SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 1048	**Hearing Date:**	June 10, 2026
Author:	Chen		
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Consultant:	Jazmin Marroquin		

SUBJECT: Workers' compensation

KEY ISSUE

This bill makes changes within the workers' compensation medical billing process requiring employers to include specified information on an underlying contract to justify a discount, as specified, as well as include the contact information where a provider may obtain a copy of such contract. The bill additionally prescribes an alternate payment rate for services if the contract is not sent to a provider within 30 days of the request, as specified.

ANALYSIS

Existing law:

1) Establishes a comprehensive system of workers' compensation that provides a range of benefits for an employee who suffers from an injury or illness that arises out of and in the course of employment, regardless of fault. This system requires all employers to ensure payment of benefits by either securing the consent of the Department of Industrial Relations (DIR) to self-insure or by obtaining insurance from a company authorized by the state. (Labor Code §§3200-6002)

2) Requires an employer to provide an Explanation of Review (EOR), upon payment, adjustment, or denial of a complete or incomplete itemization of medical services, in the manner prescribed by the administrative director (AD) of the Division of Workers' Compensation (DWC) that must include all of the following:

    a) A statement of the items or procedures billed and the amounts requested by the provider to be paid.
    b) The amount paid.
    c) The basis for any adjustment, change, or denial of the item or procedure billed.
    d) The additional information required to make a decision for an incomplete itemization.
    e) If a denial of payment is for some reason other than a fee dispute, the reason for the denial.
    f) Information on whom to contact on behalf of the employer if a dispute arises over the payment of the billing. The explanation of review must inform the medical provider of the time limit to raise any objection regarding the items or procedures paid or disputed and how to obtain an independent review of the medical bill, as specified. (Labor Code §4603.1)

3) Allows the AD to adopt regulations requiring the use of electronic EOR. (Labor Code §4603.1)

4) Specifies, that in order to prevent the improper selling, leasing, or transferring of a health care provider's contract, it is the intent of the Legislature that every arrangement that results in any payor paying a health care provider a reduced rate for health care services based on the health care provider's participation in a network or panel must be disclosed by the contracting agent to the provider in advance and must actively encourage employees to use the network, unless the health care provider agrees to provide discounts without that active encouragement. (Labor Code §4609)

   a) Requires, beginning July 1, 2000, every contracting agent that sells, leases, assigns, transfers, or conveys its list of contracted health care providers and their contracted reimbursement rates to a payor, as specified, or another contracting agent to, upon entering or renewing a provider contract, do all of the following:

      i) Disclose whether the list of contracted providers may be sold, leased, transferred, or conveyed to other payors or other contracting agents, and specify whether those payors or contracting agents include workers' compensation insurers or automobile insurers.

      ii) Disclose what specific practices, if any, payors utilize to actively encourage employees to use the list of contracted providers when obtaining medical care that entitles a payor to claim a contracted rate, as specified.

      iii) Disclose whether payors to which the list of contracted providers may be sold, leased, transferred, or conveyed may be permitted to pay a provider's contracted rate without actively encouraging the employees to use the list of contracted providers when obtaining medical care, as specified.

      iv) Disclose, upon the initial signing of a contract, and within 15 business days of receipt of a written request from a provider or provider panel, a payor summary of all payors currently eligible to claim a provider's contracted rate due to the provider's and payor's respective written agreements with any contracting agent.

      v) Allow providers, upon the initial signing, renewal, or amendment of a provider contract, to decline to be included in any list of contracted providers that is sold, leased, transferred, or conveyed to payors that do not actively encourage the employees to use the list of contracted providers when obtaining medical care, as specified. Specifies that each provider's election is binding on the contracting agent with which the provider has the contract and any other contracting agent that buys, leases, or otherwise obtains the list of contracted providers.

      vi) Prohibits a provider from being excluded from any list of contracted providers that is sold, leased, transferred, or conveyed to payors *that actively encourage* the employees to use the list of contracted providers when obtaining medical care, based upon the provider's refusal to be included on any list of contracted providers that is sold, leased, transferred, or conveyed to payors *that do not actively encourage* the employees to use the list of contracted providers when obtaining medical care.

b) Specifies that if the payor's explanation of benefits or EOR does not identify the name of the network that has a written agreement signed by the provider whereby the payor is entitled, directly or indirectly, to pay a preferred rate for the services rendered, the contracting agent must do the following:

   i) Maintain a Web site that is accessible to all contracted providers and updated at least quarterly and maintain a toll-free telephone number accessible to all contracted providers whereby providers may access payor summary information.
   ii) Disclose through the use of an Internet Web site, a toll-free telephone number, or through a delivery or mail service to its contracted providers, within 30 days, any sale, lease assignment, transfer or conveyance of the contracted reimbursement rates to another contracting agent or payor.

c) Requires, a payor, as specified, beginning July 1, 2000, to do all of the following:

   i) Provide an explanation of benefits or EOR that identifies the name of the network with which the payor has an agreement that entitles them to pay a preferred rate for the services rendered.
   ii) Demonstrate that it is entitled to pay a contracted rate within 30 business days of receipt of a written request from a provider who has received a claim payment from the payor.
      (1) Requires the provider to include in the request a statement explaining why the payment is not at the correct contracted rate for the services provided.
      (2) Specifies that failure of the provider to include a statement relieves the payor from the responsibility of demonstrating that it is entitled to pay the disputed contracted rate.
      (3) Specifies that failure of a payor to make the demonstration to a properly documented request of the provider within 30 business days renders the payor responsible for the lesser of the provider's actual fee or, as applicable, any fee schedule pursuant to this division, which amount will be due and payable within 10 days of receipt of written notice from the provider, and will bar the payor from taking any future discounts from that provider without the provider's express written consent until the payor can demonstrate to the provider that it is entitled to pay a contracted rate, as specified.
      (4) A payor will be deemed to have demonstrated that it is entitled to pay a contracted rate if it complies with either of the following:
         (a) Describes the specific practices the payor utilizes, as specified.
         (b) Identifies the contracting agent with whom the payor has a written agreement whereby the payor is not required to actively encourage employees to use the list of contracted providers, as specified.

5) Requires each employer to establish a utilization review process, as specified, either directly or through its insurer or an entity with which an employer or insurer contracts for these services. (Labor Code §4610)

6) Requires the AD to, after public hearings, adopt and revise periodically an official medical fee schedule (OMFS) that establishes reasonable maximum fees paid for medical services provided to workers' compensation patients. (Labor Code §5307.1)

7) Authorizes a medical provider and a contracting agent, employer, or carrier to contract for reimbursement rates that differ from the OMFS, so long as those rates do not exceed the rates established by the OMFS. (Labor Code §5307.11)

This bill:

1) Requires employers to additionally include the following information in their Explanation of Review (EOR), upon payment, adjustment, or denial of a complete or incomplete itemization of medical services:

    a) The state assigned medical provider network identification number applicable to the bill.

    b) If the adjustment, change, or denial is based on a contract, then the EOR must include specific information on the underlying contract that was relied upon to justify the discount and contact information, including an address and email address for whom the rendering medical provider may contact to receive a copy of the underlying contract.

        i) Provides that for the purposes of this section, the "underlying contract" is the contract associated with the tax identification number of the rendering medical provider and the medical provider network listed on the explanation of review.
        ii) Specifies that disclosure of a medical provider network does not satisfy this requirement.
        iii) Specifies that only the rendering provider or their agent shall be provided a copy of the underlying contract within a 365-day period.
        iv) Requires the medical bill to automatically be reprocessed and paid at the rates mandated by the OMFS, if the contract is not sent to the rendering provider or their agent within 30 businesses days of the provider's request.

2) Allows the AD to adopt regulations as necessary to implement the provisions of this section, as specified.

3) Additionally requires the request for authorization for medical treatment to be signed by the treating physician and may be mailed, faxed, or sent electronically through the use of a secure email system or via electronic data interchange to the address, fax number, email address, or clearinghouse designated by the claims administrator.

COMMENTS

1. Background:

Workers' compensation billing

Under the California workers' compensation system, if a worker is injured on a job, the employer must pay for the worker's medical treatment and provide monetary benefits if the injury is permanent or temporarily results in lost wages. In return for receiving free medical treatment, the worker surrenders the right to sue the employer for monetary damages in civil court. In California, all employers are required to either purchase a workers' compensation insurance policy from a licensed insurer authorized to write policies in California or become self-insured.

The workers' compensation system has several formal mechanisms for resolving disputes regarding the details of the injury, the medical necessity of aspects of the treatment plan, or the billing of insurers by medical providers that involve qualified medical evaluators (QMEs), workers' compensation administrative law judges, and the Workers' Compensation Appeals Board (WCAB), among others.

When a medical provider and an employer or insurer disagree on payment for medical services provided, the medical provider can submit the bill to the insurance claims administrator for a second bill review, with any remaining dispute resolved through the independent bill review (IBR) process. The only issue addressed during the IBR process is the amount to be paid for the medical service provided.

The official medical fee schedule (OMFS) establishes the maximum allowable fees to be paid to a medical provider for medical services provided to a workers' compensation patient. DWC updates the OMFS annually, but there are often mid-year changes as necessary to conform to relevant Medicare and Medi-Cal changes. However, existing law also authorizes a medical provider and a contracting agent, employer, or insurer to contract for a reimbursement rate that differs from the OMFS, as long as the contracted rate does not exceed the OMFS rate.

Medical providers in the workers' compensation system do not typically bill for services at the rate set for OMFS, instead they bill at their "usual and customary" rate for services and then claims administrators must accurately adjust those bills to reflect the OMFS, or their applicable contracts. When the adjustment is done and the payment is made, an Explanation of Review (EOR) is given to the provider explaining any adjustments, changes, or denials to the fee schedule or contracted network rate.

Medical Provider Networks

A medical provider network (MPN) is a group of health care providers set up by an insurer or by an entity that provides physician network services and approved by DWC's administrative director to treat workers injured on the job. Each MPN includes a mix of doctors specializing in work-related injuries and doctors with expertise in general areas of medicine. Employees covered by an MPN will be taken care of by doctors in the network unless they were eligible to pre-designate their personal doctor and do so before their injury happened.

Preferred Provider Organization (PPO) Discounting

Under an arrangement known as a Preferred Provider Organization (PPO), the insurer sends business to the medical provider, and in exchange, the medical provider offers services for a discounted rate to the insurer. However, this system has also given rise to a practice known as "silent PPO discounting."

Silent PPO discounting is when the PPO sells or leases to other insurers its provider list, including discounted rates the PPO has brokered on behalf of an insurer to use these providers. In many instances, the providers have no knowledge and never intended to extend their discounts to these additional insurers.

To address the practice of silent PPO discounting, or improper selling, leasing or transferring of a health care provider's contract, existing law requires contracting agents to disclose

network leasing arrangements *in advance* by the contracting agent to the medical provider. [1] Payors (insurers) also must provide an explanation of benefits or EOR that identifies the name of the network that the payor has an agreement with that entitles them to pay a preferred rate for the medical services rendered.

A payor must additionally demonstrate that it has the right to pay a contracted rate within 30 business days of a written request from a medical provider. The provider must include in the request a statement explaining why the payment is not at the correct contracted rate. If the provider does not include a statement, this relieves the payor from demonstrating that it has the right to pay the disputed contracted rate. If the payor does not meet the 30-day deadlines, the payor is responsible for the provider's actual fee or, as applicable, any fee schedule, whichever is less, and needs to be paid within 10 days of receipt of written notice from the provider. The payor also is not allowed to take any future discounts from that provider without the provider's express written consent until the payor can demonstrate to the provider that it is entitled to pay a contracted rate. It is unclear if in practice, network leasing arrangements are properly disclosed to providers as required by law.

2. Need for this bill?

According to the author, "AB 1048 addresses unauthorized discounts and reductions on medical treatment bills in the workers' compensation system by ensuring providers have a clear and enforceable way to challenge improper payment reductions.

Current law does not clearly address situations where third-party network administrators apply additional, unauthorized discounts through "silent" Preferred Provider Organization (PPO) arrangements. Although providers may agree to specific contractual discounts, those agreements are sometimes sold or leased to other entities, resulting in further payment reductions without the provider's knowledge or consent.

For example, a San Diego orthopedic surgeon received $548.54 for a procedure that carries a $672.50 standard reimbursement under the Official Medical Fee Schedule. The discount was applied without explanation or agreement. She is now the only physician in her practice still treating injured workers, illustrating how these practices can drive providers out of the system. Without clear disclosure requirements or enforcement mechanisms, providers lack the information necessary to determine whether payment reductions are valid or to effectively challenge them.

AB 1048 improves transparency and accountability by establishing clear rules for contract-based payment reductions. When a payment is reduced based on a contract, the Explanation of Review must include specific information about the underlying contract and provide contact information for obtaining a copy.

The bill gives providers and their authorized agents the right to request –only once in a 365 day period - the contract used to justify a discount. That contract must be provided within 30 business days. If it is not, the claim must be automatically reprocessed and paid at the Official Medical Fee Schedule. By improving payment certainty and fairness, the bill supports continued provider participation and helps preserve injured workers' access to timely, high-quality care."

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[1] Labor Code §4609

3. Proponent Arguments:

According to the California Orthopaedic Association, the sponsors of this bill:

"AB 1048 (Chen), which will bring greater transparency and fairness to medical treatment payment disputes within California's Workers' Compensation system. [...] Unfortunately, physicians are increasingly facing unexplained or unauthorized reductions in payment, often through leased-network arrangements. In these situations, a provider may agree to a specific contractual discount with one entity, only to later see that contract sold, leased, or accessed by other entities that apply additional discounts without the provider's knowledge or consent. The Explanation of Review may identify a payment reduction but fails to provide enough information for the provider to determine whether the reduction is valid, contractually authorized, or improperly taken. If a payment is reduced based on a contract, the provider should be able to identify the applicable contract and review the terms being relied upon. Without that information, the provider cannot meaningfully evaluate whether the payment was correct, request appropriate review, or challenge an improper discount.

AB 1048 provides a reasonable and targeted solution. When an adjustment, change, or denial of a workers' compensation medical bill is based on a contract, the bill requires the Explanation of Review to include specific information about the underlying contract and contact information for obtaining a copy of that contract. To ease the burden on those required to produce the contract, AB 1048 includes practical safeguards by limiting the requirement to produce the requested contract to only <u>once</u> within a 365-day period and allowing up to 30 business days for this contract to be provided. If the contract is not provided within that timeframe, the payment would simply be reprocessed and paid at the rates mandated by the Official Medical Fee Schedule. To be clear, AB 1048 does not prohibit or reverse legitimate contracted discounts. It simply ensures that when a discount is given, the entity taking that discount can identify and produce the contract that authorizes it. This bill is simply about basic transparency and accountability within the payment process."

4. Opponent Arguments:

According to the opponents, which includes the American Property Casualty Insurance Association, and a large coalition of businesses, insurers, and counties:

"We are not opposed to providing a method by which providers can receive a copy of the applicable contract. In fact, we have proposed a version of this same policy, but the approach taken in AB 1048 creates new problems:

Creates Loophole Allowing Providers to Get Around Mutually Agreed Upon Terms of a Contract - As drafted the bill would allow providers to request a copy of the contract with every EOB, understanding that "late" delivery of the contract would invalidate their contracted discount and result in a higher payment. Providers in the workers' compensation system are highly educated and intelligent professionals who do not need the protection of the state with regards to these mutually agreed upon contracts. Unfortunately, there are some providers in the workers' compensation system who have a long and storied history of relentlessly exploiting narrow administrative loopholes for financial gain. Just in the last decade the legislature has had to address widespread abuse in drug repackaging, spinal surgery implant reimbursements, and even the mundane lien process. We expect that a small

but impactful number of doctors will relentlessly abuse this loophole if implemented in its current form. This will result in higher costs for the system, which means higher workers' compensation premiums for all employers in California. On the other side, the sponsors have presented one anecdotal story but have no industry-wide data to show a need AB 1048 in its current form.

The Penalty is Inappropriate – Providers sign contracts to serve network patients at a discounted rate because they benefit from the steady stream of patient referrals. They have a duty to track their own contractual relationships and understand the agreements they have made. While we do not mind sending these providers copies of the contracts they've entered, we don't think we should be financially penalized for late delivery of legal documents these providers should already have. Moreover, those providers have already received the benefit of the bargain under their contracts (e.g., steerage of injured workers to the provider as part of an MPN) and are now trying to eliminate their obligations under the contract (i.e., the discount).

Allows Unlimited Copies of Contracts – As drafted, a provider could request a copy of the same contract repeatedly without limitation. There is no reason that networks should be required to provide repeat copies of contract to providers who in fact already have them. We propose limiting providers to one copy of each contract to which they are a party in each calendar year. This would keep requests at a reasonable volume and prevent a small number of providers from abusing the system."

According to the American Association of Payers, Administrators and Network, who write in opposition, unless amended:

"While we believe AB1048 was well-intentioned, the legislation as written oversteps existing contractual provisions, mandates irrelevant data on the Explanation of Review (EOR), and risks contract disclosures to inappropriate parties. […] The preferred provider organization (PPO) relationship between payors and healthcare providers is governed by contracts, which have been mutually negotiated in good faith. Providers often accept discounts off their billable rates in exchange for networks directing business to the practices via a combination of methods including Medical Provider Network (MPN) provider directories, claims adjuster referrals, and Medical Access Assistant (MAA) referrals. AB1048 ignores these contractually agreed upon discounts and allows providers to side-step agreements that they have already signed and benefitted from due to payor customer service shortcomings. We have shared this concern with the author's office and noted that the bill must be amended to strike Section 4603.3(a)(4)(F). AB 1048 destabilizes the provider contract negotiation process and incentivizes providers to request contract disclosures in the sole hopes of trying to force reimbursement at higher rates than their contract allows."

5. Committee Comments:

This bill, AB 1048, aims to address discounts and reductions in medical treatment bills in the workers' compensation system. The bill would require the EOR sent by employers to medical providers to also include specific information about the underlying contract that was relied upon to justify any discounts if the adjustment, change, or denial of an itemization of medical services is based on a contract. The bill also requires the EOR to include an address and email address for whom the rendering medical provider *may* contact to get a copy of the underlying contract.

<u>*Committee amendments*</u>
As mentioned, existing law already requires contracting agents (or payors) to disclose network leasing arrangements, also known as silent PPO discounts. Payors also must provide an EOR that identifies the name of the network that the payor has an agreement with that entitles them to pay a discounted rate for medical services, and must demonstrate that it has a right to pay the discounted contracted rate if a medical provider provides a written request and a statement explaining that the payment is not at the correct contracted rate. Without the written request and statement from the provider, the payor does not have to demonstrate anything. But with the request and statement from the provider, the payor has 30 business days to demonstrate it is entitled to pay a discounted rate. If not, the payor is responsible for paying for the provider's actual fee or any specified fee schedule, whichever is less, within 10 days of receipt of the provider's written notice.

The existing law provisions may sound a lot like the proposed bill. Proponents claim that the disclosure requirements are not enforced, and that existing law is not working the way it was designed. This bill attempts to remedy that by requiring the EOR to also include information about the underlying contract that was relied upon to justify a discount and contact information so that a provider may contact someone to receive a copy of the contract. According to the proponents of the bill, AB 1048, does not prohibit or reverse legitimate contracted discounts. They argue it simply ensures that when a discount is taken, the entity taking that discount can identify and produce the contract that authorizes it. If the payor fails to produce the contract within 30 days of the request, the payor will be responsible for the payment set at the OMFS rate. If the payor can produce the contract that shows the discount, the discounted payment will stay the same.

For clarity and consistency, the requirements under this bill should be incorporated in Labor Code Section 4609 where the network leasing arrangement disclosures and requirements for payors and providers currently exist, therefore ***the author has agreed to committee amendments that instead incorporate the contents of this bill, AB 1048, to Labor Code Section 4609.***

The author and sponsors also claim their intent with AB 1048 is to give medical providers and their authorized agents the right to request – only <u>once</u> in a 365-day period – the contract used to justify a discount. However, it is not clear that the providers can only request the contract be sent to them once per year. ***The author has agreed to make a clarifying amendment to the bill to specify that upon request, the rendering provider or their agent shall be provided with a copy of the contract only once per year.***

6. Prior Legislation:

SB 668 (Hurtado, 2025) would have authorized the DWC AD to adjust the fee schedule for medical-legal evaluations every two years based on an evaluation of medical practice costs. *This bill was held under submission in the Senate Appropriations Committee*.

SB 863 (De Leon, Chapter 363, Statutes of 2012) enacted major reforms to the workers' compensation system, including establishing the independent medical review and IBR processes for resolving disputes.

SUPPORT

California Orthopaedic Association (Sponsor)
California Medical Association (CMA)
California Podiatric Medical Association
Peace Officers Research Association of California (PORAC)

OPPOSITION

American Association of Payers Administrators and Networks
American Property Casualty Insurance Association
California Association of Joint Powers Authorities
California Chamber of Commerce
California Coalition on Workers Compensation
California Food Producers
California Joint Powers Insurance Authority
California League of Food Producers
California State Association of Counties
Public Risk Innovation, Solutions, and Management (PRISM)
Schools Excess Liability Fund (SELF)
Urban Counties of California (UCC)

-- END --

Strike Labor Code 4603.2 and 4603.3 of *AB 1048* and amend Labor Code Section 4609, as follows:

LAB 4609. (a) In order to prevent the improper selling, leasing, or transferring of a health care provider's contract, it is the intent of the Legislature that every arrangement that results in any payor paying a health care provider a reduced rate for health care services based on the health care provider's participation in a network or panel shall be disclosed by the contracting agent to the provider in advance and shall actively encourage employees to use the network, unless the health care provider agrees to provide discounts without that active encouragement.

(b) Beginning July 1, 2000, every contracting agent that sells, leases, assigns, transfers, or conveys its list of contracted health care providers and their contracted reimbursement rates to a payor, as defined in subparagraph (A) of paragraph (3) of subdivision (d), or another contracting agent shall, upon entering or renewing a provider contract, do all of the following:

> (1) Disclose whether the list of contracted providers may be sold, leased, transferred, or conveyed to other payors or other contracting agents, and specify whether those payors or contracting agents include workers' compensation insurers or automobile insurers.
>
> (2) Disclose what specific practices, if any, payors utilize to actively encourage employees to use the list of contracted providers when obtaining medical care that entitles a payor to claim a contracted rate. For purposes of this paragraph, a payor is deemed to have actively encouraged employees to use the list of contracted providers if the employer provides information directly to employees during the period the employer has medical control advising them of the existence of the list of contracted providers through the use of a variety of advertising or marketing approaches that supply the names, addresses, and telephone numbers of contracted providers to employees; or in advance of a workplace injury, or upon notice of an injury or claim by an employee, the approaches may include, but are not limited to, the use of provider directories, the use of a list of all contracted providers in an area geographically accessible to the posting site, the use of wall cards that direct employees to a readily accessible listing of those providers at the same location as the wall cards, the use of wall cards that direct employees to a toll-free telephone number or Internet Web site address, or the use of toll-free telephone numbers or Internet Web site addresses supplied directly during the period the employer has medical control. However, Internet Web site addresses alone shall not be deemed to satisfy the requirements of this paragraph. Nothing in

this paragraph shall prevent contracting agents or payors from providing only listings of providers located within a reasonable geographic range of an employee. A payor who otherwise meets the requirements of this paragraph is deemed to have met the requirements of this paragraph regardless of the employer's ability to control medical treatment pursuant to Sections 4600 and 4600.3.

(3) Disclose whether payors to which the list of contracted providers may be sold, leased, transferred, or conveyed may be permitted to pay a provider's contracted rate without actively encouraging the employees to use the list of contracted providers when obtaining medical care. Nothing in this subdivision shall be construed to require a payor to actively encourage the employees to use the list of contracted providers when obtaining medical care in the case of an emergency.

(4) Disclose, upon the initial signing of a contract, and within 15 business days of receipt of a written request from a provider or provider panel, a payor summary of all payors currently eligible to claim a provider's contracted rate due to the provider's and payor's respective written agreements with any contracting agent.

(5) Allow providers, upon the initial signing, renewal, or amendment of a provider contract, to decline to be included in any list of contracted providers that is sold, leased, transferred, or conveyed to payors that do not actively encourage the employees to use the list of contracted providers when obtaining medical care as described in paragraph (2). Each provider's election under this paragraph shall be binding on the contracting agent with which the provider has the contract and any other contracting agent that buys, leases, or otherwise obtains the list of contracted providers.

A provider shall not be excluded from any list of contracted providers that is sold, leased, transferred, or conveyed to payors that actively encourage the employees to use the list of contracted providers when obtaining medical care, based upon the provider's refusal to be included on any list of contracted providers that is sold, leased, transferred, or conveyed to payors that do not actively encourage the employees to use the list of contracted providers when obtaining medical care.

(6) If the payor's explanation of benefits or explanation of review does not identify the name of the network that has a written agreement signed by the provider whereby the payor is entitled, directly or indirectly, to pay a preferred rate for the services rendered, the contracting agent shall do the following:

> (A) Maintain a Web site that is accessible to all contracted providers and updated at least quarterly and maintain a toll-free telephone number

accessible to all contracted providers whereby providers may access payor summary information.

(B) Disclose through the use of an Internet Web site, a toll-free telephone number, or through a delivery or mail service to its contracted providers, within 30 days, any sale, lease assignment, transfer or conveyance of the contracted reimbursement rates to another contracting agent or payor.

(7) Nothing in this subdivision shall be construed to impose requirements or regulations upon payors, as defined in subparagraph (A) of paragraph (3) of subdivision (d).

(c) Beginning July 1, 2000, a payor, as defined in subparagraph (B) of paragraph (3) of subdivision (d), shall do all of the following:

(1) Provide an explanation of benefits or explanation of review that identifies the name of the network with which the payor has an agreement that entitles them to pay a preferred rate for the services rendered.

(2) Demonstrate that it is entitled to pay a contracted rate within 30 business days of receipt of a written request from a provider who has received a claim payment from the payor. The provider shall include in the request a statement explaining why the payment is not at the correct contracted rate for the services provided. The failure of the provider to include a statement shall relieve the payor from the responsibility of demonstrating that it is entitled to pay the disputed contracted rate. The failure of a payor to make the demonstration to a properly documented request of the provider within 30 business days shall render the payor responsible for the lesser of the provider's actual fee or, as applicable, any fee schedule pursuant to this division, which amount shall be due and payable within 10 days of receipt of written notice from the provider, and shall bar the payor from taking any future discounts from that provider without the provider's express written consent until the payor can demonstrate to the provider that it is entitled to pay a contracted rate as provided in this subdivision. A payor shall be deemed to have demonstrated that it is entitled to pay a contracted rate if it complies with either of the following:

(A) Describes the specific practices the payor utilizes to comply with paragraph (2) of subdivision (b), and demonstrates compliance with paragraph (1).

(B) Identifies the contracting agent with whom the payor has a written agreement whereby the payor is not required to actively encourage

employees to use the list of contracted providers pursuant to paragraph (5) of subdivision (b).

(d) (1) (A) The explanation of benefits or explanation of review, pursuant to paragraph (1) of subdivision (c), shall also include the state assigned medical provider network identification number and an email address that the rendering medical provider may use to request a copy of the underlying contract that entitles them to take the preferred rate.

(B) The rendering provider or their agent, upon written request, shall be provided a copy of the underlying contract by the payor once within a 365-day period.

(C) Disclosure of the medical provider network alone does not satisfy the requirement in paragraph (1) of subdivision (c).

(2) In addition to the requirements in paragraph (2) of subdivision (c), the payor shall be deemed to have demonstrated that it is entitled to pay a contracted rate if it provides the underlying contract to the rendering provider or their agent upon written request. If the payor fails to provide the contract as required in paragraph (2) of subdivision (c), then the same procedure in paragraph (2) of subdivision (c) shall apply.

(e) ~~(d)~~ For the purposes of this section, the following terms have the following meanings:

(1) “Contracting agent” means an insurer licensed under the Insurance Code to provide workers’ compensation insurance, a health care service plan, including a specialized health care service plan, a preferred provider organization, or a self-insured employer, while engaged, for monetary or other consideration, in the act of selling, leasing, transferring, assigning, or conveying a provider or provider panel to provide health care services to employees for work-related injuries.

(2) “Employee” means a person entitled to seek health care services for a work-related injury.

(3) (A) For the purposes of subdivision (b), “payor” means a health care service plan, including a specialized health care service plan, an insurer licensed under the Insurance Code to provide disability insurance that covers hospital, medical, or surgical benefits, automobile insurance, or workers’ compensation insurance, or a self-insured employer that is responsible to pay for health care services provided to beneficiaries.

(B) For the purposes of subdivision (c), “payor” means an insurer licensed under the Insurance Code to provide workers’ compensation insurance, a self-insured employer, a third-party administrator or trust, or any other third

party that is responsible to pay health care services provided to employees for work-related injuries, or an agent of an entity included in this definition.

(4) “Payor summary” means a written summary that includes the payor’s name and the type of plan, including, but not limited to, a group health plan, an automobile insurance plan, and a workers’ compensation insurance plan.

(5) “Provider” means any of the following:

(A) Any person licensed or certified pursuant to Division 2 (commencing with Section 500) of the Business and Professions Code.

(B) Any person licensed pursuant to the Chiropractic Initiative Act or the Osteopathic Initiative Act.

(C) Any person licensed pursuant to Chapter 2.5 (commencing with Section 1440) of Division 2 of the Health and Safety Code.

(D) A clinic, health dispensary, or health facility licensed pursuant to Division 2 (commencing with Section 1200) of the Health and Safety Code.

(E) Any entity exempt from licensure pursuant to Section 1206 of the Health and Safety Code.

(6) “Underlying contract” means the contract associated with the tax identification number of the rendering medical provider and the medical provider network listed on the explanation of review.

~~**(e) This section shall become operative on July 1, 2000.**~~

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 1198	**Hearing Date:**	June 10, 2026
Author:	Haney		
Version:	January 22, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Emma Bruce		

SUBJECT: Public works: prevailing wages

KEY ISSUE

This bill requires updated prevailing wage rates, as determined by the Director of the Department of Industrial Relations (DIR), to apply to any public works contract that is awarded or for which notice to bidders is published after July 1, 2027, as specified. Contracts for affordable housing development projects are exempt from this requirement, as specified.

ANALYSIS

Existing law:

1) Establishes the Department of Industrial Relations (DIR), under the control of an executive officer known as Director of Industrial Relations (Director), to foster, promote, and develop the welfare of the wage earners of California, to improve their working conditions, and to advance their opportunities for profitable employment. (Labor Code §50-64.5)

2) Requires that not less than the general prevailing rate of per diem wages be paid to all workers employed on a "public works" project costing over $1,000 dollars and imposes misdemeanor penalties for violations of this requirement. (Labor Code §1771)

3) Requires the body awarding any contract for public work, or otherwise undertaking any public work, to obtain the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work in the locality in which the public work is to be performed for each craft, classification, or type of worker needed to execute the contract from the Director. (Labor Code §1773)

4) Requires the Director to determine the general prevailing rate of per diem wages and the Director's determination to be final, except as specified. (Labor Code §1770)

5) Provides that in determining the prevailing wage rate, the Director shall ascertain and consider the applicable wage rates established by collective bargaining agreements (CBAs) and the rates that may have been predetermined for federal public works, within the locality and in the nearest labor market area. Where the rates do not constitute the rates actually prevailing in the locality, the Director shall obtain and consider further data from the labor organizations and employers or employer associations concerned, including the recognized collective bargaining representatives for the particular craft, classification, or type of work involved. The rate fixed for each craft, classification, or type of work shall be not less than the prevailing rate paid in the craft, classification, or type of work. (Labor Code §1773)

6) Provides that if the Director determines that the rate of prevailing wage for any craft, classification, or type of worker is the rate established by a CBA, the Director may adopt that rate by reference as provided for in the CBA and that determination shall be effective for the life of the agreement or until the Director determines that another rate should be adopted. (Labor Code §1773)

7) Requires the Director to use the following methodology to determine the general prevailing rate of per diem wages in the locality in which the public work is to be performed:
   a) The basic hourly wage rate being paid to a majority of workers engaged in the particular craft, classification, or type of work within the locality and in the nearest labor market area, if a majority of the workers are paid at a single rate. If no single rate is being paid to a majority of the workers, then the single rate being paid to the greatest number of workers, or modal rate, is prevailing. If a modal rate cannot be determined, then the Director shall establish an alternative rate by considering the appropriate CBAs, federal rates, rates in the nearest labor market area, or other data such as wage survey data.
   b) Other employer payments included in per diem wages pursuant to Labor Code §1773.1 and as included as part of the total hourly wage rate from which the basic hourly wage rate was derived. In the event the total hourly wage rate does not include any employer payments, the Director shall establish a prevailing employer payment rate, as specified.
   c) The rate for holiday and overtime work shall be those rates specified in the CBA when the basic hourly rate is based on a CBA rate. In the event the basic hourly rate is not based on a CBA, the rate for holidays and overtime work, if any, included with the prevailing basic hourly rate of pay shall be prevailing.

   (Labor Code §1773.9)

8) Provides that if the Director determines that the general prevailing rate of per diem wages is the rate established by a CBA, and that the CBA contains definite and predetermined changes during its term that will affect the rate adopted, the Director shall incorporate those changes into the determination. Predetermined changes that are rescinded prior to their effective date shall not be enforced. (Labor Code §1773.9)

9) Provides that if during any quarterly period the Director determines that there has been a change in any prevailing rate of per diem wages in any locality he or she shall make such change available to the awarding body and his or her determination shall be final. Such determination by the Director shall not be effective as to any contract for which the notice to bidders has been published. (Labor Code §1773.6)

This bill:

1) Requires, if during any semiannual period the Director determines there has been a change in any prevailing rate of per diem wages, the Director to make such change available to the awarding body. The Director's determination shall be final, except as specified.

2) Provides that the Director's determination of a change in the prevailing wage shall only apply on its effective date to any contract that is awarded or for which notice to bidders is published after July 1, 2027.

3) Exempts from the requirement in 2) contracts for a housing development project if 100 percent of units, excluding managers' units, are restricted by deed, regulatory restrictions contained in an agreement with a governmental agency, or other recorded document as

affordable housing for persons and families of low or moderate income, as specified, or subject to an agreement that provides housing subsidies for affordable housing for persons and families of low or moderate income, as specified.

4) Provides that for contracts for a housing development project, described in 3), the Director's determination of a change in the prevailing wage *shall not be effective* as to any contract for which notice to bidders has been published or as to any contract that has been awarded.

5) Authorizes any contractor, awarding body, or representative of any craft, classification, or type of work affected by a change in rates on a particular contract to, within 20 days after publication of the new determination, file with the Director a verified petition to review the determination of that rate upon the ground that it has not been determined in accordance with Labor Code §1773. Within two days after the filing of the petition, a copy of that petition shall be filed with the awarding body. The petition shall set forth the facts upon which it is based.

6) Requires the Director, or the Director's authorized representative, to, upon notice to the petitioner, the awarding body, and other persons the Director deems proper, including the recognized collective bargaining representatives for the particular crafts, classifications, or types of work involved, initiate an investigation or hold a hearing.

7) Requires the Director, within 20 days after the filing of a petition, or within a longer period as agreed upon by the Director, awarding body, and all interested parties, to make a final determination and transmit that determination in writing to the awarding body and to the interested parties.

8) States that a determination by the Director is effective 10 days after its issuance. The Director shall include an issue date on the determination. The determination shall remain in effect until it is modified, rescinded, or superseded by the Director.

9) Provides that 1) through 8) shall become operative on July 1, 2027.

COMMENTS

1. Background:

Prevailing Wages
The prevailing wage rate is the basic hourly rate paid on public works projects to a majority of workers engaged in a particular craft, classification, or type of work within the locality and in the nearest labor market area. Prevailing wage laws ensure that the ability to receive a public works contract is not based on paying lower wages than a competitor. The Director of DIR has the sole responsibility to establish prevailing wage rates for all classifications of workers. In determining the rates, the Director ascertains and considers the applicable wage rates contained in CBAs and the rates that have been predetermined for federal public works.

The Director issues wage determinations semiannually on February 22 and August 22. Determinations become effective 10 days after their issue date- on March 3rd in leap years and March 4th in non-leap years and September 1st.

Predetermined Wage Increases

Existing law states that if the Director determines that there has been a change in the prevailing wage, such change shall be made available to an awarding body. This notification is for informational purposes and *does not require* an awarding body to update wages on contracts for which the notice to bidders has been published or for ongoing projects. However, there is the potential for prevailing wage rates to change mid-project if the wage determination in effect at the time of bidding includes a predetermined increase.

Each prevailing wage determination contains an expiration date and either one or two asterisks to indicate whether there is a predetermined change. A double asterisk following the determination's expiration date indicates a predetermined change in the prevailing wage rate. If work on a project extends past the expiration date, the new rates must be paid and should be incorporated into contracts at the start of the project. Predetermined increases typically occur when the prevailing wage rate is based on a CBA and the CBA includes a scheduled pay increase. Predetermined increases are available on DIR's website. A single asterisk following the determination's expiration date indicates that the prevailing wage rate remains in effect for the entirety of the project.

2. Committee Comments:

AB 1198 would require the Director's determination of a change in the prevailing wage rate to apply on its effective date to any public works contract that is awarded or for which notice to bidders is published after July 1, 2027. Put simply, AB 1198 would require mid-project prevailing wage increases. Additionally, the bill would exempt contracts for an affordable housing development project, as specified, and establish a mechanism to review the Director's determination.

The author argues that if a project extends beyond scheduled wage increases, or if no increases were set by the wage determination in effect at the time of bidding, workers will receive outdated wages that do not reflect current labor standards. Furthermore, the author argues that allowing contractors to pay outdated wage rates for the duration of a project creates an uneven playing field for contractors who update wages to reflect current prevailing wage determinations or negotiated labor agreements.

AB 1198 contains nearly identical language to AB 1140 (Daly, 2013), which was vetoed by Governor Brown, and AB 2182[1] (Haney, 2024), which was vetoed by Governor Newsom.

Governor Brown's veto message stated the following:

> "This measure requires contractors on public works projects to increase workers' pay any time the state updates its prevailing wage rates. This is intended to address the circumstance where a non-union contractor is not required to adjust wages mid-project

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[1] AB 2182 would have applied mid-project prevailing wage increases to any contract for which notice to bidders was published after July 1, 2026, and that met all of the following requirements:

- The contract is not for the development of housing.
- The contract is subject to public works law, as specified.
- The awarded value of the prime contract is $35 million or greater.
- The contract is not awarded by the state or a state agency, nor is the contract awarded in furtherance of a project undertaken by the state. "State" is inclusive of the Legislature, the Judicial Council, the California State University, and the University of California.

> but a union contractor is subject to such adjustments pursuant to a collective bargaining agreement.
>
> In most cases, projects are bid, awarded and completed in a relatively short period of time and this measure would have little, if any impact. Larger, long term projects are the more likely setting for the union/non-union wage differential this bill seeks to address. Unfortunately, introducing such wage adjustments as proposed by this measure is likely to lead to uncertainty in the cost of public works projects and increase costs ultimately borne by the taxpayers.
>
> Finally, many collective bargaining agreements already address this limited circumstance by allowing wage rates to remain at the level determined by the state at the time of the bid, award or start of the contract. Given this, I do not find a statutory change warranted to address the issue raised by this measure."

Governor Newsom's veto message stated the following:

> "This bill would require that any change in prevailing wage rates apply to existing contracts on certain public works projects…
>
> While I am a steadfast supporter of prevailing wage law, the adjustments proposed by this measure would likely lead to uncertainty in the cost of public works projects, potentially creating significant cost pressures on the state budget.
>
> In partnership with the Legislature this year, my Administration has enacted a balanced budget that avoids deep program cuts to vital services and protected investments in education, health care, climate, public safety, housing, and social service programs that millions of Californians rely on. It is important to remain disciplined when considering bills with significant fiscal implications that are not included in the budget, such as this measure."

The questions raised in both veto messages remain relevant today. *Who will bear the costs related to increases in wage rates mid-project? What effect will this have on future bids for public works projects?* However, the committee also asks, *is it fair to pay non-union workers employed on lengthy public works projects an outdated prevailing wage rate? Would applying mid-project wage rate increases maintain a level playing field?*

3. **Need for this bill?**

According to the author:

"There are deficiencies in California Prevailing Wage Law that need to be strengthened. The Director of Industrial Relations publishes prevailing wage rates twice a year, most of which are based on collective bargaining agreements (CBAs). Some CBAs include predetermined wage increases, while others do not.

Under current law, the prevailing wage rate in effect at the time a public works project is advertised for bid remains the wage requirement for the entire project, regardless of how long the project takes to start or how long it lasts. If a CBA includes predetermined increases, only those increases apply, but if the project extends beyond those scheduled increases or if no

increases were set in the original determination, workers receive outdated wages that do not reflect current labor standards.

By allowing contractors to continue paying outdated wage rates for the duration of a project, current law creates an uneven playing field for contractors who already update wages to reflect current prevailing wage determinations or negotiated labor agreements. Contractors who are not required to pay adjusted prevailing wages on long-term public works projects are able to undercut responsible contractors that continue paying current market wages.

AB 1198 ensures that public works projects follow the most current prevailing wage rates throughout the duration of a public works project."

4. **Proponent Arguments:**

The sponsor of the measure, the California Building and Construction Trades, argues:

"[AB 1198] is crucial to ensuring that all contractors operate on a level playing field and that workers receive fair wages as determined by collective bargaining agreements (CBAs) which determine the prevailing wage.

In California contract law, the asterisk (*) and double asterisk (**) provisions in prevailing wage determinations indicate that future wage increases are tied to a collective bargaining agreement (CBA) but may not be immediately reflected in the contract at the time of bidding. The single asterisk (*) signifies that wage rates are subject to periodic adjustments based on scheduled increases in the CBA, while the double asterisk (**) denotes that the wage determination itself is entirely based on an underlying CBA, including any future wage escalations. However, some non-union contractors exploit this system by bidding on public works projects using the lower, pre-adjustment wage rates and then refuse to honor subsequent increases once the contract is awarded. This creates an unfair advantage over responsible contractors who comply with CBA-mandated wage adjustments, undermining fair competition and leading to wage suppression for workers.

AB 1198 seeks to close this loophole by ensuring that all contractors adhere to post-award wage adjustments, reinforcing fair labor practices in public works projects. AB 1198 closes this loophole by requiring that prevailing wages be adjusted in accordance with CBAs that take effect after a contract is awarded. This will ensure that all contractors adhere to the same wage obligations, preventing unfair cost-cutting tactics that harm both workers and law-abiding businesses. Furthermore, this bill reinforces California's commitment to fair labor standards and the protection of skilled workers who rely on negotiated wage increases to keep up with the cost of living."

5. **Opponent Arguments:**

The Western Electrical Contractors Association opposes the measure, arguing:

"AB 1198 would fundamentally change how prevailing wage determinations apply to public works contracts by requiring that any change in a prevailing wage rate during a semiannual period be applied to contracts awarded or bid after July 1, 2027. While presented as an administrative update, the fiscal and practical consequences are substantial."

The Rural County Representatives of California, the California State Association of Counties, the League of California Cities, and the California Special Districts Association, among others, oppose the measure unless amended, arguing:

"Under current law, when a project is first advertised for bid, the public agency (as well as the contractor) can go to a webpage managed by DIR to see what the prevailing wage rates are. These wage rates generally include those upcoming increases which will occur during the duration of the project. Contractors incorporate those known labor costs into their bids, allowing public agencies to accurately evaluate proposals, establish project budgets, secure financing, and award contracts with certainty. We are concerned that contracting and put projects in jeopardy.

For projects funded through fixed appropriations, grants, bond proceeds, voter-approved local revenues, or adopted local budgets, unexpected labor cost increases may require agencies to reduce project scope, delay construction, or cancel projects altogether. It would be challenging to predict how many future wage determinations could occur during the project period and adequately plan for cost increases, which may put potential projects at risk…

By introducing additional cost uncertainty into public works contracting, the bill will increase overall project costs and further challenge the affordability of critical infrastructure investments for state and local governments. For these reasons, we respectfully oppose AB 1198 unless amended and look forward to continuing discussions with the author and committee staff to address these concerns. If you have any questions, please do not hesitate to contact our organizations' representatives directly."

6. **Prior Legislation:**

SB 909 (Smallwood-Cuevas, 2026) seeks to increase public works enforcement by 1) authorizing the Director to establish and adjust contractor registration and renewal fees of up to $1000, as specified; 2) increasing penalties for various public works violations, including prevailing wage violations; and 3) directing 50% of penalties recovered through a civil wage and penalty assessment to the State Public Works Enforcement Fund. *SB 909 is pending in the Assembly Labor Committee.*

AB 2182 (Haney, 2024) would have, among other things, required a change in the prevailing rate of per diem wages, as determined by the Director, to apply to any public works contract for which notice to bidders is published after July 1, 2026, and that meets specified criteria. AB 1198 is substantially similar to AB 2182. *AB 2182 was vetoed by Governor Newsom*.

AB 1140 (Daly, 2013) would have required a change in the prevailing rate of per diem wages, as determined by the Director, to apply to any public works contract that is awarded or for which notice to bidders is published on or after January 1, 2014. AB 1198 is nearly identical to AB 1140. *AB 1140 was vetoed by Governor Brown.*

SUPPORT

State Building and Construction Trades Council of California (Sponsor)
California Federation of Labor Unions
California Legislative Conference of Plumbing, Heating & Piping Industry

California-Nevada Conference of Operating Engineers
California State Association of Electrical Workers
California State Pipe Trades Council
Finishing Contractors Association of Southern California
International Union of Painters and Allied Trades, District Council 16
International Union of Painters and Allied Trades, District Council 36
National Electrical Contractors Association
Northern California Allied Trades
Northern California Floor Covering Association
Southern California Glass Management Association
United Contractors
Wall and Ceiling Alliance
Western Painting and Coating Contractors Association
Western States Council Sheet Metal, Air, Rail and Transportation
Western Wall and Ceiling Contractors Association

OPPOSITION

Associated General Contractors of California
American Society of Civil Engineers Region 9
California Association of Resource Conservation Districts
California Association of School Business Officials
California Solar & Storage Association
California Special Districts Association
California State Association of Counties
California Transit Association
Calleguas Municipal Water District
City of Thousand Oaks
City of Roseville
League of California Cities
Nevada County Board of Supervisors
Resource Conservation District of Tehama County
Rural County Representatives of California
San Bernardino County
Urban Counties of California
Western Electrical Contractors Association

-- END --

Bill No:	AB 1439	**Hearing Date:**	June 10, 2026
Author:	Garcia		
Version:	June 2, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Glenn Miles		

SUBJECT: Public retirement systems: development projects: labor standards

KEY ISSUE

This bill requests the University of California, Berkeley (UCB), Labor Center to study California Public Employees' Retirement System (CalPERS)'s and California State Teachers' Retirement System (CalSTRS)'s portfolio-funded real estate and infrastructure development projects to analyze the extent of their labor standards protections and requests CalPERS and CalSTRS to provide UCB Labor Center relevant data, as specified.

ANALYSIS

Existing law:

1) Establishes the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to provide defined benefit pensions to eligible public and school employees respectively, while minimizing the cost of those benefits to their public employers. (Government Code § 20000 et seq. and Education Code § 22000 et seq.)

2) Grants the retirement board of a public pension or retirement system sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system and the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. (CA CONST art. XVI § 17 (a)).

3) Requires the members of a public retirement board to discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty. (CA CONST art. XVI § 17 (b)).

4) Requires the members of a public retirement board to diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so. (CA CONST art. XVI § 17 (d)).

5) Establishes the Division of Labor Standards Enforcement (DLSE), under the direction of the Labor Commissioner (LC), within the Department of Industrial Relations (DIR), and authorizes the LC to investigate employee complaints and enforce labor laws, as specified. Labor Code § 79 et seq.

6) Defines “public works,” for the purposes of regulating public works contracts, as, among other things, construction, alteration, demolition, installation, or repair work done under contract and paid for, in whole or in part, out of public funds. Labor Code § 1720(a).

7) Requires that not less than the general prevailing rate of per diem wages be paid to all workers employed on a "public works" project costing over $1,000 dollars and imposes misdemeanor penalties for violation of this requirement. Labor Code § 1771.

8) Requires contractors and subcontractors, while performing public works, to furnish specified payroll records at least once a month directly to the LC, in an electronic format, in the manner prescribed by the LC, on the department’s internet website. Labor Code § 1771.4(a)(3).

9) Requires each contractor and subcontractor on a public works project to keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the contractor or subcontractor in connection with the public work. Labor Code § 1776(a).

10) Defines “graduate of an apprenticeship program” to mean either of the following:

    a. An individual that has been issued a certificate of completion under the authority of the California Apprenticeship Council for completing an apprenticeship program approved by the chief.

    b. An individual that has completed an apprenticeship program located outside California and approved for federal purposes pursuant to the apprenticeship regulations adopted by the federal Secretary of Labor. Public Contract Code § 2601(c).

11) Provides that when the use of a skilled and trained workforce to complete a contract or project is required, the public entity shall include in all bid documents and construction contracts a notice that the project is subject to the skilled and trained workforce requirement. Public Contract Code § 2600(c).

This bill:

1) Finds and declares that development projects in California without strong labor standards protections for workers is not in the public interest or the interests of the participants in and beneficiaries of public pension and retirement systems.

2) Requests the UC Berkeley Labor Center to conduct an independent study to analyze the extent of labor standards protections in CalPERS’ and CalSTRS’ portfolio-funded California real estate and infrastructure development projects requests that the study examine available evidence on the impact labor standards protections, as specified; that the study be completed

by January 1, 2028; and that pension systems provide the Labor Center with relevant data, as specified.

3) Makes the following definitions:
   a. "Board" means the CalPERS and CalSTRS boards.
   b. "Labor standards protections" means that construction work to carry out and maintain the development project shall be subject to specified Labor Code requirements to provide prevailing wage; require the use of unionized workers or require coverage under a project labor agreement; and require the project developer to commit to union organizing campaigns for workers who will be employed upon the project's completion.

4) Declares that nothing in this bill shall be construed to require CalPERS or CalSTRS to take action described in the bill unless the respective boards determine in good faith that the action is consistent with the board's constitutional fiduciary responsibilities.

COMMENTS

1. Background

This bill stems from union efforts to prohibit public employee pension funds from investing in companies that do not adhere to specified labor standards.[1] The unions' efforts aim to draft public employee pension systems into their struggle to obtain specified labor policies in the private sector although CalPERS and CalSTRS already have responsible contractor policies regarding worker protections for companies held in their portfolios.

An earlier version of this bill would have prohibited public pension boards from making "additional or new investments of public employee pension or retirement funds in development projects in California or provide financing for those projects with public employee pension or retirement funds unless those projects include labor standards protections." [2] The bill's opponents have labeled the earlier version a de facto mandate on the pension systems to divest from companies that don't meet those labor standards.

In analyzing that prior version of the bill, the Assembly Appropriations Committee noted that its fiscal costs to CalPERS and CalSTRS could result in tens of billions of dollars.[3]

The bill's current version requests that the UC Berkely Labor center study the issue, as specified, and requests the pension systems provide relevant data to the Labor Center for the study. Recent author amendments remove mandates, including a mandate that the pension systems fund the studies (such a mandate would conflict with constitutional provisions that

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[1] *It's Our Money: Union Members Fight for Good Public Pension Investments*, Labor Notes, April 29, 2026, https://labornotes.org/blogs/2026/04/its-our-money-union-members-fight-good-public-pension-investments
[2] AB 1439 (Garcia), as amended March 24, 2025, adding, inter alia, Government Code Section 7513.77 (c).
[3] See the Assembly Committee on Appropriations' Bill Analysis of AB 1439 (Garcia), as amended March 24, 2025, for the committee's January 22, 2026, hearing.

grant the pension systems' plenary and exclusive authority to invest pension funds and administer the systems).

CalPERS indicates that it has already issued a request for proposals to conduct a similar study. The bill's opponents argue that AB 1439 is thus unnecessary and duplicative and continue to argue the bill is an improper intrusion into CalPERS' and CalSTRS' plenary authority to manage their respective pension systems.

In any case, the committee is recommending that any study on the issue also include evaluating the impact when development and infrastructure projects do not include community benefit and job access agreements.

2. Committee Amendments

Government Code § 7513.77 (c)…

2) "Labor standards protections" means all of the following:

(A) Construction work performed to carry out and maintain the development project will be subject to the same prevailing wage and apprenticeship requirements that apply to public projects pursuant to Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

(B) (i) All construction and maintenance work for the development project will be performed only by contractors and subcontractors that have provided an enforceable commitment to use a skilled and trained workforce, as defined in Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code, to perform all work that falls within an apprenticeable occupation in the building and construction trades.

(ii) This subparagraph shall not apply if the work is covered by a project labor agreement that requires the use of a skilled and trained workforce. For purposes of this subparagraph, "project labor agreement" means a prehire collective bargaining agreement that establishes terms and conditions of employment for a specific construction project or projects and is an agreement described in Section 158(f) of Title 29 of the United States Code.

(C) The developer has provided commitments designed to provide labor peace during union organizing campaigns for workers who will be employed upon completion of the project.

(D) The developer has entered into a community benefits agreement that is informed by meaningful engagement and outreach to residents of the surrounding communities and that includes funding for, or direct implementation of, specific community improvements or amenities including job access within the community in which the project is located.

3. Need for this bill?

According to the sponsor:

"AB 1439 ensures the California Public Employees Retirement System's (CalPERS) Responsible Contractor Policy (RCP) has adequate construction worker protections. Specifically, this bill will require that the RCP will guarantee that prevailing wages are paid, construction workers are properly trained, and that there is labor peace after construction on projects built in California."

"CalPERS established the RCP during the 1990's to support small business development, market competition, to control operating costs, and to provide fair market wages, benefits and training for workers employed by contractors/subcontractors on projects that CalPERS funds (subject to fiduciary principles that require a competitive return on the state's real estate and infrastructure investments). The RCP policy demonstrates their support of human capital management by promoting the use of responsible contractors who offer fair wages and benefits. It is CalPERS's stated belief that an adequately compensated and trained worker delivers a higher quality product and service."

"The RCP is CalPERS' attempt to ensure that contractors doing work on CalPERS-funded projects not only are good stewards of public employee members' investments but that they treat workers on CalPERS projects with dignity. However, the recently approved RCP has no real requirement that guarantees that prevailing wages are paid, that construction workers are properly trained, or that there is labor peace after construction. This allows CalPERS to actively invest in projects that allow worker exploitation and undermine the standards we have fought so hard to establish."

4. Proponent Arguments

According to the State Building and Construction Trades Council of California (SBCTC):

"While CalPERS' Board members and staff have a fiduciary duty to properly invest members' contributions, there are several practical steps CalPERS can take to mitigate the risks associated with contractors' noncompliance with the RCP and state labor law at investment properties. Issues such as wage theft, health and safety violations, and poor-quality construction are not readily apparent during a construction project and largely come to light only after construction is complete, as workers fear losing their jobs if they report problems."

"These low-road employer violations not only negatively impact a construction workers' livelihood and safety on the job but they create investment risks for CalPERS as an asset owner. Wage theft, health and safety issues, project delays, and construction defects may lead to fines and penalties by public agencies and litigation by workers and end users. These negative outcomes are financial risks that can erode a construction project's investment returns and are difficult to mitigate once the problem has developed. CalPERS ultimately bears the risk of failure to deliver such projects on time, within budget, and in accordance with construction standards. When construction project managers do not consider the qualifications of potential contractors, they are choosing to favor low-quality, irresponsible contractors who submit the lowest-cost construction bids."

"The bill was amended to focus specifically on investments by CalPERS and CalSTRS and to simply require a study of the impacts of such an investment prohibition. This bill will provide the state with an evaluation of how requiring labor-standard protections on pension-

funded development projects could affect public retirement system investments and fiduciary obligations."

5. Opponent Arguments:

According to a coalition of public employer groups, including the California State Association of Counties and the League of California Cities:

"Fundamentally, we do not believe it is appropriate to undermine the plenary authority of our public pension systems, particularly at the expense of the financial security of our workforce or public agencies. As noted in the bill analysis in the Assembly Public Employment and Retirement Committee, the legislature has limited constitutional authority to impose conditions on how public pension funds make investment decisions. AB 1439 represents a step down a slippery slope of political interference in the retirement assets earned by California's public employees.

"Aside from our concerns that the bill advances an unwise legislative proposal, we do not believe it is necessary. CalPERS is conducting a market study to evaluate the potential impacts of adopting the standards that had been proposed in AB 1439. It is not clear that there is an entity better positioned to conduct a study than the pension systems themselves: professional investment staff governed by a board accountable to public employees and employers. Requiring a duplicative analysis to be conducted by an outside entity, like the UC Labor Centers, undermines CalPERS' and CalSTRS' independence and authority to assess investment risks on behalf of their members."

6. Prior Legislation:

SB 252 (Gonzalez, 2023) proposed to restrict investments of the CalPERS and California State Teachers' Retirement System (CalSTRS) by requiring each to divest their investment holdings in fossil fuel companies, as defined and specified. Per the author's request, the Assembly Committee on Public Employment and Retirement did not hear the bill.

SB 1328 (McGuire, 2022) proposed to require CalPERS, CalSTRS, other state agencies, and the Treasurer to divest from Russia and Belarus, associated companies, among other provisions. The Assembly Committee on Public Employment and Retirement held the bill.

SB 1173 (Gonzalez, 2022) was substantially similar to the current bill. The Assembly Committee on Public Employment and Retirement held the bill.

SB 457 (Portantino, 2021) would have required CalSTRS and CalPERS to offer to any school district or contracting city employer an investment portfolio option that does not contain investment vehicles issued or owned by the government of the Republic of Turkey. The author amended the bill to address a different subject.

AB 1019 (Holden, 2021) would have prohibited certain investments by CalPERS and CalSTRS in Turkey regarding the Armenian Genocide unless Turkey adopts a policy to acknowledge the Armenian Genocide and embark on a path of affording justice to its victims. The Assembly Committee on Public Employment and Retirement held the bill without a hearing.

AB 2780 (Holden, 2020) would have required CalPERS and CalSTRS to divest investments in and prohibited new investments in Turkey and Azerbaijan. The Assembly Committee on Public Employment and Retirement held the bill without a hearing

AB 1320 (Nazarian, Chapter 459, Statutes of 2019) requires CalPERS and CalSTRS to divest from Turkey upon the occurrence of certain specified concerted actions by the United States federal government, among other provisions.

AB 33 (R. Bonta, 2019) would have required CalPERS and CalSTRS to divest from private prison companies, would have prohibited them from making new or renewing existing investments in such companies, and would have required them to constructively engage with private prison companies to establish whether the companies are transitioning their business model to another industry, among other provisions. The Assembly Committee on Public Employment and Retirement held the bill.

SUPPORT

State Building and Construction Trades Council of California (Sponsor)
California Alliance for Retired Americans
California Federation of Labor Unions
California State Association of Electrical Workers
California State Council of Laborers
California State Pipe Trades Council
California Teamsters Public Affairs Council
California-Nevada Conference of Operating Engineers
California Federation of Teachers
District Council 16, International Union of Painters and Allied Trades
District Council 36, International Union of Painters and Allied Trades
District Council of Iron Workers of the State of California and Vicinity
Teamsters California
Western States Council Sheet Metal, Air, Rail and Transportation

OPPOSITION

Associated General Contractors, California Chapters
Association of California School Administrators
BOMA California
California Apartment Association
California Association of School Business Officials
California Building Industry Association
California Business Properties Association
California Chamber of Commerce
California Council for Affordable Housing
California Housing Consortium
California School Employees Association
California Special Districts Association
California State Association of Counties
Commercial Real Estate Development Association, NAIOP of California
League of California Cities
Rural County Representatives of California

South Pasadena Residents for Responsible Growth
State Association of County Retirement Systems
Urban Counties of California

-- END --

AB-1439 (Garcia) LPER Committee Amendments

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 7513.77 is added to the Government Code, to read:

7513.77. (a) The Legislature finds and declares that the development of projects in California that do not involve strong labor standards protections for workers is not in the public interest or the interests of the participants in and beneficiaries of public pension and retirement systems.

(b) (1) The Legislature requests that the University of California, Berkeley, Labor Center conduct an independent study to analyze the extent of labor standards protections in California real estate and infrastructure development projects funded through the real asset portfolios of the Public Employees' Retirement System (PERS) and the State Teachers' Retirement System (STRS). The Legislature also requests that the study examine available evidence on the impact of labor standards protections, or lack of protections, on California workers and the state's economy, development costs, project completion timelines, and other outcomes.

(2) The Legislature requests the Labor Center to complete its study and provide its findings to the Legislature, in compliance with Section 9795, and to the Department of Finance, by January 1, 2028.

(3) The Legislature requests PERS and STRS to provide the Labor Center with data relevant to this study, including internal data and data obtainable from or provided to their respective consultants, agents, contractors, and subcontractors, within 60 days after receipt of a written request from the Labor Center.

(c) As used in this section, the following definitions apply:

(1) "Board" means the Board of Administration of the Public Employees' Retirement System, consistent with Section 20021, and the Teachers' Retirement Board of the State Teachers' Retirement System, consistent with Section 22109 of the Education Code.

(2) "Labor standards protections" means all of the following:

(A) Construction work performed to carry out and maintain the development project will be subject to the same prevailing wage and apprenticeship requirements that apply to public projects pursuant to Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code.

(B) (i) All construction and maintenance work for the development project will be performed only by contractors and subcontractors that have provided an enforceable commitment to use a skilled and trained workforce, as defined in Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code, to perform all work that falls within an apprenticeable occupation in the building and construction trades.

(ii) This subparagraph shall not apply if the work is covered by a project labor agreement that requires the use of a skilled and trained workforce. For purposes of this subparagraph, “project labor agreement” means a prehire collective bargaining agreement that establishes terms and conditions of employment for a specific construction project or projects and is an agreement described in Section 158(f) of Title 29 of the United States Code.

(C) The developer has provided commitments designed to provide labor peace during union organizing campaigns for workers who will be employed upon completion of the project.

(D) The developer has entered into a community benefits agreement that is informed by meaningful engagement and outreach to residents of the surrounding communities and that includes funding for, or direct implementation of, specific community improvements or amenities including job access within the community in which the project is located.

(d) Nothing in this section shall be construed to require a board to take action as described in this section unless the board determines in good faith that the action described in this section is consistent with the fiduciary responsibilities of the board described in Section 17 of Article XVI of the California Constitution.

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 1601	**Hearing Date:**	June 10, 2026
Author:	Rogers		
Version:	January 16, 2026		
Urgency:	No	**Fiscal:**	No
Consultant:	Glenn Miles		

SUBJECT: County employees' retirement: cost-of-living adjustments.

KEY ISSUE

This bill authorizes the Sonoma County board of supervisors greater flexibility to provide annual and unrestricted cost-of-living adjustments (COLAs) to the retirement allowances, optional death allowances, or annual death allowances payable by the Sonoma County Employees' Retirement System (SCERA).

ANALYSIS

Existing law:

1) Establishes the County Employees Retirement Law of 1937 (commonly referred to as the "CERL," "1937 Act," or "'37 Act"), which governs 20 independent county retirement associations and provides for retirement systems for county and district employees in those counties adopting its provisions. Currently, 20 counties operate retirement systems under the CERL, including Sonoma County. (Government Code § 31450 et seq.)

2) Denominates Sonoma County "a county of the nineteenth class". (Government Code § 28020 and § 28040)

3) Vests the management of a CERL retirement system in its retirement board, consisting of five members, one of whom shall be the county treasurer. (Government Code § 31520)

4) Provides under the state constitution that public pension fund retirement boards have the sole and exclusive fiduciary authority over the investment and sole and exclusive responsibility over the administration of their respective retirement systems. (CA CONST art. XVI, § 17)

5) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 2 percent. (Government Code § 31870)

6) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 3 percent. (Government Code § 31870.1)

7) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 5 percent. (Government Code § 31870.2)

8) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 4 percent. (Government Code § 31870.3)

9) Provides that the board of supervisors may make the above specified COLAs applicable on the date specified in the adopting ordinance, or if no such date is specified, on the first day of the month after the effective date of an ordinance adopted by the board, provided that an actuarial survey of the retirement system has been made by the adopting county prior to the ordinance's passage. (Government Code § 31874)

10) Provides that nothing prevents the retirement system from the use and expenditure of surplus, as specified, to fund any part or all of any increases in allowances otherwise permitted after the county has adopted the specified COLA provisions. (Government Code § 31874)

11) Requires a CERL system to fund a COLA equal to all or part of the excess of the Consumer Price Index (CPI) over 3 percent whenever CPI exceeds 3 percent, as specified. This provision is only operative if adopted by a majority vote of the board of supervisors. (Government Code § 31874.1)

12) Authorizes the board of supervisors in any county, by a majority vote, to enact an ordinance providing that the maximum annual change pursuant to specified CERL COLA provisions shall be increased to 4, 5, or 6 percent, as determined by the board, on the operative date of such ordinance. (Government Code § 31874.2)

13) Allows a CERL system where the board of supervisors has adopted specified CERL COLAs to pay a supplemental COLA if CPI exceeds those COLA benefits. Requires that the supplemental COLA not exceed an amount that can be paid from earnings of the retirement fund that are in excess of the total interest credited to contributions and reserves plus 1 percent of the total assets of the retirement fund. (Government Code § 31874.3)

14) Provides that the Sonoma County and Imperial County retirement boards, with the approval of their respective county board supervisors, may provide on a prefunded basis a COLA to retirees whose pension allowances have dropped to 80 percent of their original purchasing power provided that a qualified actuary determines the COLA's cost and the retirement board determines that the cost can be provided from earnings of the retirement fund that are in excess of the total interest credited to contributions and reserves plus 1 percent of the total assets of the retirement fund. (Government Code § 31874.6)

15) Provides that the COLA becomes a permanent part of eligible retirees' allowances but that it does not create any continuing entitlement to additional increases in subsequent years, and does not create any claim against the county, district, or retirement fund for any increase in any allowance paid or payable prior to the effective date of the board's action to grant the COLA. (Government Code § 31874.6 (d))

16) Requires the board of supervisors to appropriate annually from the proper county funds the amount necessary to defray the entire expense of administration of the retirement system based upon budget estimates prepared by the treasurer. (Government Code § 31580)

This bill:

1) Allows the Sonoma County board of supervisors (Supervisors), annually, to authorize a COLA to the retirement allowances, optional death allowances, or annual death allowances payable by the retirement system.

2) Allows the Supervisors to specify the COLA's effective date and provides that if they do not, the effective date shall commence on the first day of the month following the Supervisor's action authorizing the COLA.

3) Requires the Supervisors to collaborate with the Sonoma County retirement board prior to authorizing a COLA pursuant to this bill's provisions to identify the following: the eligible COLA recipients, the COLA amount, and its funding source.

4) Requires the Supervisors to provide a statement prepared by an enrolled actuary of the actuarial impact upon future annual costs, as specified.

5) Permits the Supervisors to authorize any COLA under the CERL, as specified, not only the COLA for persons whose allowance value has fallen to 80 percent of its original purchasing power.

6) Allows the Supervisors to specify that the COLA may only be available to persons whose allowance value has lost purchasing power and allows the Supervisors to specify the percentage of lost purchasing power qualifies the person for a COLA.

7) Specifies how the Supervisors shall measure purchasing power.

8) Requires the COLA to become part of the person's allowance's base which are to be increased by any subsequent COLAs.

9) Provides that the granting of a COLA in any particular year does not create any continuing entitlement to additional COLAs in subsequent years nor creates any claim by a retired member, survivor, beneficiary, or successor in interest against the county, district, or retirement fund for any increase in any allowance paid or payable prior to the effective date of the Supervisor's action authorizing the COLA.

10) Specifies that the bill's provisions only apply to Sonoma County.

11) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances facing Sonoma County.

COMMENTS

1. Background

Existing law grants county boards of supervisors the authority to adopt specialized CERL provisions to apply to their respective retirement systems through the adoption of a county ordinance. This structure allows the CERL to provide flexibility for the different needs and

demands of the 20 county retirement systems that the CERL authorizes. In effect, the CERL offers a flexible menu of benefits within a greater framework of established benefits as reformed by the Public Employees' Pension Reform Act (PEPRA). However, existing law also vests the management of a CERL retirement system in the board of retirement, consisting of five members, one of whom is the county treasurer. The retirement board must determine that expenditures for specified benefits are prudent pursuant to their fiduciary responsibility before the retirement board can recommend the benefit, e.g. a COLA, to the board of supervisors for approval. According to the author, the Sonoma County board of supervisors never authorized automatic annual COLAs and provides COLAs only on an ad hoc basis.

The CERL authorizes several COLA benefits subject to adoption by the county board of supervisors, including a 2 %, 3%, 4%, 5%, 6%, and supplemental COLA benefits if CPI exceeds the selected COLA benefit. The COLA benefits have different requirements subject to funding provisions, with some available from any funds and others only available from excess funds, as specified.

According to the author, SCERA has just two authorized COLA options: an across the board flat COLA ranging from 2-6% for all retirees and a variable purchasing power protection COLA to restore retirees who have fallen below 80 percent purchasing power back to 80 percent.

Under the first option, if there is a COLA, SCERA must give it to all eligible retirees, not just those that have lost purchasing power. Consequently, the only way to provide a COLA to the neediest retirees is to offer an ad hoc COLA to all retirees, which can prove cost prohibitive.

Under the second option, SCERA can only fund a COLA for retirees who have fallen below 80 percent of their purchasing power if the system has excess earnings, which is defined as investment earnings left over after interest is credited to reserves, including a contingency reserve (aka rainy day fund) of 1% of the plan's assets. SCERA has not met that hurdle since 2008 and does not foresee doing so in the near future. In effect, the fiscally prudent requirement to fund existing pension obligations and the rainy day fund is preventing the board of supervisors from giving a targeted COLA to its neediest retirees.

This bill appears to provide an alternative COLA option that would allow the board of supervisors to overcome SCERA's existing obligations so that it could target a COLA to specific groups of retirees and allow SCERA to fund the COLA from any source, not just from excess earnings (e.g., increased employer and employee contributions, amortization of increased unfunded liability, etc.). Proponents argue that SCERA is well-funded and can absorb the costs of any additional COLA.

2. Need for this bill?

According to the author:

"Currently, The County of Sonoma has not had a COLA increase since 2008. The County Board of Supervisors and the Retirement Board want to work with actuaries to assess what a COLA would be for 2027 for targeted, eligible retired members. The County of Sonoma is only one of few counties in California that must have approval from the state to initiate action to identify a new COLA."

"This bill would help support the County of Sonoma as the Board of Supervisors cannot do a targeted COLA for eligible retired members, survivors, beneficiaries, or successors in interest designated, or a subset of those benefit recipients since they would need the state to authorize this activity. Sonoma County is unique because it's the only 1937 Act County Pension System that does not offer an automatic, yearly Pension Cost of Living Adjustment (COLA) to retirees and their beneficiaries. It is important to note this is a District bill pertaining to the County of Sonoma only."

3. **Proponent Arguments**

According to Service Employees International Union, California:

"Under current law, Sonoma County does not have a prefunded COLA structure and has not experienced excess investment earnings sufficient to grant adjustments under existing statutory mechanisms. As a result, retirees have seen the purchasing power of their fixed incomes diminished by years of inflation without a viable pathway for relief.
This bill provides flexibility for Sonoma County and its retirement system to collaborate annually and designate the recipients, amount, and funding source of a cost-of-living increase and require the actuarial impact on future annual costs to be reported in accordance with existing law before any benefit increases are authorized."

According to the Sonoma County Board of Supervisors:

"AB 1601 would provide the County of Sonoma with a narrowly tailored authority to consider a COLA for eligible retirees and beneficiaries. This authority would balance local decision-making with appropriate actuarial review regarding fiscal impacts."

"AB 1601 does not mandate changes but allows the County of Sonoma to responsibly address retiree purchasing power when fiscally feasible. In addition, providing this authority through a special statute acknowledges the County of Sonoma's specific circumstances and ensures that any action taken will be considered within the County's fiscal framework."

"AB 1601 would provide the County of Sonoma and the Sonoma County Employees' Retirement Association (SCERA) with flexibility to evaluate each year whether a COLA should be granted, who would receive it, the amount of the adjustment, and how it would be funded. The bill preserves existing safeguards by requiring actuarial analysis of the impact on future costs before any benefit increase is approved."

4. **Opponent Arguments:**

None received.

5. **Prior Legislation:**

AB 392 (Ducheny, Chapter 392, Statutes of 2008) extended the same authorization provided to Sonoma County in AB 2894 (2004) to Imperial County.

AB 2894 (Wiggins, Chapter 435, Statutes of 2004) authorized the Sonoma County retirement board upon approval from the county board of supervisors to provide a COLA to retirees

whose pension allowance had fallen to 80 percent of its purchasing power without first having to provide a COLA to all retirees, provided that it could do so from excess investment returns, as specified.

SUPPORT

Service Employees International Union, California (Sponsor)
California Retired County Employees Association
County of Sonoma
Sonoma County Association of Retired Employees

OPPOSITION

None received

-- END --

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 1683	**Hearing Date:**	June 10, 2026
Author:	Committee on Insurance		
Version:	February 2, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Jazmin Marroquin		

SUBJECT: Workers' compensation: prepaid cards

KEY ISSUE

This bill removes the January 1, 2027, sunset date for the pilot program authorizing employers to deposit workers' compensation payments in a prepaid card account for employees, making the program permanent.

ANALYSIS

Existing law:

1) Establishes a comprehensive system of workers' compensation that provides a range of benefits for an employee who suffers from an injury or illness that arises out of and in the course of employment, regardless of fault. This system requires all employers to ensure payment of benefits by either securing the consent of the Department of Industrial Relations (DIR) to self-insure or by obtaining insurance from a company authorized by the state. (Labor Code §§3200-6002)

2) Establishes the Division of Workers' Compensation (DWC) and Workers' Compensation Appeal Board (WCAB) within DIR and charges them with monitoring the administration of workers' compensation claims and providing administrative and judicial services to assist in resolving disputes that arise in connection with claims for workers' compensation benefits. (Labor Code §§110-139.6)

3) Establishes within DIR, the Commission on Health and Safety and Workers' Compensation (CHSWC) to conduct a continuing examination of the workers' compensation system, as defined, and of the state's activities to prevent industrial injuries and occupational diseases. Allows CHSWC to conduct or contract for studies it deems necessary to carry out its responsibilities, as specified. (Labor Code §§75-78)

4) Establishes within the workers' compensation system, temporary disability (TD) indemnity, permanent disability (PD) indemnity, and permanent partial disability (PPD) indemnity, which offer wage replacement of a specified injured employee's average weekly earnings while an employee is unable to work due to a workplace illness or injury. (Labor Code §§4650-4664)

5) Requires that, if an injury causes temporary disability, the first payment of temporary disability indemnity must be made no later than 14 days after knowledge of the injury and

disability. Each additional payment of temporary disability indemnity benefits must be made as due every two weeks on the day designated with the first payment. (Labor Code §4650)

6) Prohibits any disability indemnity payment being made by any written instrument unless it is immediately negotiable and payable in cash, on demand, without discount at some established place of business in the state. (Labor Code §4651)

7) Allows, until January 1, 2027, an employer to commence a program under which disability indemnity payments are deposited in a prepaid card account for the employee. The employee must provide written consent to the employer to use a prepaid card account for the employee's disability payments. (Labor Code §4651)

   a) Provides that the prepaid card account must meet the applicable requirements of Section 1339.1 of the Unemployment Insurance Code.

   b) Requires, for purposes of this section, a prepaid card to also meet all of the following requirements:

      i) Allow the employee to withdraw the entire balance on the card in one transaction without incurring fees.
      ii) Allow the employee reasonable access to in-network automatic teller machines (ATMs).
      iii) Allow the employee to make point-of-sale purchases without incurring fees from the financial institution.
      iv) Prohibit a link to any form of credit, including a loan against future payments or a cash advance on future payments.

   c) Provides that the fees associated with the use of the prepaid card must be disclosed to the employee in writing. The only permissible fees associated with the use of a prepaid card are those for a replacement card provided through expedited delivery, out-of-network ATM fees on the third and subsequent withdrawal per deposit, and fees associated with foreign transactions.

   d) Provides that if an employee has consented to use the prepaid card payment system under this section, either the employer or the employee may opt to change the method of payment to another method, as specified, by providing 30 days' written notice to the other party.

   e) Requires, on or before December 1, 2022, the Commission on Health and Safety and Workers' Compensation (CHSWC) to issue a report to the Legislature on payments made to prepaid card accounts. Requires employers to provide all necessary aggregated data on their prepaid account programs to the commission upon request. The report must include, but is not limited to, the following:

      i) The number of employees who elected to receive their disability indemnity payments in a prepaid card account.
      ii) The cash value of the disability benefits sent to prepaid card accounts.
      iii) The number of employees who opted to change the method of payment from a prepaid card account to either a written instrument or electronic deposit.

f) Provides that it is not a violation of this section if either of the following delays occurs in connection with a transaction authorized, as specified, and the delay is caused solely by the application of state or federal banking laws or regulations:

   i) A delay in the negotiation of a written instrument, including a delay in the deposit or electronic deposit of a check to a prepaid card account.
   ii) A delay in the deposit of a disability indemnity payment to a prepaid card account.

8) Defines "prepaid card" or "prepaid card account" as a card, code, or other means of access to funds of a recipient that is usable at multiple, unaffiliated merchants for goods or services, or usable at ATMs. (Unemployment Insurance Code §1339.1)

9) Requires that a prepaid account used for receipt of unemployment benefits meets all of the following criteria: (Unemployment Insurance Code §1339.1)

   a) The account is held at an insured depository financial institution.
   b) The account is set up to meet the requirements for direct or passthrough deposit or share insurance payable to the person entitled to the receipt of public assistance payments by the Federal Deposit Insurance Corporation, as specified.
   c) The account is not attached to a credit or overdraft feature that is automatically repaid from the account unless the credit or overdraft feature has no fee, charge, or cost, whether direct, required, voluntary, or involuntary, or the credit or overdraft feature complies with the requirements for credit offered in connection with a prepaid account, as specified.
   d) The account complies with all of the requirements and provides the holder of the account with all of the consumer protections, that apply to an account under the rules implementing the Electronic Fund Transfer Act.

This bill:

1) Removes the January 1, 2027, sunset date for the pilot program authorizing employers to deposit workers' compensation payments in a prepaid card account for employees, making it permanent.

2) Removes language requiring CHSWC to publish a report assessing the pilot program, as specified.

COMMENTS

1. Background:

Workers' compensation
Under the California workers' compensation system, if a worker is injured on a job, the employer must pay for the worker's medical treatment and provide monetary benefits if the injury is permanent or temporarily results in lost wages. In return for receiving free medical treatment, the worker surrenders the right to sue the employer for monetary damages in civil court. In California, all employers are required to either purchase a workers' compensation

insurance policy from a licensed insurer authorized to write policies in California or become self-insured.

Workers' compensation disability indemnity benefits are payments injured employees get if they lose wages due to a work-related injury that prevents them from doing their usual job while recovering. If a workplace injury causes temporary partial disability, meaning the injured worker can return to work but cannot perform their full professional duties due to their disability, the worker is entitled to monetary compensation equal to two-thirds of the weekly loss in wages during the period of disability. If a workplace injury causes temporary total disability, meaning the injured worker cannot work at all, the worker is entitled to two-thirds of their average weekly earnings during the period of the disability. If the disability is permanent, the worker is entitled to disability indemnity benefits depending on their average weekly earnings at the time of the injury, with the number of weeks depending on the extent of their disability.

Disability indemnity payments must be made every two weeks, beginning 14 days after knowledge of the injury and disability is established. As the Assembly Committee on Insurance points out, "prior to 2018, disability indemnity benefits could only be transmitted to the injured worker by paper check or direct deposit. These methods of payment pose unique challenges for households without a bank account. For unbanked workers, direct deposit is not available, and without a relationship with a financial institution, cashing a check generally incurs considerable fees that would materially reduce the value of the payment."

Workers' compensation prepaid card pilot program
In 2018, Senate Bill 880 (Pan, Chapter 730, Statutes of 2018) was signed into law, which allowed employers to conduct a pilot program (until January 1, 2023) to deposit workers' compensation disability indemnity benefits via prepaid cards, rather than a paper check or electronic deposit. This program was modeled after the Employment Development Department (EDD)'s program that utilizes prepaid cards to issue unemployment insurance and disability insurance payments.

SB 880 created this pilot program that is voluntary and completely optional for the employer and for the employee. Under this pilot program, the employee must consent in writing, and either the employer or the employee may opt to change the method of payment to back to paper check or direct deposit with a 30 days written notice.

The pilot program also required the workers' compensation prepaid card account to meet all the requirements applicable to EDD's prepaid card accounts, in addition to all the following requirements:

- Allow the employee to withdraw the entire balance on the card in one transaction without incurring fees.
- Allow the employee reasonable access to in-network ATMs.
- Allow the employee to make point-of-sale purchases without incurring fees from the financial institution.
- Prohibit a link to any form of credit, including a loan against future payments or a cash advance on future payments.

SB 880 required that all fees associated with the use of the prepaid card be disclosed to the employee in writing and limited permissible fees to fees for replacement of the card via expedited delivery, out-of-network ATM fees on the third and subsequent withdrawal per deposit, and fees associated with foreign transactions. SB 880 had a sunset date of January 1, 2023, and the pilot program would be repealed without further legislative action.

CHSWC report

The Commission on Health and Safety and Workers' Compensation (CHSWC) is a joint labor-management body created by the workers' compensation reform legislation of 1993. CHSWC is charged with examining the health and safety and workers' compensation systems in California and recommending administrative or legislative modifications to improve their operation. CHSWC was established to conduct a continuing examination of the workers' compensation system and of the state's activities to prevent industrial injuries and occupational illnesses and to examine those programs in other states.

In addition to the pilot program, SB 880 also required CHSWC to compile a report on the program to the Legislature by December 1, 2022, with the following information:

- The number of employees who elected to receive their benefits via prepaid card,
- The cash value of benefits sent via prepaid card, and
- The number of employees who opted to change their method of payment from prepaid card to either a written instrument or electronic deposit.

Due to insufficient data, the CHSWC report was not completed on time. As a result, the Legislature passed three separate bills extending the sunset date of the pilot program to allow time to produce and review the report:

- AB 2148 (Calderon, Chapter 120, Statutes of 2022) extended the program until January 1, 2024.
- AB 489 (Calderon, Chapter 63, Statutes of 2023) extended the program until January 1, 2025.
- AB 1239 (Calderon, Chapter 806, Statutes of 2024) extended the program until January 1, 2027.

CHSWC published the required report on February 18, 2026.[1] According to the report:

> CHSWC found that only one insurer, the State Compensation Insurance Fund (State Fund) of California, offers the prepaid card under the definition of the pilot and California Labor Code § 4651. The State Fund reported that since July 2020 when their program began, 10,348 employees have enrolled in the prepaid card program and of those, 325 employees have opted out in favor of receiving paper checks (3.14%). The cash value of indemnity payments to prepaid accounts totaled $214,168,506 as reported through December 31, 2024. […]

[1] California Commission on Health and Safety and Workers' Compensation. *Report on Employer Use of Prepaid Card Account Programs for Workers' Compensation Disability Indemnity Payments in California: California Senate Bill 880 (2018) and California Labor Code §4651* (Feb. 18, 2026). https://www.dir.ca.gov/chswc/Reports/2026/PrepaidCardProgram.pdf

> It is worth noting that the legislation itself was designed to expire, if not renewed or made permanent. Adoption rates by payers may also have been low because there was no assurance that a significant investment in a new payment method would not go away or sunset by law. Further, it is possible that some payers may have been delaying consideration of adopting or implementing a prepaid card program until a report by CHSWC became available for review. […]
>
> The future of a prepaid card program will depend on possible legislative amendments, prior to the sunset date of January 1, 2027.
>
> Based on the report's findings, **CHSWC recommends amending the legislation to make the prepaid card pilot program permanent while still remaining at the discretion of the payer.**

According to the Assembly Committee on Insurance, even though the report indicates that only one payer adopted the prepaid card program, it is worth noting that State Fund is California's largest provider of workers' compensation insurance, with tens of thousands of policyholders and nearly $21 billion in assets.

This bill seeks to implement CHSWC's recommendation that the prepaid card program for disability indemnity payments be made permanent. The bill removes the statutory sunset date but retains all substantive requirements of the existing pilot program, including that the program be optional and voluntary for the employer and the employee.

2. Need for this bill?

According to the author, "In order to improve accessibility of workers' compensation disability indemnity payments for injured workers, particularly among communities that lack consistent access to traditional banking, AB 1683 would make permanent an existing pilot program allowing disability indemnity payments to be made via prepaid card, rather than solely by paper check or direct deposit."

3. Proponent Arguments:

According to the American Property Casualty Insurance Association (APICA), and the additional coalition of business and insurer supporters:

"In 2018, Senate Bill 880 established Labor Code Section 4651, authorizing an employee, with the employee's written consent, to deposit disability indemnity payments into a prepaid card account that meets specified requirements, including providing reasonable access to in-network ATMs. This reform addressed challenges faced by injured workers who previously could only receive temporary disability payments by paper check or direct deposit, an issue that disproportionately affected "unbanked" households. Without a bank account, direct deposit is not an option, and cashing a paper check often requires paying significant fees. The prepaid card framework was intended to provide these workers with a more accessible, low-cost method of receiving benefits, consistent with existing practices for unemployment insurance payments. AB 1683 simply extends the current authorization allowing employers to deposit workers' compensation disability indemnity payments into prepaid card accounts by eliminating the January 1, 2027, sunset date. The bill preserves all existing safeguards,

including employee consent and compliance with prepaid card account standards. By making this option permanent, AB 1683 modernizes benefit delivery and ensures continued access to convenient, secure payment options for injured workers."

4. Opponent Arguments:

None received.

5. Prior Legislation:

AB 1239 (Calderon, Chapter 806, Statutes of 2024) extended the sunset on the program to allow for collection of sufficient data for publication of the CHSWC report until January 1, 2027.

AB 489 (Calderon, Chapter 63, Statutes of 2023) extended the sunset on the program to allow for collection of sufficient data for publication of the CHSWC report until January 1, 2025.

AB 2148 (Calderon, Chapter 120, Statutes of 2022) extended the sunset on the program to allow for collection of sufficient data for publication of the CHSWC report until January 1, 2024.

SB 880 (Pan, Chapter 730, Statutes of 2018) established the pilot program authorizing the payment of disability indemnity using prepaid cards, as specified, with a sunset data of January 1, 2023, and required the CHSWC to produce a report on the program by December 1, 2022.

SUPPORT

American Property Casualty Insurance Association
California Association of Joint Powers Authorities (CAJPA)
California Chamber of Commerce
California Coalition on Workers Compensation
Public Risk Innovation, Solutions, and Management (PRISM)

OPPOSITION

None received.

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Bill No:	AB 1697	**Hearing Date:**	June 10, 2026
Author:	Kalra		
Version:	April 13, 2026		
Urgency:	Yes	**Fiscal:**	Yes
Consultant:	Alma Perez-Schwab		

SUBJECT: Employment contracts: stay-or-pay provisions: contract date

KEY ISSUES

This bill delays for one year, until January 1, 2027, the effective date of AB 692 (Kalra, Chapter 703, Statutes of 2025) which prohibits an employment contract from including any provisions that require a worker to assume a debt if their employment concludes before the end of the contract's term, as specified, and includes an urgency clause.

ANALYSIS

Existing law:

1) For contracts entered into *on or after January 1, 2026*, makes it unlawful to include in any employment contract, or to require a worker to execute as a condition of employment or a work relationship, a contract term that does any of the following:
   a) Requires the worker to pay an employer, training provider, or debt collector for a debt if the worker's employment or work relationship with a specific employer terminates.
   b) Authorizes the employer, training provider, or debt collector to resume or initiate collection of or end forbearance on a debt if the worker's employment or work relationship with a specific employer terminates.
   c) Imposes any penalty, fee, or cost on a worker if the worker's employment or work relationship with a specific employer terminates.
   (Business and Professions Code §16608(b)(1))

2) Exempts certain types of contracts from the above prohibition, including:
   a) A contract entered into under any loan repayment assistance program or loan forgiveness program provided by a federal, state, or local governmental agency.
   b) A contract related to the repayment of the cost of tuition for a transferable credential, provided that specified conditions are met.
   c) A contract related to enrollment in an apprenticeship program approved by the Division of Apprenticeship Standards.
   d) A contract for the receipt of a discretionary or unearned monetary payment, including a financial bonus, at the outset of employment that is not tied to specific job performance, provided that all of the following conditions are met:
      i) The terms of any repayment obligation are set forth in a separate agreement from the primary employment contract.
      ii) The employee is notified that they have the right to consult an attorney regarding the agreement and provided with a reasonable time period of not less than five business days to obtain advice of counsel prior to executing the agreement.

iii) Any repayment obligation for early separation from employment is not subject to interest accrual and is prorated based on the remaining term of any retention period, which shall not exceed two years from the receipt of payment.
iv) The worker has an option to defer receipt of the payment to the end of a fully served retention period without any repayment obligation.
v) Separation from employment prior to the retention period was at the sole election of the employee, or at the election of the employer for misconduct.

e) A contract related to the lease, financing, or purchase of residential property, as specified. (Business and Professions Code §16608(b)(2))

3) Provides that a contract that is unlawful under the above prohibition is void and contrary to public policy as a restraint of engaging in a lawful profession, trade, or business. (Business and Professions Code §16608(c) & Labor Code §926(a))

4) Authorizes a worker, or a worker representative acting on behalf of a worker(s), to bring a civil action for specified civil penalties and relief for a violation of these provisions. Any person found liable for a violation shall be liable for actual damages sustained by the worker or workers on whose behalf the case is brought, or five thousand dollars ($5,000) per worker, whichever is greater, in addition to injunctive relief, and reasonable attorney's fees and costs. (Labor Code § 926(b)(c))

This bill:

1) Delays the effective date of the above provisions for one year so that the prohibitions apply to contracts entered into on or after January 1, 2027 and includes an urgency clause for the delay.

COMMENTS

1. Background:

"Stay or Pay" Provisions & Training Repayment Agreement Provisions (TRAPs):
Employer-driven debt, also known as "stay or pay" provisions, refers to debt obligations incurred by individuals through employment arrangements that include employer provided training, equipment, or supplies, in exchange for worker commitments to work with the employer for a specified amount of time. Contract provisions specific to training are also known as Training Repayment Agreement Provisions or "TRAPs." These arrangements require the worker to reimburse the employer for such expenses if the worker leaves the job before the specified date, even if the worker is fired or laid off.

As noted by California's Attorney General in 2023, "Use of employer-driven debt products has grown substantially in recent years, potentially stifling competition in the labor market and forcing workers to remain in jobs that they would otherwise prefer to leave due to low pay or substandard working conditions. As a form of consumer debt, employer-driven debt may also expose workers to significant financial risk and predatory debt collection practices.

Employer-driven debt has been observed in numerous industries, including in healthcare, trucking, aviation, and the retail and service industries."[1]

A report by the Student Borrower Protection Center in 2022 estimated that three industries heavily reliant on the clauses – healthcare, trucking, and retail – employ one third of US workers.[2] A 2022 survey of registered nurses (RNs) found that nearly 40 percent of RNs who started their career in the past decade were subject to a TRAP for new graduate residency programs.[3]

Employers supportive of these provisions argue that these mutually beneficial arrangements help workers improve their resume/skills while protecting the employer's investment in the professional development of their workers. Given the investments made by employers, they want to ensure that the workers they are investing in do not receive the incentives and then quit a few weeks later. Unfortunately, the warning by the AG, another issued by the U.S. Consumer Financial Protection Bureau, and multiple news sources reveal that these arrangements are literally "trapping" workers in jobs they do not want but cannot leave.

AB 692 (Kalra, Chapter 703, Statutes of 2025):
In response to the abusive use of these provisions, the Legislature passed and the Governor signed AB 692 (Kalra) last year to prohibit, with some exceptions, an employment contract from requiring a worker to pay certain penalties, fees, costs, or debts related to employment or education if the worker's employment or work relationship terminates. In his signing message for the bill, Governor Newsom stated the following:

> "I commend the author for advocating on behalf of workers who are trapped in employment contracts that impose significant financial repercussions for leaving their jobs. California has long been a national leader in adopting policies that promote competition for top talent. This includes the state's longstanding prohibition on noncompete clauses, a policy that has helped attract top talent. So called "debt traps" in employment contracts appear to be a modern variation of noncompete agreements, keeping employees in their positions longer than necessary, stifling innovation, and preventing workers from reaching their full potential.
>
> *However, there is still more work to be done. I encourage the Legislature to enact follow-up legislation in 2026 to accommodate the collective bargaining process. Allowing these issues to be resolved through the collective bargaining process is appropriate because those agreements are tailored to the unique needs of workers and their employers."*[4]

This bill (AB 1697) would delay the effective date of the above provisions for one year so that the prohibitions apply to contracts entered into on or after January 1, 2027 and includes an urgency clause.

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[1] California Department of Justice, Office of the Attorney General. "State Law Restrictions on Employer-Driven Debt." Legal Alert No. OAG-2023-01, 7/25/2023. https://oag.ca.gov/news/press-releases/attorney-general-bonta-issues-warning-against-unlawful-employer-driven-debt
[2] Student Borrower Protection Center (July 2022), "Trapped at Work." https://protectborrowers.org/wp-content/uploads/2023/12/stay-or-pay-compendium_12-2023_FINAL.pdf
[3] National Nurses United (Dec. 2022), "Caught in a TRAP," National Nurse Magazine. https://nnumagazine.uberflip.com/i/1489186-national-nurse-magazine-october-november-december-2022/19?
[4] https://www.gov.ca.gov/wp-content/uploads/2025/10/AB-692-Signing-Message.pdf

2. Staff Comments:

Although this bill includes an urgency clause, the bill has moved through the legislative process following the regular legislative calendar, which means that if the bill makes it to the Governor and is signed, it would in essence, pause the provisions of AB 692 from when the bill is signed until January 1, 2027. This bill also does not include any provisions that would accommodate the collective bargaining process as the Governor encouraged in his signing message for AB 692.

Because of the timeline and the way the bill is written, it appears that the bill simply restates existing law which already makes TRAP provisions in 2027 contracts illegal/unenforceable. It is unlikely that the bill can retroactively change AB 692 which made TRAP provisions illegal/ unenforceable in 2026 and thereafter. At best, it might create a window from the date it's signed, presumably in September through December 31, 2026, where TRAP provisions once more become legal if the contract is entered into during that period. However, the bill does not expressly state its intent to do that. Therefore, it's equally plausible that AB 692 making TRAP contracts "entered into" in 2026 illegal would still be in force.

The author may wish to amend the bill to explicitly state its intent, whether it is to completely suspend the 2025 law so that any contract entered into in 2026 allows TRAP provisions or whether it is to only create a window from September 2026 to December 31, 2026 where TRAP provisions are allowed.

At the very least, this bill is introducing uncertainty into the effective dates of this law which may end up playing out in the courts. Staff notes that this bill has been double referred to Senate Judiciary Committee where, should this bill pass today, a more thorough analysis of contract law and the bill's implications on contracts entered into in 2026 can be made.

3. Need for this bill?

According to the author:

"Last year, the Legislature passed AB 692 (Kalra, Chapter 703, Statutes of 2025), which prohibits employment contracts going forward from including "debt traps" which forces workers to pay back a debt the employer says is owed if they leave, like employee training. This also applies to contract provisions that impose quit fees where an employer imposes a penalty simply because a worker wants the freedom to work somewhere else. AB 692 was carefully crafted to include limited exceptions and allowances for when an employer would be allowed to claw back benefits received by the employee. Specifically, AB 692 under provision (b)(2)(D) allows an employer to take back a monetary bonus given at hire if not tied to job performance and meets other conditions of disclosure and worker protection.

AB 1697 responds to the Governor's signing message of AB 692 by delaying the effective date a year so that only employee contracts signed on or after January 1, 2027 would be subject to the prohibitions of the bill. By doing so, this gives enough time to accommodate employers with a collective bargaining agreement to come into compliance with the law and it also gives all employers an extra year to structure their contracts free of debt traps or quit fees that punishes workers choosing to exercise their freedom of employment."

4. Proponent Arguments:

The National Football League is in support of the measure and write:

"AB 692, signed into law in 2025, addresses "stay-or-pay" provisions in employment contracts and makes unlawful certain agreements that require workers to assume debt upon separation from employment . We appreciate the Legislature's intent to protect workers from exploitative practices and support policies that promote fair competition and worker mobility. However, as the Governor acknowledged in his signing message, there is "more work to be done" to accommodate the collective bargaining process, and he encouraged follow-up legislation in 2026 to allow these issues to be resolved through collective bargaining. Professional sports operate under comprehensive Collective Bargaining Agreements (CBAs) negotiated in good faith between leagues and players' associations. Certain provisions implicated by AB 692 may be interpreted to intersect with these collectively bargained agreements in ways that were not intended by the author.

AB 1697 is an urgency measure that simply provides an implementation delay until January 1, 2027, allowing the Legislature, professional sports, and the Administration time to address these unintended impacts."

5. Opponent Arguments:

None received.

6. Stakeholder Concerns:

A coalition that includes the American Council of Life Insurers, the Association of California Life and Health Insurance Companies, the California Bankers Association, the Financial Services Institute, the National Association of Insurance and Financial Advisors - CA, and the Securities Industry and Financial Markets Association are in SUPPORT IF AMENDED to extend the effective date of AB 1697 to January 1, 2028. They write the following:

"When a financial advisor with a sizeable client base moves firms, they are typically offered recruitment or transition assistance that is structured as a loan. Under these voluntary and mutually beneficial arrangements, the loan can be forgiven or repaid over time provided the advisor meets certain agreed upon goals and performance metrics. Should the advisor leave before the debt has been settled, repayment of the remaining portion of the loan is required.

These contracts and situations are vastly different from the type of debt arrangements AB 692 is trying to protect against. Financial advisors are sophisticated, well educated, and highly compensated professionals. They can effectively negotiate on their own behalf, and they can and often do hire counsel to represent them. Instead of trapping financial advisors, these contracts promote mobility. In addition, these advisors have a built-in dispute forum under FINRA Code of Arbitration Rule 13806, which provides expedited resolution of promissory note disputes.

Similarly, the new law could unintentionally impact longstanding and widely used insurance industry compensation and reconciliation practices. Insurance agents are commonly paid through commission-based structures that include advances and subsequent reconciliation tied to customer refunds, cancellations, chargebacks, reassignment of accounts, or other

routine adjustments connected to the provision of services. Clarifying that agreements allowing for the recovery or adjustment of previously paid or advanced compensation—limited strictly to amounts already paid and not imposed as a penalty—are permissible would help ensure the law does not inadvertently disrupt established business models or compensation systems that function to align incentives and protect consumers.

We respectfully request AB 1697 be amended to delay AB 692's implementation until January 1, 2028. This will provide time to clarify the law's intent and protect against unintended consequences that would upset longstanding compensation structures in the securities and insurance industries."

7. **Double Referral:**

This bill has been double referred and if approved by this Committee today, will be sent to Senate Judiciary Committee for a hearing.

8. **Prior/Related Legislation:**

AB 692 (Kalra, Chapter 703, Statutes of 2025) makes it unlawful to include in any employment contract, specified contract terms that require a worker to assume a debt if the employment is terminated, except as provided; provides that the unlawful contract is a contract in restraint of trade and is void; and provides for a private right of action.

AB 747 (McCarty, 2023) would have prohibited an employer from entering into, presenting an employee or prospective employee as a term of employment, or attempting to enforce any contract in restraint of trade that is void, as specified. Additionally, the bill would have provided that an employer that violates this prohibition is liable for actual damages and an additional penalty per employee. *AB 747 died on Assembly Third Reading*.

AB 1076 (Bauer-Kahan, Chapter 828, Statutes of 2023) codified existing case law by specifying that the prohibition on noncompete agreements is to be broadly construed to void noncompete agreements or clauses in the employment context that do not satisfy specified exceptions. Additionally provides that a violation of the prohibition on noncompete agreements in employment constitutes unfair competition.

SB 699 (Caballero, Chapter 157, Statutes of 2023) strengthened California's restraint of trade prohibitions by clarifying, among other things, that any contract that is void under California's restraint of trade law is unenforceable regardless of where and when the contract was signed.

SUPPORT

National Football League

OPPOSITION

None received

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SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 1803	**Hearing Date:**	June 10, 2026
Author:	Lowenthal		
Version:	April 9, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alma Perez-Schwab		

SUBJECT: Employment: sexual harassment training and education: anti-hate speech training

KEY ISSUE

This bill requires employers to include anti-hate speech training as a component of the currently required sexual harassment prevention training for employees.

ANALYSIS

Existing law:

1) Under the Fair Employment and Housing Act (FEHA), makes it an unlawful employment practice for an employer to harass, or fail to prevent certain others from harassing, an employee because of the employee's race, sex, gender identity, disability, or other protected characteristic. (Government Code §12940 (a)-(j))

2) Requires an employer of five or more employees to provide at least two hours of classroom or other effective interactive training and education regarding sexual harassment to all supervisory employees and at least one hour of classroom or other effective interactive training and education regarding sexual harassment to all nonsupervisory employees in California once every two years. New nonsupervisory employees are required to be provided with training within six months of hire. (Government Code §12950.1)

3) Authorizes an employer to provide this training in conjunction with other training provided to the employees. The training may be completed by employees individually or as part of a group presentation, and may be completed in shorter segments, as long as the applicable hourly total requirement is met. (Government Code §12950.1)

4) Requires the training to include information and practical guidance regarding the federal and state statutory provisions concerning the prohibition against and the prevention and correction of sexual harassment and the remedies available to victims of sexual harassment in employment. (Government Code §12950.1)

5) Requires the training to also include practical examples aimed at instructing supervisors in the prevention of harassment, discrimination, and retaliation, and to be presented by trainers or educators with knowledge and expertise in the prevention of harassment, discrimination, and retaliation. (Government Code §12950.1)

6) Requires employers to also include the following as a component of the two hour training and education specified above:

a. Prevention of abusive conduct; and
b. Harassment based on gender identity, gender expression, and sexual orientation. The training must include practical examples of such harassment and be presented by trainers or educators with knowledge and expertise in those areas.
(Government Code §12950.1)

7) Defines "abusive conduct" to mean conduct of an employer or employee in the workplace, with malice, that a reasonable person would find hostile, offensive, and unrelated to an employer's legitimate business interests. Abusive conduct may include repeated infliction of verbal abuse, such as the use of derogatory remarks, insults, and epithets, verbal or physical conduct that a reasonable person would find threatening, intimidating, or humiliating, or the gratuitous sabotage or undermining of a person's work performance. A single act shall not constitute abusive conduct, unless especially severe and egregious. (Government Code §12950.1)

8) Requires the Civil Rights Department (CRD) to develop or obtain two online training courses on the prevention of sexual harassment in the workplace in accordance with the provisions specified above. CRD is required to make the online training courses available on its internet website and contain an interactive feature, as specified. (Government Code §12950.1)

9) For purposes of providing training to employees, authorizes an employer to develop its own training module or may direct employees to view the online training course referenced above. (Government Code §12950.1)

This bill:

1) Requires an employer to include anti-hate speech training as a component of the currently required sexual harassment and abusive conduct training and education.

2) Requires the anti-hate speech training to provide supervisors and employees with practical guidance on recognizing, reporting, and confronting workplace speech that vilifies, humiliates, or incites hatred against people based on characteristics protected under the Fair Employment and Housing Act.

COMMENTS

1. Background:

California's Fair Employment and Housing Act (FEHA) protects employees from discrimination based on an employee's race, sex, gender identity, disability, or other protected characteristic. FEHA makes it an unlawful employment practice for an employer to harass employees based on these protected characteristics or fail to prevent others from engaging in this conduct if they knew or should have known about the conduct and failed to take immediate and appropriate corrective action.

As noted under existing law above, employers with five or more employees are required to provide at least two hours of classroom or other effective interactive training and education regarding sexual harassment prevention to all supervisory employees and at least one hour to

all nonsupervisory employees once every two years. Existing law also requires the employer to include, as a component of the training and education, prevention of *abusive conduct* and harassment based on gender identity, gender expression, and sexual orientation. Existing law defines "abusive conduct" to mean "conduct of an employer or employee in the workplace, with malice, that a reasonable person would find hostile, offensive, and unrelated to an employer's legitimate business interests. Abusive conduct may include repeated infliction of ***verbal abuse, such as the use of derogatory remarks, insults, and epithets,*** verbal or physical conduct that a reasonable person would find threatening, intimidating, or humiliating, or the gratuitous sabotage or undermining of a person's work performance. A single act shall not constitute abusive conduct, unless especially severe and egregious."

The Civil Rights Department: CRD is tasked with developing two online training courses, a two hour course for supervisors and a one hour for nonsupervisory employees, on the prevention of sexual harassment in the workplace for employer use. Additionally, CRD has been provided funding and authority from the Legislature to establish a non-emergency *CA vs. Hate Resource Line and Network* to support individuals and communities targeted for hate. CRD is available to assist in identifying next steps after a hate incident, connecting victims with resources, and collecting and reporting data related to hate incidents to enhance hate crimes prevention and response. For these purposes, the CRD specifies the following:

- *Hate Incidents:* A hate incident is a hostile expression or action that may be motivated by bias against another person's actual or perceived identity(ies). Perpetrators may be motivated by different discriminatory biases, including, but not limited to, bias on the basis of race, color, disability, religion, national origin, sexual orientation, or gender, including gender identity. There are two main kinds of hate incidents – (1) acts of hate that are not crimes but violate civil rights laws, and (2) acts of hate that may not violate the law but still cause significant harm in a community.
- *Hate Crime:* Under California law, a hate crime is a criminal act committed, in whole or in part, because of one or more of the following actual or perceived characteristics of the victim: disability, gender, nationality, race or ethnicity, religion, sexual orientation; or because of the person's association with a person or group with one or more of these actual or perceived characteristics. (Penal Code §422.55)

Commission on the State of Hate: The Commission on the State of Hate, created within the CRD by AB 1126 (Bloom, Chapter 712, Statutes of 2021), was established to strengthen California's efforts to stop hate and promote mutual respect among California's diverse population through a comprehensive accounting of hate activity as well as the development of recommendation for reducing hate crimes. Among other things, the Commission's 2024-2025 Annual Report[1] found that:

- An estimated 8% of Californians over the age of 12 (nearly 2.6 million people) experienced at least one act of hate within a one-year period between 2022 and 2023.
- Nearly half (45%) of adult victims of hate in California experienced hate on a street or sidewalk, and more than one in three (34%) experienced hate at a business within the past year.

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[1] Civil Rights Department, "2024-2025 Annual Report Commission On The State of Hate," https://calcivilrights.ca.gov/wp-content/uploads/sites/32/2026/02/CSH_24-25_AnnualReport.pdf

- Race or skin color was the most common bias motivation of hate. Nearly two-thirds (62%) of adults and 38% of adolescents who experienced hate were targeted due to their race or skin color.
- About one in five adult victims of hate (21%) were targeted because of their ancestry, national origin, and/or language. Other common bias motivations were gender/sex/gender identity, age, sexual orientation, and religion (15%, 15%, 13%, and 11% of adult victims of hate, respectively). Nearly 7% of adults who experienced hate were targeted due to a disability, and 6% experienced hate due to their immigration status.
- Groups who have been historically targeted by hate continue to experience hate at disproportionate rates. Within a recent one-year period in California, an estimated 14% of Black adults, 7% of Latino adults, 9% of Asian American adults, and 15% of American Indian/Alaska Native adults experienced hate.
- In recent years, reported hate crimes motivated by religious bias have increased significantly. Religious bias hate crime events recorded in the California Department of Justice (DOJ) data increased by 30% in 2023.

In terms of recommendations relevant to businesses, the Commission notes that over one in three adult victims of hate in California experienced hate at a business. Though hate in businesses could be addressed through anti-hate efforts broadly, the Commission encourages researching novel business-specific initiatives, such as the Welcome In program piloted in 2024 by CRD.[2]

This bill would require that anti-hate speech training be included as a component of the existing sexual harassment prevention training requirements. Training on hate speech may already be included as part of the training on "abusive conduct" prevention which, as noted above, already includes the infliction of verbal abuse. The bill does not increase the hours required for the training nor does it impose restrictions on freedom of speech but rather, the bill would ensure that anti-hate speech is specifically included as part of the existing anti-discrimination training mandates.

2. Need for this bill?

According to the author:

"California must make meaningful progress to train Californians on the danger of hate speech not only in the workplaces, but in society as a whole. Our laws have not kept pace with the hate that millions of Californians experience every single day. AB 1803 fills a critical void by ensuring that employers provide workers with the training they need to recognize, report, and confront hate speech in our society. This bill is part of a broader legislative package developed in partnership with the Select Committee on Racism, Hate, and Xenophobia and Assemblymember Corey Jackson, reflecting our shared commitment to addressing the root causes of hate in our communities.

No Californian should have to endure slurs, bigotry, or bias-motivated hostility at work, or anywhere in California. AB 1803 is a commonsense, evidence-based step toward making

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[2] Ibid. and additional information about the Welcome In program is available at https://calcivilrights.ca.gov/welcome-in/

California more equitable for everyone, particularly the communities that have been most harmed by the rise of hate across our state."

3. Proponent Arguments:

According to the Asian Americans Advancing Justice Southern California:

"California is facing a hate crisis that is increasingly spilling into the workplace. Reported hate crimes in the state have risen by nearly 160% over the last decade, with particularly sharp increases targeting Black, Latino, and Asian communities between 2019 and 2022. More than one in three adult hate victims in California report experiencing hate at a business location, making workplaces one of the most prevalent settings for hate in the state. These are not isolated incidents; they reflect a sustained and worsening pattern of hostility that California's existing training laws are not currently addressing.

Current law requires employers to train workers on sexual harassment, abusive conduct, and harassment based on gender identity and sexual orientation but it contains no requirement to train on hate speech targeting race, religion, ethnicity, or national origin. This gap leaves employees exposed to hostile work environments rooted in bias and discriminatory language, and leaves employers without clear guidance on how to prevent and address it. Hate speech that is severe or pervasive enough to alter the conditions of employment can itself constitute illegal harassment yet current law creates a blind spot that puts California workers at risk every day.

AB 1803 addresses this directly. By embedding anti-hate speech training into the existing mandatory framework, the bill does not impose new burdens on employers — it does not add training hours or create a separate compliance obligation. Instead, it ensures that the training employers are already required to provide reflects the full landscape of workplace hostility that their employees are facing. When workers can recognize hate speech, report it, and intervene as bystanders, hate loses the silent tolerance it depends on to persist."

4. Opponent Arguments:

According to the Foundation for Individual Rights and Expression (FIRE):

"The state may regulate workplace behavior and forbid conduct, like sexual harassment. It may also require trainings on employees' obligations under those laws. But the state may not ban or regulate "hate speech," which is not a category of unprotected speech under the First Amendment and has no legal definition. Efforts to regulate "hate speech" risk granting governments broad authority to suppress disfavored or unpopular viewpoints. Indeed, around the world, such laws have often been used to silence political dissent. California must not go down this path.

The government cannot compel private employers to adopt or promote particular viewpoints about lawful speech others may consider hateful or offensive. Many prominent and contested public issues, such as the war in Ukraine or the Israeli–Palestinian conflict, give rise to strongly held but opposing views about what slogans or opinions are offensive, or even hateful. Mandating training that goes beyond preventing unlawful conduct and instead promotes or restricts viewpoints about controversial issues would violate the First Amendment rights of both employers and employees.

As the Assembly Labor and Employment Committee bill analysis acknowledges, "hate speech itself is not illegal but can violate employment law if it rises to an actionable level of workplace harassment or discrimination." The bill is not limited to speech that meets the legal standards for harassment. It fails to define what "anti-hate speech training" would entail, leaving employers without clear guidance on compliance. While some speech or conduct that is commonly described as "hateful" may fall into unprotected categories — such as harassment, true threats, or discriminatory conduct — the bill does not distinguish between protected and unprotected speech. As a result, the bill encompasses protected speech, and employers are likely to discourage such speech in an attempt to comply with this legislation.

Importantly, even a more precise definition of "hate speech" would not necessarily cure these defects unless it's clearly restricted to unprotected speech. Common definitions of "hate speech" often sweep in substantial amounts of protected expression….Finally, the bill would expose the state to significant litigation risk. Such lawsuits would impose financial and administrative burdens on the state, entangling it in prolonged and costly litigation— after which the state is likely to lose.

5. Double Referral and Staff Comment:

This bill has been double referred and if approved by this Committee today, will be sent to Senate Judiciary Committee for a hearing. Senate Judiciary Committee will be able to provide a more in-depth analysis on the opposition arguments regarding the First Amendment.

6. Prior/Related Legislation:

AB 1578 (Jackson, 2026) would require an employer that is a state agency or local agency to include anti-hate speech training as a component of the training and education required for sexual harassment prevention for all elected state or local officials. *AB 1578 has been referred to the Senate Local Government and Governmental Organization Committees.*

SB 778 (Committee on Labor, Public Employment and Retirement, Chapter 215, Statutes of 2019) extended the deadline for specified employers to provide sexual harassment prevention training and education, clarifies when such training and education must be provided to new employees, and outlines when refresher training must be provided.

SB 1343 (Mitchell, Chapter 956, Statutes of 2018) reduced the sexual harassment training requirement threshold from employers with 50 or more employees to employers with five or more employees, included non-supervisorial employees in the training, and requires that the Civil Rights Department develop an online training course and make it available on the Department's website.

AB 2053 (Gonzalez, Chapter 306, Statutes of 2014) expanded on existing sexual harassment training for supervisory employees to also include training on the prevention of abusive conduct.

SUPPORT

Asian Americans Advancing Justice Southern California
California Employment Lawyers Association
CFT – A Union of Educators & Classified Professionals
Chinese for Affirmative Action
Engineers and Scientists of California, IFPTE Local 20
Equality California
Stop AAPI Hate

OPPOSITION

California Family Council
California Teachers Supporting Gender-Nonconforming Youth
CAUSE: Californians United for Sex-Based Evidence in Policy and Law
Center for American Liberty
Concerned Women for America
Democrats for an Informed Approach to Gender
Foundation for Individual Rights and Expression
Lesbians Advocating for a Resilient Future
LGB Alliance USA
Moms for Liberty Placer County
Our Duty
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SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 1844	**Hearing Date:**	June 10, 2026
Author:	Pacheco		
Version:	March 19, 2026		
Urgency:	No	**Fiscal:**	No
Consultant:	Glenn Miles		

SUBJECT: Judges' Retirement System II: beneficiaries.

KEY ISSUE

The bill attempts to allow a judge in the Judges' Retirement System II (JRS II) to name a non-spouse beneficiary to receive an optional settlement benefit allowance upon the judge's death; eliminates the limitation that an active judge must have served for 20 years for a survivor's allowance benefit to apply to a judge who dies in office; and attempts to permit a judge to name a class of beneficiaries to receive the optional settlement benefit.

ANALYSIS

Existing law:

1) Establishes the Judges' Retirement System II System (JRS II) to provide a defined benefit retirement plan for judges who were first elected or appointed to the bench on or after November 9, 1994. (Government Code § 75500 et seq.)

2) Designates the California Public Employees' Retirement System (CalPERS) board as JRS II's board of administration. (Government Code § 75502 (h))

3) Authorizes JRS II to pay a pension allowance to a judge upon qualifying for retirement either by serving on the bench for 20 years and reaching age 65; serving on the bench 5 years and reaching age 70; or leaving the bench after serving 15 years and reaching age 60, or after serving 10 years and reaching age 65, and deferring retirement until the number of years that would have qualified them for retirement. (Government Code §§ 75522 and 75522.5)

4) Caps a judge's retirement allowance to no more than 75 percent of the judge's final compensation. (Government Code § 75522 (d)(2))

5) Requires the state to contribute monthly to a judge's personal retirement account, 18 percent of the judge's monthly salary and an additional amount credited monthly at a rate, not less than zero, equal to JRS II's annual investment return from the prior fiscal year. These monies are designated as the judge's Monetary Credits. (Government Code § 75520)

6) Allows a retiring judge to opt to receive the judge's Monetary Credits, either as a lump sum or an annuity, instead of the judge's JRS II retirement allowance.

7) Requires the state to make variable, actuarial-determined employer contributions to JRS II, currently projected to be 22.18 percent of judges' payroll for 2026-27. (Government Code § 75600.5)

8) Requires judges to make employee contributions equal to 8 percent of their monthly salary for JRS II classic members and one-half the normal cost for JRS II PEPRA members, projected to be 16.75 percent for 2026-27. (Government Code § 75601)

9) Provides a judge who does not qualify for a retirement allowance but who has served at least 5 years to receive the judge's Monetary Credits.

10) Provides a judge who does not serve 5 years an amount equal to the judge's employee contributions.

11) Provides, in the event of a judge's death, a survivor's benefit to the judge's spouse, including domestic partner. The survivor benefit available depends on if the judge died before or after retirement, and if the former, whether the judge was eligible for a service or deferred retirement. The survivor benefit is designed into the funding mechanism of the JRS II plan and does not require the judge to opt for a reduced pension to fund it. (Government Code § 75590 et seq.)

12) Provides, in the event of a judge's death, a separate benefit from the survivor benefit, known as an optional settlement benefit which is also payable to the judge's surviving spouse. The optional settlement benefit available depends on if the judge died before or after retirement, and if the former, whether the judge was eligible for a service or deferred retirement. In contrast to the survivor benefit, if the judge chooses to provide a retirement allowance to the judge's surviving spouse under the optional settlement benefit, the judge must take a reduction in the judge's pension allowance to fund the optional settlement. (Government Code § 75571 et seq.)

13) Restricts or reduces certain JRSII benefits if the judge is divorced based on the community property rights of the judge's ex-spouse. (Government Code § 75550 et seq.)

This bill:

1) Substitutes the term "designated beneficiary" for "surviving spouse" in provisions of existing law that regulate the JRS II *optional settlement benefit*.

2) Also substitutes the term "designated beneficiary" for "surviving spouse" in provisions of existing law that regulate the JRS II *survivor benefit*.

3) Permits a judge at any time to designate a beneficiary, as specified, to receive benefits payable under JRS II's provisions providing optional settlement benefits. The designation may not be made in derogation of the community property share of any nonmember spouse. The designation may be made for a class of beneficiaries.

4) Deletes the requirement that a judge must have served for 20 years for a survivor's allowance benefit to apply to a judge who dies in office.

5) Adds to the provision regulating survivor benefits, a reference to the optional settlement benefit for the survivor of a judge retiring on or after January 1, 1, 2018. The bill appears to make an erroneous reference to Option 1 instead of Option 2. The former only provides the survivor with a return of the judge's contributions but no lifetime allowance. The latter

provides a lifetime allowance to the survivor equal to 100 percent of the judge's retirement allowance.

COMMENTS

1. **Background:**

This bill appears to conflate two separate JRS II death benefit structures – the survivor allowance benefit and the optional settlement benefit – and attempts to allow a judge to name any beneficiary the judge chooses to both benefits. The confusion is understandable given that in JRS II both benefits are available only to the surviving spouse, while in other retirement systems the *survivor allowance benefit* is only available to the surviving spouse while the *optional settlement benefit* is available to any beneficiary designated by the retirement system member.

***S**urvivor allowance benefit v. optional settlement benefit*

Both benefits are essentially death benefits payable upon the judge's death. The essential difference is that the costs of *the survivor allowance benefit* are automatically built into the funding structure of the retirement system. It is essentially pre-funded by JRS II's employer contributions, employee contributions, and investment return. Thus, the judge receives his or her full pension allowance without reduction and if the judge predeceases his or her spouse, the spouse (including a domestic partner) receives a lifelong pension allowance based on the judge's pension.

In contrast, the judge must pay for the *optional settlement benefit* by accepting a reduction in the judge's retirement allowance based on the actuarial cost of providing the benefit to the judge's designated beneficiary. Unlike other systems, judges can only name their spouse as a beneficiary of the optional settlement benefit.[1]

The benefits are further confused by their interaction with protected community property rights of a nonmember ex-spouse, which essentially reduce the amount of funds available to provide a second survivor benefit or an optional settlement benefit.

In any case, a fundamental point in assessing these benefits is that the total cost of the judge's pension, any *second* survivor benefit, and any optional benefit must be actuarially the same as the judge's pension alone had he or she survived to the actuarial expected age. If that fails to happen, then JRS II's unfunded liability increases and costs are passed on to future generations through increased employer and employee contributions.

Committee comments

By replacing all references to "surviving spouse" with "designated beneficiary" and allowing a judge to name any beneficiary to both survivor benefits and option settlement benefits, this bill as currently drafted significantly expands JRS II death benefits, undermines the

[1] The rationale for limiting the judge's *optional settlement* beneficiary to the spouse instead of any designated beneficiary derives from JRS II's greater flexibility in providing a *survivor benefit* to a second spouse, which other systems traditionally did not do, and the need to fund that benefit.

automatic funding mechanism of existing survivor benefits, and creates increased unfunded liability for JRS II or requires JRS II to make the required judge's pension reduction that funds optional settlement benefits prohibitively expensive so that a judge would face a dire choice of receive almost no pension or leaving no benefit for the judge's beneficiaries upon the judge's death.

The bill's proponents have indicated to committee staff that such an outcome was not intended and that their objective is rather to allow greater flexibility to name beneficiaries to the optional settlement benefit. Thus, they are working with CalPERS (who administers JRS II) to develop significant amendments to address the concerns outlined above. Those amendments were not available by the committee's deadline for author amendments.

2. Committee Amendments

In order to avoid holding this bill in committee, address the committee's concerns outlined above, and achieve the author and proponents' stated objective, the committee recommends adopting committee amendments that do the following:

- Restore the term "surviving spouse" to JRS II provisions regulating the *survivor benefit*;
- Clarify that judges may designate non-spouse beneficiaries to the *optional settlement benefit*;
- Clarify that judges who die in office but qualify for retirement by serving 5 years and reaching age 70 instead of 20 years and age 65 are eligible to provide survivor benefits to their surviving spouse; and
- Clean-up erroneous technical references and other related technical and clarifying amendments to ensure that any expansion of benefits is actuarial sound.

Additionally, the committee understands and expects that the author commits to work with CalPERS to develop language addressing the issue of a surviving spouse having to be married to the judge one year prior to the judge's retirement and until the judge's death to be eligible for a survivor benefit.

3. Need for this bill?

According to the author:

"AB 1844 seeks to address two beneficiary related issues within the Judges' Retirement System II (JRS II) by allowing judges to designate a non-spouse beneficiary to receive survivor retirement benefits and by extending existing survivor protections to older vested judges. JRS II currently prohibits judges from naming a non-spouse beneficiary to receive ongoing pension benefits after death and requires judges to serve 20 years before electing a survivor benefit option despite the judge being fully vested into the retirement system. AB 1844 corrects this inequity, aligns JRS II with every other major public retirement system in California, and is actuarially neutral."

4. Proponent Arguments

According to the California Judges Association:

"Under current law, JRS II generally permits only a spouse or registered domestic partner to receive ongoing survivor pension benefits. As a result, unmarried judges—including those with long-term partners, adult children, or other dependents—cannot designate a beneficiary to receive continuing retirement benefits following their death. This limitation is unique to JRS II; other major California public retirement systems, including CalPERS, CalSTRS, and the University of California Retirement Plan, permit the designation of non-spouse beneficiaries."

"AB 1844 modernizes the system by authorizing judges to designate a non-spouse beneficiary to receive survivor retirement benefits and by aligning survivor benefit elections with standard vesting requirements. These changes ensure that vested judges are able to protect a beneficiary in the event of death while maintaining actuarial neutrality within the system."

5. **Opponent Arguments:**

None received.

6. **Prior Legislation:**

AB 1293 (Cooley, Chapter 304, Statutes of 2021) required the California Public Employees' Retirement System (CalPERS) to annually retest pensions for retired members of the Judges Retirement System (JRS I), Judges Retirement System II (JRS II), and the Legislators Retirement System against the most recent federal limitation on compensation and benefits pursuant to 26 U.S.C. Section 415.

AB 2879 (Strom-Martin, Chapter 661, Statutes of 2002) provided that a judge who elects a survivor benefit, dies in office with 20 or more years of service, and was of retirement age, then the judge's surviving spouse shall receive a survivor's allowance equal to the amount the judge would have received if the judge had retired on the date of death and had elected optional settlement two.

AB 1099 (Havice, Chapter 433, Statutes of 2001) allowed a judge who elected an option benefit at the time of retirement to revert to the judge's unmodified allowance if the judge's spouse predeceases the judge.

SUPPORT

California Judges Association (Sponsor)

OPPOSITION

None received

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AMENDMENTS TO ASSEMBLY BILL NO. 1844
AS AMENDED IN ASSEMBLY MARCH 19, 2026

Amendment 1

In the title, in line 1, after "Sections" insert:

75522,

Amendment 2

In the title, in line 2, strike out "Section" and insert:

Sections 75571.7 and

Amendment 3

On page 2, before line 1, insert:

SECTION 1. Section 75522 of the Government Code is amended to read:

75522. (a) A judge is eligible to retire pursuant to this section upon attaining both 65 years of age and 20 or more years of service, or upon attaining 70 years of age with a minimum of five years of service.

(b) The office of a judge who retires under this section becomes vacant on the date of the retirement.

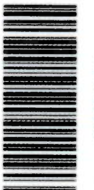
(c) A judge who retires pursuant to this section shall, within 30 days after the effective date of the retirement, elect to receive either the benefits provided by subdivision (d) or the benefits provided by subdivision (e). Under rules adopted by the board, the time for the election may be extended in cases of illness or other hardship, but once made, the election shall be final and irrevocable.

(d) The judge may elect to receive for life a monthly retirement allowance equal to the benefit factor multiplied by the judge's final compensation multiplied by the number of years of service credit.

(1) The benefit factor for a judge eligible to retire pursuant to this section equals 3.75 percent per year of service.

(2) In no event shall the retirement allowance at the time of retirement exceed 75 percent of the judge's final compensation.

(e) The judge may elect to receive the amount of ~~his or her~~ their monetary credits determined pursuant to Section 75520, including the credits added under subdivision (b) of that section computed to the last day of the month preceding the date of distribution. Under rules adopted by the board, the judge may elect to receive that amount in a single payment, or may direct that it be paid in an annuity of actuarially equivalent value for the judge's life or in one of the optional forms provided for in Section 75571 if the judge retires on or before December 31, 2017, ~~or~~ Section 75571.5 if the judge retires ~~on or after January 1, 2018.~~ during the period beginning on January 1, 2018, and ending on December 31, 2026, or Section 75571.7 if the judge retires on or after January 1, 2027.



(f) If a retired judge fails or refuses to make an election pursuant to subdivision (c) within the time allowed, ~~he or she~~ the judge shall be deemed to have elected to receive a monthly retirement allowance under subdivision (d).

Amendment 4

On page 2, in line 1, strike out "SECTION 1." and insert:

SEC. 2.

Amendment 5

On page 3, in line 32, after the first "a" insert:

surviving spouse or a

Amendment 6

On page 3, in line 36, after the second "the" insert:

surviving spouse or the

Amendment 7

On page 3, in line 39, strike out "SEC. 2." and insert:

SEC. 3.

Amendment 8

On page 4, in line 9, strike out the first "or"

Amendment 9

On page 4, in line 9, strike out "on or after January 1, 2018." and insert:

during the period beginning on January 1, 2018, and ending on December 31, 2026, or Section 75571.7 if the judge retires on or after January 1, 2027.

Amendment 10

On page 4, in line 14, strike out the first "survivor" and insert:

spouse

Amendment 11
On page 4, in line 15, strike out "(b)" and insert:

(c) or (d)

Amendment 12
On page 4, in line 17, strike out "75571 or" and insert:

75571,

Amendment 13
On page 4, in line 18, after the comma insert:

or subdivision (b) of Section 75571.7,

Amendment 14
On page 4, in line 20, strike out "survivor." and insert:

surviving spouse.

Amendment 15
On page 4, in line 21, strike out "SEC. 3." and insert:

SEC. 4.

Amendment 16
On page 4, in line 24, after the second "for" insert:

their surviving spouse or

Amendment 17
On page 4, in line 25, after "to" insert:

the surviving spouse or

Amendment 18
On page 4, in line 26, after "and" insert:

to the surviving spouse pursuant to

Amendment 19

On page 4, in line 29, strike out “SEC. 4.” and insert:

SEC. 5.

Amendment 20

On page 4, in line 31, strike out “on”, strike out line 32 and insert:

during the period beginning on January 1, 2018, and ending on December 31, 2026.

Amendment 21

On page 4, in line 35, strike out “beneficiary,” and insert:

surviving spouse,

Amendment 22

On page 5, in line 4, after the first “judge’s” insert:

surviving spouse, or if none, to the judge’s

Amendment 23

On page 5, in line 8, strike out “designated beneficiary” and insert:

surviving spouse

Amendment 24

On page 5, in line 10, strike out “designated beneficiary” and insert:

surviving spouse

Amendment 25

On page 5, in lines 14 and 15, strike out “designated beneficiary,” and insert:

surviving spouse,

Amendment 26

On page 5, in line 17, strike out “designated beneficiary” and insert:

surviving spouse

Amendment 27

On page 5, in line 18, strike out "second"

Amendment 28

On page 5, in lines 23 and 24, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 29

On page 5, in lines 25 and 26, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 30

On page 5, in line 29, strike out "designated beneficiary" and insert:

spouse

Amendment 31

On page 5, in line 32, strike out "designated beneficiary" and insert:

spouse

Amendment 32

On page 5, in line 34, strike out "designated beneficiary is a spouse and the"

Amendment 33

On page 5, in line 37, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 34

On page 6, in line 6, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 35

On page 6, in line 8, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 36

On page 6, in lines 12 and 13, strike out "designated beneficiary," and insert:

surviving spouse,

Amendment 37

On page 6, in line 15, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 38

On page 6, in line 16, strike out "second"

Amendment 39

On page 6, in line 22, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 40

On page 6, in line 24, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 41

On page 6, in line 28, strike out "designated beneficiary" and insert:

spouse

Amendment 42

On page 6, in line 31, strike out "designated beneficiary" and insert:

spouse

Amendment 43

On page 6, in line 33, strike out "designated beneficiary is a spouse and the"

Amendment 44

On page 6, in line 36, strike out "designated beneficiary" and insert:

surviving spouse

Amendment 45

On page 7, in line 6, strike out "designated beneficiary or beneficiaries" and insert:

surviving spouse

Amendment 46

On page 7, in line 8, strike out "designated beneficiary or beneficiaries" and insert:

surviving spouse

Amendment 47

On page 7, in line 9, strike out "Beneficiary or Beneficiaries." and insert:

Surviving Spouse.

Amendment 48

On page 7, in line 12, strike out "a designated beneficiary or beneficiaries" and insert:

the judge's surviving spouse

Amendment 49

On page 7, in line 13, strike out "Beneficiary or Beneficiaries." and insert:

Surviving Spouse.

Amendment 50

On page 7, in lines 16 and 17, strike out "a designated beneficiary or beneficiaries" and insert:

the judge's surviving spouse

Amendment 51

On page 7, between lines 17 and 18, insert:

SEC. 6. Section 75571.7 is added to the Government Code, to read:

75571.7. This section applies to any judge who retires on or after January 1, 2027.

(a) The unmodified allowance consists of the right to have the maximum retirement allowance paid to the judge for the judge's life alone. A continuing allowance to a designated beneficiary, other than the benefit provided in subdivision (c) or (d) of Section 75590, is not provided and there is not a return of unused accumulated contributions after the death of the judge.

(b) The Return of Remaining Contributions Option 1 consists of the right to have a retirement allowance paid to the judge for the judge's life alone and if the judge dies before the judge receives in annuity payments the amount of the judge's accumulated contributions at retirement, to have the balance at death paid to the judge's designated beneficiary, or if none, to the judge's estate.

(c) (1) The 100 Percent Beneficiary Option 2 consists of the right to have a retirement allowance paid to the judge until the judge's death and thereafter to have the same monthly allowance paid to the judge's designated beneficiary for life; provided that with respect to a judge subject to subdivision (c) or (d) of Section 75590, the designated beneficiary shall receive a monthly allowance equal to that portion of the judge's monthly allowance that exceeds the amount of the allowance deemed payable pursuant to subdivision (c) or (d) of Section 75590.

(2) Upon the death of both the judge and the designated beneficiary, any remaining balance of the judge's accumulated contributions at retirement not used to fund the allowances paid to the judge and the designated beneficiary pursuant to this subdivision will be paid in a lump sum to the secondary beneficiary or beneficiaries designated by the judge.

(d) (1) The 100 Percent Beneficiary Option 2 with Benefit Allowance Increase consists of the right to have a retirement allowance paid to the judge until the judge's death and thereafter to have the same monthly allowance paid to the judge's designated beneficiary for life; provided that with respect to a judge subject to subdivision (c) or (d) of Section 75590, the designated beneficiary shall receive a monthly allowance equal to that portion of the judge's monthly allowance that exceeds the amount of the allowance deemed payable pursuant to subdivision (c) or (d) of Section 75590.

(2) If the judge's designated beneficiary predeceases the judge and the judge elected this optional settlement, the judge's allowance shall be adjusted effective the first day of the month following the death of the designated beneficiary to reflect the benefit that would have been paid had the judge not elected an optional settlement.

(3) If the designated beneficiary is a spouse and the marriage of a retired judge is dissolved or a legal separation filed, and the judgment dividing the community property between the judge and the designated beneficiary awards the total interest in this system to the retired judge, or the marriage is annulled and confirmed by a court, the retired judge's allowance shall be adjusted effective the first day of the month following the filing of the judgment with the board to reflect the benefit that would have been paid had the judge not elected an optional settlement.

(4) If a nonspouse beneficiary waives entitlement to this allowance, the judge's allowance shall be adjusted effective the first day of the month following the receipt of the waiver of the allowance entitlement from the nonspouse beneficiary to reflect the benefit that would have been paid had the judge not selected an optional settlement.

(5) Nothing in this subdivision shall result in additional cost to the employer.

(e) (1) The 50 Percent Beneficiary Option 3 consists of the right to have a retirement allowance paid to the judge until the judge's death and thereafter to have one-half of the monthly allowance paid to the judge's designated beneficiary for life; provided that with respect to a judge subject to subdivision (c) or (d) of Section 75590, the designated beneficiary shall receive a monthly allowance equal to one-half of that portion of the judge's monthly allowance that exceeds the amount of the allowance deemed payable pursuant to subdivision (c) or (d) of Section 75590.

(2) Upon the death of both the judge and the designated beneficiary, any remaining balance of the judge's accumulated contributions at retirement not used to fund the allowances paid to the judge and the designated beneficiary pursuant to this subdivision will be paid in a lump sum to the secondary beneficiary or beneficiaries designated by the judge.

(f) (1) The 50 Percent Beneficiary Option 3 with Benefit Allowance Increase consists of the right to have a retirement allowance paid to the judge until the judge's death and thereafter to have one-half of the monthly allowance paid to the judge's designated beneficiary for life; provided that with respect to a judge subject to subdivision (c) or (d) of Section 75590, the designated beneficiary shall receive a monthly allowance equal to one-half of that portion of the judge's monthly allowance that exceeds the amount of the allowance deemed payable pursuant to subdivision (c) or (d) of Section 75590.

(2) If the judge's designated beneficiary predeceases the judge and the judge elected this optional settlement, the judge's allowance shall be adjusted effective the first day of the month following the death of the designated beneficiary to reflect the benefit that would have been paid had the judge not elected an optional settlement.

(3) If the designated beneficiary is a spouse and the marriage of a retired judge is dissolved or a legal separation filed, and the judgment dividing the community property between the judge and the designated beneficiary awards the total interest in this system to the retired judge, or the marriage is annulled and confirmed by a court, the retired judge's allowance shall be adjusted effective the first day of the month following the filing of the judgment with the board to reflect the benefit that would have been paid had the judge not elected an optional settlement.

(4) If a nonspouse beneficiary waives entitlement to this allowance, the judge's allowance shall be adjusted effective the first day of the month following the receipt of the waiver of the allowance entitlement from the nonspouse beneficiary to reflect the benefit that would have been paid had the judge not selected an optional settlement.

(5) Nothing in this subdivision shall result in additional cost to the employer.

(g) The Flexible Beneficiary Option 4 consists of the right to have a retirement allowance paid to a judge until the judge's death, and thereafter to have a monthly allowance paid to the judge's designated beneficiary or beneficiaries for life. Subject to Section 75570.5, the judge may select the monthly allowance payable to the designated beneficiary or beneficiaries from the options below:

(1) Specific Dollar Amount to a Beneficiary or Beneficiaries. The judge may specify that upon the judge's death after retirement, a monthly allowance in an amount determined by the judge be paid to a designated beneficiary or beneficiaries for life.

(2) Specific Percentage to a Beneficiary or Beneficiaries. The judge may specify that upon the judge's death after retirement, a monthly allowance in an amount equivalent to a specified percentage of the judge's allowance be paid to a designated beneficiary or beneficiaries for life.

Amendment 52

On page 7, in line 18, strike out "SEC. 5." and insert:

SEC. 7.

Amendment 53

On page 8, in line 4, strike out "SEC. 6." and insert:

SEC. 8.

Amendment 54

On page 8, in line 6, strike out "designated beneficiary" and insert:

spouse

Amendment 55

On page 8, in lines 20 and 21, strike out "designated beneficiary" and insert:

spouse

Amendment 56

On page 8, in line 36, strike out "designated beneficiary" and insert:

spouse

Amendment 57

On page 9, in line 3, strike out "designated beneficiary" and insert:

spouse

Amendment 58

On page 9, in line 9, strike out "designated beneficiary" and insert:

spouse

Amendment 59

On page 9, in line 20, strike out "designated beneficiary" and insert:

spouse

Amendment 60

On page 9, in lines 27 and 28, strike out "or subdivision (b) of Section 75571.5,"

Amendment 61

On page 9, in line 28, strike out "75573." and insert:

75573, or the optional settlement specified in subdivision (c) of Section 75571.5.

Amendment 62

On page 9, in line 29, strike out "designated beneficiary" and insert:

spouse

Amendment 63

On page 9, in line 34, strike out "designated beneficiary" and insert:

spouse

Amendment 64

On page 9, in line 39, strike out "designated beneficiary" and insert:

spouse

Amendment 65

On page 10, in line 1, strike out "designated", strike out line 2 and insert:

spouse.

Amendment 66

On page 10, in line 3, strike out "SEC. 7." and insert:

SEC. 9.

Amendment 67

On page 10, in line 5, strike out "designated beneficiary" and insert:

spouse

Amendment 68

On page 10, in line 15, strike out "designated beneficiary, then" and insert:

spouse, the greater of the amounts prescribed in subdivision (a) shall be paid

Amendment 69

On page 10, in line 16, strike out "second"

PROPOSED AMENDMENTS TO ASSEMBLY BILL NO. 1844

AMENDED IN ASSEMBLY MARCH 19, 2026

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL **No. 1844**

Introduced by Assembly Member Pacheco

February 11, 2026

An act to amend Sections *75522,* 75522.5, 75570, 75570.5, 75571.5, 75590, and 75591 of, and to add ~~Section~~ *Sections 75571.7 and* 75574 to, the Government Code, relating to judges' retirement.

Amendment 1
Amendment 2

LEGISLATIVE COUNSEL'S DIGEST

AB 1844, as amended, Pacheco. Judges' Retirement System II: beneficiaries.

Existing law establishes the Judges' Retirement System II, which is administered by the Board of Administration of the Public Employees' Retirement System, and provides pension and other benefits to judges who are members. Existing law authorizes a judge to elect one of 4 optional retirement payment ~~plans~~ *plans, with variations,* in lieu of receiving the maximum retirement allowance for their life alone. The optional plans provide for a reduced allowance payable to the judge for life and a payment or allowance payable to their surviving spouse, as specified.

Under existing law, the 100 Percent Beneficiary Option 2 with Benefit Allowance Increase consists of the right to have a retirement allowance paid to the judge until the judge's death and thereafter to have the same monthly allowance paid to the judge's surviving spouse for life, as provided, and the 50 Percent Beneficiary Option 3 with Benefit Allowance Increase consists of the right to have a retirement allowance

paid to the judge until the judge's death and thereafter to have 1/2 of the monthly allowance paid to the judge's surviving spouse for life, as provided.

This bill would authorize a judge who ~~elects~~ *retires on or after January 1, 2027, and who elects any* one of those optional retirement payment plans *described above,* to designate a beneficiary other than their spouse to receive the payment or allowance after the judge's death, subject to the community property rights of the judge's spouse. *The bill would provide that under the 100 Percent Beneficiary Option 2 with Benefit Allowance Increase and the 50 Percent Beneficiary Option 3 with Benefit Allowance Increase, if a nonspouse beneficiary waives entitlement to the allowance, the judge's allowance shall be adjusted effective the first day of the month following the receipt of the waiver to reflect the benefit that would have been paid had the judge not selected an optional settlement. The bill would provide that these two optional retirement payment plans shall not result in additional cost to the employer.*

~~Existing law provides certain survivor benefits to a surviving spouse upon the death of a judge, depending on whether the judge was eligible to retire at death, not eligible to retire, or had already retired.~~

~~This bill would provide those survivor benefits to a surviving designated beneficiary.~~

Existing law authorizes the surviving spouse of a judge who died in office, had attained the minimum age for service retirement, with a minimum of 20 years of service, and met other requirements to receive an allowance that is equal to the amount that the judge would have received if the judge had been retired from service on the date of death, as specified.

This bill would ~~authorize the surviving designated beneficiary to receive that allowance and would~~ remove the requirement that the judge have had a minimum of 20 years of service.

This bill would make ~~related~~ *other related and technical* changes.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

\+ *SECTION 1. Section 75522 of the Government Code is*
\+ *amended to read:*

Amendment 3

\+ 75522. (a) A judge is eligible to retire pursuant to this section
\+ upon attaining both 65 years of age and 20 or more years of service,
\+ or upon attaining 70 years of age with a minimum of five years of
\+ service.
\+ (b) The office of a judge who retires under this section becomes
\+ vacant on the date of the retirement.
\+ (c) A judge who retires pursuant to this section shall, within 30
\+ days after the effective date of the retirement, elect to receive either
\+ the benefits provided by subdivision (d) or the benefits provided
\+ by subdivision (e). Under rules adopted by the board, the time for
\+ the election may be extended in cases of illness or other hardship,
\+ but once made, the election shall be final and irrevocable.
\+ (d) The judge may elect to receive for life a monthly retirement
\+ allowance equal to the benefit factor multiplied by the judge's
\+ final compensation multiplied by the number of years of service
\+ credit.
\+ (1) The benefit factor for a judge eligible to retire pursuant to
\+ this section equals 3.75 percent per year of service.
\+ (2) In no event shall the retirement allowance at the time of
\+ retirement exceed 75 percent of the judge's final compensation.
\+ (e) The judge may elect to receive the amount of ~~his or her~~ *their*
\+ monetary credits determined pursuant to Section 75520, including
\+ the credits added under subdivision (b) of that section computed
\+ to the last day of the month preceding the date of distribution.
\+ Under rules adopted by the board, the judge may elect to receive
\+ that amount in a single payment, or may direct that it be paid in
\+ an annuity of actuarially equivalent value for the judge's life or in
\+ one of the optional forms provided for in Section 75571 if the
\+ judge retires on or before December 31, 2017, ~~or~~ Section 75571.5
\+ if the judge retires ~~on or after January 1, 2018.~~ *during the period*
\+ *beginning on January 1, 2018, and ending on December 31, 2026,*
\+ *or Section 75571.7 if the judge retires on or after January 1, 2027.*
\+ (f) If a retired judge fails or refuses to make an election pursuant
\+ to subdivision (c) within the time allowed, ~~he or she~~ *the judge* shall
\+ be deemed to have elected to receive a monthly retirement
\+ allowance under subdivision (d).

Page 2 1 ~~SECTION 1.~~ **Amendment 4**
2 *SEC. 2.* Section 75522.5 of the Government Code is amended
\+ to read:

Page 2
3 75522.5. (a) On and after January 1, 2024, a judge who is not
4 eligible to retire pursuant to Section 75522, in lieu of receiving
5 their monetary credits pursuant to subdivision (b) of Section 75521,
6 may elect to retire pursuant to this section, notwithstanding Section
7 7522.44, upon satisfying the eligibility requirements of this section.
8 Retirement pursuant to this section shall be considered a service
9 retirement for the purposes of Section 75580.5.
10 (b) A judge is eligible to retire pursuant to this section upon
11 attaining both 60 years of age and 15 years or more of service, or
12 upon attaining 65 years of age with a minimum of 10 years of
13 service.
14 (c) The office of a judge who retires under this section becomes
15 vacant on the date of retirement.
16 (d) (1) A judge who elects to retire pursuant to this section
17 shall, within 30 days after the effective date of the retirement, elect
18 to receive one of the benefits provided under subdivision (f). Under
19 rules adopted by the board, the time for the election may be
20 extended in cases of illness or other hardship, but once made, the
21 election shall be final and irrevocable.
22 (2) If a retired judge fails or refuses to make an election pursuant
23 to subdivision (f) within the time allowed, the retired judge shall
24 be deemed to have elected to receive a monthly allowance under
25 paragraph (1) of subdivision (f).

Page 3
1 (e) For purposes of this section, "full retirement age" means the
2 age and years of service at which a judge would have become
3 eligible to retire under Section 75522 if the judge had continued
4 to accrue years of service credit rather than retire pursuant to this
5 section.
6 (f) Subject to the limits described in subdivision (g), a judge
7 who elects to retire under this section shall receive, for life, a
8 monthly retirement allowance equal to the applicable benefit factor
9 multiplied by the judge's final compensation multiplied by the
10 number of years of service credit, pursuant to one of the following
11 paragraphs:
12 (1) This paragraph shall apply to the retirement allowance of a
13 judge who retires prior to full retirement age and who defers to
14 full retirement age. The benefit factor for a judge electing to retire
15 pursuant to this paragraph shall be a percentage equal to 3.75
16 reduced by 0.07 for each year, taken to the preceding completed

Page 3 17 quarter year, the judge's date of retirement is prior to the judge's
18 full retirement age.
19 (2) This paragraph shall apply to the retirement allowance of a
20 judge who retires prior to full retirement age and who defers past
21 full retirement age. The retirement allowance shall commence on
22 the date the judge attains full retirement age plus an additional
23 0.22 years for each year the judge's date of retirement is prior to
24 the judge's full retirement age. The benefit factor for a judge
25 electing to retire pursuant to this paragraph equals 3.75 percent.
26 (g) (1) In no event shall the retirement allowance under this
27 section calculated at the time of retirement exceed 75 percent of
28 the judge's final compensation.
29 (2) The calculation of the retirement allowance under this section
30 shall not include more than 20 years of service.
31 (h) A monthly allowance or optional settlement payable under
32 this chapter to a *surviving spouse or a* designated beneficiary of | **Amendment 5**
33 a judge who elected to retire pursuant to this section, and who died
34 before receiving a retirement allowance, shall begin the date the
35 judge would have been eligible to receive a retirement allowance
36 under this section and shall continue until the death of the *surviving* | **Amendment 6**
\+ *spouse or the* designated beneficiary.
37 (i) This section shall only apply to judges who retire pursuant
38 to this section before January 1, 2029.
39 ~~SEC. 2.~~ | **Amendment 7**
\+ *SEC. 3.* Section 75570 of the Government Code is amended
40 to read:
Page 4 1 75570. (a) In lieu of electing the unmodified allowance for
2 the judge's life alone, a judge who elects to retire and receive a
3 monthly allowance under either subdivision (d) of Section 75522
4 or Section 75522.5 may elect, on or before the date of retirement,
5 to have the actuarial equivalent of the judge's retirement allowance
6 as of the date of retirement applied to a lesser retirement allowance,
7 in accordance with one of the optional settlements specified in
8 Section 75571 if the judge retires on or before December 31, 2017,
9 ~~or~~ Section 75571.5 if the judge retires ~~on or after January 1, 2018.~~ | **Amendments 8 & 9**
\+ *during the period beginning on January 1, 2018, and ending on*
\+ *December 31, 2026, or Section 75571.7 if the judge retires on or*
\+ *after January 1, 2027.*
10 (b) That election, revocation, or change of election shall be
11 made by a writing filed with the system within 30 calendar days

Page 4
12 after the making of the first payment on account of any retirement
13 allowance.
14 (c) If there is a ~~survivor~~ *spouse* who would qualify for the — **Amendment 10**
15 survivor allowance under subdivision ~~(b)~~ *(c) or (d)* of Section — **Amendment 11**
16 75590, then the election, with respect to any optional settlement
17 other than the optional settlement in subdivision (a) of Section — **Amendment 12**
18 ~~75571 or~~ *75571,* subdivision (b) of Section 75571.5, *or subdivision* — **Amendment 13**
19 *(b) of Section 75571.7,* shall apply only to the portion of the
20 retirement allowance that exceeds the amount of the allowance — **Amendment 14**
\+ deemed payable to the ~~survivor.~~ *surviving spouse.*
21 ~~SEC. 3.~~ — **Amendment 15**
\+ *SEC. 4.* Section 75570.5 of the Government Code is amended
22 to read:
23 75570.5. If a judge elects an optional settlement that provides
24 for a monthly allowance for *their surviving spouse or* their named — **Amendment 16**
25 beneficiary or beneficiaries, the combined allowance payable to — **Amendment 17**
26 *the surviving spouse or* the named beneficiary or beneficiaries — **Amendment 18**
\+ pursuant to the optional settlement and *to the surviving spouse*
27 *pursuant to* Section 75590, if applicable, cannot exceed the amount
28 of the judge's monthly allowance.
29 ~~SEC. 4.~~ — **Amendment 19**
\+ *SEC. 5.* Section 75571.5 of the Government Code is amended
30 to read:
31 75571.5. This section shall apply to any judge who retires ~~on~~ — **Amendment 20**
32 ~~or after January 1, 2018.~~ *during the period beginning on January*
\+ *1, 2018, and ending on December 31, 2026.*
33 (a) The unmodified allowance consists of the right to have the
34 maximum retirement allowance paid to the judge for the judge's
35 life alone. A continuing allowance to a ~~beneficiary,~~ *surviving* — **Amendment 21**
36 *spouse,* other than the benefit provided in subdivision (c) or (d) of
37 Section 75590, is not provided and there is not a return of unused
38 accumulated contributions after the death of the judge.
39 (b) The Return of Remaining Contributions Option 1 consists
40 of the right to have a retirement allowance paid to the judge for
Page 5
1 the judge's life alone and if the judge dies before the judge receives
2 in annuity payments the amount of the judge's accumulated
3 contributions at retirement, to have the balance at death paid to
4 the judge's *surviving spouse, or if none, to the judge's* designated — **Amendment 22**
\+ beneficiary, or if none, to the judge's estate.

Page 5

5 (c) (1) The 100 Percent Beneficiary Option 2 consists of the
6 right to have a retirement allowance paid to the judge until the
7 judge's death and thereafter to have the same monthly allowance
8 paid to the judge's ~~designated beneficiary~~ *surviving spouse* for — **Amendment 23**
9 life, provided that, with respect to a judge subject to subdivision
10 (c) or (d) of Section 75590, the ~~designated beneficiary~~ *surviving* — **Amendment 24**
11 *spouse* shall receive that portion of the judge's monthly allowance
12 that exceeds the amount of the allowance deemed payable pursuant
13 to subdivision (c) or (d) of Section 75590.
14 (2) Upon the death of both the judge and the ~~designated~~ — **Amendment 25**
15 ~~beneficiary,~~ *surviving spouse,* any remaining balance of the judge's
16 accumulated contributions at retirement not used to fund the
17 allowances paid to the judge and the ~~designated beneficiary~~ — **Amendment 26**
18 *surviving spouse* pursuant to this subdivision will be paid in a lump — **Amendment 27**
19 sum to the ~~second~~ designated beneficiary of the deceased, or if
\+ none, to the estate of the deceased.
20 (d) (1) The 100 Percent Beneficiary Option 2 with Benefit
21 Allowance Increase consists of the right to have a retirement
22 allowance paid to the judge until the judge's death and thereafter
23 to have the same monthly allowance paid to the judge's ~~designated~~ — **Amendment 28**
24 ~~beneficiary~~ *surviving spouse* for life; provided that with respect
25 to a judge subject to subdivision (c) or (d) of Section 75590, the — **Amendment 29**
26 ~~designated beneficiary~~ *surviving spouse* shall receive that portion
27 of the judge's monthly allowance that exceeds the amount of the
28 allowance deemed payable pursuant to subdivision (c) or (d) of
\+ Section 75590.
29 (2) If the judge's ~~designated beneficiary~~ *spouse* predeceases the — **Amendment 30**
30 judge and the judge elected this optional settlement, the judge's
31 allowance shall be adjusted effective the first day of the month
32 following the death of the ~~designated beneficiary~~ *spouse* to reflect — **Amendment 31**
33 the benefit that would have been paid had the judge not elected an
\+ optional settlement.
34 (3) If the ~~designated beneficiary is a spouse and the~~ marriage — **Amendment 32**
35 of a retired judge is dissolved or a legal separation filed, and the
36 judgment dividing the community property between the judge and
37 the ~~designated beneficiary~~ *surviving spouse* awards the total interest — **Amendment 33**
38 in this system to the retired judge, or the marriage is annulled and
39 confirmed by a court, the retired judge's allowance shall be
40 adjusted effective the first day of the month following the filing

Page 6

1 of the judgment with the board to reflect the benefit that would
2 have been paid had the judge not elected an optional settlement.
3 (e) (1) The 50 Percent Beneficiary Option 3 consists of the
4 right to have a retirement allowance paid to the judge until the
5 judge's death and thereafter to have one-half of the monthly
6 allowance paid to the judge's ~~designated beneficiary~~ *surviving* **Amendment 34**
7 *spouse* for life; provided that with respect to a judge subject to
8 subdivision (c) or (d) of Section 75590, the ~~designated beneficiary~~ **Amendment 35**
9 *surviving spouse* shall receive one-half of that portion of the judge's
10 monthly allowance that exceeds the amount of the allowance
11 deemed payable pursuant to subdivision (c) or (d) of Section 75590.
12 (2) Upon the death of both the judge and the ~~designated~~ **Amendment 36**
13 ~~beneficiary,~~ *surviving spouse,* any remaining balance of the judge's
14 accumulated contributions at retirement not used to fund the
15 allowances paid to the judge and the ~~designated beneficiary~~ **Amendment 37**
16 *surviving spouse* pursuant to this subdivision will be paid in a lump **Amendment 38**
17 sum to the ~~second~~ designated beneficiary of the deceased, or if
\+ none, to the estate of the deceased.
18 (f) (1) The 50 Percent Beneficiary Option 3 with Benefit
19 Allowance Increase consists of the right to have a retirement
20 allowance paid to the judge until the judge's death and thereafter
21 to have one-half of the monthly allowance paid to the judge's
22 ~~designated beneficiary~~ *surviving spouse* for life; provided that with **Amendment 39**
23 respect to a judge subject to subdivision (c) or (d) of Section 75590,
24 the ~~designated beneficiary~~ *surviving spouse* shall receive one-half **Amendment 40**
25 of that portion of the judge's monthly allowance that exceeds the
26 amount of the allowance deemed payable pursuant to subdivision
27 (c) or (d) of Section 75590.
28 (2) If the judge's ~~designated beneficiary~~ *spouse* predeceases the **Amendment 41**
29 judge and the judge elected this optional settlement, the judge's
30 allowance shall be adjusted effective the first day of the month
31 following the death of the ~~designated beneficiary~~ *spouse* to reflect **Amendment 42**
32 the benefit that would have been paid had the judge not elected an
\+ optional settlement.
33 (3) If the ~~designated beneficiary is a spouse and the~~ marriage **Amendment 43**
34 of a retired judge is dissolved or a legal separation filed, and the
35 judgment dividing the community property between the judge and
36 the ~~designated beneficiary~~ *surviving spouse* awards the total interest **Amendment 44**
37 in this system to the retired judge, or the marriage is annulled and
38 confirmed by a court, the retired judge's allowance shall be

Page 6 Page 7

adjusted effective the first day of the month following the filing of the judgment with the board to reflect the benefit that would have been paid had the judge not elected an optional settlement.

(g) The Flexible Beneficiary Option 4 consists of the right to have a retirement allowance paid to a judge until the judge's death, and thereafter to have a monthly allowance paid to the judge's ~~designated beneficiary or beneficiaries~~ *surviving spouse* for life. Subject to Section 75570.5, the judge may select the monthly allowance payable to the ~~designated beneficiary or beneficiaries~~ *surviving spouse* from the options below:

Amendment 45
Amendment 46

(1) Specific Dollar Amount to a ~~Beneficiary or Beneficiaries.~~ *Surviving Spouse.* The judge may specify that upon the judge's death after retirement, a monthly allowance in an amount determined by the judge be paid to ~~a designated beneficiary or beneficiaries~~ *the judge's surviving spouse* for life.

Amendment 47
Amendment 48

(2) Specific Percentage to a ~~Beneficiary or Beneficiaries.~~ *Surviving Spouse.* The judge may specify that upon the judge's death after retirement, a monthly allowance in an amount equivalent to a specified percentage of the judge's allowance be paid to ~~a designated beneficiary or beneficiaries~~ *the judge's surviving spouse* for life.

Amendment 49
Amendment 50
Amendment 51

SEC. 6. Section 75571.7 is added to the Government Code, to read:

75571.7. This section applies to any judge who retires on or after January 1, 2027.

(a) The unmodified allowance consists of the right to have the maximum retirement allowance paid to the judge for the judge's life alone. A continuing allowance to a designated beneficiary, other than the benefit provided in subdivision (c) or (d) of Section 75590, is not provided and there is not a return of unused accumulated contributions after the death of the judge.

(b) The Return of Remaining Contributions Option 1 consists of the right to have a retirement allowance paid to the judge for the judge's life alone and if the judge dies before the judge receives in annuity payments the amount of the judge's accumulated contributions at retirement, to have the balance at death paid to the judge's designated beneficiary, or if none, to the judge's estate.

(c) (1) The 100 Percent Beneficiary Option 2 consists of the right to have a retirement allowance paid to the judge until the judge's death and thereafter to have the same monthly allowance

+ *paid to the judge's designated beneficiary for life; provided that*
+ *with respect to a judge subject to subdivision (c) or (d) of Section*
+ *75590, the designated beneficiary shall receive a monthly*
+ *allowance equal to that portion of the judge's monthly allowance*
+ *that exceeds the amount of the allowance deemed payable pursuant*
+ *to subdivision (c) or (d) of Section 75590.*
+ *(2) Upon the death of both the judge and the designated*
+ *beneficiary, any remaining balance of the judge's accumulated*
+ *contributions at retirement not used to fund the allowances paid*
+ *to the judge and the designated beneficiary pursuant to this*
+ *subdivision will be paid in a lump sum to the secondary beneficiary*
+ *or beneficiaries designated by the judge.*
+ *(d) (1) The 100 Percent Beneficiary Option 2 with Benefit*
+ *Allowance Increase consists of the right to have a retirement*
+ *allowance paid to the judge until the judge's death and thereafter*
+ *to have the same monthly allowance paid to the judge's designated*
+ *beneficiary for life; provided that with respect to a judge subject*
+ *to subdivision (c) or (d) of Section 75590, the designated*
+ *beneficiary shall receive a monthly allowance equal to that portion*
+ *of the judge's monthly allowance that exceeds the amount of the*
+ *allowance deemed payable pursuant to subdivision (c) or (d) of*
+ *Section 75590.*
+ *(2) If the judge's designated beneficiary predeceases the judge*
+ *and the judge elected this optional settlement, the judge's*
+ *allowance shall be adjusted effective the first day of the month*
+ *following the death of the designated beneficiary to reflect the*
+ *benefit that would have been paid had the judge not elected an*
+ *optional settlement.*
+ *(3) If the designated beneficiary is a spouse and the marriage*
+ *of a retired judge is dissolved or a legal separation filed, and the*
+ *judgment dividing the community property between the judge and*
+ *the designated beneficiary awards the total interest in this system*
+ *to the retired judge, or the marriage is annulled and confirmed by*
+ *a court, the retired judge's allowance shall be adjusted effective*
+ *the first day of the month following the filing of the judgment with*
+ *the board to reflect the benefit that would have been paid had the*
+ *judge not elected an optional settlement.*
+ *(4) If a nonspouse beneficiary waives entitlement to this*
+ *allowance, the judge's allowance shall be adjusted effective the*
+ *first day of the month following the receipt of the waiver of the*

+ *allowance entitlement from the nonspouse beneficiary to reflect*
+ *the benefit that would have been paid had the judge not selected*
+ *an optional settlement.*
+ *(5) Nothing in this subdivision shall result in additional cost to*
+ *the employer.*
+ *(e) (1) The 50 Percent Beneficiary Option 3 consists of the right*
+ *to have a retirement allowance paid to the judge until the judge's*
+ *death and thereafter to have one-half of the monthly allowance*
+ *paid to the judge's designated beneficiary for life; provided that*
+ *with respect to a judge subject to subdivision (c) or (d) of Section*
+ *75590, the designated beneficiary shall receive a monthly*
+ *allowance equal to one-half of that portion of the judge's monthly*
+ *allowance that exceeds the amount of the allowance deemed*
+ *payable pursuant to subdivision (c) or (d) of Section 75590.*
+ *(2) Upon the death of both the judge and the designated*
+ *beneficiary, any remaining balance of the judge's accumulated*
+ *contributions at retirement not used to fund the allowances paid*
+ *to the judge and the designated beneficiary pursuant to this*
+ *subdivision will be paid in a lump sum to the secondary beneficiary*
+ *or beneficiaries designated by the judge.*
+ *(f) (1) The 50 Percent Beneficiary Option 3 with Benefit*
+ *Allowance Increase consists of the right to have a retirement*
+ *allowance paid to the judge until the judge's death and thereafter*
+ *to have one-half of the monthly allowance paid to the judge's*
+ *designated beneficiary for life; provided that with respect to a*
+ *judge subject to subdivision (c) or (d) of Section 75590, the*
+ *designated beneficiary shall receive a monthly allowance equal*
+ *to one-half of that portion of the judge's monthly allowance that*
+ *exceeds the amount of the allowance deemed payable pursuant to*
+ *subdivision (c) or (d) of Section 75590.*
+ *(2) If the judge's designated beneficiary predeceases the judge*
+ *and the judge elected this optional settlement, the judge's*
+ *allowance shall be adjusted effective the first day of the month*
+ *following the death of the designated beneficiary to reflect the*
+ *benefit that would have been paid had the judge not elected an*
+ *optional settlement.*
+ *(3) If the designated beneficiary is a spouse and the marriage*
+ *of a retired judge is dissolved or a legal separation filed, and the*
+ *judgment dividing the community property between the judge and*
+ *the designated beneficiary awards the total interest in this system*

\+ *to the retired judge, or the marriage is annulled and confirmed by*
\+ *a court, the retired judge's allowance shall be adjusted effective*
\+ *the first day of the month following the filing of the judgment with*
\+ *the board to reflect the benefit that would have been paid had the*
\+ *judge not elected an optional settlement.*
\+ *(4) If a nonspouse beneficiary waives entitlement to this*
\+ *allowance, the judge's allowance shall be adjusted effective the*
\+ *first day of the month following the receipt of the waiver of the*
\+ *allowance entitlement from the nonspouse beneficiary to reflect*
\+ *the benefit that would have been paid had the judge not selected*
\+ *an optional settlement.*
\+ *(5) Nothing in this subdivision shall result in additional cost to*
\+ *the employer.*
\+ *(g) The Flexible Beneficiary Option 4 consists of the right to*
\+ *have a retirement allowance paid to a judge until the judge's death,*
\+ *and thereafter to have a monthly allowance paid to the judge's*
\+ *designated beneficiary or beneficiaries for life. Subject to Section*
\+ *75570.5, the judge may select the monthly allowance payable to*
\+ *the designated beneficiary or beneficiaries from the options below:*
\+ *(1) Specific Dollar Amount to a Beneficiary or Beneficiaries.*
\+ *The judge may specify that upon the judge's death after retirement,*
\+ *a monthly allowance in an amount determined by the judge be*
\+ *paid to a designated beneficiary or beneficiaries for life.*
\+ *(2) Specific Percentage to a Beneficiary or Beneficiaries. The*
\+ *judge may specify that upon the judge's death after retirement, a*
\+ *monthly allowance in an amount equivalent to a specified*
\+ *percentage of the judge's allowance be paid to a designated*
\+ *beneficiary or beneficiaries for life.*

Page 7 18 ~~SEC. 5.~~ **Amendment 52**
\+ *SEC. 7.* Section 75574 is added to the Government Code, to
19 read:
20 75574. (a) Except as provided in subdivision (b), a judge may,
21 at any time prior to or after reaching retirement age consistent with
22 Section 75522 or 75522.5, as applicable, designate a beneficiary
23 to receive the benefits as may be payable to their beneficiary under
24 this article, by a signed writing filed with the board.
26 (b) A designation shall not be made in derogation of the
27 community property share of any nonmember spouse when any
28 benefit is derived, in whole or in part, from community property
29 contributions or service credited during the period of marriage,

Page 7
30 unless the nonmember spouse has previously obtained an
31 alternative order for division pursuant to Section 2610 of the
32 Family Code.
33 (c) The designation, subject to conditions imposed by board
34 rule, may be by class, in which case the members of the class at
35 the time of the judge's death shall be entitled as beneficiaries. The
36 designation shall also be subject to the board's conclusive
37 determination, upon evidence satisfactory to it, of the existence,
38 identity, or other facts relating to entitlement of any person
39 designated as beneficiary, and payment made by this system in
40 reliance on any determination made in good faith, notwithstanding
Page 8
1 that it may not have discovered a beneficiary otherwise entitled to
2 share in the benefit, shall constitute a complete discharge and
3 release of this system for further liability for the benefit.
4 ~~SEC. 6.~~ **Amendment 53**
\+ *SEC. 8.* Section 75590 of the Government Code is amended
5 to read:
6 75590. (a) A surviving ~~designated beneficiary~~ *spouse* of a **Amendment 54**
7 judge who was eligible to retire pursuant to subdivision (a) of
8 Section 75522 shall, within 90 days after the judge's death, elect
9 to receive either of the following:
10 (1) A monthly retirement allowance equal to one-half of the
11 judge's benefit factor computed as stated in subdivision (d) of
12 Section 75522 as of the date of death, multiplied by the judge's
13 final compensation multiplied by the number of years of service
14 credit. This allowance shall be adjusted for changes in the cost of
15 living as provided in Section 75523.
16 (2) The judge's monetary credits determined pursuant to Section
17 75520, including the credits added under subdivision (b) of that
18 section computed to the last day of the month preceding the date
19 of distribution.
20 (b) On and after January 1, 2024, a surviving ~~designated~~ **Amendment 55**
21 ~~beneficiary~~ *spouse* of a judge who was not eligible to retire
22 pursuant to subdivision (a) of Section 75522, but was eligible to
23 retire pursuant to subdivision (b) of Section 75522.5, shall, within
24 90 days after the judge's death, provided that the death occurs
25 prior to January 1, 2029, elect to receive either of the following:
26 (1) A monthly retirement allowance equal to one-half of the
27 judge's benefit factor computed as stated in paragraph (1) of
28 subdivision (f) of Section 75522.5 as of the date of death,

Page 8
29 multiplied by the judge's final compensation multiplied by the
30 number of years of service credit. This allowance shall be adjusted
31 for changes in the cost of living as provided in Section 75523.
32 (2) The judge's monetary credits determined pursuant to Section
33 75520, including the credits added under subdivision (b) of that
34 section computed to the last day of the month preceding the date
35 of distribution.
36 (c) A surviving ~~designated beneficiary~~ *spouse* of a retired judge | **Amendment 56**
37 who elected to receive a monthly allowance under subdivision (d)
38 of Section 75522 or who was retired for disability and receiving
39 an allowance under Section 75560.4 shall receive a monthly
40 allowance equal to 50 percent of the deceased judge's unmodified
Page 9
1 monthly retirement allowance. This allowance shall be adjusted
2 for changes in the cost of living as provided in Section 75523.
3 (d) (1) A surviving ~~designated beneficiary~~ *spouse* of a retired | **Amendment 57**
4 judge who was receiving a retirement allowance under Section
5 75522.5 shall receive a monthly allowance equal to 50 percent of
6 the deceased judge's unmodified monthly retirement allowance.
7 The surviving spouse's allowance shall be adjusted for changes
8 in the cost of living as provided in Section 75523.
9 (2) A surviving ~~designated beneficiary~~ *spouse* of a judge who | **Amendment 58**
10 elected to retire and receive a retirement allowance under Section
11 75522.5, but who died before receiving the retirement allowance,
12 shall receive a monthly allowance equal to 50 percent of the
13 unmodified monthly retirement allowance the deceased judge
14 would have received pursuant to Section 75522.5 had the judge
15 been living and receiving the retirement allowance, beginning the
16 date the judge would have been eligible to receive the benefits
17 under Section 75522.5. This allowance shall be adjusted for
18 changes in the cost of living in the same manner as provided in
\+ Section 75523.
19 (e) (1) Notwithstanding any other provision of this article to
20 the contrary, the surviving ~~designated beneficiary~~ *spouse* of a judge | **Amendment 59**
21 who (A) died in office, (B) had attained the minimum age for
22 service retirement applicable to the judge preceding their death,
23 and (C) was eligible to receive an allowance pursuant to Section
24 75522 shall receive an allowance that is equal to the amount that
25 the judge would have received if the judge had been retired from
26 service on the date of death and had elected the optional settlement
27 specified in subdivision (b) of Section 75571 ~~or subdivision (b)~~ | **Amendment 60**

Page 9 28 ~~of Section 75571.5,~~ and in Section ~~75573.~~ *75573, or the optional* Amendment 61
\+ *settlement specified in subdivision (c) of Section 75571.5.*
29 (2) A surviving ~~designated beneficiary~~ *spouse* receiving an Amendment 62
30 allowance pursuant to this subdivision shall have no other claim
31 to benefits with respect to the Judges' Retirement Fund or with
32 respect to any other provision of the Judges' Retirement System
\+ II Law.
33 (3) The benefits provided by this subdivision are only payable
34 to the surviving ~~designated beneficiary~~ *spouse* of a judge who Amendment 63
35 elects to come within this subdivision. That election may be made
36 at any time while the judge is in office and, once made, the election
37 is irrevocable.
38 (f) Except as provided in paragraph (2) of subdivision (d), a
39 monthly allowance payable to a surviving ~~designated beneficiary~~ Amendment 64
40 *spouse* pursuant to this section is payable commencing upon the
Page 10 1 death of the judge and continuing until the death of the surviving Amendment 65
2 ~~designated beneficiary.~~ *spouse.*
3 ~~SEC. 7.~~ Amendment 66
4 *SEC. 9* Section 75591 of the Government Code is amended to
\+ read:
5 75591. (a) A surviving ~~designated beneficiary~~ *spouse* of a Amendment 67
6 judge who dies before becoming eligible to retire pursuant to
7 subdivision (a) of Section 75522 shall receive the greater of one
\+ of the following:
8 (1) The judge's monetary credits determined pursuant to Section
9 75520, including the credits added under subdivision (b) of that
10 section computed to the last day of the month preceding the date
11 of distribution.
12 (2) Three times the judge's annual salary at the time of the
13 judge's death. The amount shall be paid in equal monthly
14 installments for a period of 36 months.
15 (b) If there is no surviving ~~designated beneficiary, then~~ *spouse,* Amendment 68
\+ *the greater of the amounts prescribed in subdivision (a) shall be*
16 *paid* to the judge's ~~second~~ designated beneficiary, or if none, to Amendment 69
17 the judge's estate.

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SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 2078	**Hearing Date:**	June 10, 2026
Author:	Rogers		
Version:	February 18, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alma Perez-Schwab		

SUBJECT: Employees: meal periods: stationary engineers

KEY ISSUE

This bill would extend an existing exemption from the meal period requirements of existing law to an employee who performs building maintenance work as a stationary engineer, as defined, that is covered by a valid collective bargaining agreement (CBA) that meets specified conditions.

ANALYSIS

Existing law:

1) Empowers the Labor Commissioner (LC) with ensuring a just day's pay in every workplace by authorizing the LC to investigate employee complaints and provide for a hearing in actions to recover wages, penalties, and other demands for compensation, as specified. (Labor Code §79-107)

2) Defines a full workday as 8 hours, and 40 hours as a workweek and requires overtime to be paid at the rate of no less than one and one-half times an employee's regular rate of pay for work performed beyond 8 hours in a day or 40 hours in a week. Furthermore, work performed beyond 12 hours in a day is to be compensated at twice the regular rate of pay. (Labor Code §510)

3) Prohibits an employer from employing a worker without providing a meal period as follows:
   a. 30 minutes every 5 hours, except if the total work period is no more than 6 hours, the meal period may be waived by mutual consent.
   b. A second 30 minute meal period if working more than 10 hours a day, except if the work period is no more than 12 hours, the second meal period may be waived by mutual consent, but only if the first was not waived.
   (Labor Code §512)

4) Requires the LC to enforce these provisions and provides that, if an employer fails to provide a meal or rest or recovery period as required by state law or applicable regulation, standard or Industrial Welfare Commission (IWC) wage order, the employer must pay the employee one additional hour of pay at the employee's regular rate of compensation for each workday that the meal or rest or recovery period is not provided. (Labor Code §226.7)

5) Exempts specified employees from the required meal period provisions if both of the following conditions are satisfied:
   a. The employee is covered by a valid CBA.

b. The valid CBA expressly provides for the wages, hours of work, and working conditions of employees, and expressly provides for meal periods for those employees, final and binding arbitration of disputes concerning application of its meal period provisions, premium wage rates for all overtime hours worked, and a regular hourly rate of pay of not less than 30 percent more than the state minimum wage rate.
(Labor Code §512)

6) Provides that the above-mentioned exemption applies to the following employees if they meet the specified criteria:
   a. An employee employed in a construction occupation.
   b. An employee employed as a commercial driver.
   c. An employee employed in the security services industry as a security officer who is employed by a private patrol operator, as specified.
   d. An employee employed by an electrical corporation, a gas corporation, a water corporation, or a local publicly owned electric utility.
   (Labor Code §512)

This bill:

1) Extends the above-described exemption from the meal period requirements of existing law to an employee who performs building maintenance work as a stationary engineer, as defined, if both of the following conditions are satisfied:

   a. The employee is covered by a valid CBA.
   b. The CBA meets the requirements delineated in existing law.

2) Defines "stationary engineer" to mean a skilled tradesperson located in a fixed facility who operates, maintains, monitors, and repairs stationary mechanical equipment and building systems, including those involving boilers, chillers, heating, ventilation, and air conditioning systems, pumps, compressors, power generation equipment, and other critical plant machinery.

COMMENTS

1. Background:

As noted above, existing law prohibits an employer from requiring an employee to work during a meal or rest or recovery period (such as a cooldown period required for heat illness prevention) that is mandated pursuant to statute, or applicable regulation, standard, or order of the Industrial Welfare Commission (IWC), the Occupational Safety and Health Board, or the Division of Occupational Safety and Health. If an employer fails to provide a meal or rest or recovery period as required by state law or applicable regulation, standard or IWC order, the employer must pay the employee *one additional hour of pay* at the employee's regular rate of compensation for each workday that the meal or rest or recovery period is not provided.

Additionally, as specified under current IWC wage orders, unless the employee is relieved of all duty during their meal period, the meal period is considered "on duty" that is counted as

hours worked which must be compensated at the employee's regular rate of pay. An "on duty" meal period is permitted only when the nature of the work prevents an employee from being relieved of all duty and when by written agreement between the employer and employee an on-the-job paid meal period is agreed to. Missed meal breaks entitle employees to one hour of pay.

Existing law recognizes the unique nature of some occupations and the need for industry specific provisions for compliance with wage and hour laws. Among a few others, existing law includes provisions for specified commercial drivers, construction workers, security service employees, and employees of an electrical corporation, gas corporation, water corporation, or a local publicly owned electric utility.

This bill would add an employee who performs building maintenance work as a stationary engineer to the list of workers that may be exempt from meal period requirements provided they are party to a valid CBA meeting specified criteria.

2. **Need for this bill?**

According to the author:

"Stationary engineers have complex roles, including the requirement to be on-site and perform important maintenance and oversight work during their entire shift. These workers are the first line of defense in emergency building maintenance situations, including but not limited to situations when a boiler in a building malfunction, or a HVAC system goes down, etc.

Because the employees have such a complex role and deal with emergency circumstances, often they will be interrupted from their meal break to respond to an emergency. In these situations, employers have been requiring these specific employees to stay after their shift is over to satisfy the statutory meal break requirement and avoid any employer related violations. This practice inconveniences the employee, who has lost their meal break, and is then required to stay on the job later than they were scheduled.

AB 2078 provides flexibility for stationary engineers by adding them to the existing list of employees whose meal breaks are governed by their collective bargaining agreements (CBAs)."

3. **Proponent Arguments:**

None received.

4. **Opponent Arguments:**

None received.

5. **Prior/Related Legislation:**

SB 693 (Cortese, Chapter 95, Statutes of 2025) extended an existing exemption from the meal period requirements of existing law to employees of a water corporation that are covered by a valid CBA that meets specified conditions.

SB 41 (Cortese, Chapter 2, Statutes of 2023) provided an exemption from meal and rest period requirements for airline cabin crew employees that are covered by a valid CBA meeting specified conditions.

SB 1334 (Chapter 845, Statutes of 2022) extended existing meal and rest period rights and remedies available to private sector employees to those who provide direct patient care or support direct patient care in general acute care hospitals, clinics or public health settings who are directly employed by specified public sector employers.

AB 2610 (Aguiar-Curry, Chapter 148, Statutes of 2018) permits commercial drivers transporting commercial feed to a consumer in a rural area to commence a meal period after six hours when specified conditions are met.

AB 569 (Emmerson, Chapter 662, Statutes of 2010) exempted employees in certain industries, including those of an electrical corporation, a gas corporation, or a local publicly owned electric utility, from meal period laws if the employees are covered by a CBA.

SUPPORT

California-Nevada Conference of Operating Engineers – Sponsors
ABM Engineering Services
Metro Services Group
UG2 LLC

OPPOSITION

None received

-- END --

SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 2120	**Hearing Date:**	June 10, 2026
Author:	Solache		
Version:	February 18, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Glenn Miles		

SUBJECT: School district employees: merit system

KEY ISSUE

This bill deletes the sunset date for Los Angeles Unified School District (LAUSD)'s Selective Certification process, an alternative to the merit hiring process for specified school classified positions. The bill also exempts employees hired under the Selective Certification from seniority rules during layoffs, as specified.

ANALYSIS

Existing law:

1) Authorizes both the adoption and termination of a merit system in a school district by a majority vote of its classified employees, or by a majority vote of the voting electors of the district. A majority vote of the district board and the county superintendent of schools with the consent of a majority of the county board of education may also adopt a merit system, as specified. (Education Code (EC) § 45220 et seq.)

2) Requires the governing board of a school district within 120 days after receipt of the petition to adopt a merit system by the classified members to obtain the services of competent and qualified persons to present the pros and cons of a merit system (However, the classified employees who submitted the petition may select the person or persons to present the proponent position on the issue) and to provide adequate and ample opportunity for all of its classified personnel to attend one or more meetings at which the issue is presented. (EC § 45221)

3) Provides, should a school district adopt a merit system, for the appointment process of a personnel commission to administer it. (EC § 45240 et seq.)

4) Requires that vacancies in the classified service of a school district that has adopted the merit system be filled by appointments from eligible applicants on the applicable eligibility list who are ready and willing to accept the position, in order of rank on the list. (EC § 45277)

5) Authorizes the LAUSD, until January 1, 2027, to make an appointment to specified classifications from other than the first three ranks on the eligibility list if one or more specified criteria are required for successful job performance. In those circumstances, appointments must be made from among the highest three ranks of eligible candidates on the list who meet the special requirements and are ready and willing to accept the position. (EC § 45277.5)

6) Requires that when classified employees are subject to layoff for lack of work or lack of funds, the order of layoff within a class is determined by length of service, with the employee who has been employed the shortest time laid off first and reemployment occurring in order of seniority. (EC § 45308)

This bill:

1) Strikes the sunset language for existing law that authorizes the Selective Certification process, making the exemption from merit system hiring permanent.

2) Eliminates the "Information technology electronic communications technician" classification from the list of position classifications that LAUSD can hire through the Selective Certification process.

3) Provides that LAUSD may retain a classified employe hired through the Selective Certification process without regard to seniority during layoffs if the employee's layoff would deprive the district of specified qualifications that were the basis for the employee's original employment.

4) Clarifies that if a governing board *of a school district* enters into an agreement with the exclusive representative of classified employees that defines "length of service" to mean the hire date, the governing board may define "length of service" to mean the hire date for a classification of employee not represented by any exclusive bargaining unit.

COMMENTS

1. Background

Existing law allows school district to establish a personnel commission and transfer hiring and human resource functions from the governing board to the commission to ensure fair and objective treatment of all job applicants and employees. Known as a merit district, this system provides for a set of rules and procedures governing the selection, promotion, retention, and discipline of classified staff in order to avoid favoritism or prejudice. The commission is responsible for classifying and reclassifying positions and presiding over appeal hearings of classified employee disciplinary actions.

Merit districts hire classified staff from the first three ranks of eligibility lists compiled from competitive job examinations although the district may make appointments from other than the first three ranks when the position requires the ability to speak, read, or write a language in addition to English; possession of a valid driver's license; specialized licenses or ability; or a specific gender. Otherwise, districts are required to use the merit process.

Although LAUSD is a merit district subject to the general "civil service" rules governing merit districts, since 2003 it has enjoyed an exemption to use an alternative process for some classified employee hires called Selective Certification. Under current law, the authorization for this process will end on January 1, 2027.

The Legislature has broadened and narrowed the exemption several times by shortening or lengthening its authorization through periodic sunset dates and adding or subtracting the classifications for which LAUSD may use the process.

This bill would reauthorize LAUSD's exemption, make it permanent, eliminate one position classification as described above, and provide new authority to exempt these positions from layoff seniority rules, as specified.

LAUSD classified employees are generally represented by unions affiliated with CSEA, SEIU, and the Teamsters. The positions subject to the Selective Certification process are represented by the Teamsters affiliates and include both school administrators and service managers.[1]

While LAUSD and the author note that the exemption allows the district to fill vacancies in two to five weeks that would otherwise require between one to three months to fill, it is unclear how the exemption is being used, its effectiveness, what guardrails exist against favoritism and other non-merit appointments.

LAUSD is the second largest school district in the country after New York City.[2] Its governance is uniquely complex and challenging and probably warrants a certain level of flexibility. However, the committee recommends that the bill extending the exemption include a new sunset date given the added layoff exemptions and other public concerns regarding LAUSD's governance, financial challenges, and related liability. Moreover, the committee recommends that the bill include a requirement that LAUSD provide a report to the Legislature regarding its use of the exemption to be submitted prior to the new recommended sunset date.

2. Recommended Committee Amendments

Ed Code Section 45277.5):

…***(f) On or before January 1, 2030, the Los Angeles Unified School District shall submit a report to the Legislature, in compliance with Section 9795 of the Government Code, on the use of an exemption to the merit process as authorized by this section. The report shall include all of the following:***
(1) A list of positions and classifications filled using the exemption.
(2) The required skill or ability underlying the justification for an individual hired by the exemption.
(3) A certification that no candidate on an eligibility list within the first three ranks had the required skill or ability listed in paragraph (2) for the respective position.
(4) A list and concise explanation of any termination for cause of a person hired through the exemption process.

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[1] See Teamsters Local 2010, https://teamsters2010.org/, and Teamsters Local 572, https://www.teamsters572.org/industries/public-sector/

[2] See World Atlas, *Largest School Districts in the United States*, https://www.worldatlas.com/society/largest-school-districts-in-the-united-states.html

(5) A list and concise description of any classified employees who were subject to layoff in lieu of an employee who retained their position due to an exemption authorized by this section, including whether the laid-off employee was later rehired by the district.
(6) Demographic data of the employees whom the district hired to fill the positions using the exemption.

(g) This section shall remain in effect only until January 1, 2031, and as of that date is repealed.

3. **Need for this bill?**

According to the author:

"Without selective certification, if the first three ranks do not possess the necessary knowledge or certification, the hiring division faces significant operational risks. The division is compelled to onboard individuals who require immediate, intensive remedial training. This results in a prolonged skills and productivity gap of up to two years, increased turnover, and the additional cost of restarting the recruitment cycle should the candidate fail to achieve the necessary competencies. Selective certification allows the district to most efficiently utilize taxpayer dollars by hiring candidates who are able to effectively perform the job on day one."

"Additionally, in the event of a reduction in force, the District may be compelled to lay off a recently-hired employee who was hired specifically due to possessing a certain skill set or qualification. This bill would allow the district to skip over these employees during reductions in force, if following the typical layoff pattern would deprive the district of the special skill for which the employee was hired."

4. **Proponent Arguments**

According to the Los Angeles Unified School District:

"Los Angeles Unified has used Selective Certification since 2003, which allows the district to move quickly to fill certain positions that require skills that cannot be acquired on the job, such as fluency in a foreign language. Prior to the implementation of Selective Certification in 2003, the district required between one to three months to fill a vacancy. These positions are now filled in two to five weeks, greatly improving continued service for our staff and students. Additionally, Selective Certification allows the district to most efficiently utilize taxpayer dollars by hiring candidates who have the skills to effectively perform the job on day one. AB 2120 will further the impact of this policy, by allowing the district to retain employees with specialized skill sets during reductions in force."

5. **Opponent Arguments:**

None received.

6. **Prior Legislation:**

AB 1859 (Santiago), Chapter 67, Statutes of 2020, extended from December 31, 2020, to January 1, 2027, exemptions from the requirement that a merit system school district fill classified employee vacancies with applicants from the first three ranks on an eligibility list.

AB 1339 (Santiago), Chapter 243, Statutes of 2015, extended the exemption from the requirement to appoint from the first three ranks until December 31, 2020, and struck "information technology solution technician" from the list of positions subject to this exemption.

AB 2125 (Hall), Chapter 56, Statutes of 2012, extended the exemption from the requirement to appoint from the first three ranks to December 31, 2015, and reduced the application to nine positions.

AB 1293 (Hall), Chapter 145, Statutes of 2009, added nine additional positions to which the exemption from the requirement to appoint from the first three ranks may apply.

AB 415 (Karnette), Chapter 186, Statutes of 2008, added "any classifications that have been designated as management" to the positions exempted from the requirement to appoint from the first three ranks.

AB 580 (Smyth), Chapter 528, Statutes of 2007, extended the exemption from the requirement to appoint from the first three ranks to January 1, 2012, and limited its application to 16 specified positions.

AB 1772 (Assembly Public Employees, Retirement and Social Security Committee), Chapter 547, Statutes of 2005, extended the exemption from the requirement to appoint from the first three ranks to January 1, 2007.

AB 424 (Richman), Chapter 881, Statutes of 2003, created the exemption from the requirement to appoint from the first three ranks. That bill did not restrict the exemption to specified positions.

SUPPORT

Los Angeles Unified School District (Sponsor)

OPPOSITION

None received.

-- END --

AMENDMENTS TO ASSEMBLY BILL NO. 2120

Amendment 1

In the title, in line 1, strike out “Sections 45277.5 and 45308 of” and insert:

Section 45308 of, and to amend and repeal Section 45277.5 of,

Amendment 2

On page 4, between lines 3 and 4, insert:

(f) On or before January 1, 2030, the Los Angeles Unified School District shall submit a report to the Legislature, in compliance with Section 9795 of the Government Code, on the use of an exemption to the merit process as authorized by this section. The report shall include all of the following:

(1) A list of positions and classifications filled using the exemption.

(2) The required skill or ability underlying the justification for an individual hired by the exemption.

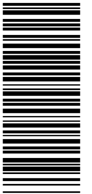
(3) A certification that no candidate on an eligibility list within the first three ranks had the required skill or ability listed in paragraph (2) for the respective position.

(4) A list and concise explanation of any termination for cause of a person hired through the exemption process.

(5) A list and concise description of any classified employees who were subject to layoff in lieu of an employee who retained their position due to an exemption authorized by this section, including whether the laid-off employee was later rehired by the district.

(6) Demographic data of the employees hired by the district to fill positions using the exemption.

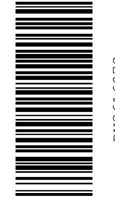
(g) This section shall remain in effect only until January 1, 2031, and as of that date is repealed.



PROPOSED AMENDMENTS TO ASSEMBLY BILL NO. 2120

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

ASSEMBLY BILL **No. 2120**



Introduced by Assembly Member Solache

February 18, 2026

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An act to amend ~~Sections 45277.5 and 45308 of~~ *Section 45308 of, and to amend and repeal Section 45277.5 of,* the Education Code, relating to school district employees.

Amendment 1

LEGISLATIVE COUNSEL'S DIGEST

AB 2120, as introduced, Solache. School district employees: merit system.

(1) Existing law requires vacancies in the classified service of a school district that has adopted the merit system to be filled by appointments made from eligible applicants having the first 3 ranks on the applicable eligibility list who are ready and willing to accept the position. Notwithstanding that provision, existing law authorizes, until January 1, 2027, the Los Angeles Unified School District to make an appointment to one of specified classifications of positions, including, among others, an information technology electronic communications technician, to be made from other than the first 3 ranks on the eligibility list if one or more of specified criteria are required for successful job performance of the position filled, in which case existing law requires the appointment to be made from among the highest 3 ranks of eligible candidates on the list who meet the special requirements and are ready and willing to accept the position. Under existing law, any person who willfully or through culpable negligence violates certain provisions that apply to school district merit systems is guilty of a misdemeanor.

This bill would, for purposes of the above-described provision, remove the classification of information technology electronic communications technician from the list of specified classifications and would extend *until January 1, 2031,* the Los Angeles Unified School District's authority to make an appointment from other than the first 3 ranks on the eligibility ~~list indefinitely.~~ *list.* By extending the operation of a crime, the bill would impose a state-mandated local program.

This bill would require the Los Angeles Unified School District, on or before January 1, 2030, to submit a report to the Legislature on the use of an exemption to the merit process as authorized by the above-described provisions, as provided.

(2) Existing law requires that when classified employees are subject to layoff for lack of work or lack of funds, the order of layoff within the class be determined by length of service, providing that the employee who has been employed the shortest time in the class, plus higher classes, be laid off first. Existing law requires that reemployment be in order of seniority.

This bill would, notwithstanding the above-described provisions, authorize the Los Angeles Unified School District to retain a classified employee hired pursuant to specified provisions, without regard to seniority, if the employee's layoff would deprive the district of certain specified qualifications that was the basis for the employee's original employment.

(3) This bill would make legislative findings and declarations as to the necessity of a special statute for the Los Angeles Unified School District.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

(4) This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

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

Page 2

1 SECTION 1. Section 45277.5 of the Education Code is
2 amended to read:
3 45277.5. Notwithstanding Section 45277, for the Los Angeles
4 Unified School District, all of the following shall apply:

Page 2 5 (a) An appointment may be made from other than the first three
6 ranks of eligible applicants on the eligibility list if one or more of
7 the following are required for successful job performance of a
8 position to be filled:
9 (1) The ability to speak, read, or write a language in addition
10 to English.
11 (2) A valid driver's license.
Page 3 1 (3) Specialized licenses, certifications, knowledge, or ability,
2 as determined by the personnel commission of the school district,
3 that cannot reasonably be acquired during the probationary period.
4 (4) A specific gender, if it is a bona fide occupational
5 qualification.
6 (b) The recruitment bulletin announcing the examination shall
7 indicate the special requirements that may be necessary for filling
8 one or more of the positions in the classification. If a position is
9 to be filled using the authority of this section, the appointment
10 shall be made from among the highest three ranks of eligible
11 candidates on the appropriate eligibility list who meet the special
12 requirements of the position and who are ready and willing to
13 accept the position.
14 (c) If there are insufficient applicants who meet the special
15 requirements, an employee who meets the special requirements
16 may receive provisional appointments that may accumulate to a
17 total of 90 working days. Successive provisional appointments of
18 90 working days or fewer each may be made in the absence of an
19 appropriate eligibility list containing applicants who meet the
20 special requirements if the personnel commission of the school
21 district finds that the requirements of subdivisions (a) and (b) of
22 Section 45288 have been met. These appointments may continue
23 for the period of the provisional appointment, but shall not be
24 additionally extended if certification can later be made from an
25 appropriate eligibility list.
26 (d) This section applies only to the following classifications:
27 (1) Principal financial analyst.
28 (2) Principal administrative analyst.
29 (3) Senior administrative analyst.
30 (4) Senior administrative assistant.
31 (5) Senior financial analyst.
35 (6) Senior human resource specialist.

Page 3 37 (7) Any classifications that have been designated as management
38 or confidential.
39 (e) The school district that makes an appointment pursuant to
40 this section shall study the effectiveness of the selection method,
Page 4 1 the vacancy rates for each class, and the length of time to hire for
2 each class, and submit a report on its findings to any affected labor
3 union.

Amendment 2

\+ *(f) On or before January 1, 2030, the Los Angeles Unified*
\+ *School District shall submit a report to the Legislature, in*
\+ *compliance with Section 9795 of the Government Code, on the use*
\+ *of an exemption to the merit process as authorized by this section.*
\+ *The report shall include all of the following:*
\+ *(1) A list of positions and classifications filled using the*
\+ *exemption.*
\+ *(2) The required skill or ability underlying the justification for*
\+ *an individual hired by the exemption.*
\+ *(3) A certification that no candidate on an eligibility list within*
\+ *the first three ranks had the required skill or ability listed in*
\+ *paragraph (2) for the respective position.*
\+ *(4) A list and concise explanation of any termination for cause*
\+ *of a person hired through the exemption process.*
\+ *(5) A list and concise description of any classified employees*
\+ *who were subject to layoff in lieu of an employee who retained*
\+ *their position due to an exemption authorized by this section,*
\+ *including whether the laid-off employee was later rehired by the*
\+ *district.*
\+ *(6) Demographic data of the employees hired by the district to*
\+ *fill positions using the exemption.*
\+ *(g) This section shall remain in effect only until January 1, 2031,*
\+ *and as of that date is repealed.*
7 SEC. 2. Section 45308 of the Education Code is amended to
8 read:
9 45308. (a) (1) Classified employees shall be subject to layoff
10 for lack of work or lack of funds. If a classified employee is laid
11 off, the order of layoff within the class shall be determined by
12 length of service. The employee who has been employed the
13 shortest time in the class, plus higher classes, shall be laid off first.
14 Reemployment shall be in order of seniority.
15 (2) Notwithstanding paragraph (1), a classified employee hired
16 pursuant to Section 45277.5 may be retained, without regard to

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Page 4 17 seniority, if the employee's layoff would deprive the district of
18 the qualifications listed in paragraphs (1) to (4), inclusive, of
19 subdivision (a) of Section 45277.5 that was the basis for the
20 employee's original employment.
21 (b) (1) For purposes of this section, in school districts with an
22 average daily attendance below 250,000 for service commencing
23 or continuing after July 1, 1971, "length of service" means all
24 hours in paid status, whether during the school year, a holiday,
25 recess, or during any period that a school is in session or closed,
26 but does not include any hours compensated solely on an overtime
27 basis as provided for in Section 45128. This section does not
28 preclude the governing board of a school district from entering
29 into an agreement with the exclusive representative of the classified
30 employees that defines "length of service" to mean the hire date.
31 For purposes of this section, in school districts with an average
32 daily attendance of 250,000 or more, for service commencing or
33 continuing after January 1, 1986, "length of service" shall be
34 determined by the date of hire.
35 (2) If a governing board of a school district enters into an
36 agreement with the exclusive representative of classified employees
37 that defines "length of service" to mean the hire date, the governing
38 board may define "length of service" to mean the hire date for a
39 classification of employee not represented by any exclusive
40 bargaining unit.
Page 5 1 (c) This section does not preclude the granting of "length of
2 service" credit for time spent on unpaid illness leave, unpaid
3 maternity leave, unpaid family care leave, or unpaid industrial
4 accident leave. In addition, for military leave of absence, "length
5 of service" credit shall be granted pursuant to Section 45297. If
6 an employee returns to work following any other unpaid leave of
7 absence, no further seniority shall be accrued for the time not
8 worked.
9 (d) "Hours in paid status" does not mean any service performed
10 before entering into a probationary or permanent status in the
11 classified service of the school district except service in restricted
12 positions as provided in this chapter.
13 SEC. 3. The Legislature finds and declares that a special statute
14 is necessary and that a general statute cannot be made applicable
15 within the meaning of Section 16 of Article IV of the California
16 Constitution because, as the largest school district in the state, the

Page 5 17 Los Angeles Unified School District requires certain
18 accommodations.
19 SEC. 4. No reimbursement is required by this act pursuant to
20 Section 6 of Article XIII B of the California Constitution because
21 the only costs that may be incurred by a local agency or school
22 district will be incurred because this act creates a new crime or
23 infraction, eliminates a crime or infraction, or changes the penalty
24 for a crime or infraction, within the meaning of Section 17556 of
25 the Government Code, or changes the definition of a crime within
26 the meaning of Section 6 of Article XIII B of the California
27 Constitution.

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SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 2148	**Hearing Date:**	June 10, 2026
Author:	Muratsuchi		
Version:	April 13, 2026		
Urgency:	No	**Fiscal:**	No
Consultant:	Glenn Miles		

SUBJECT: Elementary and secondary education: public school employees: contractors: natural persons

KEY ISSUE

This bill adds a definition to the Education Code that a public school employee and a contractor performing services in public schools means a natural person.

ANALYSIS

Existing law:

1) Establishes California's system of public elementary and secondary education, under which school districts, county offices of education, and charter schools employ personnel to provide instruction and services to pupils. (CA CONST art. IX, §§ 1-16, Education Code (EC) § 1 et seq.)

2) Defines "Artificial Intelligence" (AI) for purposes of Education Code provisions governing statewide guidance on AI use in schools to mean an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer, from the input it receives, how to generate outputs that can influence physical or virtual environments. (EC § 33328.5)

3) Requires the State Superintendent of Public Instruction (SPI) to convene a statewide working group to develop guidance and model policies for the safe and effective use of AI in schools that benefit, and do not negatively impact, educational quality, pupil critical thinking and writing skills, creativity, and the essential work of educators. (EC § 33328.5)

4) Requires community college instructors and specified staff to be persons.

5) Requires school districts to provide for substantial teacher involvement in the selection of instructional materials, including technology-based instructional materials.

This bill: provides that both the following mean a natural person: a public school employee, as specified, and a contractor performing services in a public school.

COMMENTS

1. Background

According to the Senate Education Committee, which heard this bill previously to this committee:

"This bill reflects growing concerns regarding the role of AI in schools, but was substantially narrowed to focus on a core policy declaration. As introduced, this bill proposed sweeping restrictions related to AI, automated decision systems (ADS), and educational technology in both K-12 and higher education settings, including provisions prohibiting employers from requiring educators to use educational technology or relying on AI-generated information in employment decisions. However, those provisions raised significant operational, equity, and implementation concerns, including impacts on attendance systems, grading platforms, communication systems, instructional technology, and special education supports."

"The bill has since been amended down substantially and now instead focuses narrowly on clarifying that school employees and contractors providing services in schools must be natural persons. As currently drafted, the bill functions primarily as a statement of legislative intent regarding the role of human interaction in public education rather than a comprehensive regulatory framework governing AI in schools."

2. Need for this bill?

According to the author:

"AB 2148 addresses the lack of clarity in existing law regarding the role of artificial intelligence (AI) in public education employment. The bill clarifies that only natural persons may serve as public school employees or contractors performing services in public schools for purposes of specified protections and requirements under education law."

3. Proponent Arguments

According to the California School Employee Association:

"Not only do educators provide students with personalized learning experiences, they are also trusted and supportive adults that can help students through difficult times. The concept of artificial intelligence replacing this vital public service is no longer out of the realm of possibility, it is a real threat that our members face at the direct expense of our students' developmental and academic needs. While AI can be a useful tool, it has been shown to hallucinate around 10% of the time, and it can never replace the professional expertise of our educators."

"This bill would define an "employee" as a "natural person," thus recognizing the importance of human connection in California's public education system. This bill's intent is to ensure that human educators, not AI bots, are the ones teaching and guiding our future generations. In doing so, this bill will guarantee that whatever technological progress may be made, the undeniable advantages of in-person education are never lost in California."

4. **Opponent Arguments:**

   None received.

5. **Dual Referral:** The Senate Rules Committee referred this bill to both the Senate Education Committee and the Senate Labor, Public Employment and Retirement Committee.

6. **Prior Legislation:**

   SB 1288 (Becker), Chapter 893, Statutes of 2024, requires the SPI to convene an AI working group to develop expanded guidance and a model policy on AI for use by local educational agencies (LEAs) and charter schools.

   SB 241 (Cervantes), Chapter 214, Statues of 2025, requires that a community college instructor and staff, as specified, be a person who meets specified minimum qualifications but does not prohibit community college staff from using artificial intelligence tools to assist in the operations of a community college or in providing services to community college students.

   AB 2370 (Cervantes), Chapter 66, Statutes of 2024, requires that the instructor of record for a course of instruction shall be a person who meets the minimum qualifications to serve as a faculty member teaching credit instruction or a faculty member teaching noncredit instruction, as specified.

SUPPORT

California School Employees Association (Sponsor)
American Federation of State, County and Municipal Employees
California Federation of Labor Unions
California Teachers Association
California Federation of Teachers
Kapor Center Advocacy
Teamsters California
TechEquity Action

OPPOSITION

None received

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SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 2292	**Hearing Date:**	June 10, 2026
Author:	Ward		
Version:	April 16, 2026		
Urgency:	No	**Fiscal:**	No
Consultant:	Alma Perez-Schwab		

SUBJECT: Disability benefits: certificates

KEY ISSUE

This bill prohibits a physician or practitioner from charging an administrative fee to complete forms required to certify eligibility for paid family or medical leave, but specifies that this does not prohibit a physician or practitioner from billing for medical services provided in connection with an examination or collecting an applicable copayment or deductible, as specified.

ANALYSIS

Existing law:

1) Establishes the State Disability Insurance (SDI) program, funded entirely by employees through a mandatory state payroll tax, to provide short-term wage replacement benefits to eligible workers who are unable to work due to a non-work-related illness or injury for a maximum of 52 weeks. SDI benefits can be used for an illness or injury, either physical or mental, which prevents an employee from performing their regular and customary work and includes elective surgery, pregnancy, childbirth, or other medical conditions. (Unemployment Insurance Code §2601-3308)

2) Provides that a disabled individual is eligible to receive SDI benefits for each full day during which the individual is unemployed due to a disability only if:
   a) The individual has made a claim for disability benefits as required by regulations.
   b) The individual has been unemployed and disabled for a waiting period of seven consecutive days during each disability benefit period, with respect to which waiting period no disability benefits are payable.
   c) The individual has submitted to reasonable examinations as the director may require for the purpose of determining their disability.
   d) The individual has filed a certificate of a treating physician or practitioner that establishes the sickness, injury, or pregnancy of the employee or their family member, as specified, establishing medical eligibility for SDI benefits.
   (Unemployment Insurance Code §2627 & §2708)

3) Provides, through the Paid Family Leave (PFL) program, a component of SDI, eligible employees up to eight weeks of wage replacement benefits within a 12-month period to workers who need to take time off work to care for a seriously ill child, spouse, parent, grandparent, grandchild, sibling, or domestic partner; to bond with a minor child within one year of the birth or placement of the child in connection with foster care or adoption; or to

participate in a qualifying event because of a family member's military deployment. (Unemployment Insurance Code §3301)

4) Pursuant to the SDI or PFL program, provides a weekly benefit amount based on the individual's wages, with a minimum weekly benefit amount of $50 and a maximum weekly benefit amount of $1,765. (Unemployment Insurance Code §2655(f) & §3301)

5) Provides that, except as specified, an individual is not eligible for SDI benefits for any day of unemployment and disability for which the individual has received or is entitled to receive "other benefits" in the form of cash payments, including temporary disability indemnity under any workers' compensation law, temporary disability benefits under any employer's liability law, and permanent disability benefits for the same injury or illness under any workers' compensation law. (Unemployment Insurance Code §2629)

6) Prohibits a health care provider from charging a fee to a patient for filling out forms or providing information responsive to forms that support a claim or appeal regarding eligibility for a public benefit program, as specified. (Health and Safety Code §123114)

This bill:

1) Prohibits a physician or practitioner from charging a person an administrative fee to complete a form for a certificate to establish medical eligibility for SDI or PFL benefits.

2) Prohibits a physician or practitioner from charging an administrative fee for a subsequent recertification examination or for completing a form required to maintain continued eligibility for disability benefits.

3) Clarifies that these provisions do not prohibit a physician or practitioner from billing for medical services provided in connection with an examination, or from collecting any applicable copayment, coinsurance, or deductible, if those charges are consistent with charges for a comparable medical examination or service and are not imposed solely for the completion of a certificate or form required to receive SDI or PFL benefits.

COMMENTS

1. Background:

State Disability Insurance and the Paid Family Leave Program

The State Disability Insurance program, administered by the Employment Development Department (EDD), was created in 1946 to provide monetary benefits to workers unable to work due to non-work-related illness, injury, or pregnancy. The SDI program is financed solely by worker contributions and covers approximately 18 million individuals across the state. The payroll deduction and maximum benefit amount are determined annually by EDD. As of January 1, 2026, the employee payroll deduction is set at 1.3% of the employee's wages.

In 2004, California was the first state in the nation to implement a Paid Family Leave program (administered as part of SDI) that provides benefits to workers who need to take

time off to care for a seriously ill family member, or to bond with a new child either from birth, adoption, or foster care placement. Effective January 1, 2021, the PFL scope was expanded to include employees taking time off work to assist a military family member under covered active duty or call to covered active duty. PFL provides up to eight weeks of wage replacement benefits.

In 2022, SB 951 (Durazo, Chapter 878, Statutes of 2022) was adopted to, among other things, for claims commencing on or after January 1, 2025, revise the formula for determining benefits under both the SDI and PFL programs to provide an increased wage replacement rate ranging from 70-90 percent based on the individual's wages.

In Fiscal Year 2024-25, SDI paid out over 725,000 claims, a totaling over $11 billion in benefits paid. These claims had an average weekly benefit amount of $879, and an average claim duration of 17.78 weeks.[1] Depending on the claimant's typical wages, SDI can entitle the claimant to anywhere from $50 to $1,765 per week.

In Fiscal Year 2024-25, California paid out over 300,000 PFL claims, totaling over $2 billion in benefits paid. These claims had an average weekly benefit amount of $996, and an average claim duration of 7.1 weeks. Roughly 15% of PFL claims in FY 2024-25 were for caring for a seriously ill or disabled loved one.[2]

Establishing SDI/PFL Eligibility

Applying for SDI or PFL benefits requires the applicant to submit a claim with the EDD, either online or on paper, and file a medical certificate from a treating physician or practitioner that establishes the sickness, injury, or pregnancy of the employee or their family member, demonstrating medical eligibility. This may mean that the individual must undergo reasonable examinations by a physician or practitioner to establish such eligibility and get the required paperwork completed by the physician or practitioner.

According to EDD, existing law does not currently prohibit a physician or practitioner from charging a fee to complete an SDI form. Additionally, a nurse practitioner or physician assistant can certify an claimant for any medical conditions within their scope of practice. However, to certify a disability other than normal pregnancy and childbirth, the nurse practitioner or physician assistant must perform a physical examination and collaborate with a physician or surgeon.

According to information provided by the author, some SDI claimants report fees of up to $300 for their providers to complete required claim forms, and some providers do not certify claims for extended durations, instead requiring claimants to obtain medical certifications through recurring appointments. As a result, some patients—particularly those already facing financial hardship due to temporary disability—are required to pay out-of-pocket fees simply to access benefits they are otherwise entitled to receive and for which they have already been taxed. These fees can create a financial barrier to accessing or maintaining disability benefits, reduce overall benefits, and exacerbate economic insecurity for vulnerable workers.

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[1] State Disability Insurance Program Statistics, California Employment Development Department, 2026. https://edd.ca.gov/en/about_edd/quick_statistics/

[2] Paid Family Leave Program Statistics, California Employment Development Department, 2026. https://edd.ca.gov/siteassets/files/about_edd/quick-stats/qspfl_pfl_program_statistics.pdf

This bill seeks to prohibit the practice of charging fees for the completion of SDI and PFL eligibility certificates necessary to establish a claim, in order to mitigate the hardship endured by those who cannot work due to disability or caretaking responsibilities.

Existing Prohibitions on Administrative Fees for Public Benefit Programs
In 2020, the California Legislature passed AB 2520 (Chiu, Chapter 101, Statutes of 2020), which, among other things, added Section 123114 to the Health & Safety Code prohibiting a health care provider from charging a fee to a patient for filling out forms or providing information responsive to forms that support a claim or appeal regarding eligibility for a *public benefit program*. This code section additionally requires a health care provider to provide information responsive to those portions of the form for which the health care provider has the information necessary to provide a medical opinion. If the health care provider does not have the information necessary to provide a medical opinion, the health care provider may inform the patient if an examination is necessary to obtain the information.

For purposes of this prohibition, Health & Safety Code Section 123114(d) defines a public benefit program to ***include*** the Medi-Cal program, the In-Home Supportive Services Program (IHSS), the CalWORKs program, Social Security Disability Insurance benefits (SSDI), Supplemental Security Income/State Supplementary Program for the Aged, Blind and Disabled (SSI/SSP) benefits, federal veterans service-connected compensation and nonservice connected pension disability benefits, discharge of a federal student loan based on total and permanent disability, CalFresh, the Cash Assistance Program for Aged, Blind, and Disabled Legal Immigrants (CAPI), and a government-funded housing subsidy or tenant-based housing assistance program.

It is unclear whether this code section could apply to certificates and forms necessary for SDI and PFL claims since those programs are not specifically listed but the use of the term “includes” could suggest that the list is not exhaustive. However, EDD’s website specifically says that current law does not prohibit a physician or practitioner from charging a fee to complete an SDI form.

This bill would align the SDI and PFL medical claim certificates provisions with that of public benefit programs where health care providers are prohibited from charging a fee for completing these forms.

2. Need for this bill?

According to the author:

“Administrative fees can create a barrier for SDI claimants who file a claim. If an SDI claimant is unable to pay the fee to complete their claim form, this can result in a delay in filing or continuing their claim until the fee is paid. These fees also reduce the total amount of money available to claimants during their leave. There are currently no statutes or regulations requiring or prohibiting providers from charging an administrative fee for SDI claim forms. AB 2292 addresses this deficiency by explicitly prohibiting providers from charging administrative fees for completing initial certification forms, recertifications, or any documentation required to maintain eligibility for disability benefits. This ensures equitable access to benefits and removes unnecessary financial barriers during periods of medical hardship.”

3. Proponent Arguments:

None received.

4. Opponent Arguments:

The California Orthopaedic Association and the California Podiatric Medical Association are opposed to the measure unless it is amended to cap at between $25 or $50, rather than eliminate, the administrative fee physicians, podiatrists, and other health care providers may charge for completing disability certification and recertification forms. They write that this bill:

"fails to recognize that completing disability certification paperwork requires physician and staff time, review of medical records, professional judgment, and administrative resources. These forms are not simply clerical documents. Physicians must ensure that the information submitted is accurate, medically supported, and consistent with the patient's condition, functional limitations, and expected duration of disability. That work takes time away from patient care and imposes real costs on medical practices.

If physicians are prohibited from charging any administrative fee, practices will be forced either to absorb those costs without compensation or decline to complete the forms altogether. Neither outcome serves patients. Patients seeking disability benefits need timely access to treating physicians who are willing and able to complete the required documentation. Eliminating any ability to recover the administrative cost of that work could make it more difficult for patients to obtain the certifications necessary to access benefits.

A more balanced approach would be to allow a modest administrative fee, as low as a modest $25. This would protect patients from excessive charges while recognizing the time and resources required to complete disability-related forms. A reasonable fee ceiling provides a fair compromise: it preserves patient access, prevents abuse, and avoids imposing an uncompensated mandate on physician practices."

5. Prior/Related Legislation:

AB 2054 (Gipson, 2026) would expand the definition of "covered active duty" for purposes of eligibility for PFL benefits to include duty during training, domestic deployments, and, for reservists and members of the National Guard, calls to state active duty. *This bill is pending hearing before this Committee.*

AB 2520 (Chiu, Chapter 101, Statutes of 2020) expands the ability of a patient or a patient's representative to a obtain a copy, at no charge, of the relevant portion of the patient's medical records that are needed to support a claim or appeal regarding eligibility for certain benefit programs, as specified, and prohibiting a health care provider from charging a fee to a patient for filling out forms or providing information responsive to forms that support a claim or appeal for a public benefit program.

SB 1090 (Durazo, Chapter 876, Statutes of 2024) authorized workers to file a claim for SDI or PFL benefits up to 30 days in advance of the first compensable day of disability and requires EDD to issue payment on those claims within 14 days of receipt or as soon as eligibility begins for the claimant, whichever is later. This change becomes operative when

they are incorporated in EDD's integrated claims management system as part of the EDDNext Project.

SB 951 (Durazo, Chapter 878, Statutes of 2022), revised the formula for the computation of SDI and PFL benefits to increase the wage replacement available to claimants.

SB 1058 (Durazo, Chapter 317, Statutes of 2022), required EDD to collect demographic data, including race and ethnicity data and sexual orientation and gender identity data, for individuals who claim disability benefits under the SDI and PFL programs.

SUPPORT

None received

OPPOSITION

California Orthopaedic Association
California Podiatric Medical Association

-- END --

Bill No:	AB 2519	**Hearing Date:**	June 10, 2026
Author:	McKinnor		
Version:	April 20, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Glenn Miles		

SUBJECT: State Teachers' Retirement System: positions subject to membership.

KEY ISSUE

This bill makes a technical correction to preserve specified public charter school positions' membership in the California State Teachers' Retirement System (CalSTRS) that Chapter 690, Statutes of 2024 (Assembly Bill 1997, McKinnor) inadvertently eliminated.

ANALYSIS

Existing law:

1) Establishes the California State Teachers' Retirement System (CalSTRS) to provide a financially sound plan for the retirement of the state's public school teachers, teachers of schools supported by the state, and other persons employed in connection with the schools. (Education Code § 22001)

2) Provides through CalSTRS a defined benefit service retirement and a defined benefit supplement benefit to eligible CalSTRS members, and a cash balance plan for specified persons working less than fifty percent or employed on a temporary basis, as specified. (Education Code § 24201 et seq., § 25000 et seq., and § 26000 et seq.)

3) Establishes specified criteria for CalSTRS membership based on performance of "creditable service" and defines creditable service as a number of specified activities related to educating and providing related services to K-14 students, but provides that this definition becomes inoperative on a date to be determined by CalSTRS but not later than July 1, 2027.

4) Redefines "creditable service" (and thus, the criteria for CalSTRS membership eligibility) to mean service in a "position subject to membership" and provides that this definition shall become operative on a date to be determined by CalSTRS but not later than July 1, 2027.

5) Defines "position subject to membership" to mean several specified positions that provide education or education related services to K-14 students, including positions at a charter school eligible to receive state apportionment where the position requires a teaching credential, but provides that this definition shall become operative on a date to be determined by CalSTRS but not later than July 1, 2027. (Education § 22156.07 and § 22156.07 (3))

This bill:

1) Clarifies that "position subject to membership" for purposes of CalSTRS' eligibility includes a position at a charter school eligible to receive state apportionment that is performing,

directing, coordinating, supervising, or administering one or more functions listed in Section 44065 and is either of the following:

a. A position for which the charter school requires the holding of a valid credential, license, permit, or certificate authorized by the Commission on Teacher Credentialing or the State Department of Health Care Services for the position.
b. A position that, if it were at a county office of education or school district, not including a charter school, would require the holding of a valid credential, license, permit, or certificate authorized by the Commission on Teacher Credentialing or the State Department of Health Care Services.

2) Requires an eligible charter school to designate, as specified, each position that is a position subject to membership and to identify either the function or functions that the position is performing which require a teaching credential or that the position is directing, coordinating, supervising, or administering.

3) Requires the charter school's resolution to be in effect on the date of hire in the position or be effective retroactively to include the position as of the date of hire, whichever is later, but no earlier than July 1, 2027, i.e., the bill's specified operative date.

COMMENTS

1. Need for this bill?

According to the author:

"This bill corrects an unintended consequence following enactment of Chapter 690, Statutes of 2024 (Assembly Bill 1997, McKinnor) that, among other things, defined "position subject to membership" where some positions at charter schools, i.e., administrators, that were previously eligible for membership in the State Teachers' Retirement System (CalSTRS) were excluded under that definition."

"While intending to resolve administrative complexity to simplify those matters, Assembly Bill 1997, ibid., had an unintended effect of excluding certain positions, i.e., administrators, at some charter schools under that bill's definition of "position subject to membership" where those positions previously were not excluded prior to the enactment of that statute."

"Assembly Bill 1997, ibid., did not remove or take away the pension or pension rights of affected individuals in those positions, but could affect their ability to continue earning service credit for purposes of retirement while employed in those positions. It also is noted that some charter school positions may not require the holding of a Commission on Teacher Credentialing (CTC) credential etc., even though comparable positions at non-charter schools might be subject to those requirements."

2. Proponent Arguments

According to a coalition of public charter schools:

"As enacted, AB 1997 (2024) revised the criteria for participation in the CalSTRS system by shifting from a "creditable service" standard to a "position subject to membership" framework. While intended to streamline eligibility determinations, this change has had unintended consequences for charter public schools due to differences in how administrative roles are structured and classified."

"Absent a legislative fix, many charter school administrators who have historically participated in CalSTRS, and who continue to perform comparable duties to their traditional public school counterparts, will lose eligibility beginning July 1, 2027. This creates a clear inconsistency in retirement access between employees performing similar work in different public school settings."

"In addition, the change disrupts long-standing career pathways for educators. Charter school teachers, who previously could advance into leadership positions without sacrificing their retirement benefits, will now face a difficult choice between professional advancement and maintaining CalSTRS membership. This risks discouraging leadership development and complicating recruitment and retention efforts across the charter public school sector."

"AB 2519 addresses this issue by ensuring continuity of eligibility for charter school employees who would otherwise be excluded under the revised framework. By doing so, the bill restores parity, preserves reasonable expectations for current members, and supports a stable and effective educator workforce."

3. **Opponent Arguments:**

   None received.

4. **Prior Legislation:**

   AB 1997 (McKinnor, Chapter 690, Statutes of 2024) amended key provisions of the Teachers' Retirement Law (TRL) related to creditable compensation, creditable service, and the reporting of compensation, effective upon a date determined by CalSTRS, no later than July 1, 2027.

SUPPORT

Achieve Charter Schools
Alder Grove Charter School
Allegiance Steam Academy
Alliance College-ready Public Schools
Alma Fuerte Public School
Alpha Public Schools
Altus Schools
American Heritage Charter Schools
Antioch Charter Academy II
APLUS+
Arts in Action Community Charter Schools
Aspen Public Schools, Inc.
Association of California School Administrators
Big Picture Educational Academy

Birmingham Community Charter High School
Bridges Preparatory Academy
Bullis Charter School
California Charter Schools Association
California League of United Latin American Citizens
California Montessori Project
California Pacific Charter Schools
California Republic Leadership Academy
Camino Nuevo Charter Academy
CHAMPS Charter High School of the Arts
Charter Schools Development Center
CHIME Institute
Clarksville Charter School
Compass Charter Schools
Crossroads Charter Academy
Citizens of the World Charter Schools Los Angeles
Da Vinci Schools
Desert Trails Preparatory Academy
Discovery Charter Schools
Dual Language Immersion North County
Ednovate
Eel River Charter School
El Sol Science and Arts Academy
Environmental Charter Schools
EPIC Charter School
Equitas Academy Charter Schools
Excel Academy Charter School
Extera Public Schools
Fenton Charter Public Schools
Forest Charter School
Forest Ranch Charter
Gabriella Charter Schools
Gateway College and Career Academy
Gateway Community Charters
Girls Athletic Leadership Schools Los Angeles
Glacier High School Charter
Golden Valley Charter School
Gorman Learning Charter Network
Great Valley Academy
Greater San Diego Academy Charter School
Green DOT Public Schools
Griffin Technology Academies
Guajome Schools
Harvest Ridge Cooperative Charter School
Hawking STEAM Charter School
Heritage Peak Charter School
High Tech Los Angeles
HomeTech Charter School
iLead CA Charters 1
iLead California

Ingenium Schools
Innovations Academy
Intellectual Virtues Academy High
Invictus Leadership Academy
ISANA Academies
JCS Family of Charter Schools
John Muir Charter Schools
Journey School
Julia Lee Performing Arts Academy
Kairos Public Schools
Kepler Neighborhood School
Kid Street Charter School
KIPP Public Schools Northern California
Lake County International Charter
Larchmont Charter School
Learning for Life Charter School
Leonardo Da Vinci Health Sciences Charter School
Literacy First Charter School K12
Magnolia Public Schools
Maria Montessori Charter Academy
Matrix for Success Academy
Meadows Arts and Technology Elementary School
Method Schools
Montague Charter Academy
Motivated Youth Academy
Mountain Home School Charter
Multicultural Learning Center
National Action Network Sacramento
Natomas Charter School
Navigator Schools
New Heights Charter School
New Los Angeles Charter Schools
New Village Girls Academy
New West Charter
Northern United Charter Schools
Northwest Prep Charter School
Ocean Charter School
Odyssey Charter Schools
Olive Grove Charter School, Inc.
Orange County Academy of Sciences and Arts
Pacific View Charter School
Pasadena Rosebud Academy Charter School
Pazlo Education Foundation
Port of Los Angeles High School
PUENTE Learning Center
Redwood Collegiate Academy
River Charter Schools
River Oaks Academy Charter School
Rocklin Academy Family of Schools
Sage Oak Charter Schools

San Diego Virtual School
San Jose Conservation Corps and Charter School
Santa Rosa French-American Charter School
Scholarship Prep
Sebastopol Independent Charter
Shasta Charter Academy
Sherman Thomas Charter School
Sherwood Montessori
SOAR Charter Academy
Sparrow Academy
Springs Charter Schools
STEM Prep Schools
Summit Public Schools
Sycamore Creek Community Charter School
Synergy Academies
TEACH Public Schools
Temecula Valley Charter School
The Cottonwood School
The Foundation for Hispanic Education
The Grove School
The Language Academy of Sacramento
The Learning Choice Academy
The O'Farrell Charter Schools
Urban Charter Schools Collective
Valley Charter School
Vaughn Next Century Learning Center
Ventura Charter School of Arts and Global Education
Vibrant Minds Charter School
Vista Charter Public Schools
Vox Collegiate
Western Sierra Charter Schools
Westlake Charter School
William Finch Charter School
WISH Community and Academy Schools
YES Charter Academy
YPI Charter Schools
Yuba County Career Preparatory Charter School

OPPOSITION

None received

-- END --