THIRD READING

Bill No: AB 2367
Author: Kalra (D)
Amended: 3/19/26 in Assembly
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 5-0, 7/1/26
AYES: Smallwood-Cuevas, Strickland, Cortese, Durazo, Laird

SENATE APPROPRIATIONS COMMITTEE: 6-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson
NO VOTE RECORDED: Wahab

ASSEMBLY FLOOR: 78-0, 5/26/26 - See last page for vote

SUBJECT: State employment: reporting: health facilities

SOURCE: Service Employees International Union California
Service Employees International Union California Local 1000

DIGEST: 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) 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)

12) 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

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.

[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.

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.

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.

Related/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 was held in the Senate Appropriations Committee.*

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- CDCR estimates that the bill would result in annual costs in the low millions of dollars for additional staffing and workload to collect, compile, coordinate, and report quarterly facility-level data on vacancies, overtime, registry staffing, and staffing shortfalls. It is unclear whether the reporting requirements apply only to health care staff or also include custody staff assigned to health care settings. To the extent custody staff are included, workload and costs could increase. CDCR also notes that requests for this information can be addressed through the collective bargaining process.

- DDS would incur first-year costs of $542,000 ($434,000 General Fund) in 2025-26, and $1.1 million annually thereafter ($867,000 General Fund), to implement the provisions of the bill. DDS indicates that the required data are currently maintained across multiple systems, including manual and paper-based processes with limited system integration. Although the department periodically reviews this information for operational purposes, the bill's detailed quarterly reporting requirements would create significant new workload that cannot be absorbed within existing resources. DDS estimates it would require 5.5 additional positions to collect, aggregate, and prepare the required facility-level reports.

- CalVet indicates one-time implementation costs of approximately $6.8 million to develop, implement, and deploy a new information technology system capable of collecting, integrating, validating, and reporting workforce data from multiple systems, generating the required quarterly reports, and publishing the information on the department's website. Ongoing annual costs are estimated at approximately $3.6 million for system maintenance, software licensing, hosting, technical support, and information technology staff, plus an additional $120,000 to $250,000 annually for analyst positions at the Veterans Homes to support ongoing data collection, validation, compliance, analysis, and quarterly reporting.

- The bill would result in ongoing General Fund costs of $3.7 million (General Fund) annually for DSH to hire 25 additional positions to collect, manage, analyze, and report the data required by the bill. Although DSH currently collects much of the required information for certain clinical and nursing classifications, it does not track comparable data for many other employee classifications. DSH indicates the bill could require tracking data for approximately 400 classifications and nearly 13,000 employees across its state hospitals, including food service, police, general services, and plant operations staff. Because much of the existing data collection is manual and occurs independently at each hospital, DSH states it would need to establish dedicated reporting units at each facility, along with centralized analytical and information technology support, to comply with the bill's quarterly reporting requirements.

SUPPORT: (Verified 8/13/26)

Service Employees International Union California (co-source)
Service Employees International Union California Local 1000 (co-source)
American Federation of State, County and Municipal Employees

OPPOSITION: (Verified 8/13/26)

None received

ARGUMENTS IN SUPPORT: SEIU Local 1000, a co-source, 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."

ASSEMBLY FLOOR: 78-0, 5/26/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark

González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Muratsuchi, Celeste Rodriguez

Prepared by: Emma Bruce / L., P.E. & R. / (916) 651-1556
8/14/26 11:51:05

****** END ******