
SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No: AB 2223 **Hearing Date:** July 1, 2026
Author: Lowenthal
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Urgency: No **Fiscal:** Yes
Consultant: Emma Bruce

SUBJECT: Department of Corrections and Rehabilitation: state contracts

KEY ISSUE

This bill requires the Department of Corrections and Rehabilitation (CDCR) to disclose to the exclusive representative of the affected bargaining unit specified information for each new contract or contract renewal entered into on or after January 1, 2027, for medical and mental health staffing.

ANALYSIS

Existing law:

- 1) Creates the state civil service that includes every officer and employee of the state except a limited number of specified, exempted officers and employees. Existing law also 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. (CA CONST. art. VII, §1 and §4)
- 2) Establishes the State Personnel Board (SPB) to enforce the civil service statutes and prescribe probationary periods and classifications, adopt other rules authorized by statute, and review disciplinary actions. (CA CONST. art. VII, §2 and §3)
- 3) 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. (Penal Code §5000 et seq.)
- 4) Establishes the State Civil Service Act to provide a comprehensive personnel system for the state in which appointments are based upon merit and fitness ascertained through practical and competitive examination (Government Code §18500)
- 5) Creates, under the Dills Act, a system of collective bargaining between the state and its employees’ exclusive representatives to negotiate for terms and conditions of employment (Government Code §3512 et seq.)
- 6) Provides for state acquisition of goods and services in contracts for services. (Public Contract Code §10335 et seq.)

- 7) Establishes strict standards for the use of personal services contracts to achieve cost savings. Among others, all of the following conditions must be met:
 - a) The contracting agency must clearly demonstrate that the proposed contract will result in overall cost savings to the state.
 - b) The contract does not cause the displacement of civil service employees.
 - c) The savings are large enough to ensure that they will not be eliminated by private sector and state cost fluctuations that could normally be expected during the contracting period.
 - d) The amount of savings clearly justify the size and duration of the contracting agreement.
 - e) The contract is awarded through a publicized, competitive bidding process.
(Government Code §19130(a))
- 8) Provides that personal services contracting, for non-cost savings reasons, shall also be permissible when specified conditions are met, including when the services contracted are not available within civil service, cannot be performed satisfactorily by civil service employees, or are of such a highly specialized or technical nature that the necessary expert knowledge, experience, and ability are not available through the civil service system.
(Government Code §19130(b))
- 9) Requires any state agency proposing to execute a personal services contract to achieve cost savings to notify the SPB of its intention. All organizations that represent employees who perform the type of work to be contracted and any person or organization which has filed with the SPB a request for notice shall be contacted, as specified, and given a reasonable opportunity to comment on the proposed contract. (Government Code §19131)
- 10) Authorizes any employee organization to request, within 10 days of being notified, the SPB to review any contract proposed to achieve cost savings. Upon such a request, the SPB shall review the contract, as specified. (Government Code §19131)
- 11) Requires the SPB, at the request of an employee organization that represents state employees, to review the adequacy of any non-cost savings proposed or executed contract. (Government Code §19132)
- 12) Provides that unless a non-cost savings personal services contract is necessary due to a sudden and unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services, the contract shall not be executed until the state agency proposing to execute the contract has notified all organizations that represent state employees who perform the type of work to be contracted. (Government Code §19132)
- 13) Authorizes the SPB to establish necessary standards and controls over DGS' approval of contracts to assure that the approval is consistent with the merit employment principles and requirements contained in Article VII of the California Constitution. The SPB shall have discretion to establish the substantive provisions of the standards. However, the SPB and DGS shall establish the specific procedures for contract review pursuant to such standards jointly. (Public Contracting Code §10337)

This bill:

- 1) Requires CDCR to disclose specified information for each new contract or contract renewal entered into on or after January 1, 2027, for medical and mental health staffing.
- 2) Requires the disclosure to include, but not be limited to, all of the following:
 - 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.
 - j) The hourly rates paid to contracted workers.
 - k) The total contract value, including both of the following:
 - i. The annual contract amount.
 - ii. The cumulative contract amount over the life of the contract.
 - l) Administrative fees, vendor fees, or overhead charges paid pursuant to the contract.
 - m) Any emergency, premium, or expedited rates, including rates paid for last-minute staffing or urgent coverage.
 - n) The duration of the contract, including the original term and any renewal or extension options.
- 3) Requires CDCR to provide the disclosure in 2) to the exclusive bargaining representative or representatives of the affected bargaining unit or units at the time CDCR enters into or renews the contract.
- 4) Requires CDCR, beginning on March 1, 2028, and on or before March 1 of each year thereafter, to prepare and submit to the Legislature an annual report containing the information required in 2) for all medical and mental health staffing contracts that were in effect during the prior calendar year.

COMMENTS**1. Background:***State Personnel Board (SPB) and Personal Services Contracts*

When agencies use contracted personnel rather than civil service positions they enter into personal services contracts. Existing law establishes strict standards for the use of these contracts. Agencies can enter into a personal services contract to achieve cost savings or for

specified, non-cost-related reasons. Contracts intended to achieve cost savings are only permissible if 11 different conditions are satisfied. For example, contracts cannot cause the displacement of civil service employees. Non-cost savings personal services contracts are only permissible in a limited number of situations, such as when the services in question are not available within the civil service or cannot be performed satisfactorily by civil service employees. These standards exist to limit the state's reliance on contractors and to ensure civil service employees perform state work.

Any state agency proposing to execute a personal services contract must notify all organizations that represent state employees who perform the type of work covered by the contract. The SPB has the authority to review proposed contracts to ensure compliance with existing law. Upon request by an employee organization, the SPB must direct a state agency to transmit the proposed or executed contract for review. The SPB delegates the review of personal services contracts to its Executive Officer. However, if an employee organization requests it, the Executive Officer must grant the organization the opportunity to present its case against the contract and the reasons why the contract should be referred to the SPB for a hearing. Upon a showing of good cause by the organization, the Executive Officer must schedule the disputed contract for a hearing before the SPB. Contracts subject to review shall not become effective unless the SPB grants its approval.

Department of Corrections and Rehabilitation (CDCR)

CDCR's mental health system has struggled to employ an adequate number of qualified staff. As a result of this chronic deficiency and others, CDCR has faced litigation for over three decades contending that it has not provided adequate mental health care. This culminated in a federal court appointing a mental health receiver to take direct control over the prison mental health care system. Ongoing federal court orders mandate CDCR to reduce vacancies below 10 percent in five key classifications: psychiatrists, psychologists, licensed clinical social workers, recreational therapists, and medical assistants. In 2023, the court ordered the State to pay monthly fines for noncompliance with mandated mental health staffing levels. As of 2025, CDCR had incurred more than \$95 million in accumulated fines. When CDCR lacks sufficient onsite staff to fill its positions, it hires contractors known as registry staff. Tele-mental services are also used to supplement on-site providers.

2025 State Health Care Staffing Contracts Audit

In December 2025, the State Auditor released an audit examining staffing levels at three facilities: the Department of State Hospitals-Atascadero, which the Department of State Hospitals (DSH) oversees; the Porterville Developmental Center, which the Department of Developmental Services (DDS) oversees; and Salinas Valley State Prison, which CDCR oversees.¹ State and federal laws require each of the three facilities to provide medical and mental health care to the individuals they house. DSH, DDS, and CDCR have all been involved in litigation for failing to provide adequate mental health care staffing. The Auditor found that the facilities faced challenges when recruiting staff, including difficult working conditions, a local shortage of health care professionals, and competition with other public facilities, private hospitals, and contract staffing agencies. As a result of these challenges, vacancy rates for medical and mental health positions at each of the three facilities increased from fiscal years 2019–20 through 2023–24. These vacancy rates are not due to a lack of

¹ [State Health Care Staffing Contracts](#). California State Auditor. December 4, 2025.

*The entirety of this section of the analysis is based on information provided in the 2025 State Health Care Staffing Contracts Audit.

effort on the facilities' part; each have made significant efforts to recruit medical and mental health care professionals through online job advertisements and in-person or virtual recruiting events.

Although the three facilities overwhelmingly rely on state employees, rather than contract workers to provide care, they have increasingly relied on contract workers to ensure adequate staffing. For example, in fiscal year 2023-24 contract workers accounted for 62 of Salinas Valley's authorized 637 positions, or about 10 percent. However, in that same fiscal year the number of hours worked by contract workers increased. This increase in hours was particularly notable for contract workers covering nursing classifications. The auditor found that the facilities incur higher hourly costs for contract workers than for their state counterparts, even after accounting for the State's overhead and benefit costs. Contract workers generally have a shorter tenure than state employees. This is in part because facilities often use them to meet temporary rather than long-term needs.

The facilities require contract workers to have the same licenses and certificates and to meet the same or higher qualifications as those that the State requires for state employees in the same classifications.

The Auditor found that all three facilities and their respective departments realized significant vacancy savings from unfilled medical and mental health care positions. Over the six fiscal years of the audit period Atascadero accumulated \$247 million in savings, Salinas Valley accumulated \$188 million, and Porterville accumulated \$157 million. All three departments were unable to explain to the Auditor how they used the above specified savings.

None of the departments responsible for overseeing the three facilities has formally or specifically requested that facilities track, tabulate, and report their compliance with staffing minimums or developed a formal process for the facilities to do so. Without such oversight, the departments cannot be certain that their facilities are staffed appropriately for each shift to provide adequate medical and mental health care.

Among other recommendations, the Audit suggests requiring DSH, DDS, and CDCR to immediately require its facilities to establish a system to track, tabulate, periodically report, and make publicly available the following:

- Staffing levels by shift, including the individuals' classifications and whether they are state employees or contract workers.
- The number of shifts during which and the number of staff by which the facility fell short of its required shift-staffing minimums, as well as an explanation for why it missed the minimums.

Establishing such a system would ensure transparency, increase accountability, and allow adequate oversight.

2. Need for this bill?

According to the author:

“CDCR increasingly relies on private contractors to perform work that has historically been done by state civil service employees, particularly in medical and mental health classifications. However, policymakers and labor unions who represent the CDCR workforce currently lack consistent information about the size, cost, and scope of this contracted workforce.

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
- 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.

AB 2223 addresses this gap by requiring CDCR to provide standardized disclosure of key information regarding contracts that substitute for civil service work. Hiring and retaining qualified civil service employees remains the most cost-effective and accountable way to provide essential public services. State employees are subject to rigorous hiring standards, professional oversight, and institutional training that support continuity of care and operational stability in correctional facilities. Ensuring transparency around contracting decisions will help policymakers evaluate workforce strategies that prioritize high-quality services while protecting responsible use of taxpayer resources.”

3. Proponent Arguments:

The co-sponsor of the measure, AFSCME, argues:

“CDCR has increasingly relied on private contractors to fill critical medical and mental health positions that have traditionally been performed by civil servants. While contracting may serve a limited, short-term role, the State currently lacks standardized and accessible information regarding the scope, cost, and duration of these contracts. This lack of transparency makes it difficult for the Legislature, employee representatives, and the public to evaluate whether outsourcing is being used appropriately or whether taxpayer dollars are being spent efficiently.

Recent findings by the California State Auditor underscore the urgency of this issue. The audit identified persistently high vacancy rates in key health care classifications and found that departments, including CDCR, have not made consistent or concerted efforts to assess staffing needs or evaluate the effectiveness of recruitment strategies. These gaps in workforce planning have contributed to an overreliance on contracted staff, who often cost more than comparable state employees and may not provide the same continuity of care or institutional knowledge...

AB 2223 addresses this problem by requiring CDCR to disclose key information when entering into or renewing contracts for work that is customarily and historically performed by civil service employees. This includes information related to contract costs, duration, staffing levels, worker classifications, contractor qualifications, and any labor law violations. The bill also requires that this information be provided to exclusive bargaining representatives and reported annually to the Legislature.”

SEIU Local 1000, also a co-sponsor of the measure, argues:

“Our SEIU Local 1000 members are just one part of the puzzle of providing care within CDCR facilities, and our labor siblings, like AFSCME and CAPT, are facing the same challenges within this system as our members: contracts/registry. CDCR has increasingly relied on contractors to complete work where civil service employees, like our Bargaining Units 17 and 20 workers, could complete the work instead.

These contracts do not have a standardized reporting requirement, and that is why we at SEIU Local 1000 choose to support this bill.”

4. Opponent Arguments:

None received.

5. Prior Legislation:

AB 2367 (Kalra, 2026) would require CDCR, DDS, CalVet, and DSH to provide, on a quarterly basis, specified information, by facility, of their state-run health facilities. *This bill is pending in the Senate Labor, Public Employment and Retirement Committee.*

AB 393 (Connolly, 2025) would have required CDCR and DSH to take specified actions, including preparing an analysis comparing the hourly cost of a contractor to a civil service Bargaining Unit 16 (BU-16) physician, before entering into a personal services contract to fill a BU-16 physician position. *This bill was vetoed by Governor Newsom, who stated the following:*

“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.”

AB 339 (Ortega, Chapter 687, Statutes of 2025) required public agencies regulated by the Meyers-Milias-Brown Act to give a recognized employee organization 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 recognized employee organization.

AB 2557 (Ortega, 2024) would have required the governing bodies of local agencies that contract for certain services to, among other things, post contracts and related documents on the agency’s website and provide advance notice to the public agency’s affected workforce union representative. *This bill was held in the Senate Committee on Appropriations.*

AB 2860 (Arambula, 2023) would have required DSH and CDCR to only fill a vacant supervisor position overseeing healthcare employees in State Bargaining Units 16, 17, 18, 19, or 20, with a permanent full-time civil service employee. *This bill was held in Assembly Appropriations Committee.*

SB 422 (Pan, 2022) would have required DSH to establish, by January 1, 2024, a physician registry as a three-year pilot program for the Patton State Hospital to be maintained by DSH and composed of members of State Bargaining Unit 16, who may elect to join the registry. *This bill was vetoed by Governor Newsom.*

AB 657 (Cooper, 2021) would have prohibited specified professionals (generally medical personnel) employed under personal service contracts with state agencies from being under contract for a period that exceeds 365 consecutive days or 365 nonconsecutive days in a 24-month period. *This bill was amended into another issue area.*

AB 906 (Pan, Chapter 744, Statutes of 2013) prohibited a state agency from executing a personal services contract, except in specified sudden and unexpected situations, until it has certified that all employee organizations that perform the type of work being contracted out have been notified.

AB 149 (Lara, 2011) would have authorized 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.*

SUPPORT

American Federation of State, County and Municipal Employees (Co-sponsor)
Service Employees International Union Local 1000 (Co-sponsor)
American Federation of State, County and Municipal Employees, Local 2620
California Association of Psychiatric Technicians
California Federation of Labor Unions
Service Employees International Union California
Union of American Physicians and Dentists

OPPOSITION

None received

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