

California State Assembly



Agenda

Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Thursday, May 16 2024

Upon Adjournment of Session – State Capitol, Room 447

Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

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Items To Be Heard

7730 Franchise Tax Board

Issue 1: Tax Agencies Proposals

The May Revision proposes to temporarily suspend Net Operating Losses (NOL) use for medium and large businesses and limits business credit use to \$5 million per year for tax years 2025, 2026, and 2027. Businesses with less than \$1 million in taxable income will be exempt from the NOL suspension and all businesses will be able to use their credits up to \$5 million per year. The solution is subject to a trigger whereby if cumulative cash receipts for the Big 3 taxes exceed the 2024 Budget Act forecast by three percent or more from May 2024 to April 2025, it will not take effect. If it takes effect in May 2025, this NOL suspension and credit limitation would exactly mirror the criteria and parameters of the 2020 and 2021 NOL suspension and credit limitation.

The May Revision also proposes to reject the January proposal on NOLs.

Summary of May Revise Budget Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Duration
438	Net Operating Losses Suspension and Limitation of Credits to \$5 million	Limited Term (multiple years)			900.0	5,500.0	5,900.0	3,600.0	Revenue/Borrowing
439	Rejection of Governor's Budget Proposal to Permanently Limit Net Operating Losses to 80 Percent of Taxable Income	Limited Term (multiple years)			-300.0	-200.0	-200.0	-200.0	Revenue/Borrowing

New Trailer Bill Proposals

- Net Operating Losses** - This solution temporarily suspends Net Operating Losses (NOL) use for medium and large businesses and limits business credit use to \$5 million per year for tax years 2025, 2026, and 2027. Businesses with less than \$1 million in taxable income will be exempt from the NOL suspension and all businesses will be able to use their credits up to \$5 million per year. The solution is subject to a trigger whereby if cumulative cash receipts for the Big 3 taxes exceed the 2024 Budget Act forecast by three percent or more from May 2024 to April 2025, it will not take effect. If it takes effect in May

2025, this NOL suspension and credit limitation would exactly mirror the criteria and parameters of the 2020 and 2021 NOL suspension and credit limitation.

- **Apportionment Factor Fix** - The May Revision proposes trailer bill language to clarify existing law that when a corporation receives income that is excluded from taxable business income, then it must exclude this income from its apportionment factor formula.
- **California Disaster Tax Relief** – The May Revision proposes trailer bill language to allow the Director of Finance to determine whether a taxpayer is affected by a state of emergency, when determining whether the postponement of certain tax-related deadlines applies to a taxpayer.
- **Income Threshold Fix** – The Governor’s May Revision proposes trailer bill language that would align the maximum earned income thresholds for the California Earned Income Tax Credit (CalEITC), the Young Child Tax Credit (YCTC), and the Foster Youth Tax Credit (FYTC). This technical fix would ensure the YCTC and FYTC maximum earned income thresholds are adjusted to that of the CalEITC. Implementing this change will reduce confusion among tax payers and simplify the process of claiming these credits

Budget Bill Language Proposals

- **Employee Compensation** - It is requested that various Items be increased by a total of \$1,888,000 ongoing to reflect revised employee compensation costs for the Franchise Tax Board (FTB).
 - Item 7730-001-0001 be increased by \$1,797,000 and reimbursements be increased by \$30,000
 - Item 7730-001-0044 be increased by \$7,000
 - Item 7730-001-0064 be increased by \$17,000
 - Item 7730-001-0242 be increased by \$37,000
- **Staff Benefits** - It is requested that various Items be increased by a total of \$749,000 ongoing to reflect revised employee benefit costs for FTB.
 - Item 7730-001-0001 be increased by \$719,000 and reimbursements be increased by \$9,000
 - Item 7730-001-0044 be increased by \$2,000
 - Item 7730-001-0064 be increased by \$5,000
 - Item 7730-001-0242 be increased by \$14,000
- **Enterprise Data to Revenue 2 Reappropriation** - It is requested that Item 7730-490 be added to extend the encumbrance period of funding allocated in the 2023 Budget Act for the Enterprise Data to Revenue 2 project. Specifically, this would extend \$31,286,000 of Item 7730-001-0001, Budget Act of 2023 from June 30, 2024 to June 30, 2025. These

funds will be used for necessary project work that was unanticipated and for vendor compensation payments.

- High-Speed Printer Reappropriation - It is requested that Item 7730-490 be added to extend the encumbrance period for funding needed to replace the high-speed printer systems and software that FTB uses to print FTB's notices, bills, and correspondence. The extended encumbrance would be for \$2,232,000 from Items 7730-001-0001, 7730-001-0044, 7730-001-0064, and 7730-001-0242, Budget Act of 2023 and would extend the encumbrance period from June 30, 2024 to June 30, 2025.
- California ALS Research Contribution Fund - It is requested that Item 7730-001-8139 be added in the amount of \$6,000 ongoing for the FBA to administer this voluntary contribution fund.

7760 California Department of Tax and Fee Administration

Tax Agency Proposals

Budget Bill Language Proposals

- Reversion of Anticipated Salary Savings - It is requested that Item 7600-495 be added to revert \$20 million from California Department of Tax and Fee Administration’s 2023 Budget Act appropriation. The savings reflects anticipated personal services savings.

- Employee Compensation - It is requested that the following items be increased by a total of \$1,155,000 ongoing to reflect revised employee compensation costs.
 - Item 7600-001-0001 be increased by \$622,000
 - Item 7600-001-0022 be increased by \$1,000
 - Item 7600-001-0061 be increased by \$58,000
 - Item 7600-001-0070 be increased by \$2,000
 - Item 7600-001-0080 be increased by \$1,000
 - Item 7600-001-0230 be increased by \$2,000
 - Item 7600-001-0320 be increased by \$1,000
 - Item 7600-001-0387 be increased by \$1,000
 - Item 7600-001-0439 be increased by \$7,000
 - Item 7600-001-0623 be increased by \$4,000
 - Item 7600-001-0965 be increased by \$4,000
 - Item 7600-001-3015 be increased by \$1,000
 - Item 7600-001-3058 be increased by \$2,000
 - Item 7600-001-3065 be increased by \$6,000
 - Item 7600-001-3067 be increased by \$15,000
 - Item 7600-001-3212 be increased by \$1,000
 - Item 7600-001-3270 be increased by \$1,000
 - Item 7600-001-3301 be increased by \$2,000
 - Item 7600-001-3366 be increased by \$1,000
 - Item 7600-501-3304 be increased by \$3,000
 - Item 7600-501-3319 be increased by \$14,000
 - Item 7600-501-3333 be increased by \$19,000
 - Item 7600-501-0995 be increased by \$387,000

- Staff Benefits - It is requested that the following items be increased by a total of \$458,000 ongoing to reflect revised employee benefit costs.
 - Item 7600-001-0001 be increased by \$248,000
 - Item 7600-001-0061 be increased by \$23,000
 - Item 7600-001-0070 be increased by \$1,000
 - Item 7600-001-0230 be increased by \$1,000
 - Item 7600-001-0439 be increased by \$3,000
 - Item 7600-001-0623 be increased by \$2,000
 - Item 7600-001-0965 be increased by \$1,000
 - Item 7600-001-3058 be increased by \$2,000
 - Item 7600-001-3065 be increased by \$2,000
 - Item 7600-001-3067 be increased by \$6,000
 - Item 7600-001-3301 be increased by \$1,000
 - Item 7600-501-3304 be increased by \$1,000
 - Item 7600-501-3319 be increased by \$5,000
 - Item 7600-501-3333 be increased by \$7,000
 - Item 7600-501-0995 be increased by \$155,000

Chaptered Bills Implemented in May Revision

- Firearms and Ammunition Excise Tax (AB 28) - It is requested that Item 7600-001-3437 be added in the amount of \$1,200,000 ongoing to allow the California Department of Tax and Fee Administration to administer the firearms and ammunition excise tax imposed by Chapter 231, Statutes of 2023 (AB 28).

Panel

- Colby White, Principal Program Budget Analyst, Department of Finance
- Chris Hill, Department of Finance
- Nicholas Thomas, Staff Finance Budget Analyst, Department of Finance
- Robin Finnestead, Staff Finance Budget Analyst, Department of Finance
- J.T. Creedon, Finance Budget Analyst, Department of Finance
- Brian Uhler, Deputy Legislative Analyst, Legislative Analyst’s Office
- Seth Kerstein, Economist, Legislative Analyst’s Office

LAO Comments

Suspending Credits Worth Consideration. Business tax credits can and should be evaluated as spending programs. From this perspective, it seems difficult to justify maintaining business credits in full at a time when meaningful spending reductions are being considered in other areas of the budget. While promoting private research or maintaining Hollywood’s centrality in the film industry may be worthwhile goals in general, it is not clear they are core state responsibilities which should be prioritized in the current budget environment. Further, some credits, such as the research and development credit, are awarded with limited legislative oversight. If, analogously, a proposal was before the Legislature to spend over \$1 billion on research grants with fairly limited information about the recipients or the specific activities to be funded, it would be difficult to justify adopting it at the moment.

Suspension of Net Operating Loss Deductions Raises Concerns. While the suspension of NOL deductions has been a go to budget solution for decades, the frequency with which this approach has been used is now starting to raise questions. Should the Governor’s proposal take effect, the state will have disallowed NOL deductions in nearly half of years between 2008 and 2027. At this rate, it seems reasonable to ask whether suspensions have begun to meaningfully undermine the purpose of allowing NOL deductions in the first place. Unlike tax credits, which are ancillary to the state’s tax system, NOL deductions are a more fundamental element aimed at ensuring taxes are levied fairly and equitably. It is not clear that the equitable treatment of taxpayers should vary with the ups and downs of the economic cycle.

Consider Alternatives. Given our concerns with suspending NOL deductions, we suggest the Legislature consider alternative ways to raise revenues should it wish to pursue revenue solutions. As we discussed in an [earlier publication](#), one place to look for alternatives is the scaling back of other tax expenditures, including those under the personal income tax. Another option is a temporary corporation tax rate increase. Pairing a suspension of business credits with a temporary rate increase of 1.5 percentage points (from 8.84 to 10.34) would raise a roughly similar amount of revenue as the Governor’s proposal. Such an approach could even be combined with future temporary rate reductions, which would allow business to recoup some of their temporary tax payments in future years. This would mirror one of the beneficial aspects of NOL suspensions, which is that businesses often can defer the disallowed NOL deductions to future years and reduce their future taxes.

Staff Comments

Staff commends the administration for developing a practical solution to the extended IRS tax extensions of recent years. The proposed trailer bill balances the executive branch’s power to decouple state tax deadlines from extended federal extensions in the future with the need to provide those most harmed by disasters with needed tax relief.

With regard to the NOL deductions and tax credits, this proposal is one of the largest budget balancing proposals in the May Revision. Not adopting it requires more difficult cuts, alternative tax increases, more borrowing, and/or more use of reserves. Some members, however, note that the repeated use of this suspension policy may harm technology and biotechnology companies’ efforts to plan future research efforts in California.

0650 Office of Planning and Research

Issue 2: Office of Planning and Research: Department Reorganization and May Revision Proposals

**Climate-related proposals under the Office of Planning and Research will be considered through the Assembly Budget Subcommittee No. 4. Climate Crisis, Resources, Energy and Transportation*

Summary of May Revise Budget Solutions:

Issue #	Title	Duration	2023-24	2024-25	2025-26	2026-27	2027-28	Category
215	Adjust Support for the California Education Learning Lab	Ongoing		5.5	5.5	4.0	4.0	Reductions
216	Pull-Back Golden State Award One-Time Funds	one-time		9.9				Reductions
304	College Corps Program	Limited Term (multiple years)		10.0	10.0			Reductions
305	Office of Community Partnerships and Strategic Communications	Limited Term (multiple years)		42.0	42.0			Reductions
306	Youth Corps Program	Ongoing		10.0	10.0	10.0	10.0	Reductions
307	Neighbor-to-Neighbor Program	Limited Term (multiple years)		5.0	10.0			Reductions
308	Youth Empowerment Commission	Limited Term (multiple years)					1.5	Reductions

May Revision Adjustments and Budget Change Proposals

- **Department Reorganization:** Proposes that the following programs be moved from the Governor’s Office of Planning and Research to other state entities, including a new proposed “Governor’s Office of Service and Community Engagement” to allow the department to focus on its core responsibilities:
 - California Volunteers to the new Governor’s Office of Service and Community Engagement
 - Office of Community Partnerships and Strategic Communications to the new Governor’s Office of Service and Community Engagement
 - Youth Empowerment Commission to the new Governor’s Office of Service and Community Engagement
 - Jobs First Unit to the Governor’s Office of Business and Economic Development
 - Zero Emissions Vehicle Program to the Governor’s Office of Business and Economic Development
 - California Initiative to Advance Precision Medicine to the Health and Human Services Agency

- **Governor’s Office of Service and Community Engagement.** As noted above, the May Revision establishes a new “Governor’s Office of Service and Community Engagement” and transfer OPR’s California Volunteers, Office of Community Partnership and Strategic Communications, and Youth Empowerment Commission to this new office. The May Revision also proposes the following reductions to programs currently administered by OPR:
 - **Youth Corps Program:** Proposes a decrease of \$10 million ongoing.
 - **Neighbor-to-Neighbor Program:** Proposes a decrease of \$5 million in 2024-25 and \$10 million in 2025-26.
 - **Californians for all College Service Program:** Proposes a decrease of \$10 million in 2024-25 and 2025-26.
 - **Office of Community Partnership and Strategic Communications:** Proposes a decrease of \$42 million in 2024-25 and 2025-26.

- **Youth Empowerment Commission:** Proposes a decrease of \$1.5 million in 2027-28 and ongoing.
- **California Education Learning Lab:** Proposes a decrease of \$5.5 million in 2024-25 and 2025-26, and \$4 million in 2026-27 and ongoing.
- **Golden State Awards:** Proposes reverting \$9.9 million for the Golden State Awards program included in the 2022 Budget Act.
- **Administrative Workload:** Provides \$977,000 General Fund and 6.0 positions ongoing to address increased administrative workload associated with the transition to civil service as approved in the 2023 Budget Act.
- **Information Technology Unit:** Proposes \$3.7 million ongoing General Fund to establish a baseline budget for Information Technology infrastructure needs. The 2023 Budget Act included resources for the Governor's Office of Planning and Research to establish an Information Technology Unit to assume responsibility of information technology services that were previously provided by the Governor's Office.
- **Wood Products Innovation Reappropriation:** Reappropriates up to \$130,000 from the 2023 Budget Act to develop wood feedstock pilot to allow staff to manage existing contracts in 2024-25.
- **Racial Equity Commission's Framework Deadline Extension:** Proposes statutory changes be made to extend the deadlines for reporting requirements for the Racial Equity Commission. The statutory changes will be posted on the Department of Finance website.
- **CEQA Notices: Chapter 860, Statutes of 2023 (SB 69):** Proposes \$392,000 General Fund and 2.0 positions ongoing.
- **CEQA Judicial Streamlining (SB 7 and SB 149):** This budget change proposal was included in the January Governor's budget, and requests 9.0 positions and \$2,312,000 General Fund in FY 2024-25 through FY 2033-34 to implement the newly adopted and newly renewed judicial streamlining provisions in the Public Resources Code for certain infrastructure and environmental leadership development projects. SB 149 (2023) provides judicial streamlining to CEQA projects meeting defined environmental criteria and contributing critical infrastructure to the state and extends the judicial streamlining for environmental leadership projects previously established under SB 7 (2021).

Trailer Bill:

- *Department Reorganization and Establish the Governor's Office of Service and Community Engagement:* Language for this trailer bill is listed as “pending” at the time of writing.

Panel

- Emma Jungwirth, Department of Finance
- Henry Ng, Department of Finance
- Luke Koushmaro, Legislative Analyst’s Office

LAO Comments

Reorganizing OPR Could Have Merit.... Given the many new responsibilities the state has tasked to the office in recent years—such as to administer a wide range of programs across various policy areas, issue grants, and implement legislation—reorganizing OPR could have some advantages. For example, reassigning certain responsibilities to established state departments led by appointed leaders confirmed by the Senate and staffed by civil service employees could improve accountability and transparency. In addition, a reorganization could better align functions with agencies that might have relevant subject matter expertise.

...But the May Revise Proposal Provides Little Time to Review... Proposing a significant reorganization proposal in May gives the Legislature little time to review its merits, implications, associated trade-offs, and potential alternatives. Careful consideration of any realignment of activities is particularly important because many of OPR’s activities relate to legislative priorities such as addressing climate change impacts and helping to oversee CEQA implementation.

...And Likely Comes With Costs. Moreover, while we are still reviewing information the administration has provided, the time line does not allow for us or the Legislature to conduct a robust analysis of how the proposed reorganization would be implemented or associated costs. Based on past reorganizations of state departments, we anticipate that reassigning staff and responsibilities and creating a new office likely would have costs such as establishing a leadership team, relocating staff, purchasing new equipment, and covering administrative functions, and we are not yet clear on whether the administration has fully accounted for these costs. Conducting such an analysis is a particularly important step given the budget deficit and insufficient funds to meet existing state commitments.

Recommendation. We recommend the Legislature reject the proposal without prejudice at this time. To the extent the Legislature is interested in considering a reorganization of the office in the future, it could direct the administration to either go through the Little Hoover process established in the California Constitution or submit a proposal with additional details either through the budget process next January or with a legislative sponsor through the policy process.

Staff Comments

The Subcommittee may wish to ask the following questions regarding the Department's reorganization:

1. What is the planned leadership structure for the Governor's Office of Service and Community Engagement?
2. What positions are being eliminated, if any, due to the transition?
3. What short-term or long-term savings are anticipated from this reorganization?
4. How will this reorganization change OPR's core mission and objectives?

8825 Commission on Asian and Pacific Island American Affairs

Issue 3: General Government May Revision Proposals

May Revision Adjustments and Budget Change Proposals:

- **General Support Operations:** Allocates \$374,000 in fiscal year 2024-25, and \$287,000 ongoing from the General Fund, to convert one temporary position to permanent and to support the Commission’s operating expenses for a physical office space.
- **Higher Education Workgroup Reappropriation:** Reappropriates \$1,250,000 General Fund from the 2021 Budget Act, to allow the Commission to continue to administer a higher education workgroup with the objective of improving student outcomes for underserved Asian and Pacific Islander American communities. This funding is available for encumbrance or expenditure until June 30, 2027.

8955 California Department of Veterans Affairs

General Government May Revision Proposals

May Revision Adjustments and Budget Change Proposals:

- **CalVet Electronic Health Record (CEHR) Reappropriation:** Reappropriates \$3,847,000 General Fund from the 2021 Budget Act, to cover contract costs for the Department’s Electronic Health Records project. The reappropriation will allow CalVet to continue to cover the costs for the project until June 30, 2025.
- **Allocation for Employee Compensation and Staff Benefits:** Provides \$96,000 ongoing to reflect revised employee compensation and staff benefits costs. Of the total amount, \$89,000 is for employee compensation costs and \$7,000 is for staff benefits.

0850 California State Lottery**General Government May Revision Proposals**

Trailer Bill: This trailer bill, included as part of the January Governor's budget package, eliminates references to the Department of the Youth Authority, reflecting the closure of all Juvenile Justice facilities in 2023.

0890 Secretary of State**General Government May Revision Proposals****May Revision Adjustments and Budget Change Proposals:**

- **Help America Vote Act: 2024 Election Security Federal Grant:** Appropriates \$2,373,000 Federal Trust Fund in 2024-25 to accept and expend federal funding grant awards, and provides \$475,000 General Fund in 2025-26 to meet the 20 percent state match requirement. This request will enable the Secretary of State to continue implementation of the statewide mandates of the Help America Vote Act of 2002.
- **Child Abduction Victim Access to Safe at Home: Chapter 243, Statutes of 2023 (AB 243):** Includes \$507,000 General Fund in 2024-25 and \$473,000 in 2025-26 and annually thereafter to implement the provisions of Chapter 642, Statutes of 2023 (AB 243), which expands the Safe at Home program eligibility to child abduction victims and their household members.
- **Elections - Double Voting: Chapter 642, Statutes of 2023 (AB 1539):** Provides 2 positions and \$479,000 (\$305,000 Business Fees Fund and \$174,000 General Fund) in 2024-25 and \$337,000 (\$215,000 Business Fees Fund and \$122,000 General Fund) in 2025-26 and annually thereafter to implement the provisions of Chapter 692, Statutes of 2023 (AB 1539). The bill prohibits a person from voting in an election in California and in an election in another state held on the same date. This requires the SOS to research, analyze, and/or investigate voter participation history data between voters both within the State of California and any other state for which a credible allegation of double voting exists.
- **Political Reform Education Program: Chapter 696, Statutes of 2023 (SB 29):** Appropriates \$303,000 General Fund in 2024-25 and \$293,000 in 2025-26 and annually thereafter to implement the requirements of Chapter 696, Statutes of 2023 (SB 29). The bill authorizes the establishment and administration of an education program as an alternative to administrative proceedings. If a person meets the requirements to

participate in and completes the program’s requirement, this bill exempts the person from receiving administrative, civil, or criminal penalties for the applicable violation of the Political Reform Act of 1974, as specified.

- **Remote Online Notarization: Chapter 291, Statutes of 2023 (SB 696):** Allocates \$6.3 million and 16.0 permanent positions in 2024-25, \$3.5 million and 6.0 permanent positions in 2025-26, \$5.1 million and 17.0 permanent positions in 2026-27, and \$5 million in 2027-28 and annually thereafter from the Business Fees Fund to implement SB 696, which authorizes California notaries to perform “online notarizations” also referred to herein as “remote online notarizations” using audio and video communication technology whether or not a principal is located within California borders.

0911 Citizens Redistricting Commission

General Government May Revision Proposals

May Revision Adjustments and Budget Change Proposals

- Proposes provisional budget bill language to allow the Citizens Redistricting Commission’s budget to be augmented to cover current year cost increases for services provided by the California Department of Technology and Department of General Services.

8640 Political Reform Act of 1974

General Government May Revision Proposals

May Revision Adjustments and Budget Change Proposals

- **Employee Compensation:** Provides \$3,000 ongoing to reflect revised employee compensation costs at the Franchise Tax Board (FTB) for this program.
- **Staff Benefits:** Provides \$1,000 ongoing to reflect revised employee benefit costs at the FTB for this program.

0950 State Treasurer's Office**General Government May Revision Proposals****Budget Bill Language and Budget Change Proposals**

- **Jesse Unruh Building Network Equipment Costs** - It is requested that Item 0950-001-0001 be increased by \$729,000 one-time to provide funding for information technology network equipment essential at the State Treasurer's renovated headquarters, the Jesse Unruh Building.
- **Electronic Subscription Services Contracting Language** - It is requested that provisional language be added to Item 0950-001-0001 to provide the State Treasurer a short-term exemption from certain statewide contracting requirements related to electronic subscription services. This will provide the State Treasurer with the flexibility to ensure the timeliness of these electronic subscription contracts and the Department of General Services the time to develop and implement updates to their electronic subscription purchasing process.

Add Provision 3 to Item 0950-001-0001 as follows:

3. Notwithstanding any other law, the Treasurer may enter into agreements for proprietary economic data, financial market data, credit ratings, research and risk analysis as required in connection with the Treasurer's duties pursuant to Section 16480.3 of the Government Code. The total amount of any single agreement shall not exceed \$300,000. This provision shall remain in effect through July 1, 2026, or shall become invalid upon implementation of a suitable updated electronic subscription purchasing process by the Department of General Services, whichever date is sooner.

- Additionally, the statutory change proposed at the Governor's Budget to amend Section 16480.3 of the Government Code related to contracting requirements is withdrawn.

0984 CalSavers Retirement Savings Board**General Government May Revision Proposals****Budget Bill Language Proposal**

- **Additional Start-up Loan Support** - It is requested that position authority for the CalSavers Retirement Savings Board be increased by 2 positions ongoing. This request is in conjunction with a General Fund loan and additional position authority proposed for

the CalSavers Retirement Savings Trust Administration Fund provided for in Item 0984-011-0001 proposed in the Governor’s Budget. This request allows the CalSavers Retirement Savings Board to support additional compliance, verification, and outreach workload as the program increases in scale and reaches financial self-sufficiency.

0840 State Controller

General Government May Revision Proposals

Budget Bill Language Proposal

- **California State Payroll System (CSPS) Project:** Includes \$1,985,000 General Fund and \$1,165,000 Central Service Cost Recovery Fund in fiscal year 2024-25 to support ancillary contracts required in the project implementation phase. Proposes a partial reappropriation of the unencumbered balance of the funding provided in the 2022 Budget Act as reappropriated in the 2023 Budget Act, related to the CSPS project.
- **California Department of Technology (CDT) Rate Increase Support—**It is requested that Item 0840-001-0001 be increased by \$511,000 in fiscal year 2024-25 and 2025-26, and Item 0840-001-0970 be increased by \$180,000 in fiscal year 2024-25 and 2025-26, and Item 0840-001-9740 be increased by \$311,000 in fiscal year 2024-25 and 2025-26, to support the increased operational costs associated with services provided by CDT.
- **Accounting Book of Record (BOR) and Annual Comprehensive Financial Report FI\$Cal Implementation—**It is requested that Item 0840-001-0001 be increased by \$6,009,000 in fiscal year 2024-25, \$83,000 in 2025-26, and \$83,000 in 2026-27, and Item 0840-001-9740 be increased by \$3,529,000 in fiscal year 2024-25, \$51,000 in 2025-26, and \$51,000 in 2026-27 to provide consulting services and one limited-term position for the State Controller’s Office’s BOR Functionality Migration to FI\$Cal.

1701 Department of Financial Protection and Innovation

General Government May Revision Proposals

- **May Lee State Office Complex—**It is requested that Item 1701-001-0240 be increased by \$4,000, Item 1701-001-0299 be increased by \$96,000, and Item 1701-001-3363 be increased by \$1,006,000 one-time to support the Department of Financial Protection and Innovation’s (DFPI) increased rent costs while ongoing rental rates are being developed by the Department of General Services. The Department of General Services is currently

in the process of determining ongoing rental rates for the May Lee State Office Complex and DFPI will reevaluate its future resource needs when more information is available.

Chaptered Bills Implemented in May Revision

- **Venture Capital Companies Reporting Workload:** Chapter 594, Statutes of 2023 (SB 54)—It is requested that Item 1701-001-0001 be added in the amount of \$1,629,000 one-time and 3 positions in fiscal year 2024-25 and Item 1701-001-3363 be increased by \$846,000 in 2025-26 and ongoing for the development of an online search portal as required by SB 54. Reports containing demographic information about founding team members of companies that venture capital companies invest in will be made available to the public through an online search portal on DFPI's website. Statutory changes are also requested to change the department venture capital companies are required to submit reports to from the Civil Rights Department to DFPI, among other changes, and will be posted on the Department of Finance website.
- **Digital Financial Asset Law Workload:** Chapter 792, Statutes of 2023 (AB 39)—It is requested that Item 1701-001-3363 be increased by \$7,871,000 and 26 positions in 2024-25, \$11,554,000 and 41 positions in 2025-26, and \$11,379,000 in 2026-27 and ongoing for the implementation of the Digital Financial Assets Law Program as required by AB 39. DFPI will license and regulate digital financial asset business activities, process applications, investigate applicants, process annual reports, impose fees, conduct exams, and take enforcement actions as necessary.

New Trailer Bill Proposals

- Venture Capital Companies Reporting (SB 54)

8885 Commission on State Mandates

General Government May Revision Proposals

Budget Bill Language Proposals

- **Juveniles: Custodial Interrogation Mandate**—It is requested that Item 8885-295-0001 be increased by \$2,230,000 one-time to reimburse cities and counties for the costs associated with complying with section 625.6 of the Welfare and Institutions Code, which requires youths, 17 years of age or younger, to consult with legal counsel prior to custodial interrogation and before the waiver of any Miranda rights. On January 27, 2023, the

Commission on State Mandates found that Chapter 335, Statutes of 2020 (SB 203) imposed a reimbursable state-mandated program, and the statewide cost estimate was adopted in March 2024 (see Attachment 1).

- **Technical Adjustment to Funded Mandates to Correct Fiscal Years**—It is requested that Items 8885-295-0001 (see Attachment 1), 8885-295-0044 (see Attachment 2) and 8885-295-0106 (see Attachment 3) be adjusted to update the fiscal years referenced in those items’ provisions. These changes are necessary to ensure the reimbursement claims are paid for the correct fiscal year and the previously suspended programs are suspended for the upcoming fiscal year

8880 FI\$Cal

General Government May Revision Proposals

Budget Bill Language Proposals

- **FI\$Cal Staffing Realignment**—It is requested that Item 8880-001-0001 be decreased by \$537,000 and increased by 3.2 positions ongoing, and Item 8880-001-9740 be decreased by \$315,000 and increased by 1.8 positions ongoing. This request is submitted in conjunction with the Department of General Services and allows the Financial Information System for California to realign positions and funding for procurement-related functionality in the Financial Information System for California.
- **Central Service Cost Recovery Fund Amendment**—It is requested that Item 8880-001-9740 be amended to remove Provision 4 and 5. Provisions 4 and 5 provide the Department of Finance authority to augment this Item for workload to transition the accounting book of record and onboard remaining departments, pursuant to Article 2, of Chapter 10, of Part 1 of Division 3, of Title 2 of Government Code. However, given the project was deemed completed pursuant to Chapter 569, Statutes of 2022, it is no longer necessary.

9625 Department of Finance

General Government May Revision Proposals

- It is requested that Item 9625-001-0001 be increased by \$15 million one-time and Item 9625-001-0042 be increased by \$500,000 one-time to provide a federal interest liability payment to the federal government in 2024-25.

Panel

- Colby White, Principal Program Budget Analyst
- Nicholas Thomas, Staff Finance Budget Analyst
- Robin Finnestead, Staff Finance Budget Analyst
- J.T. Creedon, Finance Budget Analyst
- Jessie Romine, Department of Finance
- Charles Lassalle, Department of Finance
- Brian Uhler, Legislative Analyst's Department
- Jared Sippel, Legislative Analyst's Office
- Drew Soderborg, Legislative Analyst's Office
- Nick Schroeder, Legislative Analyst's Office

Staff Comments

Staff has no concerns with these proposals.

**0509 Governor’s Office of Business and Economic Development
8260 California Arts Council**

Issue 4: GO-Biz Proposals

The Governor’s Office of Business and Economic Development (GO-Biz) includes a delays in the amount of \$100 million and reductions totaling \$403.5 million from 2022-23 to 2025-26. (Note: The I-Bank Clean Energy Transmission will be discussed in Sub. 4).

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
294	City of Fresno Public Infrastructure Plan	Limited Term (multiple years)				100.0	-100.0		Pause/Delay
295	Infrastructure State Revolving Fund	One-Time			25.0				Reductions
296	Performing Arts Equitable Payroll Fund	One-Time		12.5					Reductions
297	Small Agricultural Business Drought Relief Grant Program	One-time		5.0					Reductions
298	IBank Clean Energy Transmission	One-Time	200.0	25.0					Reductions
299	Small Business Technical Assistance Expansion Program	Ongoing			13.0	13.0			Reductions

300	California Competes Grant Program	One-time		10.0	50.0				Reductions
301	Local Government Budget Sustainability Fund	One-Time		50.0					Reductions

New Trailer Bill Proposals

- Move the Arts Council under the Governor’s Office of Business and Economic Development.

Budget Bill Language Proposals

- Small Business Technical Assistance Expansion Program - It is requested that Item 0509-001-0001 be decreased by \$13 million in fiscal year 2024-25 and 2025-26, and provisional language be amended to reflect the reduction to this program.
- Delay City of Fresno Infrastructure Plan Funding - It is requested that Item 0509-101-0001 be decreased by \$100 million in 2025-26, and increased by \$100 million in 2026-27. This delays the remaining \$200 million included in the 2023 Budget Act for the City of Fresno to 2026-27.
- California Competes Grant Program - It is requested that Item 0509-102-0001 be decreased by \$50 million in 2024-25 and Item 0509-495 be added to revert \$10 million from the 2023 Budget Act to remove funding proposed in the Governor’s Budget
- Infrastructure State Revolving Fund - It is requested that Item 0509-113-0001 be decreased by \$25 million in 2024-25 to reduce the amount proposed in the Governor’s Budget from \$50 million to \$25 million in 2024-25.
- Performing Arts Equitable Payroll Fund - It is requested that Item 0509-495 be added to revert up to \$12.5 million (see Attachment 2). The 2023 Budget Act reappropriated \$4.5 million from unspent funds for the California Venues Grant Program included in the 2021 Budget Act and \$8 million from unspent funds for the California Small Nonprofit Performing Arts Grant Program included in the 2021 Budget Act to establish the Performing Arts Equitable Payroll Fund.

- Small Agricultural Business Drought Relief Grant Program - It is requested that Item 0509-495 be added to revert up to \$5 million for this grant program. A total of \$75 million was allocated in the 2022 and 2023 Budget Acts, and this proposed reversion reflects estimated savings from the program.
- Salton Sea Clean Energy Transmission Financing—It is requested that Item 0509-495 be added to revert \$250 million from the unexpended balance of the appropriations made in 2022 and 2023 Budget Acts to support financing of the energy transmission line in the Salton Sea. To effectuate this reversion, it is also requested to add Item 0509-011-9334 to transfer \$250 million from the Climate Catalyst Revolving Fund to the General Fund. These items allow for the reversion of an additional \$225 million and provide the authority to effectuate a reversion of \$25 million from the Climate Catalyst Revolving Fund that was included in the 2023 Budget Act. (Note this will be discussed in Sub. 4).
- Local Government Budget Sustainability Fund—It is requested that Item 0509-495 be added to revert \$50 million from the 2023 Budget Act. Included below are the remaining adjustments included in the May Revision: Transition of Jobs First and Zero Emissions Vehicle Programs—It is requested that the Jobs First Program and the Zero Emissions Vehicle Program within the Office of Planning and Research be transferred to the Governor’s Office of Business and Economic Development. It is requested that the following items be adjusted to effectuate this change:
 - Item 0509-001-0001 be increased by \$406,000 and 6 positions ongoing
 - Item 0509-001-0001 be increased by \$2,163,000 in 2024-25
 - Item 0509-501-0001 be increased by \$3,162,000 in 2024-25

There is a commensurate decrease in expenditure authority to the Office of Planning and Research budget included in its Spring Finance Letter.

- California Arts Council - It is requested that the California Arts Council be established as a program within the Governor’s Office of Business and Economic Development. It is requested that the following items be adjusted to effectuate this change:
 - Item 0509-001-0001 be increased by \$10,674,000 and 19.8 positions ongoing
 - Item 0509-001-0078 be added in the amount of \$870,000 and 4.6 positions Ongoing
 - Item 0509-001-0890 be increased by \$965,000 ongoing
 - Item 0509-101-0001 be added in the amounts of \$15.3 million in 2024-25 and 2025-26, and \$14.3 million in 2026-27 and ongoing
 - Item 0509-101-0078 be added in the amount of \$298,000 in 2024-25, \$233,000 in 2025-26, and \$251,000 in 2026-27 and ongoing

- Item 0509-101-0890 be increased by \$100,000 ongoing
- Item 0509-101-8085 be added in the amount of \$250,000 ongoing
- Item 0509-501-0995 be added in the amount of \$197,000 ongoing

There is a commensurate decrease in expenditure authority to the California Arts Council's budget and associated Items have been eliminated (see California Arts Council Spring Finance Letter). It is also requested that provisional language be added and statutory changes be made to reflect this transition.

- Federal Grant Awards - It is requested that Item 0509-001-0890 be increased by \$3,250,000 ongoing to allow the Governor's Office of Business and Economic Development to receive additional federal grant funding for the State Expansion Program, the Grant Administration Plan, and Building Resilience Program.
- Technical Adjustment - It is requested that Item 0509-495 be added to revert \$2 million that was included in the 2021 Budget Act and is available for encumbrance or expenditure until June 30, 2026.
- General Fund Solution: Arts Grant Program Reduction: Decreases Arts Grants programs by \$10 million ongoing. This adjustment is reflected in the Governor's Office of Business and Economic Development's budget.

Chaptered Bills Implemented in May Revision

- Clean Energy and Infrastructure Assessment Project: Chapter 336, Statutes of 2023 (AB 585)—It is requested that Item 0509-001-0001 be increased by \$2,297,000 in 2024-25 and \$252,000 in 2025-26. (This will be discussed in Sub. 4).

Panel

- Charles LaSalle Finance Budget Analyst, Department of Finance
- Jessie Romine Principal Program Budget Analyst, Department of Finance
- Brian Uhler, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask the following:

1. A proposal to move the California Arts Council to the Go-Biz is a large proposal, why do it at May Revision? Why put it in GO-Biz?

2. What is the Administration's plan for the appointed policy Council under the CAC?
3. What are the anticipated savings of this transition?
4. What is the proposed timeline to complete the transition? What programmatic impacts or delays are anticipated due to this proposed transition?
5. Why cut \$5 million from the small agricultural business grants? Why has it taken so long to get this funding out to the small agricultural businesses?
6. Why is the administration proposing to cut the technical assistance for small businesses? Will this eliminate all the technical assistance available for these programs?

2240 Department of Housing and Community Development

Issue 5: Housing and Homelessness Proposals

The Governor’s May Revision proposes an additional \$500 million in reductions in housing funding.

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
419	Multifamily Housing Program	One-Time		75.0					Reductions
420	Infill Infrastructure Grant Program	One-Time		35.0					Reductions
421	Adaptive Reuse Program	One-time		127.5					Reductions
422	Veterans Housing and Homeless Prevention Program	One-time		26.3					Reductions
423	Foreclosure Intervention Housing Preservation Program	Limited Term (multiple years)		236.5					Reductions

- Reversion of 2022 and 2023 Amounts for the Adaptive Reuse Program - It is requested that Item 2240-495 be amended to revert \$40 million appropriated in the 2022 Budget Act and \$87.5 million appropriated in in the 2023 Budget Act for the Adaptive Reuse Program.
- Reversion of 2022 and 2023 Amounts for the Infill Infrastructure Grant Program - It is requested that Item 2240-495 be amended to revert \$25 million appropriated in the 2023 Budget Act and \$10 million appropriated in the 2022 Budget Act for the Infill Infrastructure Grant Program.

- Reversion of 2022 Amounts for the Veterans Housing and Homeless Program - It is requested that Item 2240-495 be amended to revert \$26.3 million appropriated in the 2022 Budget Act for the Veterans Housing and Homeless Prevention Program).
- Reversion of 2022 and 2023 Amounts for the Foreclosure Intervention Housing Preservation Program - It is requested that Item 2240-495 be amended to revert \$154 million appropriated in the 2021 Budget Act and \$82.5 million appropriated in the 2023 Budget Act for the Foreclosure Intervention Housing Preservation Program.
- Reversion of 2023 Amounts for the Multifamily Housing Program - It is requested that Item 2240-495 be amended to revert \$75 million appropriated in the 2023 Budget Act for the Multifamily Housing Program.

Chaptered Bills Implemented in May Revision

- Affordable Housing Finance Workgroup: Chapter 743, Statutes of 2023 (AB 519) - It is requested that Item 2240-001-0001 be increased by \$1,548,000 in fiscal year 2024-25 and 2025-26, and \$774,000 in 2026-27.
- Veterans Housing: Tenant Referrals: Chapter 760, Statutes of 2023 (AB 1386) - It is requested that Item 2240-001-0001 be increased by 1 position in 2024-25 and ongoing.
- Statewide Housing Plan: Chapter 765, Statutes of 2023 (AB 1508) - It is requested that Item 2240-001-0001 be increased by \$212,000 and 1 position in 2024-25 and ongoing.
- State Affordable Housing Act: Chapter 402, Statutes of 2023 (SB 555) - It is requested that Item 2240-001-0001 be increased by \$712,000 ongoing in 2024-25 and 2025-26, and \$227,000 in 2026-27 and ongoing.
- Housing Accountability Act Expansion: Chapter 768, Statutes of 2023 (AB 1633) - It is requested that Item 2240-001-0001 be increased by \$474,000 and 2 positions in 2024-25 and ongoing.
- Affordable Housing Development Projects: Chapter 764, Statutes of 2023 (AB 1490) - It is requested that Item 2240-001-0001 be increased by \$195,000 and 1 position in 2024-25 and ongoing.
- Drought Resistant Building Act: Chapter 884, Statutes of 2023 (SB 745) - It is requested that Item 2240-001-0001 be increased by \$579,000 and 1 position ongoing in 2024-25 and \$179,000 in 2025-26 and ongoing.

- Housing Element: Notice of Violation: Chapter 740, Statutes of 2023 (AB 434) - It is requested that Item 2240-001-0001 be increased by \$1,089,0000 and 5 positions in 2024-25 and ongoing.
- Workload Resources - Administrative Support for Chaptered Legislation - It is requested that Item 2240-001-0001 be increased by \$1,146,000 and 8 positions in 2024-25 and ongoing.
- Adaptive Reuse Projects: Chapter 743, Statutes of 2023 (AB 529) - It is requested that Item 2240-001-3144 be increased by \$422,000 and 2 positions in 2024-25 and ongoing.

Additional adjustments

- Transition of California Interagency Council on Homelessness Grant Programs - It is requested that Item 2240-001-0001 be increased by 13 positions ongoing to provide resources to the Department of Housing and Community Development to administer California Interagency Council on Homelessness grants that will transition to the Department of Housing and Community Development pursuant to Chapter 40, Statutes of 2023 (AB 129). The Governor’s Budget includes 4 new permanent positions and the transfer of 22 permanent positions. This request modifies the request in the Governor’s Budget.
- Community Development Block Grant–Disaster Recovery Resources - It is requested that Item 2240-001-0890 is increased by 2 positions ongoing and Item 2240-102-0890 be added in the amount of \$24,408,000 in 2024-25 to provide resources to the Department of Housing and Community Development to implement and award Community Development Block Grant–Disaster Recovery funds in Plumas County. It is also requested that provisional language be included to provide an extended encumbrance period through January 16, 2030 for these funds and to allow transfers to state operations.
- Federal HOME Investment Partnerships Program–American Rescue Plan Resources - It is requested that Item 2240-001-0890 is increased by 2 positions ongoing and Item 2240-103-0890 be added in the amount of \$4 million in 2024-25 to allow the Department of Housing and Community Development to administer federal HOME Investment Partnerships Program–American Rescue Plan funding. It is also requested that provisional language be included to provide an extended encumbrance period through September 30, 2030 and to allow transfers to state operations.
- Homekey 2.0 Reappropriation - It is requested that Item 2240-490 be added to extend the encumbrance period from June 30, 2024 to June 30, 2026 for Item 2240-101-0001,

Budget Act of 2021, to allow grantees sufficient time to meet the expenditure requirements in the Homekey Notice of Funding Availabilities.

- Regional Early Action Planning Grants 2.0 Reappropriation - It is requested that Item 2240-490 be added to extend the encumbrance period from June 30, 2024 to June 30, 2026 for Item 2240-106-0001, Budget Act of 2021, to align encumbrance dates with statute.
- Behavioral Health Infrastructure Bond Act Resources - It is requested that 17 positions be added in 2024-25 and ongoing, 11 positions in 2025-26 and ongoing, and 1 permanent position in 2027-28 and ongoing, funded by the 2024 Behavioral Health Infrastructure Bond Fund, to provide resources to the Department of Housing and Community Development to implement and administer Chapter 789, Statutes of 2023 (AB 531), the Behavioral Health Bond Infrastructure Act.

New Trailer Bill Proposals

- Administrative Cap for Behavioral Health Infrastructure Bond Act

0515 California Interagency and Homelessness Council

Housing and Homelessness Proposals

The Governor’s May Revision proposes to cut an additional \$293.5 million in homelessness funding.

Issue #	Departments	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27 2027-28	Category
426	Business, Consumer Services and Housing Agency	Sweep Surplus Administrative Set-aside Funds for Encampment Resolution Funds Grant Program	Limited Term (multiple years)			33.5			Reductions
427	Business, Consumer Services and Housing Agency	Homeless Housing, Assistance and Prevention (HHAP) Grant Program - Round 5 Supplemental Funding	One-Time				260.0		Reductions

Budget Bill Language Proposals

- Reversion of Administrative Set-asides for the Homeless Housing, Assistance and Prevention Program and the Encampment Resolution Fund Program - It is requested that Item 0515-495 be added to revert \$14,835,000 from the 2021 Budget Act appropriation for the Homeless Housing, Assistance and Prevention Program (HHAP) administrative set-asides, and to revert \$13,540,000 from the 2022 Budget Act, and \$20 million from the 2023 Budget Act appropriations made for the Encampment Resolution Fund administrative set-asides.
- Reversion of Administrative Set-asides for the Family Homelessness Challenge Grants Program and the Homeless Housing, Assistance and Prevention Program - It is requested that Item 0515-496 be added to revert \$19,975,000 from the 2020 Budget Act appropriation made for the HHAP administrative set-asides, \$2 million from the 2021 Budget Act appropriation made for the Family Homelessness Challenge Grant administrative set-asides, \$28,701,000 from the 2021 Budget Act appropriation made for the HHAP administrative set-asides, and \$50 million from the 2022 Budget Act appropriation made for the HHAP administrative set-asides (see Attachment 2).

- California Interagency Council on Homelessness Permanent Program Resources—It is requested that Item 0515-001-0001 be increased by \$14,835,000 in fiscal year 2024-25, \$9,545,000 in 2025-26, and \$7,795,000 in 2026-27 and ongoing to fund 19 existing permanent staff and contracts necessary to support the California Interagency Council on Homelessness’ existing statutory obligations. It is also requested that 19 positions be eliminated from Item 0515-002-0001 resulting in a net zero position shift to Item 0515-001-0001.

1700 Civil Rights Department

Housing and Homelessness Proposals

The May Revision proposes a one-time fund shift of \$10 million from General Fund to Special Fund for the Civil Rights Department.

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
418	Shift GF Expenditures to Special Fund	One-Time			10.0				Fund Shift

- One-time Shift of General Fund Expenditures to Special Fund - It is requested that Item 1700-001-0001 be reduced by \$10 million in fiscal year 2024-25 and Item 1700-001-3246 be increased by \$10 million in 2024-25 to shift General Fund expenditures to the Civil Rights Enforcement and Litigation Fund on a one-time basis. Existing statute authorizes the Civil Rights Enforcement and Litigation Fund to be used for the administration of the Civil Rights Department.

Chaptered Bills Implemented in May Revision

- Reproductive Loss Leave: Chapter 724, Statutes of 2023 (SB 848) - It is requested that Item 1700-001-0001, be increased by \$1,592,000 and 10 positions in 2024-25 and \$1,561,000 in 2025-26 and ongoing.

- Housing Voucher Discrimination: Credit History: Chapter 776, Statutes of 2023 (SB 267)—It is requested that Item 1700-001-0001 be increased by \$135,000 and 1 position in 2024-25 and \$132,000 in 2025-26 and ongoing.

Additional Adjustments

- Relocation to May Lee Office Complex—It is requested that Item 1700-001-0001 be increased by \$1,188,000 in 2024-25 to provide one-time resources for the Civil Rights Department’s headquarters to be relocated from Elk Grove to the May Lee Office Complex in Sacramento.

0968 California Tax Credit Allocation Committee

Housing and Homelessness Proposals

- It is requested that Item 0968-401 be added to restore the State Low-Income Housing Tax Credit. Add Item 0968-401 as follows: 0968-401—Pursuant to Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code, the California Tax Credit Allocation Committee may allocate up to \$500 million for the 2025 calendar year in state low-income housing tax credits.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst’s Office

Staff Comments

Staff recommends approval of the inclusion of the LIHTC. However, staff notes that without additional funding for the Multi-Family Housing Program, the next round of tax credits will likely not reach the very low, extremely low or acutely low income.

The Subcommittee may wish to ask the following:

1. How do we align the goals in the AB 3093 with LIHTC to ensure that we are directing part of the tax credits to produce the housing for the very low, extremely low or acutely low without the additional funding for MHP?

2. At his press conference on Tuesday, the Governor discussed streamlining funding. Should we anticipate that Prop. 1 funds under HCD will also be streamlined? If not, when should we anticipate those funds?
3. With regard to the Homelessness accountability unit – how will this work? What is their main role? Will this unit only be concentrated on HHAP or will it also have accountability over the encampment resolutions funds? Can you please provide additional detail?
4. Can you provide an update on when we anticipate HHAP funding data – including funding that has been obligated and not obligated by HHAP recipients? Will this data also include the HUD metrics that recipients were required to submit with Rounds 3 and 4? Finally, the Governor’s May Revision proposes to cut more funding for HHAP, how did this decision get made and what metrics were used to make this decision?

0559 Labor and Workforce Development Agency

Issue 6: Labor and Workforce Development May Revision Proposals

May Revision Adjustments and Budget Change Proposals

- **New Labor Agency Building:** Includes \$5.66 million (all various special funds) and \$491,000 reimbursement authority in 2024-25, and \$1.06 million (all various special funds) and \$148,000 reimbursement authority in 2025-26 split amongst multiple entities within the Labor and Workforce Development Agency to provide limited-term resources for the initial information technology set-up and configuration for the New Labor Agency Building.

7100 Employment Development Department

Labor and Workforce Development May Revision Proposals

Summary of May Revise Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
424	California Jobs First (formerly CERF)	One-Time			50.0	50.0	50.0		Reductions
425	Utilize Employment Training Fund for Unemployment Insurance Interest Payment	One-Time				50.0			Fund Shift

May Revise Adjustments and Budget Change Proposals

- California Jobs First (Formerly CERF):** Proposes a decrease of \$50 million in fiscal years 2024-25, 2025-26, and 2026-27 for California Jobs First. Additionally proposes to revert \$25 million appropriated in the 2021 Budget Act for California Jobs First.
- Unemployment Insurance Loan Interest Payment:** Proposes an increase of \$153,233,000 one-time to align with an updated Unemployment Insurance loan interest payment estimate of \$484,264,000.
- Revised Employee Compensation Costs:** Makes various ongoing increases to the Employment Development Department Benefit Audit Fund (\$117,000), the Employment Development Department Contingent Fund (\$491,000), the Employment Training Fund (\$67,000), the Unemployment Compensation Disability Fund (\$566,000) and the School Employees Fund (\$10,000) to reflect revised employee compensation costs.
- Workforce Innovation and Opportunity Act Allocations:** It is requested that Items 7100-001-0869 and 7100-021-0890 be increased by \$28,642,000 one-time and Items 7120-101-0869 and 7100-101-0890 be increased by \$28,972,000 one-time to align Workforce Innovation and Opportunity Act funding authority with estimated federal allocations.

- Disability Insurance Program Benefits:** Proposes increasing budget bill item 7100-101-0588 by \$461,192,000 ongoing to align with updated State Disability Insurance program benefit payment estimates. Additionally, Item 7100-101-0588, Budget Act of 2023, pursuant to Provision 2, is increased by \$935,332,000 in 2023-24 to align with an estimated increase in disability insurance claim payments. This item is a local assistance item for the Disability Insurance Program, payable from the Unemployment Compensation Disability Fund.
- Unemployment Insurance Program Benefit:** Proposes increasing budget bill Item 7100-101-0871, Budget Act of 2023, pursuant to Provision 3, by \$197,558,000 in 2023-24 to align with an estimated increase in unemployment insurance claims. This item is a local assistance item for the Unemployment Insurance Program, payable from the Unemployment Fund— Federal.

7120 California Workforce Development Board

Labor and Workforce Development May Revision Proposals

Summary of May Revise Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
428	California Youth Leadership Corps	Limited Term (multiple years)			20.0				Reductions

May Revise Adjustments and Budget Change Proposals

- California Youth Leadership Corps:** Eliminates \$20 million for the third and final year of funding for the California Youth Leadership Corps established in 2022-23 Budget Act.
- Reappropriation of Federal Funds:** Extends the encumbrance and expenditure period for \$9 million in the Budget Act of 2023 to allow the California Workforce Development

Board to fund appropriate staff costs throughout the life of federal grants. This will extend the encumbrance and expenditure period from June 30, 2024, to June 30, 2028.

7350 Department of Industrial Relations

Labor and Workforce Development May Revision Proposals

Summary of May Revise Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
388	Women in Construction Priority Unit	Ongoing			10.0	10.0	10.0	10.0	Reductions
389	Apprenticeship Innovation Fund	Limited Term (multiple years)				20.0	20.0		Reductions
390	California Youth Apprenticeship Program	Limited Term (multiple years)				10.0	15.0		Reductions

May Revise Adjustments and Budget Change Proposals

- **Women in Construction Priority Unit:** Proposes a decrease of \$10 million ongoing to eliminate funding for the Women in Construction Priority Unit.
- **Chaptered Legislation:** The May Revision funding from various special funds to implement statutory requirements associated with legislation chaptered in 2023 and 2024. Specifically:
 - **Workers’ Compensation: Post-Traumatic Stress Disorder: Chapter 621, Statutes of 2023 (SB 623):** Proposes \$300,000 in fiscal year 2024-25 and 2025-26.
 - **Fast Food Council: Chapter 262, Statutes of 2023 and Chapter 4, Statutes of 2024 (AB 1228 and AB 610):** Proposes \$1,751,000 and 6 positions in 2024-25,

- and \$1,653,000 and 6 positions in 2025-26 and ongoing, and \$3,437,000 and 15.5 positions in 2024-25 and \$3,230,000 and 15.5 positions in 2025-26 and ongoing.
- **Workplace Violence Prevention: Chapter 289, Statutes of 2023 (SB 553):** Proposes 1,555,000 and 6 positions in 2024-25 and \$1,465,000 and 6 positions in 2025-26 and ongoing.
 - **Affordable Housing on Faith and Higher Education Lands Act of 2023: Chapter 771, Statutes of 2023 (SB 4):** Proposes \$1,854,000 and 10 positions in 2024-25, and \$1,702,000 and 10 positions in 2025-26 and ongoing.
 - **Public Works: Ineligibility List: Chapter 465, Statutes of 2023 (AB 1121):** Proposes \$706,000 and 1 position in 2024-25, and \$109,000 and 1 position in 2025-26 and ongoing.
 - **Paid Sick Days Accrual and Use: Chapter 309, Statutes of 2023 (SB 616):** Proposes \$605,000 and 3 positions in 2024-25, and \$560,000 and 3 positions in 2025-26 and ongoing.
 - **Grocery Workers: Chapter 452, Statutes of 2023 (AB 647):** Proposes \$648,000 and 2.5 positions in 2024-25, and \$609,000 and 2.5 positions in 2025-26 and ongoing.
 - **Food Safety: Food Handlers: Chapter 610, Statutes of 2023 (SB 476):** Proposes \$205,000 and 1 position in 2024-25, and \$189,000 and 1 position in 2025-26 and ongoing.
 - **Labor Code Alternative Enforcement: Chapter 659, Statutes of 2023 (AB 594):** Proposes \$833,000 and 4 positions in 2024-25, and \$773,000 and 4 positions in 2025-26 and ongoing.

Panel

- Andrew March, Assistant Program Budget Manager, Department of Finance
- Chas Alamo, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask the following questions:

1. How will the proposed ongoing reductions to state operations impact state departments under the LWDA that historically have had challenges with staff recruitment, hiring, and retention?
2. How will the reduction in California Jobs First funding impact regional projects?
3. The current ERiCA grant funding period is listed as April 2023 through June 2025. How does the proposed elimination of the program impact this timeline? Is the Administration concurrently withdrawing or modifying its Women in Construction Priority Unit Permanent Positions budget change proposal?
4. Regarding the use of ETP funds: will using the fund in 2025-26 have any programmatic impact on ETP operations? How much reserve funding is projected to be left for ETP for 2025-26? Will the Administration plan to use any other sources of special funds to pay for UI debt-related costs in 2025-26 and beyond?

1111 Department of Consumer Affairs

Issue 7: Consumer Protection May Revision Proposals

May Revise Adjustments and Budget Change Proposals

- **Osteopathic Medical Board Chaptered Legislation Workload (SB 815):** Proposes \$331,000 and 2 positions in 2024-25, and \$315,000 in 2025-26 and ongoing from the Board's special fund to support the implementation of a Complaint Liaison Unit, as required by Chapter 294, Statutes of 2023 (SB 815). According to the Department, the Unit will respond to complaints from the public concerning review and enforcement processes, conduct outreach, develop and prepare complaint review processes, handouts, and brochures, and maintain the enforcement section of the Board's website.
- **California Medical Board Chaptered Legislation Workload (SB 815):** Proposes an increase of \$1,509,000 and 9 positions in 2024-25, and \$1,437,000 in 2025-26 and ongoing from the Board's special fund for the implementation of a Complaint Liaison Unit, as required by Chapter 294, Statutes of 2023 (SB 815). According to the Department, the Unit will respond to communications from the public regarding the complaint review and enforcement process and interview the complainant, patient, or patient's representative before the closure of any complaint. The Unit will also conduct and support public outreach activities to improve the public's understanding of related laws and policies.
- **Controlled Substance Utilization Review and Evaluation System (CURES) Fund Technical Adjustment:** Proposes an increase of \$917,000 in 2024-25, and \$1,144,000 in 2025-26 and ongoing to reimburse the Department of Justice for increased maintenance and operation costs to support CURES and for increased personal services costs.
- **Loan to the Contingent Fund of the Medical Board of California:** Provides a \$27 million loan from the High Polluter Repair or Removal Account to the Contingent Fund of the Medical Board of California to achieve fund solvency. It is also requested that provisional language be added to allow the repayment of all or a portion of this loan if certain criteria are met.
- **Pro Rata Adjustment for May Revision Changes:** Makes various adjustments to redistribute the Department of Consumer Affairs' existing baseline Pro Rata costs to boards and bureaus based on the changes to the Department's proposals at May Revision. The Administration notes that this is a net-zero adjustment overall.

Trailer bill:

- **Title IV Funding - Minimum Education Hours for Licensure Programs:** Language for this trailer bill is listed as “pending” at the time of writing.

1115 Department of Cannabis Control

Consumer Protection May Revision Proposals

Summary of May Revise Budget Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
312	Local Jurisdiction Retail Access Grant Program	One-Time		16.5					Reductions

May Revise Adjustments and Budget Change Proposals

- **Additional Loan from the Board of State and Community Corrections:** Allocates an additional \$75 million loan from the BSCC Cannabis Subaccount to the General Fund in 2024-25, to be repaid in 2025-26.
- **Cannabis Local Jurisdiction Retail Access Grant:** Reverts \$16,470,000 in fiscal year 2023-24 for the Cannabis Local Jurisdiction Retail Access Grant program, which was included in the 2022 Budget Act and is available for expenditure until June 30, 2026.
- **Enforcement Support:** Proposes \$588,000 in 2024-25, and \$42,000 in 2025-26 and ongoing from the Cannabis Control Fund to purchase and maintain 14 undercover vehicles to perform critical surveillance and investigatory work performed by the department’s sworn officers to strengthen enforcement efforts.
- **Cannabis Provisional Licenses: Local Equity Applicants (SB 51):** Proposes \$297,000 and 2.0 positions in 2024-25, and \$281,000 in 2025-26 and ongoing from the Cannabis Control Fund to fulfil the requirements of Chapter 593, Statutes 2023 (SB 51). These positions will process local equity retail provisional applications, provide case

management and technical assistance to support the transition of provisional licensees to annual licensure, and process renewals until licensees achieve annual licensure.

- **Cannabis and Cannabis Products: Health Warnings (SB 540):** Proposes of \$173,000 and 1.0 position in 2024-25, and \$165,000 in 2025-26 and ongoing from the Cannabis Control Fund to implement Chapter 491, Statutes of 2023 (SB 540). This position will monitor emerging scientific literature and develop recommendations that inform the content development of the brochure and regulatory reforms regarding the risks that cannabis use may cause to consumers,

2320 Department of Real Estate

Consumer Protection May Revision Proposals

May Revise Adjustments and Budget Change Proposals

- **May Lee State Office Complex:** Provides an increase of \$849,000 one-time from the Real Estate Fund to address an increase in rent costs associated with the Department of Real Estate’s move to the May Lee State Office Complex. This is a one-time request as the Department of General Services is currently in the process of determining ongoing rental rates for the May Lee State Office Complex.
- **Various Chaptered Legislation:** Provides \$700,000 and 3.0 positions in fiscal year 2024-25, \$590,000 and 3.0 positions in 2025-26, and \$251,000 and 1.0 position in 2026-27 and ongoing from the Real Estate Fund to implement provisions of 18 bills signed into law in 2023. This request will support workload associated with updating numerous publications and databases, promulgating regulations, and licensee and consumer education initiatives related to these statutory changes.

0845 Department of Insurance

Consumer Protection May Revision Proposals

- **Trailer Bill: Streamlined Review of Pending Insurance Filings:** Language for this trailer bill is listed as “pending” at the time of writing. The Assembly may consider assigning the proposal to the appropriate policy committee.

Panel

- Emma Jungwirth, Department of Finance
- Charlene Manning, Department of Finance
- Amy Ascencio, Department of Finance
- Andrew Hoang, Department of Finance
- Taylor McRho, Department of Finance
- Jared Sippel, Legislative Analyst’s Office
- Drew Soderborg, Legislative Analyst’s Office

Staff Comment

The Subcommittee may wish to ask the following questions:

1. Has the Administration considered using any other Cannabis Allocation 3 fund source with a significant surplus to loan to the General Fund? Will there be any programmatic impact from loaning additional resources from the BSCC subaccount?
2. What will be the impact of reverting funding from the Local Jurisdiction Retail Access grants?

7502 Department of Technology

Issue 8: Middle-Mile Broadband Initiative

Summary of May Revision Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
429	Modified Middle Mile Broadband Initiative (MMBI) Budget Change Proposal	Limited Term (multiple years)			250.0	1,250.0			Reductions

May Revise Adjustments and Budget Change Proposals:

- **Middle Mile Broadband Initiative:** Reduces funding by \$250 million General Fund in 2024-25, and \$1.25 billion General Fund in 2025-26. Proposes provisional budget language to allow the Director of Finance to augment funding up to \$1.5 billion General Fund upon notification to the Joint Legislative Budget Committee. This adjustment modifies the Governor’s Budget Middle Mile Broadband Initiative proposal.

Panel

- Courtney Massengale, Finance Budget Analyst, Department of Finance
- Danielle Brandon, Principal Program Budget Analyst, Department of Finance
- Brian Metzker, Legislative Analyst’s Office

Staff Comments

The subcommittee may wish to ask the following questions:

1. Why has the administration changed its approach to funding the remaining segments of the MMBI?
2. Has the Administration developed an alternative path forward that does not require the \$1.5 billion originally requested at the January budget? If so, what is that alternative?
3. Why is the provisional language requested? How does the Administration plan to use this authority, if provided?

0511 Government Operations Agency

Issue 9: Other Operations and Information Technology May Revision Proposals

May Revise Adjustments and Budget Change Proposals:

- **Adjustment to Language Access Pilot Program Reversion from Chapter 249, Statutes of 2022 (AB 179)** - Proposes increasing reduction by \$276,000 General Fund, to \$4,842,000 total General Fund. The Governor’s Budget proposed reverting \$4,566,000 General Fund appropriated for the Language Access Pilot Program in the 2022 Budget Act. This additional amount is available for reversion as the position to support Language Access workload is now vacant.

7760 Department of General Services and Capital Outlay

Summary of May Revise Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
329	Capitol Annex Project - Shift funding from Cash to Bonds	One-Time		-500.0	950.0	250.0			Fund Shift
431	Electric Vehicle Service Equipment Reduction	Limited Term (multiple years)			11.7	11.6			Reductions
432	Capitol Repairs Funding Temporary Reduction	Limited Term (multiple years)			7.1	7.1			Reductions
433	Asset Management Branch Temporary Fund Shift	Limited Term (multiple years)			1.2	1.2			Fund Shift

434	California Commission on Disability Access Permanent Fund Shift	Ongoing			1.6	1.6	1.6	1.6	Fund Shift
435	Net Zero Greenhouse Gas Emissions Funding Reversion and Reduction	Limited Term (multiple years)		2.5	2.5	2.5			Reductions

May Revise Adjustments and Budget Change Proposals:

- Capitol Annex Projects – Fund Shift:** Transfers \$700 million from the State Project Infrastructure Fund to the General Fund. Proposes statutory language be amended to allow costs associated with completion of the Capitol Annex projects to be funded from the Public Buildings Construction Fund.
- Capitol Repairs Funding Temporary Reduction:** Proposes a decrease of \$7,079,000 in 2024-25 and 2025-26. This adjustment temporarily reduces funding appropriated for State Capitol repairs.
- Electric Vehicle Service Equipment Reduction:** Proposes a decrease of \$11.7 million in fiscal year 2024-25, and \$11.6 million in 2025-26. This adjustment reduces funding for electric vehicle service equipment infrastructure assessment and facility development appropriated in the 2023 Budget Act.
- California Commission on Disability Access Permanent Fund Shift:** Proposes a decrease of \$1,567,000 General Fund and 7 positions, and an increase of \$1,567,000 Disability Access Account and 7 positions in 2024-25, and ongoing. This adjustment permanently shifts support for the California Commission on Disability Access from the General Fund to the Disability Access Fund.
- Asset Management Branch Temporary Fund Shift:** Proposes a decrease of \$1,239,000 General Fund and 4 positions, and an increase of \$1,239,000 Property Acquisition Law Money Account and 4 positions in 2024-25 and 2025-26. This adjustment temporarily shifts support of the Department of General Services’ Asset Management Branch for workload related to the Mercury Cleaners remediation and other statutorily mandated activities.

- **Net Zero Greenhouse Gas Emissions Funding Reversion and Reduction:** Reverts \$2.5 million General Fund appropriated in 2023-24, and proposes a decrease of \$2.5 million General Fund in 2024-25, and 2025-26. This adjustment eliminates funding provided in the 2023 Budget Act to implement net-zero greenhouse gas emissions in state agency operations pursuant to Chapter 368, Statutes of 2022 (SB 1203).
- **FI\$Cal Staffing Realignment:** Proposes an increase of \$392,000 and 2 positions ongoing, and proposes reimbursements decrease of \$2,050,000 and 11 positions ongoing. This request is submitted in conjunction with the Department of FI\$Cal and allows DGS to realign positions and funding for procurement-related functionality in the Financial Information System for California.
- **California Building Standards Commission Drought-Resistant Buildings Act:** Proposes an increase of \$254,000 Building Standards Administration Special Revolving Fund and 1 position in 2024-25, \$1,173,000 in 2025-26, and \$254,000 in 2026-27, and ongoing. This request allows the California Building Standards Commission to implement Chapter 884, Statutes of 2023 (SB 745).
- **Technical Adjustment to State School Utilization Fund Authority per Education Code section 17224:** Proposes a decrease by \$633,000 in 2024-25. Pursuant to Education Code section 17224, certain funds in the State School Site Utilization Fund may be used for administrative costs of the School Facilities Program. This adjustment reflects reconciliation of funds available for this purpose.

Trailer Bills:

- **Capitol Annex Projects: Shift from Cash to Lease Revenue Bond Financing:** This trailer bill implements the Administration's proposed fund shift for the Capitol Annex, subjecting the project to oversight by the State Public Works Board and providing the ability to issue lease revenue bonds, notes, or bond anticipation notes, as specified.
- **Disparity Study Implementation Deadline Extension:** Existing law requires the Department of General Services to contract for a statewide procurement and contracting disparity study, in order to guide outreach strategies, state government program development, and improvements to contracting policies. Statutes further mandates the Department to issue a report of the results of the study and implementation actions taken by January 1, 2025. This trailer bill extends the deadline to December 31, 2025.
- **Commission on Disability Access Fund Swap (GF Solution):** Implements the California Commission on Disability Access Permanent Fund Shift solution identified above.
- **Government Efficiencies:** Language for this trailer bill is listed as "pending" at the time of writing.

7502 California Department of Technology

Issue

May Revise Adjustments and Budget Change Proposals:

- **Statewide Technology Services.** Removes provisional language authorizing the California Department of Technology to augment up to \$10 million General Fund in support of statewide technology services.
- **Administration/Distributed Administration Technical Adjustment:** Removes the use of Administration and Distributed Administration programs in 2024-25, and ongoing. This technical adjustment will allow CDT to reflect program funding while transitioning to the Financial Information System for California.
- **Local Government: Internet Websites and Email Addresses:** Provides \$147,000 in 2024-25, and \$147,000 in 2025-26. This adjustment provides funding to equip local entities with “.gov” or “ca.gov” email domain pursuant to Chapter 586, Statutes of 2023 (AB 1637).

High Risk Automated Decision Systems Inventory: Provides \$588,000 in 2024-25. This adjustment provides funding to conduct an inventory of all high-risk automated decision systems utilized by state entities pursuant to Chapter 800, Statutes of 2023 (AB 302).

0511 Office of Data and Innovation

Summary of May Revise Solutions:

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
430	Data and Innovation Service Revolving Fund (DIF) Savings	One-Time			15.0				Reductions

- **Data and Innovation Fund Transfer:** Authorizes a transfer of \$15 million from the Data and Innovation Services Revolving Fund (DIF) to the General Fund.
- **Data and Innovation Fund Appropriation:** Provides \$16 million, with \$2 million in reimbursements and include provisional language allowing expenditures upon approval

by the Secretary of the Government Operations Agency. Per Government Code section 12815(o)(1), the DIF is continuously appropriated until July 1, 2024, and requires a Budget Act appropriation to permit the Office of Data and Innovation to continue support for ongoing projects as well as the Technology Modernization Fund and Technology Stabilization Fund. ODI continues to seek interagency agreements for ODI's work and need reimbursement authority to account for the anticipated contracts.

1703 California Privacy Protection Agency

May Revise Adjustments and Budget Change Proposals

- **The California Delete Act: Chapter 709, Statutes of 2023 (SB 362):** Provides \$901,000 and 3 positions in fiscal year 2024-25, \$608,000 in 2025-26, and ongoing from the Data Brokers' Registry Fund to implement SB 362. According to the Department, these resources will enable the California Privacy Protection Agency to continue hosting and maintaining the data broker registry and to develop the accessible deletion mechanism to allow consumers to request all data brokers registered with the Agency delete their personal information. It is also requested that provisional language be added to augment the Agency's budget to cover SB 362 implementation costs as they make progress through the Project Approval Lifecycle and gain more detailed information about the costs to build the accessible deletion mechanism.

Panel

- Natalie Griswold, Staff Finance Budget Analyst, Department of Finance (overview of items)
- Danielle Brandon, Principal Program Budget Analyst, Department of Finance
- Courtney Massengale, Finance Budget Analyst, Department of Finance
- Charlene Manning, Principal Program Budget Analyst, Department of Finance
- Taylor McRho, Staff Services Analyst, Department of Finance
- Sally Lukenbill, Assistant Program Budget Manager, Department of Finance
- Randall Katz, Principal Program Budget Analyst, Department of Finance
- Isaac Arias, Finance Budget Analyst, Department of Finance
- Brian Metzker, Legislative Analyst's Office
- Jared Sippel, Legislative Analyst's Office
- Drew Soderborg, Legislative Analyst's Office

7900 California Public Employees' Retirement System

Issue 10: Employee Compensation and Retirement May Revision Proposals

- **Operational Budget:** It is requested that various Budget Bill items be amended to reflect the changes to the 2024-25 operational budget of the California Public Employees' Retirement System (CalPERS) that was approved by the CalPERS Board on April 16, 2024. The budget proposed by CalPERS reflects a net increase of \$53,854,000, primarily attributed to increased investment external management fees and headquarters building costs, offset by a decrease in third-party administrator fees. The following changes are requested:
 - Item 7900-003-0830 be increased by \$55,806,000
 - Item 7900-015-0815 be decreased by \$273,000
 - Item 7900-015-0820 be decreased by \$79,000
 - Item 7900-015-0830 be decreased by \$2,070,000
 - Item 7900-015-0833 be increased by \$562,000
 - Item 7900-015-0849 be decreased by \$52,000
 - Item 7900-015-0884 be decreased by \$162,000
 - Item 7900-015-9251 be increased by \$122,000

7920 California State Teachers' Retirement System

Employee Compensation and Retirement May Revision Proposals

- **State Contributions to CalSTRS:** Proposes increasing the Teachers' Retirement Fund by \$17,876,000 ongoing to reflect an increase in the state's contributions to the California State Teachers' Retirement System's (CalSTRS) Defined Benefit (DB) Program and Supplemental Benefit Maintenance Account (SBMA). The state's contributions to the DB Program and SBMA are calculated using creditable compensation provided by the Teachers' Retirement Board (Board) for the fiscal year immediately preceding June 30; the report is published annually by the Board by October 25, with a subsequent report due by April 15, displaying necessary revisions to creditable compensation. Based on the Board's April 12, 2024 creditable compensation report, the DB contribution will be increased by \$13,749,000 and the SBMA contribution will be increased by \$4,127,000, as compared to the Governor's Budget.

- Benefit Payment Revisions:** Proposes increasing the Teachers’ Retirement Fund by \$519,000 in 2024-25 to reflect the state’s share of overpayments identified by the system to be paid on July 1, 2024, as required by Education Code Section 24616.2. Based on the overpayments identified by CalSTRS from the prior fiscal year, the state’s share of costs for overpayments made as a result of errors by the system will be \$519,000, as compared to \$0 in the Governor’s Budget.

9800 Augmentation for Employee Compensation and Proposition 2 Update

Employee Compensation and Retirement May Revision Proposals

Summary of May Revise Budget Solutions

Issue #	Title	Duration	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Category
436	Vacant Positions Funding Reduction and Elimination of Positions (Permanent Reduction of State Workforce)	Ongoing				762.5	762.5	762.5	Reductions

- Vacant Positions Funding Reduction:** The budget early action package adopted a proposal to reduce departmental budgets in 2024-25 by \$1.5 billion (\$762.5 million General Fund) for savings associated with vacant positions. The May Revision proposes making the reduction permanent. According to the Administration, the Department of Finance will work with agencies and departments in the fall on the appropriate budget reductions starting in 2024-25 and will eliminate approximately 10,000 positions starting in 2025-26 and ongoing.
- Augmentation for Employee Compensation:** Makes various adjustments to budget bill items, specifically: Item 9800-001-0001 be decreased by \$42,804,000 in 2024-25 and \$80,208,000 ongoing, Item 9800-001-0494 be decreased by \$33,294,000 in 2024-25 and \$61,596,000 ongoing, and Item 9800-001-0988 be decreased by \$16,647,000 in 2024-25 and \$30,587,000 ongoing, to reflect updated expenditures for collectively bargained pay increases and health and dental premiums. Additionally, while these amounts reflect estimated health premium rates, the Department of Finance notes the health rates will

be finalized and adopted by the California Public Employees' Retirement System (CalPERS) Board of Administration in summer 2024.

- **Proposition 2 Other Postemployment Benefits Prefunding:** Proposes budget bill language amendments to authorize the Department of Finance to transfer Proposition 2 debt repayment funding to the California Employers' Retiree Benefit Trust Fund in the current or prior fiscal year to satisfy the Proposition 2 debt repayment allocation for the relevant fiscal year.
- **Amendment to Budget Bill Control Section 3.60:** Proposes budget bill language amendments to reflect changes in state retirement contribution rates for state members of the California Public Employees' Retirement System (CalPERS), and the Judges' Retirement System II (JRS II), as adopted by the CalPERS Board of Administration on April 16, 2024.

The newly adopted state employer contribution rates result in net reduced state contributions of \$23,055,000 ongoing from the \$1,857,394,000 decrease included in the Governor's Budget. The \$23,055,000 ongoing decrease consists of a decrease of \$12,362,000 General Fund, a decrease of \$791,000 special funds, and a decrease of \$9,902,000 other nongovernmental cost funds. The decrease in state employer contributions for CalPERS members is due to the integration of CalPERS valuation results as of June 30, 2023, which were not available at Governor's Budget, and includes the application of the CalPERS state plans 2023 supplemental pension payment pursuant to Chapter 9, Statutes of 2024 (AB 106, Sec. 77). The decrease in the state employer contribution rate for JRS II members is attributed to a lower JRS II rate than Governor's Budget.

Trailer Bills:

- **Telework Stipend Elimination:** Implements the Administration proposal to eliminate the Telework Stipend Program for 17 bargaining units.
- **Proposition 2 Supplemental Pension Payment:** This trailer bill implements the General Fund appropriations for the purposes of meeting constitutional provisions.

Panel

- Aston Tennefoss, Principal Program Budget Analyst, Department of Finance
- Ryan Weinberg, Staff Finance Budget Analyst, Department of Finance
- Noelle Fa-Kaji, Finance Budget Analyst, Department of Finance
- Nick Schroeder, Legislative Analyst's Office

Staff Comments

The subcommittee may wish to ask if the Administration has begun discussion on the elimination of the telework stipend with the impacted bargaining units