

GOVERNOR'S VETO
AB 393 (Connolly and Addis)
As Enrolled September 11, 2025
2/3 vote

SUMMARY

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.

- 1) Require the CDCR and DSH, as applicable, to prepare an analysis comparing the hourly cost of a contractor to a civil service BU 16 physician or BU 19 psychologist.
- 2) Require, for purposes the aforementioned analysis, the CDCR and DSH, as applicable, to utilize current civil service physicians or psychologists set forth in the collective bargaining agreement between the State and BU 16 when arriving at the cost of civil service physicians or psychologists.
- 3) Provide that if the cost of a contractor exceeds that of a civil service physician or psychologist, the applicable department must utilize an available civil service physician or psychologist before hiring a contractor.
- 4) Require the CDCR and DSH to provide a report no later than January 15 each year to BU 16, Bu 19, the Senate Committee on Budget and Fiscal Review, and the Assembly Committee on Budget, and the report to: a) contain details regarding the number of required analyses completed in the prior fiscal year; b) the number and cost of contractors employed; and, c) the number of civil service physicians utilized in extra shifts, including costs. In addition, the report must be submitted to the legislative committees pursuant to existing law.

Governor's Veto Message

"While I am supportive of the ideas to reduce state reliance on contracts, 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."

COMMENTS

Bargaining Units 16 and 19

BU 16 represents approximately 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 the CDCR, California Correctional Health Care Services CCHCS, or the DSH. Represented by the Union of American Physicians and Dentists, AFL-CIO, BU 16's current memorandum of understanding (MOU) became effective on July 1, 2025 and expires on July 1, 2028. 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% 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.

BU 19 represents approximately 5,700 state health and social services professionals, including psychologists and rehabilitation therapists. Nearly three-fifths of these employees work for either the CDCR or the DSH. Represented by the American Federation of State, County and Municipal Employees, AFL-CIO, BU 19's current MOU became effective on July 1, 2025 and expires on June 30, 2028.

The State Personnel Board (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. However, contracts intended to achieve cost savings are only permissible if certain specified 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 satisfactorily performed 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 must not become effective unless the SPB grants its approval.

This Bill

This bill proposes to address long-standing operating, financial, and documented issues relating to contracting out at the CDCR and DSH regarding physicians and psychologists positions to achieve state budgetary savings; thus, generating taxpayer savings, while maintaining continuity in the standards of care for those under the charge of the CDCR and DSH, respectively.

Please see the various policy committee analyses for a full discussion of this bill.

According to the Author

"[This bill] 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, [the] CDCR, [the DSH], and the Legislature to evaluate the cost-effectiveness of current practices regarding contracting out..."part, the American Federation of State, County and Municipal Employees, AFL-CIO, states that, "[...] to fill gaps in vacancies, the state has relied on contracting out the work traditionally done by staff to outside contractors at three times the amount of the rate it pays its

civil service employees. This pervasive outsourcing has continued for so long that the size and the true costs of this hidden workforce are now unknown and have mushroomed beyond any intent of the Legislature. The state's reliance on outsourced medical and mental health contractors has reached an alarming point of abuse. While the state has always utilized private contractors, its reliance spiked to an all-time high during the COVID-19 pandemic. Regrettably, even after the state of emergency concluded, the utilization of private physicians, psychiatrists, nurses, licensed clinical social workers, and psychiatric technicians persisted, indicating a sustained trend that necessitates rectification. Furthermore, the state employee unions operating within [the] CDCR and DSH have encountered challenges in obtaining accurate information concerning the use of private sector medical and mental health staff. This includes data on the cost comparison between outsourced staff and their state employee counterparts and the quality-of-care metrics employed to evaluate the effectiveness of contracted employees. The need for transparency and comprehensive data is crucial to informed decision-making and optimizing the effectiveness of our healthcare services."

Arguments in Support

In part, the American Federation of State, County and Municipal Employees, AFL-CIO, states that, "[...] to fill gaps in vacancies, the state has relied on contracting out the work traditionally done by staff to outside contractors at three times the amount of the rate it pays its civil service employees. This pervasive outsourcing has continued for so long that the size and the true costs of this hidden workforce are now unknown and have mushroomed beyond any intent of the Legislature. The state's reliance on outsourced medical and mental health contractors has reached an alarming point of abuse. While the state has always utilized private contractors, its reliance spiked to an all-time high during the COVID-19 pandemic. Regrettably, even after the state of emergency concluded, the utilization of private physicians, psychiatrists, psychiatrists, nurses, licensed clinical social workers, and psychiatric technicians persisted, indicating a sustained trend that necessitates rectification. Furthermore, the state employee unions operating within [the] CDCR and DSH have encountered challenges in obtaining accurate information concerning the use of private sector medical and mental health staff. This includes data on the cost comparison between outsourced staff and their state employee counterparts and the quality-of-care metrics employed to evaluate the effectiveness of contracted employees. The need for transparency and comprehensive data is crucial to informed decision-making and optimizing the effectiveness of our healthcare services.

Arguments in Opposition

None.

FISCAL COMMENTS

According to the Senate Committee on Appropriations, the CDCR indicates that it would incur annual General Fund costs in the low millions of dollars to implement its provisions, and the DSH anticipates that this bill would result in increased annual General Fund administrative costs of \$572,000.

VOTES

ASM PUBLIC EMPLOYMENT AND RETIREMENT: 6-0-1

YES: McKinnor, Alanis, Boerner, Elhawary, Garcia, Nguyen

ABS, ABST OR NV: Lackey

ASM APPROPRIATIONS: 11-1-3

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache

NO: Dixon

ABS, ABST OR NV: Sanchez, Ta, Tangipa

ASSEMBLY FLOOR: 62-7-10

YES: 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

NO: DeMaio, Dixon, Ellis, Gallagher, Hadwick, Macedo, Sanchez

ABS, ABST OR NV: Alanis, Castillo, Chen, Flora, Jeff Gonzalez, Hoover, Lackey, Patterson, Tangipa, Wallis

SENATE FLOOR: 29-10-1

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Stern

ASSEMBLY FLOOR: 60-9-11

YES: 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, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NO: DeMaio, Dixon, Ellis, Gallagher, Hadwick, Johnson, Macedo, Tangipa, Wallis

ABS, ABST OR NV: Alanis, Castillo, Chen, Flora, Jeff Gonzalez, Hoover, Lackey, Patterson, Ramos, Sanchez, Ta

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