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

Bill No: AB 2367 **Hearing Date:** July 1, 2026
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Urgency: No **Fiscal:** Yes
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SUBJECT: State employment: reporting: health facilities

KEY ISSUE

This bill requires the Department of Corrections and Rehabilitation (CDCR), the State Department of Developmental Services (DDS), the Department of Veterans Affairs (CalVet), and the State Department of State Hospitals (DSH) to provide, on a quarterly basis, specified staffing information for all their state-run health facilities.

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 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)
- 4) Establishes 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. (Government Code §18500 et seq.)
- 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, DDS, CalVet, and DSH to provide, on a quarterly basis, the following information, by facility, of their state-run health facilities:
 - a) Vacancy data that includes the following information: classification title, classification code, full-time equivalent, total positions filled, and total vacant positions.
 - b) Overtime data that includes the following information: a monthly breakdown by classification to include voluntary and mandatory overtime, including a.m., p.m., and nocturnal shift hours, and total hours worked.
 - c) All registry contract data that includes the following information: bill rate and pay rate by classification, monthly total hours worked, and annual amount paid.
 - d) The number of shifts during which, and the number of staff by which, the facility fell short of its required shift staffing minimums, and an explanation for why it missed those minimums.
- 2) Requires the information in 1) to be provided to the relevant employee representatives and to be made available to the public on a publicly accessible website.

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.

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 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:

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.

- 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.

This bill

AB 2367 would require CDCR, DDS, CalVet, and DSH to provide, on a quarterly basis, specified staffing information to relevant employee representatives and the public. The author and sponsors cite the 2025 State Auditor Staffing Audit, described above, as the impetus for this bill. The committee notes that facilities overseen by CalVet were not included in the audit report.

2. Need for this bill?

According to the author:

“A 2025 report by the State Auditor reviewed staffing levels at the California Department of Corrections and Rehabilitation (CDCR), the Department of Developmental Services (DDS), and the Department of State Hospitals (DSH). Per the direction of the Joint Legislative Audit Committee, this report focused on three facilities: the Department of State Hospitals-Atascadero (Atascadero), which DSH oversees; the Porterville Developmental Center (Porterville), which DDS oversees; and Salinas Valley State Prison (Salinas Valley), which CDCR oversees.

The audit found that over five years, the vacancy rates at these three facilities had increased. To address the vacancies, the facilities had to increase their use of contract workers, which costs “more per hour than their state civil service counterparts, even after taking into account the non-wage costs associated with state civil service employment, such as benefits.” The contract workers also had two to three years less tenure than state employees in the same classification which resulted in a need for additional training and time. The Auditor also found that CDCR, DDS, and DSH do not have a formal process for reporting their shift-staffing minimums, ‘which are critical to ensuring the provision of legally required levels of care.’...

To promote transparency, accountability, and oversight, the Auditor recommended all three Departments immediately require their facilities to track and report publicly their staffing levels with explanations for any missed minimums. AB 2367 builds on the Auditor’s recommendation and will require state-run healthcare facilities to report on a quarterly basis their staff vacancy, overtime, and contract data, with additional breakdowns by classification, facility, and others as specified.”

3. Proponent Arguments:

SEIU California, a co-sponsor of the measure, argues:

“Across California, our members see firsthand the impact of chronic understaffing in public healthcare settings. Workers are routinely asked to take on excessive overtime, often on a mandatory basis, while departments increasingly turn to costly contract staff to fill gaps. This approach is not sustainable and undermines continuity of care, institutional knowledge, and patient outcomes.

The need for better oversight is well documented. A recent audit by the California State Auditor found that state facilities have experienced rising vacancy rates and have relied more heavily on contract workers, often at significantly higher cost than civil service employees. The audit also highlighted gaps in workforce planning and the lack of consistent data needed to evaluate staffing decisions.

AB 2367 responds directly to these concerns by establishing standardized reporting requirements. By ensuring the Legislature, the public, and stakeholders have access to consistent and detailed staffing data, this bill will support better decision-making and help the state prioritize investments in its civil service workforce.

For SEIU California, this is about accountability and making sure public dollars are used wisely. It is also about supporting the workers who keep these facilities running and ensuring Californians receive the quality care they deserve.”

SEIU Local 1000, also a co-sponsor, argues:

“Our SEIU Local 1000 members have continued to provide care within these healthcare facilities through years of excessive mandatory overtime, low staffing levels, and the COVID-19 pandemic. These departments listed have increasingly relied on contractors to complete work where civil service employees like our Bargaining Unit(s) 17 and 20 workers could be completing 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. AB 2367 establishes reporting requirements and guidelines to ensure that the contracts state healthcare facilities have or will newly establish will be reported to the Legislature. This bill will also support our workers by providing information on vacancies and overtime data to help our members, the public, and the Legislature understand the staffing shortages present within the system. All this data will support the work of committees such as the Committee on Accountability Oversight.”

4. Opponent Arguments:

None received.

5. Prior Legislation:

AB 2223 (Lowenthal, 2026) would 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. *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

Service Employees International Union California (Co-sponsor)
Service Employees International Union California Local 1000 (Co-sponsor)

OPPOSITION

None received

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