three percent (3%) GSI simultaneously to the implementation of the PLP, Unit 12 members will not see a reduction in take home compensation. The PLP will begin July 1, 2025, through June 30, 2027. All PLP received during this duration shall have a cash value equal to the Unit 12 employees' current hourly rate of pay at the time of use. PLP received shall not expire. Any unused PLP shall be cashed out to the Unit 12 member upon separation from State service.

On June 30, 2027, each Unit 12 member shall receive an extra eight (8) hours of PLP.

**Other Post Employment Benefit (OPEB):**

Effective July 1, 2025, through June 30, 2027, Unit 12 members will not have a monthly contribution for OPEB (4.1% of gross pay) withheld from their paycheck.

In an effort to achieve more savings for our members, we were able to secure a gradual phase-in of OPEB over a span of 3 years. Beginning July 1, 2027, the OPEB contribution rate will be phased in on the following dates:

July 1, 2027, both the employer and employee shall contribute 1.40 percent (1.40%) of pensionable compensation.

July 1, 2028, both the employer and employee shall contribute 2.7 percent (2.7%) of pensionable compensation.

July 1, 2029, both the employer and employee shall contribute 4.1 percent (4.1%) of pensionable compensation.

Effective 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 (0.5%) per year.

By reaching an agreement to suspend the Unit 12 members' contribution to OPEB in conjunction with the three percent (3%) GSI and five (5) hours of monthly PLP, Unit 12 member will see their monthly take home pay increase while still allowing the State to address the budget deficit.

**Next Steps:**

We are currently working on the ratification process of sending ballots to all members of Unit 12. Please continue to check the website for an update as to when ballots will be sent to each member's current mailing address on file. If you have moved or are not a current member, please call the Union office as soon as possible at 916-928-3099.

For clarification, a "no" vote on this tentative agreement means the state will impose the necessary cuts to achieve the cost savings required. A "yes" vote on this tentative agreement means we accept the terms of this side letter.

Thank you for your patience and support. If you have any questions, please contact your Union Representative.

In Solidarity,

The Unit 12 Bargaining Team



## Management Counter Proposal – BU 12 Side Letter

Bargaining Unit: 12

Date:

6.20.2025

Exclusive Representative: IUOE

TA 7:34

Subject: 2025 May Revision Side Letter

As identified in the State's notice to IUOE dated May 14, 2025, due to the projected budget shortfalls as anticipated in the 2025-2026 Governor's May Revision, in accordance with section 3517.6 of the Government Code, notwithstanding any other provision of law, this agreement is a side letter of the current Memorandum of Understanding (MOU) effective July 1, 2023 through June 30, 2026 between the International Union of Operating Engineers, (IUOE) Bargaining Unit 12 (BU 12) and the State of California (State).

I. Amend Section 2.2 C. (Salaries):

In lieu of increasing the maximum salary range of Bargaining Unit 12 classifications by four percent (4%) on July 1, 2025, as reflected in Article 2.2 C., all Bargaining Unit 12 employees shall receive a 3 percent (3%) general salary increase effective July 1, 2025.

II. Personal Leave Program (PLP) 2025

Effective the first day of the July 2025 pay period through the June 2027 pay period, IUOE represented employees shall be subject to the Personal Leave Program 2025 (PLP 2025) of 5 hours per month in the manner outlined below.

- A. Each full-time employee shall continue to work their assigned work schedule and shall have a reduction in pay equal to 3%.
- B. Each full-time employee shall be credited with five (5) hours of PLP 2025 on the first day of each pay period for the duration of the PLP 2025 program.
- C. Salary rates and salary ranges shall remain unchanged.
- D. Employees will be given maximum discretion to use PLP 2025 subject to severe operational considerations. However, whenever feasible, PLP 2025 should be used in the pay period it was earned.

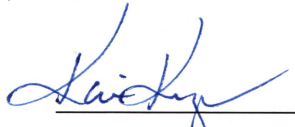
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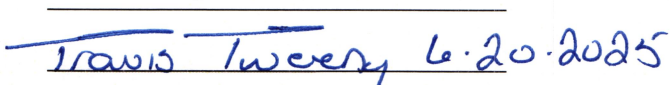

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For Bargaining Unit 12



## Management Counter Proposal – BU 12 Side Letter

- E. PLP 2025 must be used before any other leave except for sick leave, Training Leave (Article 10.22), and Professional Development Days.
- F. Employees may elect to use PLP in lieu of approved sick leave.
- G. PLP 2025 shall be requested and used by the employee in the same manner as vacation/annual leave.
- H. PLP 2025 accruals do not expire.
- I. PLP 2025 may be cashed out upon separation from state service.
- J. PLP 2025 leave shall not be considered as "time worked" for overtime purposes, except when an employee is "mandated" to work overtime, for the purposes of determining the number of hours worked in a work week.
- K. A State employee shall be entitled to the same level of State employer contributions for health, vision, dental, flex-elect cash option, and enhanced survivor's benefits the employee would have received had the PLP 2025 not occurred.
- L. PLP 2025 shall not cause a break in State service, nor a reduction in the employee's accumulation of service credit for the purposes of seniority and retirement. PLP 2025 does not affect other leave accumulations, nor count as service towards a merit salary adjustment.
- M. PLP 2025 shall neither affect the employee's final compensation used in calculating State retirement benefits nor reduce the level of State death nor disability benefits to supplement those benefits with paid leave.
- N. The PLP 2025 reductions shall not affect transfer determinations between state civil service classifications.
- O. Part-time employees shall be subject to the same conditions as stated above, on a pro-rated basis. Pro-ration shall be determined based on the employee's time base in the same manner as Sick Leave.

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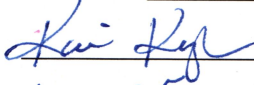
## Management Counter Proposal – BU 12 Side Letter

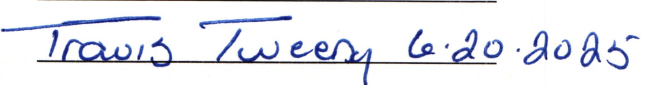
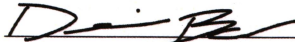
- P. PLP 2025 for permanent intermittent employees shall be pro-rated based upon the number of hours worked in the monthly pay period, pursuant to the chart in Section U below.
- Q. PLP 2025 shall be administered consistent with the existing payroll system and the policies and practices of the State Controller's Office.
- R. Employees on SDI, NDI, ENDI, IDL, EIDL, or Workers' Compensation for the entire monthly pay period shall be excluded from the PLP 2025 for that month.
- S. Seasonal and temporary employees are not subject to PLP 2025.
- T. Employees, excluding Permanent Intermittents, not eligible for healthcare are not subject to PLP 2025.
- U. All Permanent Intermittent employees shall be subject to the pro-ration of salary and PLP 2025 credits pursuant to the chart below:

Hours Worked During Credit Pay Period	PLP 2025 Hours
0-10.9	0
11-30.9	0.63
31-50.9	1.25
51-70.9	1.88
71-90.9	2.50
91-110.9	3.13
111-130.9	3.75
131-150.9	4.38
151 or over	5

- V. Disputes regarding the denial of the use of PLP 2025 time may be appealed through the grievance procedure. The decision by the Department of Human Resources shall be final and there may be no further appeals.
- W. Effective on June 1, 2027, in addition to the above, employees shall receive an additional eight (8) hours of PLP 2025.

### III. OPEB Contribution: Prefunding of Post-Retirement Health Benefits

  
  
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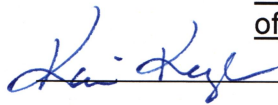


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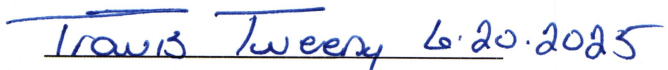
Notwithstanding Government Code sections 22940, 22942, 22943, 22944, 22944.2, 22944.3, and 22944.5, the employees' and employer's monthly contribution (scheduled to be 4.1 percent on July 1, 2025) for prefunding other post-employment benefits for the 2025-26 and 2026-27 fiscal year, as described in section 11.13 paragraphs 2. and 3., is suspended and shall not be withheld from employees' salaries or contributed by the employer beginning on July 1, 2025, and ending on June 30, 2027.

Commencing on July 1, 2027, the State and the Union will prefund retiree healthcare, with the goal of reestablishing a 50 percent cost sharing of actuarially determined total normal costs for both employer and employees by July 1, 2029. The amount of employee and employer matching contributions required to prefund retiree healthcare shall reflect the following percentages of pensionable compensation:

- A) Beginning July 1, 2027: employee shall contribute 1.40 percent of pensionable compensation and the employer shall contribute 1.40 percent of pensionable compensation, for a total of 2.8 percent of pensionable compensation.
- B) July 1, 2028: employee shall contribute 2.7 percent of pensionable compensation and the employer shall contribute 2.7 percent of pensionable compensation, for a total of 5.4 percent of pensionable compensation.
- C) July 1, 2029: employee shall contribute 4.1 percent of pensionable compensation and the employer shall contribute 4.1 percent of pensionable compensation, for a total of 8.2 percent of pensionable compensation.
- D) July 1, 2030: the contribution percentages described in paragraph C above shall 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 half a percent from the total normal 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, 2030, 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

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## Management Counter Proposal – BU 12 Side Letter

increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

IV. Health and Welfare: Amend 3.1 (Health, Dental, Vision) A. 2 as follows:

2. The employer health benefits contribution for each employee shall be a flat dollar amount equal to eighty (80) percent of the weighted average of the Basic health benefit plan premiums for a State active civil service employee enrolled for self-alone, during the benefit year to which the formula is applied, for the four Basic health benefit plans that had the largest State active civil service enrollment, excluding family members, during the previous benefit year. For each employee with enrolled family members, the employer shall contribute an additional flat dollar amount equal to eighty (80) percent of the weighted average of the additional premiums required for enrollment of those family members, during the benefit year to which the formula is applied, in the four Basic health benefit plans that had the largest State active civil service enrollment, excluding family members, during the previous benefit year. The established flat dollar amount(s) shall be increased or decreased as appropriate pursuant to the formulas above on January 1, 2024. The established flat dollar amount(s) shall be increased or decreased as appropriate to the formulas above on January 1, 2025, ~~and~~ January 1, 2026, ~~and~~ January 1, 2027. The established dollar amount(s) shall not be increased or decreased in subsequent years without a negotiated agreement.

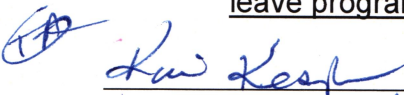
V. Increases to employee retirement contributions provided for in Article 11.1 and Article 11.4 are suspended through June 30, 2027. Consistent with the provisions of the existing MOU, additional contributions to retirement, if implemented pursuant to Article 11.1 and Article 11.4, shall not increase more than 1 percent per year.

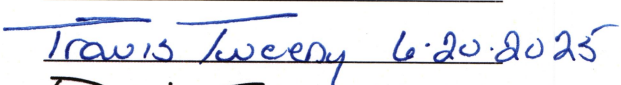
VI. Duration (Article 23)

The remainder of the BU 12 MOU, including economic terms of the agreement not specifically related to the items contained within this Side letter, shall continue in full effect.

This Side Letter amends the current term of the BU 12 MOU from June 30, 2026, to June 30, 2027.

VII. The State shall not implement a Furlough Program or additional personal leave program (PLP) of any length or duration while BU 12 employees

  
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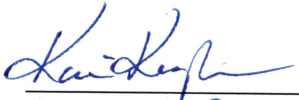
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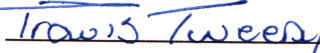
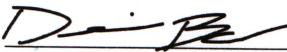
are subject to the Personal Leave Program (PLP) 2025 outlined in Section II above.

### VIII. Continuous Appropriation

The State and IUOE BU 12 agree to present to the Legislature, as part of this Side Letter extending the current MOU until June 30, 2027, proposed legislation that appropriates funds to maintain employee salaries and benefits in the event a timely budget is not enacted in any fiscal year during the term of this agreement.

### IX. With the exception identified in Section II Personal Leave Program (2025), subsection letter V. above, no provision of this Side Letter shall be subject to the grievance and arbitration procedure.

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