



August 21, 2023

D2023-04

TO: All District Agricultural Associations CEOs and Boards of Directors

SUBJECT: Vacation/Annual Leave Reduction Plans for the CEO and State Employees

The purpose of this letter is to alert you of the cap on the number of leave hours which should be on the books for state employees and to inform you of F&E's leave balance reporting requirements to ensure compliance with the updated CDFA Policy 9.4.3 and existing CALHR policy 2124- Employee Leave Management.

Per the California Code of Regulations and CDFA Policy, the prescribed maximum number of vacation/annual leave hours that CEOs and state employees should have on the books, per year, is 640 ([CDFA Vacation / Annual Leave Accumulation Policy 9.4.3; CA Code of Regulations, Title 2, Section 599.752](#)).

The purpose of a maximum leave balance is to ensure the fiscal solvency of the DAA because if an employee (including the CEO) retires, the vacation or annual leave will be paid out in full as a lump sum. For additional information on separation and leave balances, reference [CALHR Employee Leave Management – 2124](#).

If your individual DAA cannot financially afford the 640 hours of vacation/annual per employee, a policy outlining the maximum liability should be developed and adopted by the board.

It is important to highlight that if the CEO or employee transfers to another state agency or DAA, their leave balances are transferred to the new state employer. Due to this, a good practice when hiring staff coming from other state agencies (including DAAs) is to request to see their leave balances to evaluate the extent of the liability the DAA would be acquiring through the hire prior to appointment.

Leave Balance for CEOs

CEOs may accumulate the unused portion of the vacation/annual leave, provided that on January 1 of each calendar year, there are not more than 640 hours of vacation/annual leave.



As CEOs approach a leave balance of 640 vacation/annual leave hours, the Board and CEO must develop a leave reduction plan to reduce the excess balances, ([California Code of Regulations, title 2, section 599.742.1](#)). In order to facilitate F&E's ability to exercise its fiscal oversight over this liability we ask that each DAA share with us a copy of the leave balances for the CEO by July 31st of each year.

Leave Balances for Employees (Rank and File)

For employees that are approaching a vacation/annual leave balance of 640 hours, or are currently above this threshold, the CEO should work with the employee to create a leave reduction plan ([California Code of Regulations, title 2, section 599.737](#)). Please submit the leave balance tracking sheet for the CEO, to the F&E Branch annually by January 31st. If a state employee is nearing the cap, please make note of this during the board meeting when reviewing the Finance Committee report or the CEO report.

Leave Accruals

Each month, the DAAs timekeeper should be tracking the various types of leave accrued and used by all employees. Attached is an Excel spreadsheet (Leave Balance Tracking Template) that you can use as a tool to track the leave balances for each employee.

Each state employee is entitled to the following:

- Vacation and Sick
- Annual Leave (in lieu of Vacation and Sick)
- Informal Time Off (ITO) - At the Governor's discretion each year
- Personal Holiday – 1 day (8-hours) each July 1
- Personal Development Days (PDD) – 2 days (16-hours) at the start of each fiscal year (July 1st) and must be utilized by the end of the fiscal year (June 30th). *Note: this leave is not compensable upon separation, and it does not roll over to the next fiscal year.*

For information on the accrual rate of vacation or annual leave for CEOs, please reference the CALHR [Vacation vs. Annual Leave Comparison Chart](#) for excluded employees. If you need assistance determining the appropriate rate of accrual, please contact your CDFA HR.

For information on the accrual rate of vacation or annual leave for employees, please refer to CalHR [Vacation v. Annual Leave Comparison Chart](#). If you need assistance determining the proper rate, please contact CDFA HR.

Below are sample balance reduction strategies.

- Significant effort is required to reduce leave balances, so plan.
- Coordinate leave plans with a group of employees working on the same or related assignments to avoid unforeseen gaps in coverage.
- Large blocks of time off will have a significant impact on reducing excess leave balances.
- Small blocks of time off will help to keep balances from growing.
- Recognize the more years of state service, the more hours accrued monthly, and develop the reduction plan accordingly.

CalHR also has some helpful tools for [Leave Reduction Plans](#).

If the employee does not follow the agreed-upon leave plan, the CEO/management can force the time off. If the CEO does not follow the agreed-upon leave plan, the board will need to work with F&E for guidance.

If you have any questions, please feel free to contact F&E at 916-999-3000.

Sincerely,

A handwritten signature in blue ink that reads "Mike Francesconi".

Mike Francesconi
Branch Chief

Enclosed

1. Leave Balance Tracking Template
2. CALHR 2102
3. STD 634- Timesheet template
4. 9.4.3 Policy – Vacation/Annual Leave Accumulations