

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

Susan Talamantes Eggman, Chair

AB 848 (McCarty) – As Amended April 19, 2017

SUBJECT: Public contracts: University of California: California State University: domestic workers

SUMMARY: Prohibits University of California (UC) and California State University (CSU) from contracting for services when the contract would displace UC or CSU career employees with workers outside of the United States (US). Specifically, **this bill:**

- 1) Requires contractors and subcontractors to certify under penalty of perjury in their bids that work will be performed solely with workers in the US.
- 2) Prohibits UC and CSU from training contract employees in foreign countries or those who plan to relocate abroad as part of the contract, if it would displace their career employees.
- 3) Requires the contract to be terminated if the contractor or subcontractor uses workers outside of the US during the life of the contract, if that contract displaces a career employee, and sets a method for calculating penalties.
- 4) Exempts UC and CSU study abroad programs from the requirements of this bill.
- 5) Exempts contracts from the requirements of this bill if they would violate a specified World Trade Organization Agreement.

EXISTING LAW:

- 1) Requires a state agency to comply with specified procedures in awarding agency contracts.
- 2) Prohibits, with specified exceptions, a state agency authorized to enter into contracts relating to public benefit programs from contracting for services provided by a call center that directly serves applicants for, recipients of, or enrollees in, those public benefit programs unless the contractor or subcontractor certifies in its bid for the contract that the contract, and any subcontract performed under that contract, will be performed solely with workers employed in California.
- 3) Imposes a civil penalty for knowingly providing false information in the above certification.
- 4) Requires the contract to include a clause providing for a right by the state to terminate the contract for noncompliance if the contractor or subcontractor performs the contract or the subcontract with workers not employed in California during the life of the contract.

FISCAL EFFECT: Unknown

COMMENTS: This bill prohibits UC and CSU from contracting for services abroad that would displace their career employees. Contractors and subcontractors would be required to certify under penalty of perjury that work will be performed solely by workers in the US.

According to the sponsors, this bill is meant to combat the offshoring of US jobs. Sponsors note instances in which the University of California San Francisco (UCSF) has entered into contracts that included workers outside of the US.

In 2016, UCSF entered into information Technology (IT) contracts with outside vendors that included foreign workers. According to a UCSF statement, the university expects to save more than \$30 million over five years through this approach, which resulted in the loss of 49 UCSF career positions as well as the elimination of additional vacant positions.

UCSF stated that it gave career employees six months of notice of the intention to terminate and provided them job placement assistance, including access to other positions within the UC system.

The author explains that this contract set a dangerous precedent and that the state should not fund work abroad at the expense of California jobs. According to the author, " AB 848 will hold our public higher education segments accountable by preventing the offshoring of middle class jobs to foreign countries. Taxpayer dollars should be used to support jobs in California and in the U.S., not foreign countries."

In addition to banning contracts for work abroad, this bill prohibits UC or CSU from training contract employees in foreign countries or those who plan to relocate abroad if doing so would displace career employees.

If a contractor or subcontractor does use workers outside of the US during the term of the contract, this bill requires the contract to be terminated for noncompliance. Additionally, contractors and subcontractors would have to pay penalties to the respective university equal to the amount paid by the university for the percent of work performed with workers outside of the US.

This bill exempts requirements for UC and CSU study abroad programs, which by their nature involve workers outside of the US.

The current version of this bill incorporates amendments agreed to in the Assembly Higher Education Committee that narrowed the application of requirements. Those amendments prohibit contracts that would displace career employees only, and exempt study abroad programs.

DOUBLE REFERRAL: This bill was heard in the Assembly Committee on Higher Education on April 18, 2017, with a vote of 8-4.

REGISTERED SUPPORT / OPPOSITION:

Support

California State University Employees Union – SEIU Local 2579 (sponsor)
University Professional and Technical Employees – CWA Local 9119 (sponsor)
California Labor Federation, AFL-CIO
Communications Workers of America, 9th District

Opposition

None on file.

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