

<b>HUMAN RESOURCES MEMORANDUM 23-003</b>		DATE ISSUED: 1/27/2023
SUBJECT: <b>LEAVE MANAGEMENT POLICY AND ANNUAL LEAVE REDUCTION PLANS</b>		REFERENCE: <a href="#">CalHR Manual 2124</a>
TO: All Department of General Services Employees		SUPERCEDES: <a href="#">HR Memo 21-023</a>

**PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES**

**Purpose**

The purpose of this memorandum is to provide all Department of General Services (DGS) employees the guidelines to ensure compliance with existing leave statutes, regulations, policies, and Bargaining Unit (BU) Memoranda of Understanding (MOU) pertaining to employee leave.

**Budgetary and Operational Impacts**

Excess leave accumulation results in a budgetary liability when employees separate from state service. Departments are obligated to cash out accrued leave credits at the employee's current salary rate, which in most cases is at a higher rate than when much of the leave credits were earned. These payouts represent an unfunded liability that must be paid from current-year funds and may put a strain on the department's budget and operation as they must keep vital positions vacant, redirect from other funding sources, and/or request additional funds in order to stay within their budget.

**Leave Management Plan**

Employees can accumulate leave balances over time. If employees do not request sufficient annual leave or vacation time off during the calendar year, employees may accumulate leave balances that near or exceed the maximum leave caps allowed as outlined in the applicable MOU. Excess leave accumulation creates an unfunded liability for departmental budgets. Accordingly, leave balances exceeding established limits need to be addressed in accordance with the California Department of Human Resources (CalHR) [Manual Section 2124](#).

In an effort to reduce leave balances that exceed caps found in various MOUs, departments adhere to the following leave reduction strategies to comply with existing leave statutes, regulations, policies, and MOUs:

- Provide the option for leave cash-out for represented employees and excluded employees ([CalHR Manual Section 2104](#) – Leave Buy Back).
- Require employees to use Personal Leave Program (PLP) leave including PLP 2010, PLP 2012, PLP 2020 (where applicable), and furlough hours before using vacation or annual leave ([CalHR Manual Section 2113](#)).
- Pay overtime in cash and avoid compensating time off (CTO) when operationally feasible.

- Comply with the regulation requiring departments to cash out CTO for employees transferring to a new appointing authority (Cal. Code Regs., tit. 2, § 599.707).
- Comply with the regulations that require a written leave plan for every employee who exceeds their cap (Cal. Code Regs., tit. 2, § 599.742.1 and applicable MOU sections).
- Use CalHR leave plan templates to manage employee leave balances.

CalHR has developed the [Leave Balance Calculator and Plan Generator](#) and [Leave Reduction Plan \(CalHR Form 138\)](#) to assist employees and managers with managing employee leave balances.

It is the policy of the state to foster and maintain a workforce that has the capacity to effectively produce quality services expected by both internal customers and the citizens of California. Therefore, appointing authorities and state managers and supervisors must ensure employees who have leave balances exceeding the maximum allowable leave caps have a leave reduction plan in place and are actively reducing hours.

### Responsibility

Managers and supervisors are expected to monitor their employees' leave balances and when operationally feasible, grant employee annual leave or vacation time off requests in order to comply with existing civil service rules, adhere to human resources principles, and ensure leave balances do not exceed the maximum balances allowed.

Managers and supervisors must submit to the program's Employee Resource Liaison (ERL) a copy of the [Leave Reduction Plan \(CalHR Form 138\)](#) completed by employees who have leave balances exceeding the maximum allowable leave caps. Managers and supervisors should keep a copy for their records to ensure the employee adheres to the plan. The ERL must submit all forms for their program in one email to the Office of Human Resources (OHR) Business Solutions Unit at [ohrbsu@dgs.ca.gov](mailto:ohrbsu@dgs.ca.gov) no later than **February 13, 2023**. OHR will ensure each employee has a plan on file for reporting to CalHR, if needed.

### Vacation/Annual Leave Caps

**Bargaining Units 1, 3, 4, 7, 8, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, Exempt and Excluded** Vacation and Annual Leave have a rollover cap/accumulation limit of 640 hours. A department head or designee (e.g., Deputy Director) may permit an employee to carry over more than 640 hours of accrued Vacation/Annual Leave if the employee was unable to reduce their accrued hours as outlined in the various MOUs for represented employees or the California Code of Regulations for employees excluded from bargaining.

### Bargaining Unit 2 and Related Excluded Employees

Vacation and Annual Leave have a rollover cap/accumulation limit of 640 hours. In compliance with MOU sections 9.1.F and 9.11.E, the rollover/cap accumulation limit shall be increased by 192 hours and will remain in effect until June 30, 2024. A

department head or designee may permit an employee to carry over more than the 832 hours of accrued Vacation/Annual Leave if the employee was unable to reduce their accrued hours as outlined in the MOU. Effective July 1, 2024, the rollover cap/limit will revert back to 640 hours.

**Bargaining Unit 9 and Related Excluded Employees**

Vacation and Annual Leave have a rollover cap/accumulation limit of 640 hours. In compliance with MOU sections 5.4.D and 5.12.G, the rollover/cap accumulation limit shall be increased by 192 hours and will remain in effect until June 30, 2025. A department head or designee may permit an employee to carry over more than the 832 hours of accrued Vacation/Annual Leave if the employee was unable to reduce their accrued hours as outlined in the MOU. Effective July 1, 2025, the rollover cap/limit will revert back to 640 hours.

**Bargaining Unit 10 and Related Excluded Employees**

Vacation and Annual Leave have a rollover cap/accumulation limit of 640 hours. In compliance with the Side Letter Agreement, dated June 25, 2020, the rollover/cap accumulation limit shall be increased by 192 hours, and will remain in effect until June 30, 2025. A department head or designee may permit an employee to carry over more than the 832 hours of accrued Vacation/Annual Leave if the employee was unable to reduce their accrued hours as outlined in the MOU. Effective July 1, 2025, the rollover cap/limit will revert back to 640 hours.

**Bargaining Unit 12**

Vacation and Annual Leave have a rollover cap/accumulation limit of 640 hours. In compliance with Legislative Summary, revised June 25, 2021, the rollover/cap accumulation limit shall be increased by 176 hours and will remain in effect until June 30, 2023. A department head or designee may permit an employee to carry over more than the 816 hours of accrued Vacation/Annual Leave if the employee was unable to reduce their accrued hours as outlined in the MOU. Effective July 1, 2023, the rollover cap/limit will revert back to 640 hours.

Bargaining Unit (BU)	2023 Cap
BU 1, 3, 4, 7, 8, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21	640
BU 2	832
BU 9	832
BU 10	832
BU 12	640 *as of 7/1/2023

**Resources**

Authorities

- [Bargaining Contracts - MOUs](#)
- California Code of Regulations, Title 2, Section 599.742.1

- California Code of Regulations, Title 2, Section 599.707

#### Personnel Management Liaisons (PML)

- [PML 2016-029](#): Employee Leave Management

#### Related CalHR Manual Sections

- [2101](#): Leave Accounting
- [2104](#): Leave Buy-Back
- [2113](#): Personal Leave Program (PLP)
- [2124](#): Employee Leave Management

#### Web Pages

- [Leave Reduction Plan Resources](#)

#### Questions

If employees have questions not addressed in this memorandum, employees are encouraged to contact their manager or supervisor and/or employee representative as appropriate.

**ESTELA GONZALES**, Chief  
Office of Human Resources