
THIRD READING

Bill No: AB 393
Author: Connolly (D) and Addis (D)
Amended: 9/3/25 in Senate
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 6/18/25
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird
NOES: Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/29/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 62-7, 6/2/25 - See last page for vote

SUBJECT: Personal services contracts: state employees: physician and psychologist positions

SOURCE: American Federation of State, County and Municipal Employees
Union of American Physicians and Dentists

DIGEST: This bill requires the California Department of Corrections and Rehabilitation (CDCR) and the Department of State Hospitals (DSH) to take specified actions before entering into a personal services contract to fill a Bargaining Unit 16 (BU-16) physician position or a Bargaining Unit 19 (BU-19) psychologist position.

Senate Floor Amendments of 9/3/25 correct a drafting error.

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. (California Constitution (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) 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.)
- 5) 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))
- 6) 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))

- 7) 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)
- 8) 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)
- 9) 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)
- 10) 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)
- 11) 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 requires CDCR and DSH, before entering into a personal services contract to fill a BU-16 physician position, including a psychiatrist, or a BU-19 psychologist position, to do all of the following:

- a) Prepare an analysis comparing the hourly cost of a contractor to a civil service BU-16 physician or BU-19 psychologist:

- i) Specifies that for purposes of the above-mentioned analysis, the applicable department shall utilize current civil service physicians or psychologists set forth in the collective bargaining agreements between the State of California and BU-16 or BU-19 when arriving at the cost of civil service physicians or psychologists.
- b) Utilize an available civil service physician or psychologist before hiring a contractor, if the cost of the contractor exceeds that of a civil service physician or psychologist.
- c) Provide a report, no later than January 15 of each year, to BU-16, BU-19, the Senate Committee on Budget and Fiscal Review, and the Assembly Committee on Budget:
 - i) Specifies the report shall contain details regarding the number of required analyses completed in the prior fiscal year, the number and cost of contractors employed, and the number of civil service physicians and psychologists utilized in extra shifts and the cost thereof.

Background

BU-16. BU-16 represents roughly 1,700 state physicians, surgeons, and psychiatrists who work in institutionalized settings, such as prisons and state hospitals. Nearly three-fourths of these employees work for CDCR, CCHCS, or DSH. BU-16's current memorandum of understanding (MOU) went into effect on July 1, 2025 and expires on July 1, 2028. The Union of American Physicians and Dentists (UAPD) represents BU-16.

According to a recent CalHR compensation study, both the wages and total compensation earned by state dentists and family medicine physicians are significantly above market. However, state psychiatrists' compensation is about 6 percent below market when comparing total compensation. The Legislative Analyst's Office (LAO) estimates a vacancy rate of about 46 percent among psychiatrists. Among the factors contributing to this high vacancy rate are an increase in authorized positions and high turnover.

Bargaining Unit 19 (BU-19). BU-19 represents roughly 5,700 state health and social services professionals, including psychologists and rehabilitation therapists. Nearly three-fifths of these employees work for either CDCR or DSH. BU-19's current MOU went into effect on July 1, 2025 and expires on June 30, 2028. The

American Federation of State, County and Municipal Employees represents BU-19.

SPB and Personal Services Contracts. Existing law establishes strict standards for the use of personal services 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.

Related/Prior Legislation

AB 339 (Ortega, 2025) would require public agencies regulated by the Meyers-Milias-Brown Act (MMBA) to give a recognized employee organization no less than 60 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 339 is pending on the Senate Floor.*

AB 775 (Arambula, 2024) would have amended existing law authorizing state agencies to use personal services contracts under specified circumstances to require the DSH to establish a physician registry for the Patton State Hospital under a three-year pilot program. *This bill was held in Senate Appropriations 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 in Assembly Appropriations Committee.*

SB 422 (Pan, 2022, Vetoed) 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. *The Governor vetoed the bill stating:*

“This bill is unclear on implementation and does not demonstrate how it would significantly reduce DSH’s reliance on contractors. While I am supportive of ideas to reduce state reliance on contractors, the creation of the registry and the determination of associated compensation are matters that are more appropriately handled through the budget and labor negotiations processes.”

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.*

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

According to the Senate Appropriations Committee:

- CDCR indicates that it would incur annual General Fund costs in the low millions of dollars to implement its provisions of the bill (see Staff Comments).
- DSH anticipates that this bill would result in increased annual General Fund administrative costs of \$572,000.

SUPPORT: (Verified 9/3/25)

American Federation of State, County and Municipal Employees (Co-source)
Union of American Physicians and Dentists (Co-source)
California Association of Psychiatric Technicians
California Neurology Society

OPPOSITION: (Verified 9/3/25)

None received

ARGUMENTS IN SUPPORT:

“Historically, California has contracted out civil service positions within the California Department of Corrections and Rehabilitation (CDCR) and California Correction Health Care Services (CCHCS) at exorbitant rates that are two to three times the average compensation for civil service positions within the department.

For example, in a 2020 ruling the California State Personnel Board found that CCHCS had failed to justify several contracts and violated the prohibition on state agencies contracting out work that civil service employees can perform adequately and competently. The Board found that ‘even if considerable effort is necessary in order to recruit civil service staff, CCHCS is legally obligated to do so.’ In one of the contracts, the board found that ‘CCHCS knew...staffing levels were inadequate to service the needs of the prison inmate population, yet it did not take any action to obtain addition positions. Instead, it resorted to a private contractor to fill its needs at a higher cost.’

AB 393 will help promote a more effective and cost-saving use of civil service physicians and psychiatrists within the most recent MOU. This bill also contains a robust reporting requirement that will allow both BU-16 and BU-19 physicians and psychologists, CDCR, and the Legislature to evaluate the cost-effectiveness of current practices regarding contracting out for physicians within CDCR”

ASSEMBLY FLOOR: 62-7, 6/2/25

AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio, Dixon, Ellis, Gallagher, Hadwick, Macedo, Sanchez

NO VOTE RECORDED: Alanis, Castillo, Chen, Flora, Jeff Gonzalez, Hoover, Lackey, Patterson, Tangipa, Wallis

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