

**California Department of Human Resources  
Memorandum**

**TO: Personnel Management Liaisons (PML)**

<b>SUBJECT:</b> Employee Leave Management	<b>REFERENCE NUMBER:</b> 2016-029
<b>DATE ISSUED:</b> November 1, 2016	<b>SUPERSEDES:</b>

This memorandum should be forwarded to:

**Agency Secretaries  
Agency Undersecretaries  
Department Deputy Directors  
Department Directors  
Employee Relations Officers  
Personnel Officers  
Transactions Supervisors**

**FROM:** California Department of Human Resources  
Personnel Management Division

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This memo serves as a reminder that all state departments are required to comply with existing leave statutes, regulations, policies and memoranda of understanding (MOUs) pertaining to annual leave, vacation leave, compensating time off (CTO), personal leave, and voluntary personal leave. Consistent with the goal of Civil Service Improvement, it also describes potential ways to improve the state's management and use of its vital and valuable employee leave benefit package while enhancing employee work-life balance and job performance.

**Background**

The state established vacation and annual leave benefits with the intent to rejuvenate the workforce (Cal. Code Regs., tit. 2, §§ 599.742, 599.742.1), ensuring employees maintain the capacity to optimally perform their jobs. Also stipulated in rule, "It is the appointing power's responsibility to provide reasonable opportunity for all employees to take an annual vacation commensurate with their annual accrual rate of vacation or annual leave." (Cal. Code Regs., tit. 2, §599.742.1).

Research shows that taking periodic vacations is beneficial to employee health and well-being, allows reconnection with their families, and restores balance between their work and private lives. To both comply with existing civil service rules and adhere to contemporary human resources principles, state managers and supervisors must

cultivate healthy work-life balance by granting reasonable employee vacation and annual leave requests when operationally feasible.

California state employees have accumulated significant leave hours over the last several years creating an unfunded liability for departmental budgets. The value of this liability increases with each passing promotion and salary increase. Accordingly, leave balances exceeding established limits need to be addressed immediately.

Another issue arises when employees separate from state service and departments are obligated to cash-out accrued leave credits at their current salary rates, which in most cases are higher than when much of the leave credits were earned. These payouts amount to millions of dollars each year, and represent an unfunded liability that must be paid from current-year funds. This puts a strain on departmental budgets as they must keep vital positions vacant, redirect from other funding sources, and/or request additional funds.

### **Employee Leave Management Policy**

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:

1. Manage and schedule workload in a manner that accommodates employee leave to reinvigorate employees without seriously compromising organizational performance (Cal. Code Regs., tit. 2, § 599.742.1);
2. Comply with existing leave statutes, regulations, MOUs and policies pertaining to annual leave, vacation leave, CTO, personal leave, and voluntary personal leave;
3. Create monthly internal audit processes to verify if leave is being keyed accurately and timely (PML 2015-007);
4. Create a leave reduction policy for the organization and monitor employees' leave to ensure compliance with the departmental leave policy; and
5. Ensure employees who have significant "over-the-cap" leave balances have a leave reduction plan in place and are actively reducing hours.

### **Leave Balance Management Plan**

In an effort to reduce leave balances that exceed caps found in various MOUs, the state has many strategies departments can employ. Departments should comply with existing leave statutes, regulations, policies and MOUs pertaining to leave such as:

- Provide the option for up to 80 hours of leave cash-out for certain represented employees and excluded employees as outlined in PML 2016-009 and 2016-011.

- Require employees to use PLP 2010, PLP 2012 and furlough hours before vacation or annual leave (PML 2013-013).
- Pay overtime in cash and avoid 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 over their cap (Cal. Code Regs., tit. 2, § 599.742.1 and applicable MOU sections).
- Use CalHR leave plan templates to manage employee leave balances.

*Plan Goals:*

1. Shift organizational culture by emphasizing and promoting a work-life balance philosophy that improves employee health and job performance through the use of leave hours.
2. Operationalize a leave management and monitoring process by auditing departmental leave balances.
3. Reduce future unfunded leave liability by enforcing CTO and leave policies.
4. Hold supervisors accountable for monitoring leave balances and leave reduction plans of their direct reports.
5. Reduce the number of hours over the cap by 15-20% each year.
6. Eliminate all furlough and PLP hours still on the books.

*Employee Leave Management Oversight:*

Responsible oversight of employee benefit programs requires monitoring, reporting, training and enforcement activities. To that end, in conjunction with its plans to establish a more robust audit function, CalHR is working to enhance its capability to oversee and manage the state's leave programs.

The following is a list of employee leave management activities that CalHR expects to perform:

- Enforce employee leave program laws, rules and policies;
- Develop and communicate employee leave program policy, procedures and practices to departments;
- Provide leave management consultation to departments;
- Develop guidance and tools to help departments manage employee leave balances;
- Develop metrics to measure progress of excess leave balance reduction and the status of leave balance hours and cash value;
- Audit/monitor departments' leave balance systems and compliance efforts; and

- Track, calculate and publish statewide leave balance hours and cash value.

CalHR staff is available for consultation to department human resources staff and program managers on their leave management responsibilities and legal authorities, available tools, and ways to incorporate work/life balance strategies into their workplaces.

Refer to the following link to access the Leave Reduction resources on CalHR's website: <http://calhr.ca.gov/pmd/Pages/leave-reduction-plan.aspx>. This website includes resources such as leave memos, a leave calculator and a leave reduction form.

For questions related to this PML, state department personnel office designated liaisons should contact CalHR's Personnel Services Branch by emailing questions to [psb@calhr.ca.gov](mailto:psb@calhr.ca.gov) or calling (916) 323-3343.

/s/Belinda Collins

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