SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2223 (Lowenthal) - Department of Corrections and Rehabilitation: state contracts

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Urgency: No
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Policy Vote: L., P.E. & R. 4 - 1
Mandate: No
Consultant: Robert Ingenito

Bill Summary: AB 2223 would require 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.

Fiscal Impact: CDCR estimates that the bill would result in ongoing General Fund costs in the millions of dollars annually to support additional staff needed to collect and report required data, update contracting policies and procedures, and monitor compliance with the bill's requirements. CDCR also indicates that the additional contracting requirements could discourage vendors from contracting with it and the California Correctional Health Care Services (CCHCS) to fill critical staffing needs. Finally, CDCR notes that the reporting requirements proposed by the bill could instead be addressed through the collective bargaining process.

Background: The State Civil Service Act establishes a merit-based personnel system under which state work is generally performed by civil service employees. Existing law permits state agencies to enter into personal services contracts only under limited circumstances. Contracts may be used to achieve cost savings, provided they satisfy 11 statutory conditions—including a prohibition on displacing civil service employees—or for specified non-cost-related reasons, such as when the required expertise is unavailable within the civil service, the work cannot be performed satisfactorily by state employees, or the services are highly specialized or technical. These restrictions are intended to limit the state's reliance on contractors while preserving the integrity of the civil service system.

Before executing a personal services contract, a state agency must notify employee organizations representing workers who perform the affected work. Upon request by an employee organization, the State Personnel Board (SPB) reviews proposed or executed contracts for compliance with statutory requirements. Although the SPB delegates these reviews to its Executive Officer, employee organizations may request a hearing before the Board. Contracts subject to SPB review may not take effect until the SPB grants approval.

CDCR has experienced longstanding shortages of medical and mental health professionals, resulting in decades of litigation over the adequacy of prison health care. A federal court ultimately placed the prison mental health system under a court-appointed receiver, and subsequent court orders require CDCR to maintain vacancy rates below 10 percent in five key mental health classifications. In 2023, the court began imposing monthly fines for failing to meet these staffing requirements. As of 2025, CDCR had incurred more than $95 million in penalties. To supplement its workforce, CDCR relies on contracted registry staff and tele-mental health providers when sufficient state employees are unavailable.

In December 2025, the California State Auditor examined staffing practices at Atascadero State Hospital, Porterville Developmental Center, and Salinas Valley State Prison. The audit found that all three facilities experienced persistent medical and mental health staffing shortages due to difficult working conditions, shortages of qualified professionals, and competition from other public employers, private hospitals, and staffing agencies. Vacancy rates increased between fiscal years 2019-20 and 2023-24 despite significant recruitment efforts.

Although state employees continued to provide most services, the facilities increasingly relied on contract workers to maintain operations. At Salinas Valley State Prison, contract workers accounted for approximately 10 percent of authorized medical and mental health positions in 2023-24, while contract staffing hours increased substantially, particularly in nursing classifications. The Auditor found that contract workers generally cost more per hour than comparable state employees, even after accounting for salary, benefits, and overhead, and typically remained employed for shorter periods because they were used to address temporary staffing needs. Contract personnel were also required to meet the same, or higher, licensing and qualification standards as state employees performing comparable work.

The audit further found that the three facilities realized substantial salary savings from persistent vacancies, totaling approximately $592 million over the six-year audit period, including $247 million at Atascadero, $188 million at Salinas Valley, and $157 million at Porterville. However, the departments overseeing the facilities were unable to explain how those vacancy savings had been used. In addition, the Auditor found that the departments lacked a formal process for monitoring compliance with minimum staffing requirements and recommended requiring facilities to track, report, and publicly disclose staffing levels by shift, identify whether personnel are state employees or contract workers, and document instances in which minimum staffing standards were not met.

Proposed Law: This bill, among other things, would do the following:

- Require 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. Require the disclosure to include specified information.

- Require CDCR to provide the above disclosure to the exclusive bargaining representative or representatives of the affected bargaining unit or units at the time CDCR enters into or renews the contract.

- Require CDCR, beginning on March 1, 2028, and on or before March 1 of each year thereafter, to report to the Legislature, as specified.

Related Legislation:

- AB 2367 (Kalra) 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 currently pending in this Committee.

- AB 393 (Connolly) 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.

- 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 under submission on the Suspense File of this Committee.

- 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 under submission on the Suspense File of the 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.

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