

ASSEMBLY THIRD READING
AB 2223 (Lowenthal)
As Amended March 19, 2026
Majority vote

SUMMARY

Requires the California Department of Corrections and Rehabilitation (CDCR) to disclose certain information regarding each new or renewed contract to the exclusive representative of the affected bargaining unit (BU), among other provisions.

Major Provisions

- 1) Require, 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, and the bargaining unit or bargaining units that would represent the corresponding state civil service classification.
 - f) The number of contracted workers, reported by classification, and the total hours expected to be worked by contracted workers; the full-time equivalent (FTE) value of the contracted labor; the hourly rates paid to contracted workers; the total contract value, including (i) the annual contract amount, and (ii) the cumulative contract amount over the life of the contract; and, the duration of the contract, including the original term and any renewal or extension options.
 - g) Administrative fees, vendor fees, or overhead charges paid pursuant to the contract, and any emergency, premium, or expedited rates, including rates paid for last-minute staffing or urgent coverage.
- 2) Require, 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.

COMMENTS*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.)

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 % at Atascadero, 36 % at Porterville, and more than 50 % 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 %, Porterville by 172 %, and Salinas Valley by 46 %. 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

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. Visit: <https://www.auditor.ca.gov/reports/2024-114/#summary>

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:

- 1) The three facilities reviewed have increasingly struggled to fill vacant positions.
- 2) To address vacancies, the three facilities have increased their use of contract workers.
- 3) 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 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:

- 1) 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.
- 2) The provision of online and in-person assistance for candidates during the application and testing process.
- 3) 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.
- 4) 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."

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, commonly referred to as the mandatory subjects of bargaining, is limited to wages, hours, and other terms and conditions of employment, but expressly excludes certain items. (Sections. 3512 et seq., 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.

According to the Author

"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 % at some state hospitals and more than 50 % 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."

Arguments in Support

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.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations, this bill would result in ongoing General Fund costs likely in the millions of dollars annually for CDCR to support increased staff needed to respond to new data demands, contracting policy updates, and monitoring. To the extent that the bill's definition of services "customarily and historically performed by civil service employees" applies more broadly than solely to classifications within CDCR and the California Correctional Health Care Services umbrella to include other civil service classifications, costs would increase. Lastly, the CDCR notes requests for reports like those required by this bill may be addressed through the collective bargaining process under current law.

VOTES**ASM PUBLIC EMPLOYMENT AND RETIREMENT: 5-0-2**

YES: McKinnor, Boerner, Garcia, Nguyen, Michelle Rodriguez

ABS, ABST OR NV: Lackey, Alanis

ASM APPROPRIATIONS: 11-3-1

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Dixon, Tangipa

ABS, ABST OR NV: Ta

UPDATED

VERSION: March 19, 2026

CONSULTANT: Michael Bolden / P. E. & R. / (916) 319-3957

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