California State Assembly

Assembly Budget Agenda

Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, April 8, 2025
1:30 P.M. – State Capitol, Room 447

Items To Be Heard

0509 Governor's Office of Business and Economic Development

The Governor's Office of Business and Economic Development (GO-Biz) provides a single point of contact for economic development, business assistance and job creation efforts. The GO-Biz works with companies and organizations across the nation to market the benefits of doing business in California, recruit new businesses, retain businesses, and support private sector job growth. The GO-Biz serves as the Governor's lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, economic growth, export promotion, permit assistance, innovation and entrepreneurship. The Governor's budget proposes a budget of $247.5 million ($153.5 million is General Fund) and 190.3 position for GO-Biz in 2025-26.

Issue 1: Overview

The Governor's Office of Business and Economic Development will provide a high level overview of the California Jobs First Economic Blueprint.

Background

The California Jobs First Economic Blueprint is a statewide plan built with input from 13 regional plans to drive sustainable economic growth, innovation, and access to good-paying jobs over the next decade. The Blueprint is paired with $125 million in funding to support new, ready-to-go projects, $15 million for economic development projects for California Native American tribes, $13 million to support the economic recovery and small businesses in the Los Angeles region, and $92 million in funding for new apprenticeship and jobs programs.

In 2021, Governor Newsom launched a statewide economic development planning process called the Community Economic Resilience Fund (CERF), which was later renamed the Regional Investment Initiative under the banner of California Jobs First in 2023. The objective was to create good-paying, accessible jobs and sustainable economic growth across the state's thirteen regions.

Each region created a planning body — or collaborative — with representation from a wide variety of community partners, including labor, business, local government, education, environmental justice, community organizations, and more. The collaboratives then wrote their own data-driven, community-led economic plans, including identifying strategic industry sectors.

To support this process, California has invested $287 million since 2022, including $5 million per region for planning, $39 million for pilot projects across the state and $14 million per region to develop viable projects that advance their strategic sectors.
In March 2024, Governor Newsom announced the creation of the California Jobs First Council, made up of nine Cabinet-level agencies, focused on streamlining the state's economic and workforce development programs to create more family-supporting jobs and prioritize industry sectors for future growth.

Panel

- Derek Kirk, Senior Advisor for Economic Policy, GO-Biz
- Lauren Greenwood, Deputy Director of Legislative & External Affairs, GO-Biz
- Rowan Isaaks, Economist, Legislative Analyst's Office
- Jessie Romine, Principal Program Budget Analyst, Department of Finance
- Charles LaSalle, Finance Budget Analyst, Department of Finance

Staff Comments

The Subcommittee may wish to ask the following:

1. What are the next steps for Jobs First Economic Blueprint?

2. There was initial funding for grants throughout the state – is additional funding needed to move forward?

Staff Recommendation: This item is for information only.

Issue 2: California Competes Grant Program

The Governor's budget includes $60 million one-time General Fund, to extend the funding for the California Competes Grant Program and the Administration proposes to remove the rule that prohibits awarding more than 30 percent of total grants to a single applicant.

Background

California Competes Tax Credit. California Competes is an incentive program ran by GO-Biz. It provides nonrefundable tax credits to companies in exchange for a commitment to increase employment and investment in the state over several years. GO-Biz selects applicants via a competitive application process and negotiates individual agreements with each successful applicant, including year-by-year milestones and corresponding credit allocations. Credits may be used to offset either personal income or corporation taxes and can be carried forward for up to six years.

According to Go-Biz, from 2020 to 2024, CalCompetes received 4,301 applications and made 158 awards for an acceptance rate of 3.7 percent.

California Competes Grant Program. Since the tax credit is nonrefundable, businesses without a significant California tax liability cannot utilize the credit. To address this, the 2021, 2022, and 2023 Budget Acts each provided one-time funding of $120 million for a grant program to supplement the tax credit. The process for evaluating applications and negotiating agreements is similar to the tax credit program, but awards are paid directly to successful applicants upon meeting the agreed milestones. In addition, each applicant must propose to do one of the following: (1) create 500 new full-time jobs, (2) make an investment of at least $10 million, or (3) create jobs or make an investment in a high-poverty or high-unemployment area.

According to Go-Biz, from 2021 to 2024, CalCompetes received 668 applicants and made 23 awards for an acceptance rate of 3.4 percent. Across the three previous iterations of the grant, roughly $330 million in grants (92 percent) were allocated as part of agreements between GO-Biz and 23 businesses. Since these agreements were finalized in 2022 and 2023, and grant milestones are spread out among the five subsequent years, it is still unknown at this point what fraction will ultimately be claimed

LAO Comments

Expansion of Economic Development Programs Should Be Weighed Against Other Budget Priorities. Funding another round of California Competes grants could create jobs at a time when private sector job growth has been sluggish. However, the LAO recommends viewing grants as a supplement to the California Competes tax credit rather than a core part of the program. Given the state's current and projected future budget condition, the LAO recommends the Legislature consider the priority of enhancing a seemingly well-functioning program relative to other budget items.

If Approving Grants, Expand Evaluation Criteria. To increase transparency, the LAO recommends the Legislature add explicit requirements to assess a grant applicant's inability to use tax credits. These requirements could include factors like the age of the business for startups or documentation of a lack of tax liability in previous years for more established firms.

Panel

- Scott Dosick, Deputy Director, CalCompetes
- Lauren Greenwood, Deputy Director of Legislative & External Affairs, GO-Biz
- Rowan Isaaks, Economist, Legislative Analyst's Office
- Nick Thomas, Staff Finance Budget Analyst, Department of Finance

Staff Comments

The Subcommittee may wish to ask the following:

1. What information on the tax credit and grant program is posted on the CalCompetes website?

2. Can you explain why the selection process for the CalCompetes credit and grant program is so selective?

3. Can the department explain how the recapture process works for the tax credit and grant program? What are the reasons for recapture? Are entire tax credits being recaptured, or just a portion? How does the department work with awardees to prevent recapture?

4. Can DOF explain what would happen with the recaptured funds if they were not allowed to be recycled? What impact would this have on the General Fund?

Staff Recommendation: Hold Open.

Issue 3: CHIPS Funding

The Governor's budget includes $25 million one-time (General Fund) for GO-Biz to support capital expenditures incurred during the construction of the National Semiconductor Technology Center's Design and Collaboration Facility.

Background

In 2022, the federal government enacted the CHIPS and Science Act. This law aims to support and expand the U.S. semiconductor industry. Among many other provisions, the law established the National Semiconductor Technology Center (NSTC) and Natcast. The NSTC is a cooperative public-private effort to advance semiconductor research and development (R&D). Natcast is the nonprofit organization in charge of the NSTC.

In July 2024, Natcast and the Department of Commerce officially launched a site selection process for three flagship R&D facilities. Through this process, they discussed prospective sites with economic development organizations, such as the GO-Biz in California. In late 2024 and early 2025, they announced the locations: a design and collaboration facility (DCF) in Sunnyvale; an extreme ultraviolet accelerator in Albany, New York; and an advanced packaging piloting facility in Tempe, Arizona.

This facility is expected to be a multi-functional facility, serving as a critical location for the operations of Natcast and NSTC, including:

- Conducting advanced semiconductor research in chip design, electronic design automation (EDA), chip and system architecture, and hardware security
- Hosting programmatic activities, including the NSTC Workforce Center of Excellence, Design Enablement Gateway, and a future Investment Fund
- Convening NSTC members and stakeholders from across the semiconductor ecosystem
- Housing various administration functions

According to Go-Biz, some of the reasons California was selected through the competitive site selection process were:

- More than 25% of all U.S. semiconductor companies are headquartered in California, and there are more than 1,240 semiconductor companies to draw from in building a member base for Natcast.

- California is home to more semiconductor R&D, design, IP and EDA firms than Texas, New York, and Oregon combined – with over 175 semiconductor design firms operating out of Silicon Valley alone. With all market segments of the semiconductor industry represented in California, the ADF will benefit from the full semiconductor value chain in convening consortium members, conducting dynamic and best-in-class programmatic activities, and engendering cutting-edge research. Silicon Valley has the world's highest concentration of venture capital, corporate VC, angel investor groups, startups, incubators, and accelerators, including the only global semiconductor industry incubator and accelerator – Silicon Catalyst. All these entities collectively invested over $104 billion last year, including $21.8 billion to Bay Area-headquartered semiconductor companies. Over 50 VC firms located in Silicon Valley have invested in neighboring Silicon Valley semiconductor companies, demonstrating the benefit of co-locating investors and innovators. ADF will be able to leverage these private sector dollars that only California's investment community can provide.

- 20% of all semiconductor utility patents granted in the last decade, more than double the second highest county, came out of Santa Clara County. Applied Materials alone generates an average of five new patents every day of the week.

- DCF will be able to leverage the largest public higher education system in the U.S., with 10 University of California campuses, 116 Community Colleges, and 23 State universities. In 2023, the Bay Area region alone graduated 6,200 students with engineering degrees (22% of those in electrical engineering).

- California has invested over $225 million into semiconductor companies in the last three years, including more than $10 million in workforce training and more than $214 million in tax credits and grants. The State will continue to prioritize the semiconductor industry as a sector of strategic importance in our review of applications for our flagship income tax credit program, California Competes, which deploys at least $180 million in tax credits annually. And because the State will continue to fund one of the nation's most generous R&D tax credit programs, providing millions in additional support to the industry.

- A $25 million request to be included in the 2025-26 budget allocation to support capital investments for Natcast, which would need to be approved by the Legislature.

LAO Comments

The LAO raised three significant concerns with the CHIPs proposal and recommends rejecting this proposal for the following reasons:

1. The proposal's heavy dependence on federal funding makes its prospects uncertain.

2. Due to the state's precarious budget condition, the bar for new spending outside of core responsibilities should be quite high.

3. If the Legislature wants to expand support for commercial activities, other programs provide more promising opportunities. On paper, the $25 million proposal is tied to capital investment at the DCF. Over the next decade, however, Natcast estimates that its capital expenditures to develop the DCF will total around $650 million. The $25 million proposal is just a small share of this amount, so it easily could supplant capital investment that otherwise could come from other parts of Natcast's budget. This means that the proposal could have little to no effect on the ultimate amount of capital investment at the DCF or on the likelihood that Natcast completes the DCF as planned. Consequently, the Legislature should regard the proposal as one-time support for Natcast's activities—and thus the semiconductor industry—broadly. The nature and magnitude of the resulting benefits are unclear.

   If supporting commercial activities is a high priority for the Legislature, a modest one-time augmentation within certain existing programs—such as California Competes—likely would be more effective. Some research provides fairly good evidence that California Competes encourages recipients to make new investments in California. We suspect that this efficacy is related to several features of the program. One such feature is that the program's support is tied to specific outcomes. Another is that employers in a wide range of industries compete for the program's selectively awarded support. These features stand in stark contrast to the $25 million that the administration has proposed to support Natcast.

Panel

- Derek Kirk, Senior Advisor for Economic Policy, GO-Biz
- Lauren Greenwood, Deputy Director of Legislative & External Affairs, GO-Biz
- Seth Kerstein, Economist, Legislative Analyst's Office
- Jessie Romine, Principal Program Budget Analyst, Department of Finance
- Charles LaSalle, Finance Budget Analyst, Department of Finance

Staff Comments

The Subcommittee may wish to ask the following:

1. Does the Administration have any concerns that the federal investments in the Sunnyvale DCF facility will or will not be fulfilled? What happens to the Sunnyvale DCF facility if the federal investments are not fulfilled? What happens to the state's contribution?
2. How reliant was Natcast on the state contribution of $25 million when it decided to locate the DCF facility in Sunnyvale?
3. What benefit will the state get in return for the $25 million investment? How will this be measured?

Staff Recommendation: Hold Open.

Issue 4: Regional Initiative for Social Enterprises

The Governor's budget includes $17 million one-time (General Fund) to support the California Regional Initiatives for Social Enterprises (CA RISE) program. The CA RISE program is housed at the California Office of Small Business Advocate (CalOSBA) within the GO-Biz. The new funding will provide additional direct support grants for employment social enterprises across the state and funding to provide technical assistance to designated recipients.

Background

The California Regional Initiative for Social Enterprise (CA RISE) was created in 2021 by Senate Bill 193 (Government Code Section 11788) to accelerate economic mobility and inclusion for individuals that experience employment barriers. In partnership with CalOSBA, REDF serves as program lead for this $25 million investment and will deliver customized technical assistance to businesses across the state that employ, train, and support talented Californians overcoming barriers to employment. The purpose of CA RISE is to provide funding and technical assistance to employment social enterprises (ESEs) across California by connecting them with local public partners, training providers, and private sector employers to significantly expand opportunities for people who are typically not served through traditional workforce systems.

ESEs selected for CA RISE through a competitive grant process received a one-time grant of between $100,000 – $500,000 to support investments related to the sustainable growth of their business, increased economic mobility among their participant employees, or, in some cases, both. (Grant award amounts were determined by the ESE's operating budget.) All CA RISE grantees received customized, in-depth capacity building in the areas of sustainable growth and economic mobility:

- Sustainable Growth: Investments in the ESE business to help improve financial strength and grow sustainably long-term, increasing the revenue earned and the number of people to be employed.

- Economic Mobility: Improving the economic outcomes, typically measured by income, of individuals employed by ESEs (e.g., credentialing, (pre)apprenticeship, other forms of direct upskilling/stabilization)

- ESE Fundamentals: Information for small businesses that do not qualify for CA RISE but are curious about the ESE model and seek to understand what it would take to become an ESE. No grant funding is available for this opportunity.

After being selected for CA RISE through the competitive grant process, grantees gain access to:

- Cohort-based and one-to-one customized technical assistance.
- Cohort-based training on two learning tracks: Sustainable Growth and Economic Mobility.
- A suite of tools and learning modules on REDFworkshop (REDF's internal resource platform).
- Assistance enrolling in additional government programs (for example, SNAP Employment & Training).
- Relationship management from a REDF staff member; and • Peer consulting from other local employment social enterprises.

CA Rise 2024 Grantees

- 61 ESEs from 16 counties were selected to receive $17 million in grant funding and capacity-building support through CA RISE. Each grantee was selected based on the strengths of their business and the robust supportive services they make available for employees.
- 95% of ESEs are led-owned by Diverse Leadership (74% Lived Experience, 77& Women-led, 62% BIPOC-led, 30% Black-led, 28% Latinx-led, 13% AIAN-led).
- CA RISE grantee businesses have collectively employed over 10,320 people facing barriers to employment (49% justice involved, 24% housing insecure, 16% Mental Health Challenges, 13% Substance Abuse Disorders, 11% Opportunity Youth).
- CA RISE ESEs generated more than $500 Million in earned revenue last year. Grantees range in size: 30% <2M, 15% <5M, and 55%>5M.

Panel

- Dr. Tara Lynn Gray, Director, CalOBSA
- Lauren Greenwood, Deputy Director of Legislative & External Affairs, GO-Biz
- Alexander Bentz, Economist, Legislative Analyst's Office
- Jessie Romine, Principal Program Budget Analyst, Department of Finance
- Charles LaSalle, Finance Budget Analyst, Department of Finance

Staff Comments

Staff notes that this program proposes for the first time to have CalOSBA administer the program in-house. This is a significant step in the right direction for the state and allows greater control and oversight rather than using a third party vendor.

However, at a time when resources are scarce, the Legislature will have to weigh using resources for this program compared to resources for other programs. For example in the CalOSBA world, no additional funding is proposed for technical assistance for small businesses, why would this program have priority over that one? The Legislature will have to decide priorities for the state in their budget review.

The Subcommittee may wish to ask the following:

1. How is success measured in this program? What was created through the first round of funding?

2. Is there a clawback provision in the program for grantees who do not achieve the goals of the program?

3. How did CalOSBA determine that the CA Rise grantees generated more than $500 million in earned revenue last year?

Staff Recommendation: Hold Open.

1701 Department of Financial Protection and Innovation

The Department of Financial Protection and Innovation's (DFPI) mission is to protect consumers and regulate businesses engaged in financial transactions to prevent potential marketplace risks, fraud, and abuse. DFPI regulates a variety of financial services, products and professionals, and oversees the operations of state-licensed financial institutions and financial businesses. The Department regulates the offer and sale of securities, franchises, and off-exchange commodities.

Issue 5: Information Technology Security Workload

The Department of Financial Protection and Innovation requests 1.0 Information Technology Specialist I and an increase in expenditure authority of $223,000 in 2025-26 and $212,000 in 2026-27 and ongoing for the Information Technology Security Unit to strengthen cybersecurity measures, reduce risk exposure, address compliance gaps with state mandated security requirements, and remediate security audit findings.

The Security Unit's workload focuses on six major areas: security controls, risk management, incident response and data security; IT policy, IT security trainings; and project responsibilities. However, the current workload is increasing to meet the needs for evolving CDT cybersecurity program requirements, CalGuard audit findings, and the addition of new IT-focused legislative programs. Due to this, the total workload of the Security Unit exceeds staff capacity and prevents staff from effectively maintaining and completing the existing workload.

Panel

- Sophia Smith, Deputy Commissioner, Department of Financial Protection and Innovation
- Suzanne Martindale, Senior Deputy Commissioner of Consumer Financial Protection
- Heather Gonzalez, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Charlene Manning, Principal Program Budget Analyst, Department of Finance

Staff Comments

This item is funded from special funds and therefore there are no General Fund impacts.

Staff Recommendation: Hold Open.

Issue 6: Rent Increase

The Department of Financial Protection and Innovation requests an increase in expenditure authority of $1.1 million in 2025-26, $1.4 million in 2026-27, and incremental increases ongoing to address annual rent increases.

The Department of Financial Protection and Innovation is facing a rent increase without a corresponding rise in its appropriation. The Department is set to relocate to the May Lee State Office Complex (MLSOC) in 2024-25, where the annual rent will be about $2.4 million, at a rate of $2.18 per square foot. However, in October 2024, the Department of General Services (DGS) released their 2024-25 Price Book, which raised the per square foot rent at MLSOC to $3.71 for the 2025-26 period. Additionally, rent costs for the Department's other five leased facilities are increasing annually by three to four percent. As a result, the Department is being forced to divert funds from its critical mission activities across various programs to cover these rising rent costs.

Panel

- Sophia Smith, Deputy Commissioner, DFPI
- Suzanne Martindale, Senior Deputy Commissioner of Consumer Financial Protection
- Heather Gonzalez, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Charlene Manning, Principal Program Budget Analyst, Department of Finance

Staff Comments

The Subcommittee may wish to ask the following:

- How will DFPI be impacted with the potential reorganization of BCSH? Does DFPI anticipate additional costs or future costs associated with the proposed changes?

Staff Recommendation: Hold Open.

Issue 7: Programmatic Fee Increases Trailer Bill Language

The Governor's budget includes trailer bill language to adjust fees throughout the DFPI.

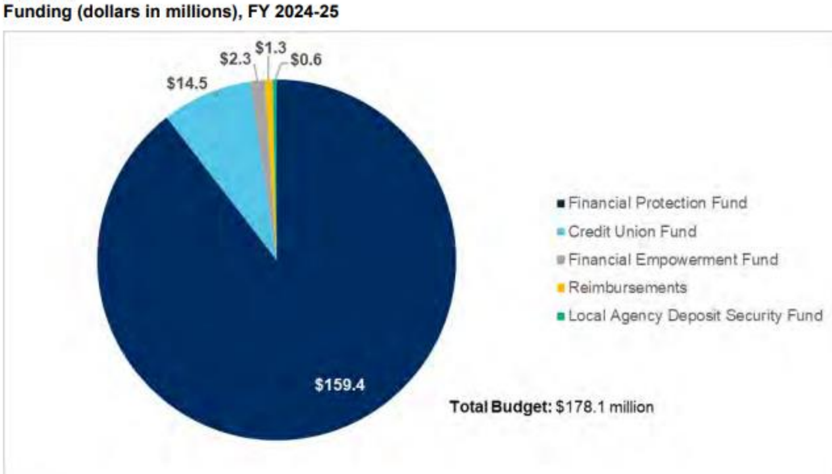
Background

Governor Gavin Newsom introduced an initiative under AB 107 (Chapter 264, Statutes of 2020), aimed at modernizing and strengthening the Department of Business Oversight (DBO) by expanding its regulatory authority and enforcement powers. In September 2020, the Department was renamed the Department of Financial Protection and Innovation, with expanded authority granted through the passage of the California Consumer Financial Protection Law (CCFPL), Chapter 157, Statutes of 2020 (AB 1864).

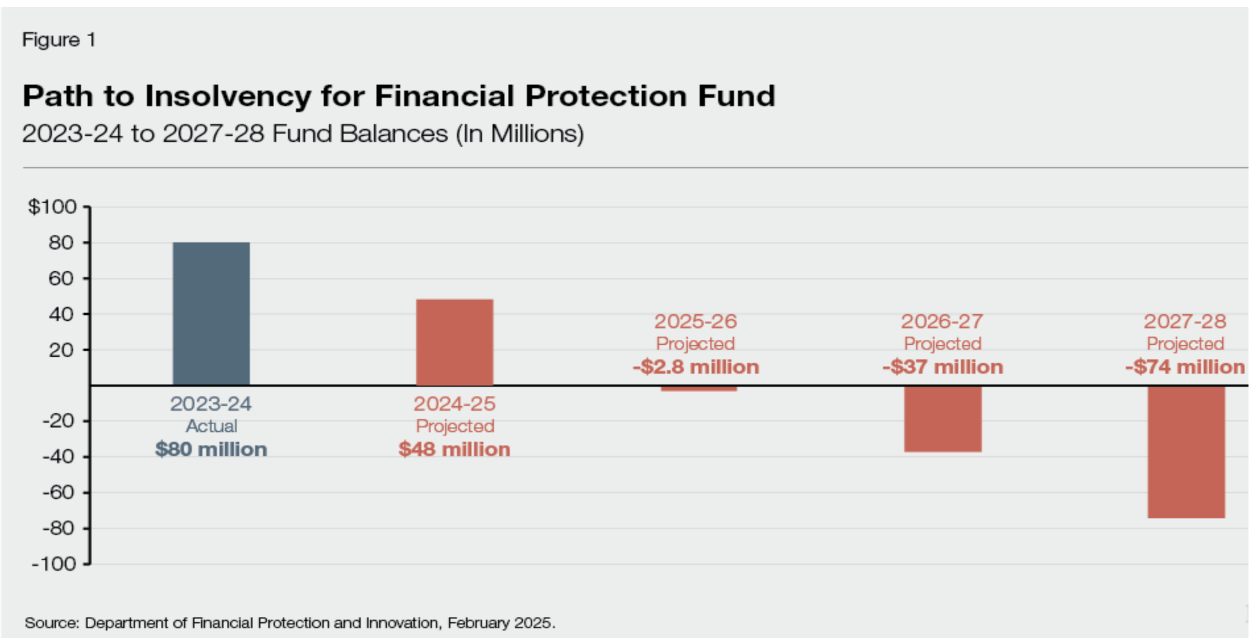
DFPI's Funding

- Financial Protection Fund covers approximately $159.4 million (89.5%) of the DFPI's total budget and supports the Investment, Lender-Fiduciary, Licensing and Supervision of Banks and Trust Companies, Money Transmitters, California Consumer Financial Protection, Debt Collectors, and Digital Financial Assets Programs.
- Credit Union Fund covers approximately $14.5 million (8.1%) of the DFPI's total budget and supports the Credit Unions Program.
- Financial Empowerment Fund covers approximately $2.3 million (1.3%) of the DFPI's total budget and supports the CalMoneySmart Program.
- Local Agency Deposit Security Fund covers approximately $0.6 million (0.4%) of the DFPI's total budget and supports the Administration of Local Agency Security Program.
- Reimbursements covers approximately $1.3 million (0.7%) of the DFPI's total budget and provides limited support for the Licensing and Supervision of Banks and Trust Companies and Credit Unions Programs

Exhibit 3
Funding (dollars in millions), FY 2024-25



The Financial Protection Fund (Fund 3363) supports approximately 85% of the Department of Financial Protection and Innovation's (DFPI) programs, with three other special funds covering the remaining portion. The fund's revenue is generated from licensing and registration fees, program assessments, and examination fees. According to a DFPI fund condition report submitted to the Legislature on February 25, 2025, the Financial Protection Fund is projected to become insolvent by the end of 2025-26, with growing deficits anticipated in the following years. Insolvency would severely hinder the Department's ability to effectively enforce consumer protection laws and regulate financial institutions. These financial challenges are further compounded by the introduction of new regulatory programs, such as the California Consumer Financial Protection Law (CCFPL), the Debt Collection Licensing Act (SB 908, 2020), and the Digital Financial Assets Law (AB 39 & SB 401, 2023). These programs require significant initial funding, as rulemaking and regulatory infrastructure must be established before fees can be collected and full cost recovery is achieved. Consequently, the Department must use its existing fund balance to cover these initial program costs.



Crowe Fee Study Findings

In March 2024, DFPI hired Crowe LLP (Crowe) to perform a comprehensive fiscal and cost allocation analysis to identify a strategy for achieving fiscal sustainability and reducing funding risks. Since April 2024, Crowe has conducted nearly 30 interviews with DFPI subject matter experts to gain insight into both current and future program needs. Based on this information, Crowe developed a fiscal and cost allocation model to forecast program revenues, expenses, and proposed changes to the Department's existing fees and assessments to address identified program needs through Fiscal Year 2027-2028. The following DFPI established programs are facing structural deficits (in millions).

Program/Subprogram	Projected Revenues	Projected Costs	Difference
Investment Program			
Broker-Dealers Investment Adviser	$91.7	$110.3	-$18.6
Franchise Investment	7.0	13.5	-6.4
Lender-Fiduciary Program			
Mortgage Bankers	$17.7	$30.4	-$12.7
California Finance Lenders	39.7	46.0	-6.3
Escrow	23.9	35.2	-11.2
Deferred Deposit Transaction	8.2	11.3	-3.1
Banking Program			
Banks	$151.6	$173.1	-$21.5
Money Transmitters Program			
Money Transmitters Program	$36.0	$36.5	-$0.5
Totals	**$375.8**	**$456.2**	**-$80.4**

Revenue for existing DFPI programs has not kept pace with program costs, leading to structural deficits that must be addressed to maintain fund solvency. In addition to the $80.4 million needed through FY 2027-2028 to support the above eight, established programs, DFPI requires $112.8 million through FY 2027-28 to support its new programs:

1. The California Consumer Financial Protection Program's (CCFPL) needs total $46.0 million.
2. The Debt Collectors Program's needs total $40.2 million.
3. The Digital Financial Assets Program's (DFAL) needs total $26.6 million.

While anticipated revenue from CCFPL, Debt Collector, and DFAL will cover costs for those specific programs, it will not resolve the overall funding gap. DFPI reports that a fee increase will still be necessary.

Governor's Proposed Trailer Bill: Proposed Fee Adjustments

Program	Who pays the fee?	Current Fee	Proposed Fee	Last Changed
Broker-Dealers Investment Adviser (BDIA)	Individual broker-dealers agents and investment adviser	$25 Application fee	$50	1959*

Program	Who pays the fee?	Current Fee	Proposed Fee	Last Changed
	representatives (individuals).			
BDIA	Individual broker-dealers agents and investment adviser representatives (individuals).	Up to $35 for Renewal fee	$50	2013
Franchise	Franchisors, or the entity selling the franchise, within California	$675 Registration Fee to Offer or Sell a Franchise	$1,865	1989
Franchise	Franchisors, or the entity selling the franchise, within California	$450 Renewal Fee to Keep a Franchise Registered	$1,245	1989
Franchise	Franchisors, or the entity selling the franchise, within California	$450 Initial Notice of Exemption Fee to Exempt from Registering Franchise	$1,245	1989
Franchise	Franchisors, or the entity selling the franchise, within California	$150 Consecutive Subsequent Notice of Exemption Fee	$415	1989
CRMLA	Mortgage lenders and servicers	Prorated $1,000 min $5,000 max Assessment Fee	Prorated $3,000 min $15,000 max	2000
Escrow	Independent escrow agents, including joint control agents and Internet escrow agents	Not to exceed $2,800 per office location Assessment Fee	Not to exceed $7,215 per office location	2001

Program	Who pays the fee?	Current Fee	Proposed Fee	Last Changed
Money Transmitters	Money transmitters, including issuers of payment instruments (money orders), traveler's checks, and stored value cards (e.g., Pay Pal)	$75 Exam Hourly Fee	$120	1997
Banking	State-licensed banks and trust companies	$75 Exam Hourly Fee	$120	1997
Credit Union	State-chartered credit unions (e.g., Golden 1 Credit Union)	$75 Exam Hourly Fee	$120	1998

DFPI reports that the economic impacts of these fee adjustments are anticipated to be minimal and manageable for sole proprietorships, as well as small, medium, and large enterprises. Most of the proposed fees are structured based on the size and complexity of the business, ensuring that costs are appropriately aligned with the scale of operations.

Panel

- Sophia Smith, Deputy Commissioner, DFPI
- Suzanne Martindale, Senior Deputy Commissioner of Consumer Financial Protection
- Heather Gonzalez, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Charlene Manning, Principal Program Budget Analyst, Department of Finance

LAO Comments

Approve Proposed Fee Increases on a Limited-Term Basis and Require Reporting. We recommend that the Legislature approve the proposed fee increases on a limited-term, three-year basis. We also recommend directing DFPI to report annually for three years beginning on January 10, 2026, on the amount of revenue received from each increased fee and how this compares to what the department projected would be received. This will allow the Legislature to more closely monitor the health of the Financial Protection Fund. Additionally, in order to assess the impact of the fee increases on the regulated community, we recommend directing DFPI to report to the Legislature by January 1, 2028, on the condition, health, and major challenges for the franchise, mortgage lending, and escrow industries in California, given the size of the fee increases proposed for these industries. These reports could inform the Legislature's deliberations on the 2028-29 budget, when it would be determining whether to maintain the elevated fee levels set to expire under our recommendation.

Direct Department to Provide Key Information on Plans to Address Solvency of the Programs Not Included in the Fee Proposal. We recommend that the Legislature direct DFPI to report in spring budget hearings key information on its plans to fully fund the programs and subprograms that are not included in the Governor's proposal. Specifically, we recommend DFPI report on the following:

- The level of revenue it has collected to date and expected future revenues associated with the new programs it is implementing: the California Consumer Financial Protection Program, the Debt Collector Program, and the Digital Financial Assets Program.

- Planned fee increases it intends to implement through regulations for the California Finance Lenders, Deferred Deposit Transaction, and Banks subprograms, including the size of the increases and the amount of revenue expected from these increases

- What steps it would take if the fee increases alone prove insufficient to prevent the insolvency of the fund.

This will give the Legislature insight into whether the department's plans are likely to address the insolvency of the fund in 2025-26 and whether those plans are consistent with the Legislature's priorities.

Staff Comments

The Subcommittee may wish to ask the following:

1. How can the proposed increase in franchise registration fees in California, from $675 to $1,865, compared to the much lower fees in other states, potentially affect smaller firms? With some states charging as little as $250 to $750 for similar fees, how might these higher costs, along with other proposed fee hikes like the $15,000 Mortgage Bankers assessment and $7,215 Escrow assessment, impact smaller businesses that may be more sensitive to financial burdens, especially considering these increases outpace inflation in some cases?

2. Does the DFPI have plans to modernize its examination procedures and adopt efficiencies in line with the latest CSBS supervisory standards? Additionally, will the DFPI report to the Legislature on how its audits compare to those of other states?

3. LAO's Budget post on DFPI alluded to this: why hasn't the Administration presented a specific plan or revenue projections to address the additional $30 million in unfunded balances across established subprograms?

4. What are the revenue projections for DFPI's new programs?

5. What steps will be taken if the fee increases alone prove insufficient to prevent the insolvency of the fund?

6. Does DFPI have any preventative measures in place if an incident like the closures of Silicon Valley Bank, First Republic Bank were to happenagain?

Staff Recommendation: Hold Open.