

California State Assembly



Agenda

Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, March 18, 2025
1:30 P.M. – State Capitol, Room 447

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Non-Presentation Items: Staff have suggested the following items do not receive a formal presentation from the Administration in order to focus time on the most substantial proposals. Members of the Subcommittee may ask questions or make comments on these proposals at the time designated by the Chair of the Subcommittee or request presentation by the Administration at the discretion of the Chair of the Subcommittee. Members of the public are encouraged to provide the public comment on these items at the designated time.

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0511- Government Operations Agency

The Government Operations Agency (Agency) is the state agency responsible for coordinating state operations, including procurement, information technology, and human resources. The agency oversees and supports 13 departments, boards, and offices, including the Department of General Services, the California Department of Technology, the California Department of Human Resources, and more. The Agency also plays a coordinating role across all state agencies to accelerate government innovation and best practices.

Issue 1: Update on Artificial Intelligence Pilots

The Agency will provide an update on the Artificial Intelligence Pilots that began through an Executive Order in 2023.

Background on Generative Artificial Intelligence

Models that are trained on small, specific datasets in order to make recommendations and predictions are sometimes referred to as "predictive AI." This differentiates them from "Generative AI," (GenAI), which are trained on massive datasets in order to produce detailed text and images. When Netflix suggests a TV show to a viewer, the recommendation is produced by predictive AI that has been trained on the viewing habits of Netflix users. When ChatGPT generates text in clear, concise paragraphs, it uses generative AI that has been trained on the written contents of the internet. These systems' architecture and training data differ, but their core concept is the same.

GenAI represents a category of pretrained AI models capable of producing new synthetic content. The California State Administrative Manual — the reference resource for the executive branch's statewide management policies — defines GenAI as "class of AI models that emulate the structure and characteristics of input data in order to generate derived synthetic content. This can include images, videos, audio, text, and other digital content."

In recent years, GenAI has surged at the forefront of technology research and development, with an array of GenAI technologies already deployed in private sector enterprises as well as consumer products. Today, GenAI can be used in a variety of applications, from content creation platforms capable of creating text, images, and videos, to chatbots leveraging conversational models to engage in coherent human-like discussions. GenAI may also be used to independently perform data analysis and write software code without human assistance. The development of GenAI technology is anticipated to significantly accelerate, with private equity and venture capital-backed investments in GenAI more than doubling in 2023 compared to the prior year.

Although GenAI has a wide range of applications, several issues have emerged around its use, particularly around cybersecurity, privacy, regulatory compliance, intellectual property, and job displacement.

Background on Executive Order N-12-23 and State Department Deliverables

In response to the rapidly evolving nature of GenAI technology, Governor Newsom issued an Executive Order on September 6, 2023, directing state departments to study the development, use, and risks of artificial intelligence technology throughout the state and to develop a process for the evaluation, procurement, and deployment of AI within state government.

The Executive Order specifically mandated the following:

Procurement

1. Issue general guidelines for public sector procurement, uses, and required trainings for use of GenAI, including for high-risk scenarios such as for consequential decisions affecting access to essential goods and services.
2. Update the State's project approval, procurement, and contract terms, incorporating analysis and feedback from the reports listed above.
3. Consider procurement and enterprise use opportunities where GenAI can improve the efficiency, effectiveness, accessibility, and equity of government operations.
4. Establish the infrastructure to conduct pilots of GenAI projects, including California Department of Technology approved environments, or "sandboxes," to test such projects.
5. Consider pilot projects of GenAI applications, in consultation with the state workforce or organizations that represent state government employees and other stakeholders to determine 1) how GenAI can improve Californians' experience with and access to government services, and 2) how GenAI can support state employees in the performance of their duties.
6. Make available trainings for state government worker use of state-approved GenAI tools to achieve equitable outcomes, and to identify and mitigate potential risks.

Reports and Guidelines

1. Draft a report to the Governor examining the most significant, potentially beneficial use cases for deployment of GenAI tools by the State, as well as potential risks to individuals, communities, and government and state government workers.
2. Perform a joint risk analysis of potential threats to and vulnerabilities of California's critical energy infrastructure by the use of GenAI, and develop, in consultation with stakeholders, a strategy to assess similar potential threats to other critical infrastructure. Issue public recommendations for further administrative actions and/or collaboration with the Legislature to guard against these potential threats and vulnerabilities.
3. Submit an inventory of all current high-risk uses of GenAI within agencies and departments.
4. Develop guidelines for State agencies and departments to analyze the impact that adopting a GenAI tool may have on vulnerable communities, including criteria to evaluate equitable outcomes in deployment and implementation of high-risk use cases.
5. Establish criteria to evaluate the impact of GenAI to the state government workforce, and provide guidelines on how State agencies and departments can support state government employees to use these tools effectively and respond to these technological advancements.
6. Pursue a formal partnership with the University of California, Berkeley, College of Computing, Data Science, and Society and Stanford University's Institute for Human-Centered Artificial Intelligence to consider and evaluate the impacts of GenAI on California and what efforts the State should undertake to advance its leadership in this industry.
7. Engage with the Legislature and relevant stakeholders, including historically vulnerable and marginalized communities, and organizations that represent state government employees, in the development of any guidelines, criteria, reports, and/or training included in the Executive Order.

Reports Published to Date

In response to the Executive Order's directives, the following reports were published:

1. ***“Benefits and Risks of Generative Artificial Intelligence Report”*** – Published by the Government Operations Agency on November 2023, the report provides an initial analysis of the potential benefits to individuals, communities, government and State government workers, with a focus on where GenAI may be used to improve access to essential goods and services. Additionally, the report assesses the risks of GenAI, including but not limited to risks stemming from bad actors, insufficiently guarded governmental systems, unintended or emergent effects, and potential risks toward democratic and legal processes, public health and safety, and the economy.
2. ***“State of California GenAI Guidelines for Public Sector Procurement, Uses and Training”*** – Published by the Government Operations Agency, the Department of Technology, the Department of General Services, the Office of Data Innovation, and CalHR in March 2024, the address procurement, uses, and training related to deploying GenAI in California state government and include best practices and parameters to safely and effectively use the technology.
3. ***“State of California Generative AI Toolkit for Procurement, Use, and Training”*** – This toolkit was published to support and state entities to be able to self-assess risk levels, collaborate with control agencies on higher risk use cases, and document and share learnings with GenAI experimentation.
4. ***“State of California Guidelines for Evaluating Impacts of Generative AI on Vulnerable and Marginalized Communities”*** – Published by the Government Operations Agency (GovOps), in December 2024, addresses guidelines to ensure that California state government is well-positioned to equitably spread the benefits and opportunities of this technology across all communities, while safeguarding the state's most vulnerable communities.
5. ***“EO3c Executive Summary”*** – Due by January 2025 and published by the Government Operations Agency, the California Department of General Services, and the California Department of Technology, published in February 2025. The summary provides an update on the State's project approval, procurement and contract terms as directed by Executive order N-12-23.

Procurement Efforts: Request for Innovative Ideas (RFI2)

To meet the procurement goals laid out by the Executive Order, the California Department of Technology has established a GenAI “sandbox” to conduct pilots of GenAI projects. This sandbox environment aims to provide a safe digital environment to test various applications of GenAI for state government operations.

In January 2024, the Administration issued five “Request of Innovative Ideas,” or RFI2, to competitively solicit, bid, and procure GenAI pilot solutions. Four state entities piloted these GenAI solutions: the California Department of Tax and Fee Administration (CDTFA), the California Department of Transportation (CalTrans), the California Health and Human Services Agency (CalHHS), and the California Department of Public Health (CDPH). These five RFI2 are briefly described below:

1. California Department of Tax and Fee Administration:

CDTFA is seeking a solution that will use GenAI to search reference materials and the CDTFA website to provide possible responses to taxpayer inquiries via calls, chatbot, live chat, and emails. The goals of such a solution are to minimize the risk of incorrect information being provided to taxpayers, reduce the time needed to research responses, decrease wait times for taxpayers, and provide tools to improve monitoring of operations.

2. CalTrans: Vulnerable Roadway User Safety

CalTrans seeks a solution to use GenAI to analyze traffic and driving behaviors, crash data, speed profile, lighting conditions, and more to identify locations with high risk of crash incidents, recommend potential solution strategies to enhance safety at critical hotspots, and develop a prioritized list of locations to guide Caltrans’ infrastructure improvement decision-making.

3. CalTrans: Traffic Mobility Insights

CalTrans seeks to use GenAI to provide analysis and recognition of traffic patterns and impacts to enhance the safety of the State Highway System, improve overall traffic, emergency, and freight management, and optimize system performance by minimizing bottlenecks. The GenAI solution would facilitate real-time decision-making and optimize infrastructure investment planning leading to projects and strategies that contribute to the development of a resilient, safe, and sustainable transportation system.

4. *CalHHS: Language Access*

CalHHS seeks to integrate GenAI tools for translation workflows to increase speed, efficiency, and consistency of translations and generate improvements in language access. GenAI solutions would translate content between English and other languages, facilitate review and post-editing of translated content, and produce translated electronic documents and web content.

5. *CDPH: Health Care Facility Inspections*

CDPH seeks to leverage GenAI tools for health care facilities inspections to timely document the facts or findings identified by the surveyor and analyze those facts and findings to develop a concrete set of outcomes or citations that match the state and federal requirements. GenAI solutions would document inspection findings of a survey or inspection which generates a comprehensive report, and develop a set of outcomes or citations that are in clear alignment with the facts and findings, while also being consistent with the laws and policies at the state and federal level.

The Administration is proposing new pilots using their new procurement process PDL. They are:

1. *GenAI solutions for housing with the Department of Housing and Community Development (HCD)*

HCD is seeking to track the creation and implementation of housing plans, programs, and initiatives across the state more efficiently and quickly. Using GenAI may increase transparency and accuracy, enabling HCD to provide more equitable housing services across California.

2. *GenAI solutions for workforce planning with EDD and the State Labor Workforce Development Agency (LWDA)*

The EDD is working with the LWDA to find innovative GenAI solutions to strengthen state and local workforce planning and policy development. The solution would refine statistical models to enhance recession forecasting and align economic predictions with emerging employment trends. The solution would help provide real-time data to address workforce challenges during recessions. Utilizing GenAI solutions may produce more accurate recession forecasts to better inform state and local workforce planning and policy development.

3. *GenAI solutions for finance with the Department of Finance (DOF)*

The DOF is seeking an innovative solution to synthesize legislative bill analysis, which is a complex and lengthy process throughout the year. DOF staff currently work across multiple systems to complete this analysis, which is vital to the state budget. This work includes considering fiscal impacts to the state, stakeholder feedback, previous years' analyses and other intricate information. The goal of the GenAI solution is to find ways to bring all data sets together and provide staff with comprehensive summaries they can consider early in their process.

The Legislature Remains Concerned

In 2024-25, the Legislature introduced over 50 pieces of legislation regarding the regulation of Artificial Intelligence. Eighteen of those bills were signed in to law by the Governor. Many of the bills focused on protection of sensitive communities, protection of minors and privacy. With the recent Federal Administration's attacks on the LGBTQ, undocumented communities and those seeking reproductive care, the Legislature remains concerned how non-state entities will use sensitive personal information that could possibly harm individuals and see its involvement in oversight that is crucial to protecting the public. AB 302 (Ward), requires a high risk Automatic Decision System (ADS) report that provides an inventory of any identified high-risk ADS, which is a final review and approval stage. The report was due in January 2025. The Legislature is also concerned how the use of GenAI will impact the state's public employee workforce. The Legislature is waiting for the final Executive Order report on assessing GenAI impacts to the workforce. The Department has told the Subcommittee it is under final review. The report was due in February 2025.

Panel

- Justyn Howard, Deputy Secretary, Fiscal Policy and Administration
- Jonathan Porat, State Chief Technology Officer, California Department of Technology
- Angela Shell, State Chief Procurement Officer, California Department of Technology
- Natlie Griswold, Staff Finance Budget Analyst, Department of Finance
- Brian Metzker, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Staff Comments

The approval of the GenAI POCs was done without the approval of the Legislature, per the Executive Order. The Legislature often approves funding for technology projects and procurement in the budget process. As the first round of POCs move to minimum viable products

(MVPs), more information on projects submitted will be available at the May Revision, and whether these projects will be submitted as BCPs, or be deemed by DOF to be within the agency or department's existing resources.

The Subcommittee may wish to ask the following questions:

1. What is the current status of the original 5 projects? Are they on track?
2. Are there any unanticipated future costs of the current pilot projects? If there are significant state cost, should there be more oversight by the Legislature?
3. Please explain the second round of pilot projects. Does the department expect significant state cost?
4. For vital personal information that will be used by future GenAI projects, what plans are there to protect sensitive communities' personal information from being used against them by non-state actors? Will personal information be handed over to federal agencies such as the U.S Immigration and Customs Enforcement (ICE), or states that issue bounties for those seeking reproductive and transgender care in California?

Staff Recommendation: This item is presented as information only.

Issue 2: Establishing the California Education Interagency Council

The Government Operations Agency (GovOps) requests \$5.0 million (General Fund) in 2025-26 and ongoing to establish the Office of the California Education Interagency Council (Council) to bring together TK-12 education, higher education, and state economic and workforce development agencies to improve planning and coordination across state government.

Background. In August 2023, Governor Gavin Newsom launched the development of California's Master Plan for Career Education. This initiative aims to promote equitable access to high-paying jobs by addressing structural barriers and strengthening education and training pathways. One of the primary recommendations was the need for state and regional coordination. More specifically, the need to regularly evaluate the changing nature of work and the economy to define career pathways in which the sectors should respond and to enhance collaboration and decision-making between education systems, workforce providers, employers, community organizations, and interest holders were some of the most regularly requested outcomes of the Master Plan process. This proposal is in response to this feedback.

The Office of the California Education Interagency Council will implement several key activities to achieve these goals. First, it will work with interested stakeholders to develop a detailed strategic plan that will guide the work of the Council and the staff in fulfilling their mission. It will also conduct thorough evaluations of critical data, integrating insights from the Employment Development Department, and the California Community Colleges Centers of Excellence. This data will inform the Legislature and the Governor about the labor supply, projected job demand, and the essential skills needed across key occupational sectors, with reviews conducted at least biennially. Educators will be better equipped to responding to emerging skill demands that are vital to California's economy by incorporating economic forecasting.

The Council will be dedicated to fulfilling the goals that are described in the proposed trailer bill language, including:

- Actively assess and address the dynamic nature of work and economic/skills shifts while promoting educational attainment, equity, and workforce objectives throughout the state.
- Integrating and aligning initiatives across TK-12 education, higher education, employers, and the statewide workforce and training systems, ensuring that federal and state funding investments are maximized to the extent possible through alignment and collaboration across systems.
- Fostering collaboration among higher education institutions, workforce development programs, and employers to ensure that students can better navigate and be supported from one system to the next.

- Providing the necessary flexibility and support to fulfill the skill-building and upskilling needs of adult learners.
- Engage with regional partners across California to ensure that educational offerings are closely aligned with workforce demand, effectively bridging the gap between learning and employment opportunities.
- Creating a vital forum for communication, addressing the implications of proposed changes to TK-12 and higher education graduation standards, as well as CSU and UC admissions criteria.

According to the department, the Council will deliver annual findings to the Legislature and Governor, providing strategic recommendations on inter-segmental, cross-sector, and interagency initiatives to enhance student support, financial aid, transfer pathways, adult education, graduation rates, affordability, and workforce alignment. It will champion collaborative efforts to develop and refine student pathways, including dual enrollment programs and associate degree for transfer initiatives. It will report the outcomes of these pathways and make recommendations to the Legislature and Governor.

Panel

- Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, Government Operations Agency
- Natalie Griswold, Staff Finance Budget Analyst, Department of Finance
- Alex Bentz, Legislative Analyst's Office

Staff Comments

1. Given the fact that the proposal overlaps with several existing programs, how does the department expect this proposal to work with the existing structure? Will this program duplicate efforts in other departments?
2. How does this differ from the Governor's Council for Career Education which has the same membership list as the proposal?

Staff Recommendation: Hold Open

0680 Governor's Office of Service and Community Engagement

The Office of Community Partnerships and Strategic Communications (OCPSC) is the single state entity coordinating California's statewide public awareness and community engagement initiatives, the Office allows the state to realize more inclusive and effective outcomes while preventing equity gaps in outreach. Most recent public awareness campaigns have been the Save our Water Program, Extreme Heat Awareness and Outreach Program, Individual Taxpayer Identification Number Awareness Program, and the Vaccinate all 56 campaign. Within the OCPSC are the California Volunteers program and the Governor's Office of Service and Community Engagement (GO-SERVE).

Issue 3: California College Corps Program.

This Department, California Volunteers, in GO-SERVE, requests \$5 million (General Fund) one-time in 2025-26, and \$83.6 million (General Fund) ongoing, and 48 positions in 2026-27 to maintain the investment into the College Corps Program, expand service opportunities in colleges and universities across the state, and strengthen alumni career pathways.

Background. Administered by California Volunteers, this program creates opportunities for young Californians to make a positive impact in their communities while gaining marketable skills and experience for future employment. President Biden's recent launch of the first American Climate Corps reinforces the need to mobilize young people through service-learning opportunities and pathways into service-oriented professions. Through their service, College Corps Fellows contribute to tackling the biggest issues facing our state. Fellows work in their communities to tutor and mentor low-income students, distribute meals to those facing food insecurity, and take climate action. By participating in the College Corps program, Fellows are provided with a debt-free pathway through school as well as a direct pathway to service-oriented careers post-graduation.

According to the Administration, there is a need to expand the College Corps program to provide more fellows with opportunities to serve their communities while earning a debt-free pathway through college and learning skills to prepare them for employment after graduation. Demand to participate in the program is high among college students, with 10,515 applications received for the 2024-25 academic year cohort. At the current level of funding, the College Corps program has the capacity to enroll just over 3,000 fellows. By scaling the program to 55 colleges and universities, we can expand service opportunities to 4,000 undergraduate students. Part of this expansion will include the creation of 250 new slots to allow for students with less financial need to participate in the program and earn a \$3,000 education award. Expansion will also create

efficiencies for the state by decreasing the administrative costs associated with managing the program by \$1,749 per fellow.

Current funding for this program ends after the fourth academic year cohort in Summer 2026. One-time funding is needed in FY 2025-26 to expand the program to new campuses and run a competitive RFA process for the 2026-27 academic year program. Ongoing funding is needed beginning in FY 2026-27 to ensure campuses can recruit fellows in Spring 2027 and continue programming for the 2027-28 academic year.

Panel

- Josh Fryday, Director, Governor’s Office of Service and Community Engagement
- Anthony Chavez, Chief Deputy Director, Governor’s Office of Service and Community Engagement
- Mark Jimenez, Principal Budget Program Analyst, Department of Finance
- Henry Ng, Staff Finance Budget Analyst, Department of Finance
- Rachel Ehlers, Legislative Analyst Office

Staff Comments

The Subcommittee may wish to ask the following questions:

1. Given the proposed reductions to the UC, CSU and California Student aid Commission and the fact that the College Corps program only covers 3200 students at 45 campuses, is the funding better used by funding existing financial aid programs?

Staff Recommendation: Hold Open

Issue 4: Belonging Campaign

The Office of Community Partnerships and Strategic Communications (OCPSC) requests \$5 million (General Fund) in FY 2025-26 to support a belonging campaign.

Background. According to OCPSC, California has unique challenges reaching and connecting Californians. Communities currently face a wide range of intersecting issues including a growing disconnected youth population, a loneliness epidemic, and continued feedback from community leaders that awareness of government support services is low and accessing them continues to be a challenge. The Public Policy Institute of California recently noted that 11.5% of youth between the ages of 16 and 24 are not in school or participating in the labor market, and US Surgeon General Vivek Murthy noted that half the U.S population reports being lonely with the makeup of a community potentially increasing this percentage, which can result in significant health consequences. To counter these compounding issues, California needs a coordinated effort that can better connect with communities to address these issues and realize more inclusive outcomes for a more equitable and engaged public.

To address these pressing challenges the state is facing, OCPSC is requesting funds to develop a belonging campaign to better connect Californians to their communities, as well as state benefits and services that would increase Californians sense of belonging in the state. This project would leverage the trust OCPSC has built within communities and elevate that work to connect community directly to programs and services they may be unaware of or need assistance applying to. OCPSC recently launched a California Community Resource Guide to better connect community to state programs. This resource would continue to leverage in this effort to connect Californians to community and create an improved sense of belonging. This campaign will also leverage research to identify the best ways to address disconnected communities, as well as communications to bring communities together to further increase engagement and participation in communities and state programs.

Panel

- Josh Fryday, Director, Governor's Office of Service and Community Engagement
- Anthony Chavez, Chief Deputy Director, Governor's Office of Service and Community Engagement
- Mark Jimenez, Principal Budget Program Analyst, Department of Finance
- Henry Ng, Staff Finance Budget Analyst, Department of Finance
- Natalie Gonzalez, Legislative Analyst Office

Staff Comments

The Subcommittee may wish to ask the following questions:

1. What are the goals of this program? How will these goals be measured?
2. How does OSPSC determine how to improve the sense of belonging for Californians? Who is the focus of the campaign? Are they adults, seniors, children, people leaving California, immigrants?
3. How is this different than the programs OCPSC already administer?
4. What current outreach programs are not working that currently requires another program to be created?
5. Will there be trailer bill language to implement the program and to have measurable outcomes?

Staff Recommendation: Hold Open

7502 California Department of Technology

The California Department of Technology (CDT) is the state department responsible for delivering government digital services. CDT provides Information Technology strategic planning, project delivery, procurement, policy and standards, and enterprise architecture. CDT is tasked with securing statewide information assets by providing oversight and infrastructure for many state departments and serves as the custodian of information for various state business applications. Through its State Data Center, CDT also provides infrastructure services for government customers that include on-premises and cloud-based services.

Issue 5: Update on the Middle-Mile Broadband Initiative

This issue will provide an update on Middle-Mile Broadband initiative.

Background. The digital divide refers to the gap between households, communities, and geographic areas that have access to high-speed internet services and those that have limited to no access. This divide became increasingly pronounced during the COVID-19 pandemic, as more Californians relied on high-speed internet to work remotely, participate in online education, and access critical services. The Public Policy Institute of California notes that, although broadband access has grown in recent years, a significant gap persists across racial groups, with 81% of Latino, 83% of Black, 87% of white, and 88% of Asian households reporting having broadband access at home in 2021. In addition, 76% of households with annual income below \$50,000 are less likely to have broadband access at home.

To address this digital divide, the Legislature and the Administration reached in 2021 a multiyear, \$6 billion agreement to develop and implement a statewide broadband infrastructure plan. This plan, implemented through Senate Bill 156 (Committee on Budget and Fiscal Review, Chapter 112, Statutes of 2021), AB 14 (Aguiar-Curry, Chapter 658, Statutes of 2021) and SB 4 (Gonzalez, Chapter 671, Statutes of 2021), leverages both federal and state funds to implement a middle-mile network and enable last-mile projects to connect unserved and underserved communities and households.

Under state and federal definitions, a household is considered to be “unserved” if it lacks access to service capable of providing at least 25 Megabits per second (Mbps) download and 3 Mbps upload (25/3Mbps). A household which only has access to service below 100 Mbps download and 20Mbps upload is considered to be “underserved”. According to recent figures published by the California Public Utilities Commission in 2023, there are at least 362,517 unserved households across the state. However, that number can increase depending on the specific definitions used. For example, the CPUC has also published official figures that estimate nearly

1 million households are unserved and underserved when also taking into account the reliability of the service available.

The middle-mile segment of an internet network – which is the focus of this budget change proposal – is the physical infrastructure required to enable internet connectivity for homes, businesses and community institutions. The middle-mile consists of high-capacity fiber lines that carry large amounts of data at high speeds over long distances between local networks and global internet networks. Under the state’s broadband plan, the California Department of Technology (CDT) and its third-party administrator, GoldenStateNet, are developing a statewide open-access middle-mile network known as the Middle-Mile Broadband Initiative. The project is being developed primarily along the state’s highways and other rights of way through a combination of new construction, leases, and purchasing of existing infrastructure. As an open-access network, this middle-mile infrastructure will be available to local Internet Service Providers (ISPs) public entities, and other organizations that can deliver last-mile broadband service particularly to unserved and underserved communities and households.

It is important to note that, although the middle mile network is a critical component of broadband, it does not provide internet access on its own. The middle mile requires a last mile connection to connect a household. Depending on an ISP’s network design, a last-mile connection can be delivered through wireline connections (such as fiber-optic and coaxial cables) or wirelessly (through mobile networks, satellite, and fixed wireless radio waves). Last-mile projects are funded through separate funding streams managed by the California Public Utilities Commission.

Since the initial broadband infrastructure agreement between the administration and Legislature in July 2021, there have been significant changes in the funding amounts, sources and timing of the various elements of the larger broadband infrastructure plan.

Specifically, the 2024-25 budget act did the following:

- Reduced \$700 Million General Fund From Loan Loss Reserve Fund (LLRF). The LLRF provides local government entities, nonprofit organizations, and tribes with grants to help them obtain financing for last-mile projects through, for example, establishing and funding reserves and paying the costs of debt issuance for broadband infrastructure projects. The spending plan reduces \$700 million General Fund from the LLRF across three fiscal years - \$125 million in 2023-24, \$300 million in 2024-25, and \$275 million in 2025-26. (These funding reductions incorporate early action taken in Chapter 9 of 2024 [AB 106, Gabriel] that reduced \$150 million in 2024-25 and \$100 million in 2025-26.) The remaining \$50 million General Fund in 2023-24

will be awarded from the LLRF in 2024-25. This represents the only planned expenditure from LLRF.

- Delayed \$550 Million General Fund in Last-Mile Project Grants. The spending plan delays \$550 million General Fund in last-mile project grants across three fiscal years - \$100 million in 2024-25, \$200 million in 2025-26, and \$250 million in 2026-27 - to 2027-28. (These funding delays incorporate early action that delayed \$100 million from 2024-25 to 2026-27.)
- Maintained \$250 Million General Fund for Middle-Mile Network. Consistent with the Legislature's stated goal in Chapter 48 of 2022 (SB 189, Committee on Budget and Fiscal Review), the spending plan includes \$250 million General Fund in 2024-25 for additional costs to build the state's middle-mile network. Provisional language in Chapter 35 of 2024 (SB 108, Wiener) also allows the administration to request up to an additional \$250 million General Fund in 2024-25, but only if it is supported by a November 2024 report on various aspects of the middle-mile network (described in more detail later in this section) and 30-day written notification of and approval by the Joint Legislative Budget Committee (JLBC). (The provisional language also allows the Department of Finance [DOF] to authorize up to three additional permanent positions for the Department of Technology's [CDT's] middle-mile network activities.)
- Appropriated an additional \$1.9 Billion from Federal BEAD Program. The federal National Telecommunications and Information Administration (NTIA) announced in 2023 that California would receive roughly \$1.9 billion from the IJA's BEAD program for last-mile project grants. The spending plan appropriates this amount in 2024-25, with provisional language in Chapter 22 of 2024 (AB 107, Gabriel) to improve legislative oversight of this appropriation (described in more detail later in this section). (The spending plan also authorizes 31 temporary positions, from 2024-25 to 2026-27, for the California Public Utilities Commission [CPUC] to administer the BEAD program.)

The following table on the next page, provided by the Legislative Analyst's Office, provides the spending plan for state broadband infrastructure programs and projects as of the 2024-25 Budget Act.

2024-25 Broadband Infrastructure Spending Plan

(In Millions)

Program or Project	Fiscal Year	Funding Source		
		GF	FF	TF
Middle-Mile Network	Prior Years	\$887	\$2,363	\$3,250
	2023-24	300	73	373
	2024-25	250	—	250
	2025-26	—	—	—
	2026-27	—	—	—
	2027-28	—	—	—
Subtotals		(\$1,437)	(\$2,436)	(\$3,873)
Last-Mile Project Grants	Prior Years	\$647	\$550	\$1,197
	2023-24	253	—	253
	2024-25	—	1,864	1,864
	2025-26	—	—	—
	2026-27	—	—	—
	2027-28	550	—	550
Subtotals		(\$1,450)	(\$2,414)	(\$3,864)
LLRF	Prior Years	—	—	—
	2023-24	\$50	—	\$50
	2024-25	—	—	—
	2025-26	—	—	—
	2026-27	—	—	—
	2027-28	—	—	—
Subtotals		(\$50)	(—)	(\$50)
All Programs and Projects	Prior Years	\$1,534	\$2,913	\$4,447
	2023-24	603	73	676
	2024-25	250	1,864	2,114
	2025-26	—	—	—
	2026-27	—	—	—
	2027-28	550	—	550
Totals		\$2,937	\$4,850	\$7,787

²Chapter 189 of 2023 (SB 104, Skinner) appropriated \$73 million FF from the IJA's Enabling Middle Mile Infrastructure program in 2023-24.

³Chapter 48 of 2022 (SB 189, Committee on Budget and Fiscal Review) included a legislative goal to appropriate \$250 million GF in 2024-25 for the middle-mile network.

⁴Last-mile project funding amounts do not include \$50 million GF in LATA program funding.

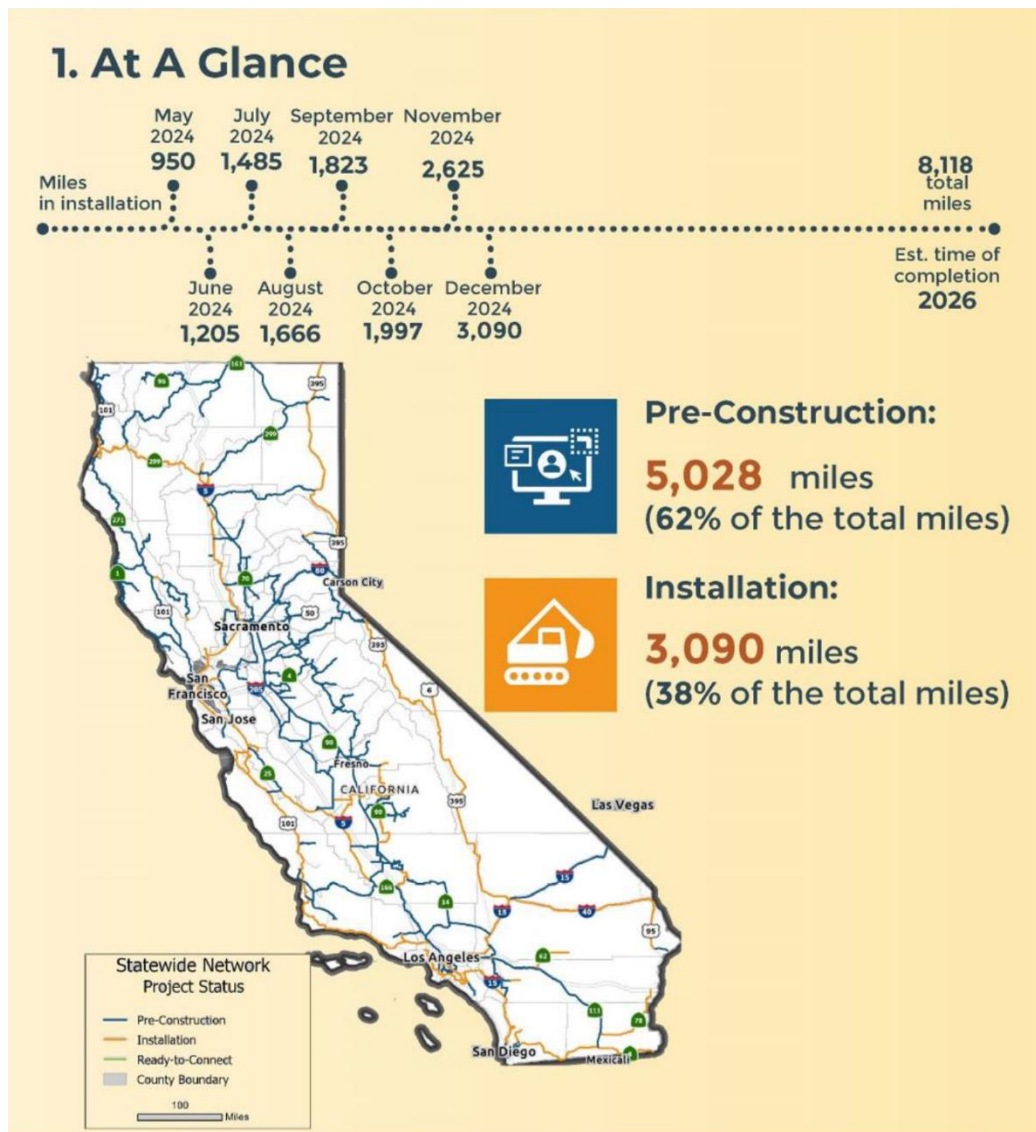
⁵IJA's BEAD program allocated \$1.864 billion FF to California for last-mile project grants in 2023. Chapter 22 of 2024 (AB 107, Gabriel) appropriates this allocation in 2024-25.

eFF amounts do not include additional IJA funding from Digital Equity Act programs, specifically \$4 million in state planning and \$70 million in state capacity program allocations.

GF = General Fund; FF = federal funds; TF = total funds; LLRF = Loan Loss Reserve Fund; IJA = Infrastructure Investment and Jobs Act; LATA = Local Agency Technical Assistance; and BEAD = Broadband Equity, Access, and Deployment.

Status of the Statewide Open-Access Middle-Mile Network Construction

As of December 30, 2024, 3,090 Miles (38% of the total miles) has been completed and 5,028 Miles (62% of the total miles) is in the preconstruction phase, out of the total 8,118 total miles to be completed by the end of 2026 (fig 1).



The chart below (fig 2) shows the breakdown of how the department plans to complete the 8,118 miles.



CalTrans

Pursuant to SB 156, Caltrans has implemented programmatic agreements to streamline environmental approvals and facilitate broadband infrastructure deployment under the MMBN. It is responsible for 779 miles of middle-mile infrastructure on state rights-of-way, processing encroachment permits for CDT partners, and managing a dedicated permitting pathway to ensure timely approvals and compliance with state and federal regulatory requirements.

To date, Caltrans has identified 149 encroachment permit applications associated with CDT partners. Of the applications received by the department:

- Approximately 68 have either completed construction or been withdrawn by applicants.
- Around 64 have been approved, granting contractors access to construct in Caltrans right-of-way.
- Roughly 17 remain in progress, with some under Caltrans review and others awaiting additional information from applicants.

End mile projects will be held up until middle mile projects are completed – further exasperating the Legislature and frustrating the communities waiting for this connectivity with the project.

American Rescue Plan (ARP) - Federal Funding Update

There are concerns that the project is not on schedule for completion by the end of 2026, which will jeopardize the federal ARP funds. Control Section 11.96 allows the Department of Finance (DOF) to augment the amount of American Rescue Plan (ARP) fiscal relief funds eligible to replace any state revenue lost due to coronavirus disease 2019 (COVID-19), and then deposit the augmentation of ARP fiscal relief funds back into the General Fund (as opposed to being allocated for a particular program or project). In September 2022, DOF used the control section to shift the funding source for \$887 million in middle-mile network funding from ARP fiscal relief funds to General Fund. In November 2024, DOF similarly shifted the funding source for the remaining \$2.363 billion for the middle-mile network. Together, these shifts mean all prior appropriations of ARP fiscal relief funds are now General Fund, which means they are not subject to the same encumbrance and expenditure deadlines that are required by the ARP. Even with this the legislature is still concerned that the project will not be completed by the end of 2026.

Panel

- Jared Johnson, Chief Deputy Director, California Department of Technology
- Mark Monroe, California Department of Technology
- Ryan Bender, Staff Services Analyst, Department of Finance
- Danielle Brandon, Principal Program Budget Analyst
- Brian Metzker, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask the following:

1. If the project is not completed by 2026, what would the general fund impact be? Will the state have additional costs?
2. Does the department anticipate a delay in the project, or is the project on schedule to be completed by 2026?
3. Does the department know if contractors are able to get all the permits they have requested? And if not, do they know how many have been rejected?
4. Which projects will be in jeopardy if the project is not completed by 2026? How will this affect the end mile projects?

Staff Recommendation: This item was presented for information only.

1703 Privacy Protection Agency

The California Privacy Protection Agency (CPPA) is the state agency tasked with overseeing and enforcing the state's consumer privacy laws. The Agency was created as part of Proposition 24 (2020), which established new consumer privacy rights such as limitation on sharing personal data, correction of personal data, and limitation on the use of sensitive personal data. Proposition 24 directly appropriated from the General Fund \$5 million in startup funds and \$10 million per fiscal year thereafter for expenditure to support the operations of the CPPA.

Issue 6: Data Broker Deletion Request Opt-Out Platform

The Governor's budget includes an increase in expenditure authority of \$2.477 million (Data Broker's Registry Fund) in 2025-26, \$2.34 million in 2026-27, and 2.0 positions phased-in over two years to meet the Agency's responsibilities under Chapter 709, Statutes of 2023 (SB 362), known as the California Delete Act.

Effective January 1, 2026, Chapter 709, Statutes of 2023 (SB 362), also known as the California Delete Act, transferred responsibility of the Data Broker Registry from the Department of Justice (DOJ), to the California Privacy Protection Agency (CPPA or Agency), and further mandated the Agency to establish an accessible deletion mechanism. This mechanism must allow consumers to request the deletion of personal information maintained by data brokers and their associated service providers beginning January 1, 2026. The system needs to maintain reasonable security procedures and practices, provide an interface for making and altering deletion requests, and allow consumers to verify the status of their requests. Additionally, by August 2026, data brokers will be required to access this deletion mechanism every 45 days to ensure compliance with consumer requests. The challenge lies in developing and implementing this comprehensive system that can handle high volumes of requests, maintain data security, and ensure seamless interaction between consumers, data brokers, and the Agency. This requires robust infrastructure, ongoing support, and effective coordination among all stakeholders.

The 2024 Budget Act includes resources to plan for the implementation of SB 362 and to assist in the development of the deletion mechanism. Planning has been underway, and the Agency is prepared to move forward with system development and the execution of the accessible deletion mechanism. To support the establishment of the mechanism, the Agency is requesting \$2.477 million in 2025-26 and \$2.34 million in 2026-27 for contracting costs and 2.0 additional positions dedicated to overseeing the technical and program requirements of the Deletion Request and Opt-out Platform (DROP).

The CPPA will have the CDT develop and be the Program Manager for the program. Normally, an agency would go to an outside vendor, where the CDT would then be the independent third-party oversight. Development and management will be carried about by different teams/divisions within CDT so there is oversight. According to the Agency on this:

“The DROP project framework is a common set-up and has followed standard processes. CDT’s Office of Statewide Project Delivery (OSPD) is not providing oversight services. The DROP project was delegated to CPPA through the Project Approval Lifecycle (PAL) process on January 6, 2025. As a delegated project, CDT is not providing oversight services. All delegated projects are still required to periodically report project progress to CDT whether or not they are subject to CDT’s oversight. CDT’s Office of Digital Services (ODS) is providing direct technology development services to CPPA under an interagency agreement (IAA). CDT’s Project Management Office is providing project management resources to CPPA under a memorandum of understanding (MOU).”

Panel

- Von Chitambria, Deputy Director of Administration, California Privacy Protection Agency
- Maureen Mahoney, Deputy Director of Policy & Legislation, California Privacy Protection Agency
- Charlene Manning, Principal Program Budget Analyst, Department of Finance
- Taylor McRho, Staff Services Analyst, Department of Finance
- Brian Metzker, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office

Staff Comments

The resources requested are consistent with the appropriation analysis as the bill went through the legislative process.

The Subcommittee may wish ask the following:

1. How will oversight work since CDT is the vendor, program manager and program oversight on this project? Is that a normal procedure to do all of the function by CDT?
2. Does this unique process create any cost or time savings?

Staff Recommendation: Hold Open

7760 Department of General Services

The Department of General Services (DGS) is the state department responsible for providing a variety of services to other state entities. These services include procurement, acquisition solutions, real estate management and design, transportation and fleet management, professional printing, design and web services, administrative hearings, legal services, oversight of structural, fire, and life safety, and more.

Issue 7: Implementation of the Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (AB 247)

The Department requests 16 permanent positions, \$59.5 million over 5 years starting in 2025-26 from the 2024 State School Facilities Fund, and \$356,000 ongoing from various funds to implement and administer the elementary and secondary educational facility components of the Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024.

Current statute, Education Code Section 17070.65, authorizes the State Allocation Board to make available to DGS the amounts necessary to operate the SFP that are approved in the annual Budget Act. This BCP sets aside a certain amount of the \$10 billion in bond proceeds for administrative costs. OPSC requests an administrative set-aside from the \$8.5 billion in Proposition 2 proceeds supporting SFP projects for OPSC's costs to implement and administer the SFP on an ongoing basis over a multi-year period.

Panel

- Rebecca Kirk, Department of General Services
- Alex Anaya Velazquez, Department of Finance
- Edgar Cabral, Legislative Analyst Office

Staff Comments

1. Will there be a need for corresponding TBL?

Staff Recommendation: Hold Open

Issue 8: Facilities Management Division Building Operation and Support the Department of General Services, Facilities Management

The Department of General Services, Facilities Management Division requests \$5,962,000 (Service Revolving Fund) and 45 positions in 2025-26, and ongoing, to manage, operate, and maintain the reopening of Building 018 in Sacramento once renovations are complete.

When the new Natural Resources Building was completed, and the tenants of Building 018 were relocated to that structure, the staff previously assigned to Building 018 were redirected to maintain the new building. Those staff became part of that building's dedicated staffing model, reducing the request for additional positions to maintain that structure, and are thus unavailable to maintain the Labor Building.

Panel

- Jason Kenny, California Department of General Services
- Natalie Griswold, Finance Budget Analyst, Department of Finance
- Heather Gonzalez, Legislative Analyst Office

Staff Comments

Given that most state agencies current relocation plans are based on a 2-day return to work week, and the 4-day Return to Office order is relatively new, the Subcommittee may wish to ask the following questions:

1. Will the 4-day return to office order impact current relocation processes?
2. Will there be any need to increase space and or lease new spaces to accommodate the number of public employees that are expected to return?
3. Will the department have to augment its budget for more equipment to accommodate the increase in staff?
4. How will parking accommodated for public employees?

Staff Recommendation. This item is presented for information only.

Non-Presentation Items

0511 – Government Operations

1. *Budget Change Proposal: Digital ID Statewide Service Offering*

Government Operations Agency is proposing to move the California Education Learning Lab, a higher education innovation program launched in 2018, from the Governor’s Office of Land Use and Climate Innovation to the Government Operations Agency.

7502 - California Department of Technology

2. *Budget Change Proposal: Digital ID Statewide Service Offering*

The California Department of Technology (CDT) requests \$972,000 in General Fund for Fiscal Year 2025-26 and 2026-27, and \$472,000 General Fund for 2027-28 and ongoing, to support existing positions and maintain and scale product offerings to additional state agencies/departments.

3. *Budget Change Proposal: Office of Information Security’s Advisory Services Program Virtual Chief Information Security Officer Service*

The California Department of Technology (CDT), Office of Information Security (OIS), requests \$500,000 in General Fund authority in Fiscal Year 2025-26 and on-going to support OIS’ Advisory Services Program (ASP) virtual Chief Information Security Officer (vCISO) program. This request will provide OIS-ASP with the necessary resources to perform information security recommendations and remediation services to all state entities and support their information security programs.

1703 – California Privacy Protection Agency

4. *Budget Change Proposal: Relocation & Rent Increase – Sacramento Office*

The California Privacy Protection Agency requests \$490,000 General Fund in 2025-26 and \$421,000 in 2026-27 and ongoing for one-time moving expenses and ongoing rent increases.

5. *Budget Change Proposal: Enforcement Division Technical Infrastructure*

The California Privacy Protection Agency requests an increase in expenditure authority of \$400,000 Consumer Privacy Fund in 2025-26 and \$300,000 in 2026-27 to build the technological component of its enforcement infrastructure. The Department of Justice has a related proposal - California Consumer Privacy Act Enforcement Workload (0820-115-BCP-2025-GB).

7760 – California Department of General Services

6. *Budget Change Proposal: California Building Standards Commission Bill Mandates Workload Adjustment*

The Department of General Services, California Building Standards Commission, requests \$582,000 Building Standards Administration Special Revolving Fund and 2 permanent positions in 2025-26 and ongoing to continue meeting the legislative mandates ratified by AB 209, AB 1738, AB 2075, AB 2232, AB 2446, AB 2863 (Chapters 251, 687, 346, 777, 352, and 809 of the Statutes of 2022, respectively) without impeding the Commission's ability to respond to emerging priorities.

7. *Budget Change Proposal: Call Center Bill Mandates Workload Adjustment (AB 2068)*

The Department of General Services, Office of Legal Services, requests \$196,000 Service Revolving Fund and 1 position in 2025-26 and ongoing expenditure authority to implement AB 2068 (Chapter 697, Statutes of 2024).

8. *Budget Change Proposal: Chattel Slavery: Formal Apology Memorialization (AB 3089)*

The Department of General Services, Real Estate Services Division, requests \$500,000 General Fund one-time in Fiscal Year 2025-26 for the purpose of memorializing a plaque in the State Capitol Building as an apology for perpetuating the harms African Americans faced, including through segregation, public and private discrimination, and unequal disbursement of state and federal funding. Chapter 624, Statutes of 2024 (AB 3089), requires the Department of General Services to establish a schedule for the design, construction, and dedication of the plaque, implement procedures to solicit designs for the plaque, devise a selection process for the choice of the design, and establish a program for the dedication of the plaque.

Staff notes: The BCP request is higher than the original estimate by the department. The higher cost is to address any unforeseen design changes.

9. *Budget Change Proposal: Increased Fuel Cost Expenditure Authority for Fleet Operations*

The Department of General Services, Office of Fleet and Asset Management, requests \$1.9 million Service Revolving Fund in 2025-26 and ongoing expenditure authority to cover increased fuel expenses.

10. *Budget Change Proposal: Office of Administrative Hearings Case Management System Replacement*

The Department of General Services, Office of Administrative Hearings, requests up to \$4.9 million Service Revolving Fund one-time in 2025-26 with a three-year encumbrance period, provisionally available upon California Department of Technology approval, to implement the replacement of its aging Case Management System, and \$628,000 Service Revolving Fund ongoing for anticipated annual maintenance costs beginning in 2028-29.

11. *Budget Change Proposal: Office of Human Resources Workload Adjustment*

The Department of General Services, Office of Human Resources, requests \$1.4 million Service Revolving Fund for 6 existing positions and 3 new positions in 2025-26 and ongoing to support human resources administrative services and to bring staffing in line with the department's growth.

12. *Budget Change Proposal: Permanent eMarketplace staffing*

The Department of General Services, Procurement Division, requests \$340,000 Service Revolving Fund and 2 positions in 2025-26 and ongoing to continue implementation and maintain support activities of the statewide eMarketplace solution. The Procurement Division was approved resources in 2023-24 for contract costs to support the solution's IT development and the internal customer implementation. Additional resources are being requested to support external statewide customer implementation activities and ongoing external customer (i.e. supplier) support.

13. *Budget Change Proposal: Sustainable Schools Program to Advance Climate-Resilient Schools*

The Department of General Services, Division of State Architect, requests \$2 million from the Public School Planning, Design, and Construction Review Revolving Fund (Fund 0328) and 7 positions in 2025-26 and ongoing to implement a comprehensive sustainable schools' program to develop California Green Building Standards Code requirements and ensure Energy Code compliance in California's K-12 schools and community colleges.