

Date of Hearing: April 8, 2026

ASSEMBLY COMMITTEE ON PUBLIC EMPLOYMENT AND RETIREMENT

Tina S. McKinnor, Chair

AB 2223 (Lowenthal) – As Amended March 19, 2026

SUBJECT: Department of Corrections and Rehabilitation: state contracts

SUMMARY: Requires the California Department of Corrections and Rehabilitation (CDCR) to disclose specified information regarding each new or renewed contract to the exclusive representative of the affected bargaining unit (BU), among other provisions. Specifically, **this bill:**

- 1) Requires, on or after January 1, 2027, each new or renewed contract entered into by the CDCR for services that are customarily and historically performed by civil service employees, to disclose the following to the exclusive represented employees of the affected BU at the time the CDCR enters or renews the contract:
 - a) A description of the services provided, including the job title or function performed by contracted workers.
 - b) A statement identifying whether the contractor has been found liable, within the previous five years, for any labor law violations, including, but not limited to, violations of wage and hour laws, workplace safety laws, or unfair labor practice determinations, and a description of those violations.
 - c) The job title and classification used by the contractor for the contracted workers.
 - d) The minimum qualifications and professional credentials required of contracted workers, including licensure, certification, education, and experience requirements, as applicable.
 - e) The corresponding state civil service classification or classifications, if any, that customarily and historically perform the same or substantially similar work.
 - f) The bargaining unit or bargaining units that would represent the corresponding state civil service classification.
 - g) The number of contracted workers, reported by classification.
 - h) The total hours expected to be worked by contracted workers.
 - i) The full-time equivalent (FTE) value of the contracted labor, and the hourly rates paid to contracted workers.
 - j) The total contract value, including (i) the annual contract amount, and (ii) the cumulative contract amount over the life of the contract.
 - k) Administrative fees, vendor fees, or overhead charges paid pursuant to the contract.
 - l) Any emergency, premium, or expedited rates, including rates paid for last-minute staffing or urgent coverage.
 - m) The duration of the contract, including the original term and any renewal or extension options.
- 2) Requires, beginning on March 1, 2028, and on or before March 1 each year thereafter, the CDCR to prepare and submit a report to the Legislature containing the above-described information for all contracts, as prescribed, that were in effect during the prior year.
- 3) Includes uncodified legislative findings and declarations for these purposes.

EXISTING LAW:

- 1) Establishes the CDCR to administer the state prison system under the direction of the CDCR Secretary, and authorizes the secretary to, under certain circumstances, enter into contracts to provide housing, sustenance, supervision, and services, as provided, or to provide health care services. (Sections 5000 et seq., Penal Code.)
- 2) Creates the state civil service that includes every officer and employee of the State except a limited number of specified, exempted officers and employees, and requires that the state make “permanent appointment and promotion in the civil service under a general system based on merit ascertained by competitive examination.” Case law and custom refer to this provision as the merit principle and it governs the administration of the state’s civil service system. (Sections 1 and 4, art. VII, Cal. Const.)
- 3) Establishes the State Civil Service Act to facilitate the operation of the Constitution’s merit principle for the state civil service; requires the State Personnel Board (SPB) to prescribe rules consistent with a merit based civil service system to govern appointments classifications, examinations, probationary periods, disciplinary actions, and other matters related to the SPB’s authority under Article VII of the California Constitution; authorizes the SPB to conduct audits and investigations of the personnel practices of CalHR and appointing authorities to ensure compliance with civil service policies, procedures, and statutes, and permits the CalHR and the SPB to delegate, share, or transfer between them responsibilities for programs within their respective jurisdictions pursuant to an agreement. (Sections 18500 et seq., Gov. Code.)
- 4) Establishes, pursuant to Sections 2 and 3 of Article VII of the California Constitution, the SPB which must enforce civil service statutes, and by majority vote of all its members, prescribe probationary periods and classifications, adopt other rules authorized by statute, and review disciplinary actions. In addition, the Executive Officer of the SPB is required to administer civil service statutes under the rules of the SPB.
- 5) Creates the California Department of Human Resources (CalHR) and vests it with the powers, duties, and authorities necessary to operate the state civil service system pursuant to Article VII of the California Constitution, the Government Code, the merit principle, and applicable rules duly adopted by the SPB. (Sections 18500 et seq., Gov. Code.)
- 6) Requires the CalHR and the SPB to enter into a MOU to determine areas of compliance for nonmerit-related audits and to train SPB staff on the areas of compliance. (Section 18502(b)(2), Gov. Code.)
- 7) Requires the SPB to establish minimum qualifications for determining the fitness and qualifications of employees for each class of position, among other things, and authorizes the CalHR to require applicants for examination or appointment to provide documentation as it deems necessary to establish the applicants’ qualifications. (Section 18931(a), Gov. Code.)
- 8) Authorizes the CalHR to designate an appointing power to design, announce, or administer examinations for the establishment of employment lists as specified. Existing law also permits a designated appointing power to contract with the CalHR or another designated

appointing power for the purpose of designing, publicizing, or administering an examination. (Section 18930.5, Gov. Code.)

- 9) Provides for state acquisition of goods and services in contracts for services. (Sections 10335 et seq., Pub. Contract Code.)
- 10) Authorizes the state to enter into personal services contracts and establishes the conditions that must be met when procuring such contracts. (Sections 19130 *et seq.*, Gov. Code.) Further, requires the SPB to review the adequacy of any proposed or executed contract, as provided, at the request of an employee organization that represents state employees, but need not review the contract again after its execution. Further, unless certain prescribed circumstances exist (e.g., an emergency), a state agency that proposes to execute a contract must first notify all organizations that represent state employees who perform the type of work to be contracted before executing the contract, among other provisions. Section 19132, Gov. Code.)
- 11) Requires the State Personnel Board (SPB) to review a proposed or executed contract if it receives a request to conduct a review from an employee organization representing state employees. However, the review is restricted to the question as to whether the contract complies with existing law, as provided. Further, if the employee organizations requests, the SPB Executive Officer must grant the employee organization the opportunity to present its case against the contract and the reasons why it should be referred to the board for a hearing, and upon a showing of good cause by an employee organization, SPB Executive Officer must schedule the disputed contract for a hearing before the board for the purposes of receiving evidence and hearing arguments concerning the propriety of the disputed contract. Further, authorizes the SPB to direct a state agency to transmit a contract to an employee organization for review when it has reason to believe that a proposed contract is not compliant with existing law. However, if requested to do so by an employee organization, the SPB must direct a state agency to transmit the contract for it to review. (Section 10337, Pub. Contract Code.)
- 12) Governs collective bargaining in the private sector under the federal National Labor Relations Act (NLRA), but leaves it to the states to regulate collective bargaining in their respective public sectors. (Sections 151 *et seq.*, Title 29, United States Code.) While the NLRA and the decisions of its National Labor Relations Board (NLRB) often provide persuasive precedent in interpreting state collective bargaining law, public employees have no collective bargaining rights absent specific statutory authority establishing those rights.
- 13) Provides several statutory frameworks under California law to provide public employees collective bargaining rights, govern public employer-employee relations, and limit labor strife and economic disruption in the public sector through a reasonable method of resolving disputes regarding wages, hours and other terms and conditions of employment between public employers and recognized public employee organizations or their exclusive representatives. These include the Ralph C. Dills Act (“Dills Act”) governing employment relations for certain executive branch (state) employees. (Sections 3512 et seq., Gov. Code.)
- 14) Establishes the PERB, a quasi-judicial administrative agency charged with administering certain statutory frameworks governing employer-employee relations, resolving disputes, and enforcing the statutory duties and rights of public agency employers and employee

organizations, but provides the City and County of Los Angeles a local alternative to PERB oversight. (Sections 3541 et seq., Gov. Code.)

FISCAL EFFECT: Unknown. This bill is flagged as fiscal by Legislative Counsel.

COMMENTS:

Among other things, information provided by the author states, “[t]he California Department of Corrections and Rehabilitation employs thousands of civil service workers who perform critical medical, mental health, custody, and rehabilitative functions within the state’s correctional system. In recent years, the department has increasingly relied on private contractors to perform services that have historically been carried out by state employees. Persistent vacancies in key classifications have contributed to this trend. In 2024, labor organizations representing state employees... requested a state audit examining the State’s use of contracted medical and mental health staffing at certain state facilities. The California State Auditor subsequently found that vacancy rates at some facilities remain extremely high, exceeding 30 percent at some state hospitals and more than 50 percent at Salinas Valley State Prison. These shortages have led departments to rely heavily on private staffing contractors to fill critical positions. The audit also found that contracted workers often cost more per hour than comparable state employees, and that departments do not consistently evaluate whether recruitment strategies are effective in addressing vacancies. In addition, the auditor noted that departments lack standardized processes to track contractor staffing levels and assess the long-term impact of outsourcing on workforce planning.

“Despite the growing reliance on contractors, the Legislature currently lacks consistent and standardized information about the number of contracted workers, the classifications they perform, and the total cost of these contracts. Without standardized disclosure, it is difficult to determine how many contracted workers are performing duties typically done by civil service employees; the total cost of these contracts and associated vendor or administrative fees; whether vacancies in state positions are driving reliance on contractors [, and] whether these contracts are temporary solutions or long-term substitutes for state employees. This lack of transparency makes it difficult for the Legislature to evaluate whether outsourcing is being used appropriately and whether investments in recruitment and retention of civil service employees could reduce costs and strengthen the state workforce.

“[This bill] addresses this gap by... ensuring transparency around contracting decisions will help policymakers evaluate workforce strategies that prioritize high-quality services while protecting responsible use of taxpayer resources.”

Government Contracting Public Services: Ongoing Questions and Concerns Regarding the Use of Public Funds, Transparency, Accountability, and Quality of Service Provision

Government contracting of public services, generally, is to provide a particular service for a common public need. For example, in California, to address significant wildfires, the state regularly contracts with private companies to operate specialized aircraft to cover terrain that is difficult to access by traditional ground equipment or personnel.

“Government transparency strengthens democracy, promotes fiscal responsibility, checks corruption, and bolsters public confidence. Sunshine laws enshrine transparency into the fabric of government by guaranteeing citizens access to information regarding government expenditures and policies. When government contractors assume control of public services, in many cases they are able to circumvent sunshine laws and shield important information from disclosure. Corporations may refuse to release records that would otherwise be available by claiming that transparency would hurt their bottom lines. Many times, contractors claim that the information is a “trade secret” or “proprietary” and legally protected from public review. To protect the public’s right-to-information, decision makers should adopt strong sunshine laws that require government contractors to follow the same disclosure rules as government entities. As an additional protection, state and local governments should also include disclosure requirements in contracts.” (*Closing the Books: How Government Contractors Hid Public Records*, at p 2. In the Public Interest (ITPI), March 2015.)

Increasing Reliance by Public Employers on Contracting Out for Services

The committee is reminded of its informational hearing on May 10, 2023, titled “Strengthening California through the Public Sector and Its Workforce,” which focused on various subjects, including contracting out of public employee work.

During that hearing, the committee heard from a number of panelists, including experts from the University of California at Berkeley Labor Center, where data was provided and substantial concerns were expressed by other panelists about the ongoing and increasing reliance by public employers, including the state – as an employer, on a contingent, part-time, temporary, contracted out, or retired annuitant workforce to fill public sector vacancies, or to perform the duties of willing and capable existing and prospective public employees. These concerns also detailed how public employers are increasingly relying on these forms of employment and in a manner that has deleterious effects on wage growth, employee morale, employer-employee relations, and the need to ensure operational consistency and quality in the provision of services to the public that could be performed by permanent employees.

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On April 17, 2024, the committee held another information relating to that subject titled: “Public Service Delivery and Workforce Wellbeing – Addressing the Vacancy Crisis in Local Government,” where civil service vacancies, impacts of vacancies on the civil service workforce and services, and collaborative solutions to address civil service vacancies, were discussed.

Report by the California State Auditor

A report by the State Auditor focused on CDCR-Salinas Valley, DDS-Porterville, DSH-Atascadero and their use of health care staffing contracts at these facilities. Although it found

that “contract workers make up a small portion of medical health staffing, the facilities have increasingly used them to address their growing number of staff vacancies.”¹

The summary of this report further states, “[s]ince July 2019, vacancy rates have increased to 30 percent at Atascadero, 36 percent at Porterville, and more than 50 percent at Salinas Valley. Although the facilities have engaged in multiple recruitment strategies, they have not evaluated the success of their efforts to determine which are most effective. To help address vacancies, each facility has significantly increased its use of contract workers: Atascadero by 79 percent, Porterville by 172 percent, and Salinas Valley by 46 percent. Contract workers generally cost the State more than state employees in the same job classifications, and the shorter tenure of contract workers presents challenges for facilities because of the training necessary to ensure that the contract workers are prepared to provide appropriate care to the facilities’ patient populations.

“The many staff vacancies have resulted in each facility realizing significant savings from fiscal year 2019–20 through 2024–25: about \$247 million for Atascadero, \$188 million for Salinas Valley, and \$157 million for Porterville. Nonetheless, neither [the] DSH nor DDS has required staff to evaluate staffing needs annually. Further, none of the three agencies require their facilities to report whether they are meeting shift-staffing minimums, which are critical to ensuring the provision of legally required levels of care. Because of the decades-long difficulties the facilities have had in filling vacant health care positions and a current and projected health care professional shortage, the State should consider facilitating a statewide campaign to draw medical and mental health care workers to California’s civil service.”

Key findings in this report include:

- The three facilities reviewed have increasingly struggled to fill vacant positions.
- To address vacancies, the three facilities have increased their use of contract workers.
- The CDCR, DDS, and DSH have not taken necessary steps to ensure that their facilities have appropriate staffing levels.

The State Auditor also reviewed staffing logs from the three facilities and found that they used state employees to provide the majority of patient care, but filled in shifts with contract workers as necessary.

In response, among the various recommendations offered by the State Auditor, the CDCR agreed with the State Auditor’s recommendations, and the DDS and DSH generally agreed with the recommendations. However, the DDS disagreed with the State Auditor’s recommendation that it require its facilities to track and report whether they are meeting required shift-staffing minimums, and the DSH disagreed with the State Auditor’s recommendation that it evaluate whether offering affordable housing options would improve Atascadero’s ability to recruit new state employees.

The State Auditor also recommended that, “to maximize the effectiveness of the State’s recruiting efforts, the Legislature should require [the] CalHR to assemble and coordinate a cross-agency collaborative campaign to recruit medical and mental health care staff for state facilities

¹ [*“Report 2024-114 State Health Care Staffing Contracts: Contract Workers Are a Small but Growing Proportion of Three State Facilities’ Workforces.”*](#) California State Auditor, December 4, 2025.

statewide. [The CalHR] should continue, modify, and improve such efforts until the State can achieve and maintain appropriate vacancy rates, as the Legislature determines. This campaign should include, but not be limited to, the following:

- A total compensation analysis, and adjust as appropriate, to ensure that all medical and mental health care classifications' compensation is commensurate and competitive with similarly situated recruiting entities.
- The provision of online and in-person assistance for candidates during the application and testing process.
- The implementation of targeted efforts, including development of marketing materials, as appropriate, highlighting the benefits of state employment in California, to recruit candidates for specific job classifications and facility locations that are historically difficult to fill.
- The establishment of measurement metrics to track the results of each type of recruiting activity and test modifications to each strategy. These measurements should include, but not be limited to, the number of candidates who express interest, apply, interview, receive, and accept employment offers.”

Nexus to State Public Employment Relations

Existing law, the State Employer-Employee Relations Act (commonly referred to as the “Ralph C. Dills Act,” or the “Dills Act”), regulates public employment relations between the state, as an employer, and its employees represented by a recognized employee organization by providing a reasonable of resolving disputes regarding wages, hours, and other terms and conditions of employment. In addition, the scope of representation is limited to wages, hours, and other terms and conditions of employment, while excluding other specified items. (Sections. 3512 *et seq.* of the Gov. Code). Where a state agency contracts for services and its represented employees perform the same or similar services, indeed, such contracting that may or does impact those employees, more likely than not, may be within the scope of representation under the Dills Act; thereby, being subject to bargaining under that act.

This Bill

This bill seeks to avail the exclusive representative and the Legislature of information regarding the nature, costs, and duration of CDCR contracts for services that are customarily performed by civil service employees for purposes of transparency, disclosure, and accountability. In many respects, it addresses the findings and recommendations in the State Auditor’s report.

Conflict Notice to the Author

The author is informed that the Office of Legislative Counsel has issued a conflict notice regarding this bill and Assembly Bill 1229 (Schultz, 2025).

A conflict exists when two or more bills and/or constitutional amendments amend, add, repeal, or amend and renumber the same section, article, chapter, division, title, or heading. The enactment of these measures in their present form could give rise to a serious legal problem that may be avoided by appropriate amendments.

Author's Statement

“In 2024, I requested a state audit examining the use of contracted medical and mental health staffing at certain state facilities. The Auditor subsequently found that vacancy rates at some facilities remain extremely high, exceeding 30 percent at some state hospitals and more than 50 percent at Salinas Valley State Prison. These shortages have led departments to rely heavily on private staffing contractors to fill critical positions. The audit also found that contracted workers often cost more per hour than comparable state employees, and that departments do not consistently evaluate whether recruitment strategies are effective in addressing vacancies. In addition, the auditor noted that departments lack standardized processes to track contractor staffing levels and assess the long-term impact of outsourcing on workforce planning. Despite the growing reliance on contractors, the Legislature currently lacks consistent and standardized information about the number of contracted workers, the classifications they perform, and the total cost of these contracts. [This bill] addresses this gap by requiring CDCR to provide standardized disclosure of key information regarding contracts that substitute for civil service work.”

Comments by Supporters

Generally, the several supporters of this bill express that, while contractors fill a short-term need, they come with higher costs to taxpayers without providing the same continuity of care, accountability, or institutional knowledge that a stable workforce delivers. As the state continues investing taxpayer dollars into such contracts while struggling to recruit and retain its own workforce, without consistent and transparent reporting, it makes it difficult for the Legislature and stakeholders to fully assess whether these decisions are fiscally responsible or aligned with state goals. Findings in the report by the State Auditor underscore the urgency of this issue, and this bill takes practical and necessary steps to increase and strengthen transparency and accountability.

Comments by Opponents

None on file.

Prior or Related Legislation

Assembly Bill 2367 (Kalra) proposes to require the CDCR, Department of Developmental Services (DDS), Department of Veterans Affairs (CalVet), and Department State Hospitals (DSH) to provide specified information to relevant employee representatives and the public, among other provisions. This bill is currently pending in the Assembly Committee on Public Employment and Retirement.

Assembly Bill 393 (Connolly, 2025) proposed to require the CDCR and the Department of State Hospitals (DSH) to take specified actions before entering into a personal services contract to have a contractor fill a budgeted State Bargaining Unit 16 (BU 16) physician or civil service psychiatrist position. This bill was vetoed by the Governor stating:

“While I am supportive of ideas to reduce state reliance on contractors, this measure circumvents the collective bargaining process and limits the ability of these departments to deliver critical services. The matters contemplated by this bill are more appropriately handled through the budget and labor negotiations processes.”

Chapter 687, Statutes of 2025 (Assembly Bill 339, Ortega) requires public agencies regulated by the Meyers-Milias-Brown Act (MMBA) to give a recognized employee organization (REO) no less than 45 days' written notice regarding contracts to perform services that are within the scope of work of job classifications represented by the REO, among other provisions.

Assembly Bill 24 (DeMaio, 2025) originally introduced to establish legislative intent to enact a constitutional amendment to achieve cost savings for the state and balance the budget by, among other things, requiring state government agencies to competitively source or contract out services, this bill was subsequently amended to address an unrelated matter and was held in the Assembly Committee on Local Government.

Assembly Bill 2557 (Ortega, 2024) proposed new requirements on the governing bodies of local agencies that contract for certain services, as specified, including posting contracts and related documents on the local agency's website and providing advance notice to the public agency's affected workforce union representative, as specified, among other provisions. This bill was held in the Senate Committee on Appropriations.

Senate Bill 422 (Pan, 2022) proposed to amend existing law relating to the use of personal services contracts by the state by establishing a health professional registry consisting of existing state employees for supplemental, temporary work that would otherwise be performed by health contractors from private company medical registries, among other provisions. This bill was vetoed by the Governor who stated that:

“This bill is unclear on implementation and does not demonstrate how it would significantly reduce DSH’s reliance on contractors. While I am supportive of ideas to reduce state reliance on contractors, the creation of the registry and the determination of associated compensation are matters that are more appropriately handled through the budget and labor negotiations processes.”

Assembly Bill 657 (Cooper, 2021) originally proposed to establish certain prohibitions and reporting requirements relating to a state agency contracting with a professional, as defined, among other provisions. This bill was substantially amended to address an unrelated subject.

Chapter 744, Statutes of 2013 (Assembly Bill 906, Pan) amended the Civil Service Act to prohibit the execution of certain personal services contracts until the state agency proposing to execute the contract permissible under specified conditions, without regard to cost savings, has notified all organizations that represent state employees who perform the type of work to be contracted, among other provisions.

Assembly Bill 149 (Lara, 2011) proposed to authorize a state department or agency, when the SPB either disapproves a personal services contract from being executed, or nullifies an executed personal services contract, to create and fill a limited-term civil service position for the equivalent number of hours for each contractor position requested in the submitted contract. This bill was held in the Senate Committee on Appropriations.

Assembly Bill 556 (Conway, 2009) proposed to prohibit a personal services contract from adversely affecting the state's equal employment opportunity (EEO) efforts and required the contract to include assurances that the contractor's hiring practices meet applicable nondiscrimination, EEO standards. This bill was held in the Assembly Committee on Judiciary.

REGISTERED SUPPORT / OPPOSITION:

Support

American Federation of State, County and Municipal Employees, AFL-CIO (*Co-Sponsor*)
American Federation of State, County and Municipal Employees, Local 57, AFL-CIO
(*Co-Sponsor*)
California Association of Psychiatric Technicians
California State Council of Service Employees International Union
Service Employees International Union, Local 1000
Union of American Physicians and Dentists

Opposition

None on file.

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