California State Assembly

Agenda

Assembly Budget Subcommittee No. 5
on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, April 22, 2025

1:30 P.M. – State Capitol, Room 447

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

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.

Non-Presentation Items

Items To Be Heard

0890 Secretary of State

The Secretary of State (SOS) is the constitutional office responsible for elections, business filings, political campaigning, and historical records. Responsibilities of the Secretary of State include serving as California's Chief Elections Officer; implementing electronic filing and internet disclosure of campaign and lobbyist financial information; maintaining business filings; commissioning notaries public; operating the Safe at Home confidential address program; maintaining the Domestic Partners and Advance Health Care Directive Registries; safeguarding the State Archives; and serving as a trustee of the California Museum.

Issue 1: Budget Change Proposals

The Governor's budget includes nine budget change proposals related to the SOS. Two of these proposals are related to information technology (IT) projects, two are related to the federal Help America Vote Act (HAVA), one related to the implementation of SB 1450 (Allen, 2024), one related to Vote Centers, one related to increased cost for legal services, and one related to increased building cost at the March Fong Eu building.

Three of the proposals are for presentation and four of the proposals are for non-presentation.

Budget Change Proposal: CAL-ACCESS Replacement (CARS) Project

The Secretary of State requests $15,065,000 one-time General Fund in 2025-26 to continue supporting the CARS Project, which aims to replace the current CAL-ACCESS system.

CAL-ACCESS serves as California's political finance database and filing system, by providing online and electronic filing processes for use by candidates, political committees, lobbyists, lobbying firms, and lobbyist employers subject to disclosure and transparency laws. CAL-ACCESS also enables the public to access information on lobbying and campaign finance activity at no cost to users. CAL-ACCESS is also used by the Fair Political Practices Commission (FPPC) for investigation, enforcement, and oversight activities.

The current CAL-ACCESS system is aging and facing significant technical challenges. It is currently powered by a variety of computer hardware, firmware, and software, with some no longer supported by their vendor or are past their operational lifespan. As a result, CAL-ACCESS has over the years suffered frequent outages and technical failures, both putting strain on SOS staff resources and denying public access to information.

In 2016, Senate Bill 1349 (Hertzberg, Chapter 845, Statutes of 2016) was enacted into law and required the SOS in consultation with the FPPC to develop and certify for public use a new online filing and disclosure system for campaign statements and develop reports that provide public disclosure of campaign finance and lobbying information with specified, user-friendly, easily understandable format. The legislation created legislative oversight and reporting requirements for the project, including a mandated quarterly project report sent directly to the Joint Legislative Budget Committee.

The project to redevelop a new system is referred to as the CAL-ACCESS Replacement System (CARS) Project. Past efforts to rebuild CAL-ACCESS have been unsuccessful. During a previous project development effort scheduled for public release in summer of 2021, internal and external stakeholders raised functionality, security, and usability concerns based on testing efforts and interactions with the project team. Subsequently, the SOS partnered with the Department of Technology to conduct an independent assessment of CAL-ACCESS, which resulted in the recommendation to restart the project. Based on the information contained in the independent assessment report and input received from CDT and internal stakeholders, the Secretary of State accepted the recommendations identified in the report and moved forward with restarting the project.

The funding is for continued design and development activities, including external stakeholder data retrieval interfaces and application programming interfaces for the campaign finance and lobbying software vendor stakeholders to electronically file disclosure information with the SOS.

Budget Change Proposal: Help America Vote Act – VoteCal

The Secretary of State requests $10,900,000 one-time in Federal Trust Fund authority in 2025-26 to cover the maintenance and operations vendor, data analysis consultant, Election Management Systems support and verification, data lines, and off-premises cloud costs for the VoteCal statewide voter registration system.

The federal Help America Vote Act (HAVA) mandates that each state implements, maintains and administers at the state level, a uniform, centralized, interactive, computerized voter registration database. VoteCal serves as the single system for storing and managing the official list of registered voters in the state. Additionally, HAVA mandates that the voter registration system utilize data that is contained in systems at the Department of Motor Vehicles, the California Department of Public Health, and the California Department of Corrections and Rehabilitation for voter identification or verification and list maintenance purposes. The VoteCal system also interfaces with the Employment Development Department to validate and correct address information against the U.S. Postal Service’s National Change of Address system as required by state and federal law. VoteCal is financed through federal funds.

The Budget Act of 2024 allocated provides $11,292,000 one-time Federal Trust Fund authority in 2024-25 to cover maintenance and operations vendor, data analysis consultant, Election Management Systems support and verification, data lines, and off-premises cloud costs for the VoteCal statewide voter registration system.

Budget Change Proposal: Help America Vote Act Spending Plan

The Secretary of State requests $8,400,000 one-time in Federal Trust Fund Authority in 2025-26 to continue implementation of the statewide mandates of the Help America Vote Act of 2002.

Requested federal funds will be used to continue implementation of federal statewide mandates, including modernization or replacement of voting equipment, education and training programs for election officials and poll workers, development and dissemination of voting information to increase voter participation and confidence, voting systems testing and approval, county assistance for improving voting systems, implementing risk limit auditing, ensuring election assistance for individuals with disabilities, election auditing, and improving the secure administration of elections. Of note, this request does not include funding for maintenance and operating costs for VoteCal, the statewide voter registration database, which is requested in the budget change proposal listed above.

The 2024 Budget Act allocated $15,009,000 one-time Federal Trust Fund authority in 2024-25 to continue implementation of the statewide mandates of the Help America Vote Act of 2002.

Panel

- Tamara Johnson, Chief Financial Officer, Secretary of State
- John Heinlein, Assistant CARS Project Director, Secretary of State
- Kira Rasmussen, Assistant Division Chief, Political Reform Division, Secretary of State
- Jessie Romine, Principal Program Budget Analyst, Department of Finance
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst’s Office

Staff Comments

Launched in June 2000, CAL-ACCESS systems are now nearly 23 years old. Its system applications are currently written in 14 different programming languages, only some of which are still supported by their original vendors. Aging hardware and outdated software have created significant challenges in maintaining and operating CAL-ACCESS: for example, the system suffered a month-long outage in 2011, and there is continued difficulty in converting filed statements into a user-friendly database.

Despite its problems, CAL-ACCESS remains a critical tool for the public to freely access political campaign and lobbying financial disclosures. Over the years, the committee has received constant feedback from stakeholders – including interest groups, filers, and state departments relying on CAL-ACCESS – about the worsening technical inadequacies of the system, and the need for improvements.

The Subcommittee may wish to ask for additional details on the implementation timeline for the CARS project, including when the prime vendor is anticipated to be selected and on boarded. In addition, the Subcommittee may wish to ask for an update on the SOS stakeholder outreach efforts, and how feedback is being incorporated into the final design of the CARS Project.

Staff Recommendation: Hold Open

Issue 2: Federal Impacts on State Elections

There have been several federal actions and potential actions that could have severe impact on federal funding for California's Elections, further putting more stress on the state's General Fund and county budgets.

Presidential Executive Order

On March 25, 2025, President Trump signed a sweeping executive order, "Preserving and Protecting the Integrity of American Elections." The order seeks to force federal agencies and state and local election officials to make an array of changes to election rules and practices nationwide, putting the election system under presidential control.

The Presidential Executive Order puts the following requirements on states, and failure to comply would run the risk of federal funding being withheld to the state:

- Enforces Citizenship Requirements for Federal Elections – would require specific forms of ID to prove citizenship and require verification by local election officials for each registered voter.
- Requires Americans living abroad, including military personnel living overseas, to prove citizenship.
- Requires the recertification of voting systems to new federal standards. Currently, no voting systems on the market meet these new standards, and certification is a costly process.
- Tasks the Department of Government Efficiency (DOGE) and the Department of Homeland Security with reviewing voter files and voter list maintenance records from every state.
- Withholds funding from states that count ballots that are mailed by Election Day if those ballots are received after Election Day. California currently accepts ballots postmarked by Election Day to be counted if they arrive within seven days. The order also directs the Attorney General to take legal action against states that count timely cast ballots received after Election Day.
- Coerces states to share information with the Department of Justice and cooperate in the department's efforts to prosecute election crimes. Specifically, the order asks the Attorney General to withhold grants and funds, including funds used for police and other law enforcement purposes, from states that do not comply with this presidential directive.

The legality of the Presidential Executive Order is being challenged with a number of lawsuits having already been filed.

H.R. 22 – the Safeguard American Voter Eligibility Act (SAVE)

In addition, The House of Representatives recently passed the Safeguard American Voter Eligibility Act, H.R. 22, also known as the SAVE Act, a bill aimed at enforcing stricter voting regulations by requiring voters to show proof of U.S. citizenship to register.

There is significant overlap between the executive order's directive to add a proof-of-citizenship requirement to the federal voter registration form and the SAVE Act, a bill pending before Congress that would require Americans to present documents like a passport or birth certificate to register or re-register to vote. If passed, according to the Brennan Center for Justice, the SAVE Act could block 21 million American citizens who lack ready access to these documents from registering.

The executive order differs from the SAVE Act in that it does not necessarily permit voters to show birth certificates as part of its show-your-papers requirement. The SAVE Act would also effectively eliminate popular methods of voter registration, including online and mail registration, as well as voter registration drives, by forcing people to appear in person at government offices to show their papers. These differences aside, both the executive order and the SAVE Act could keep millions of American citizens from registering to vote.

Impacts to the State and Counties

Should the Presidential Executive Order survive legal challenges and be implemented by the Federal Government, it could have a measurable impact on California's election system, gutting a significant amount of its funding, particularly targeting funding based on our vote-by-mail laws which allow ballots mailed by but received after Election Day to be counted. This executive order would also enable the Department of Homeland Security and the newly established Department of Government Efficiency (DOGE) to subpoena California voting records. The Secretary of State's election program is responsible for maintaining the official state database of registered voters and administering and overseeing federal and state elections held in California.

If the State chose not to comply with the Presidential Executive Order, it could jeopardize future federal funding, and it is currently unclear if it would jeopardize current funding that states have already received.

If the SAVE Act becomes law, it could have millions of dollars of added costs that would fall on the counties in order for them to comply. In Orange County, which in the 2024 general election had the 3rd highest number of registered voters of any county in the state at 2,203,227 registered voters, the Registrar of Voters reported that enacting the SAVE Act could cost in excess of $6 Million annually for that county alone.

Panel

- Tamara Johnson, Chief Financial Officer, Secretary of State
- Jana Lean, Division Chief, Secretary of State
- Nakesha Robinson, Deputy Secretary of State, HAVA, Secretary of State
- Mary Mooney, Attorney Supervisor, Legal Affairs, Secretary of State
- Jessie Romine, Principal Program Budget Analyst, Department of Finance
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask the following:

1. Are current federal funds impacted?

2. Should the Presidential Executive Order survive its challenges and the SAVE Act enacted, does the state have the resources to protect the state's voters from disenfranchisement?

3. What would be the financial impact to the state and counties should the state be forced to comply with either?

4. Would there be indirect costs (e.g., voter education and outreach about new requirements) associated with these changes?

Staff Recommendation: Informational Only

7501 California Department of Human Resources

The California Department of Human Resources, or CalHR, is the state department responsible for issues related to California state employee salaries and benefits, job classifications, training, exams, recruitment and retention. CalHR is also the lead entity representing the Administration during the collective bargaining process for state employees.

Issue 3: Budget change Proposals

The Governor's budget includes five budget change proposals. One of which is for presentation and the other 4 are non-presentation items.

Budget Change Proposal: Statewide Recruitment, Outreach and Education Paid Media Campaign – AB 1511 (Santiago, 2024) Implementation

CalHR is requesting 1.0 position and $5,167,000 ($5,088,000 General Fund, $67,000 Reimbursements, $1,000 Flex Elect Benefit Fund, and $11,000 Deferred Compensation Plan Fund) in fiscal year 2025-26 and $5,160,000 ($5,081,000 General Fund, $67,000 Reimbursements, $1,000 Flex Elect Benefit Fund, and $11,000 Deferred Compensation Fund) in fiscal year 2026-27, 2027-28, and 2028-29 and $160,000 ($81,000 General Fund, $67,000 Reimbursements, $1,000 Flex Elect Benefit Fund, and $11,000 Deferred Compensation Fund) ongoing to maximize the use of ethnic and community media outlets for advertising and outreach, expanding the state's ability to reach California's diverse communities in accordance with Assembly Bill 1511.

With about 300 ethnic media outlets serving at least 38 different communities in California, AB 1511 requires each state agency that expends funds on marketing, advertising or outreach to develop a plan for increasing expenditures directed to ethnic and community media outlets serving specified populations and report annually on progress of implementation using a template created by the Department of General Services.

In order to comply with the requirements of AB 1511, CalHR is requesting a new position, a Marketing Specialist According to CalHR. This position is specifically developed to assist marketing and promoting projects that support the strategic goal of attracting and maintaining a diverse workforce. Governor Newsom's executive order (EO) on equity states that the "state workforce that reflects the diversity of the people of California is integral to our state's success in serving and responding to the needs of a diverse California population." He added that "recent investments to ensure that positions in state government are attractive and available to Californians from all backgrounds will advance this goal." The WorkCA campaign was developed to support this effort.

CalHR currently has a budget of $250,000 which was meant to be used statewide. Due to budget constraints, the initial campaign was limited to the Sacramento market. The requested funding would allow CalHR to expand to the rest of the state.

The cost analysis for AB 1511 did state there could be additional unknown cost to state agencies.

Panel

- Monica Erickson, Chief Deputy Director, Department of Human Resources
- Camille Travis, Deputy Director of Communications, Department of Human Resources
- Hanzhao Meng, Principal Program Budget Analyst, Department of Finance
- Noelle Fa-Kaji, Finance Budget Analyst, Department of Finance
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

The Subcommittee may wish to ask:

1. Would it be more cost effective to contract with marketing agency?

Staff Recommendation: Hold Open.

Issue 4: Governor's Executive Order N-22-25 (With DGS)

California has more than 224,000 full-time state employees and about 60% are already required to report in-person daily. Those that are under the current teleworking policy are only mandated to be in the office 2 days a week.

Governor Gavin Newsom's new Executive Order, N-22-25, announced in March of this year, will require all agencies and departments within his Administration to update their hybrid telework policies to a default of at least four days per week by July 1, 2025. The order establishes a four-day-per-week in-office expectation, with further telework flexibilities granted on a case-by-case basis in light of individual circumstances, consistent with the executive order and existing family-friendly employment policies and legal obligations.

In addition, the Governor is also directing CalHR to streamline the hiring process for former federal employees seeking employment in key roles, including firefighting, forest management, and weather forecasting.

The new hybrid teleworking policy change is expected to apply to about 40% or about 95,000 members of the workforce who are currently required to report to an office at least two days per week. Newsom's order does not apply to workers who were hired under agreements to exclusively work from home and or other constitutional offices that is left up to their respective agencies/departments/branches of government.

Public Employee Unions Are Not Happy

In response to the Governor's executive order, public unions have staged a series of public rallies and several have pending legal challenges against the Public Employment Relations Board. Some Public Employee Unions argue that the Governor cannot unilaterally declare a 4-day in office policy as that would be an item for collaborative bargaining, and others have filed an unfair labor practice complaint, alleging the Governor's order violate state labor law.

Public employee unions also argue that a four-day return to work week will create financial hardships on their members, requiring them to cover expensive childcare cost, increased fuel and transportation cost, that the order has negative effects on the environment, and that many of the offices have downsized and don't have the required space and or equipment to accommodate the order.

The Governor argues that the four-day in office expectation "is an operational necessity, to maximize collaboration, cohesion, efficiency and accountability for delivering service to the public." Many disagree and feel they achieved those goals remotely.

Many large private business who were the first to offer teleworking policies for the most part have hybrid telecommuting policies as it varies amongst company.

Those agencies and constitutional offices that are independent from the Governor's authority have differing policies. CalPERS most recently announced that they will keep their current 2 day in office hybrid policy.

In 2024, the Join Legislative Audit Committee approved an audit that is due this summer directing the State auditor to study the rationale, timing, legality, cost saving to the state and costs associated with the decision to rescind telework privileges for state employees.

Panel

- Monica Erickson, Chief Deputy Director, Department of Human Resources
- Jason Kenny, Chief Deputy Director, Department of General Services
- Heather Gonzalez, Legislative Analyst's Office
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst's 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 transit/parking be accommodated for public employees? Will there be a priority to prioritize transit over parking?

5. Has CalHR or DGS done a cost analysis on cost impact or savings to the state for the 4 day return to work order?

Staff Recommendation: Informational Only

7100 Employment Development Department

The Employment Development Department (EDD) is the state entity responsible for administering various safety net programs in California, including Unemployment Insurance (UI), State Disability Insurance (SDI), and Paid Family Leave (PFL). The UI program issues partial income replacement for Californians who become unemployed through no fault of their own. The UI program is financed by employers, who pay unemployment taxes on wages paid to each worker. The SDI program provides partial wage replacement to eligible California workers who are unable to work due to a nonwork-related illness, injury or pregnancy. SDI is funded through employee contributions in the form of payroll taxes. Finally, the PFL program provides benefit payments to people who need to take time off work to, for example, care for a seriously ill family member or bond with a newborn child. The state's PFL program is part of the SDI program.

Issue 5: EDD – Paid Family Leave Program

California Paid Family Leave (PFL) provides partial wage-replacement benefits to California workers who take time off from work for what matters most – caring for a seriously ill family member, bonding with a new child (including newly fostered and adopted children), or participating in a qualifying military event. Disability and paid family leave programs in California provide critical support to more than 18 million workers and their families, funded through payroll contributions. Eligible workers can receive up to 52 weeks of disability benefits and up to 8 weeks of paid family leave benefits.

There have been recent legislative efforts to expand the program, increase in benefits for those making less than $63,000 a year, and make it easier for employees to access them. With the growing interest in the program, families have found it increasingly harder to get information from the EDD on the program, get responses in a timely manner, and experience backlog.

Panel

- Nancy Farias, Director, Employment Development Department
- Grecia Staton, Disability Insurance Branch Deputy Director, Employment Development Department
- Chas Alamo, Legislative Analyst's Office

Staff Comments

Given the increased interest in the planned family leave program, and the backlog families are experiencing trying to access the program, the Subcommittee may wish to ask:

1. What is contributing to the backlog?

2. Is the backlog temporary?

3. How long does the department anticipate a backlog and will EDDNext help resolve some of the backlog?

Staff Recommendation – Informational Only

Issue 6: EDD – Preparedness for Federal Impacts to Employment

Since taking office, the Trump Administration has issued a slew of “reciprocal” tariffs that has created volatility and uncertainty in the markets. On April 2, 2024, President Trump announced his most sweeping set of tariffs, just to announce a few days later a 90 day pause. This continued uncertainty is causing investors to delay investments, with fears of increased inflation and depressed economic growth nationwide. Expectations about the economy’s short-term health are at a 12-year low according to economic experts.

On top of the economic uncertainty, the Trump Administration has created the Department of Government Efficiency or DOGE, which is tasked with cutting federal spending which the administration characterizes as "waste, fraud, and abuse." At risk are the jobs of 147,487 federal civilian employees in California (according to the Congressional Research Service), with California having the most federal employees of any state. In addition to that, there are countless of programs that rely on federal funding that are at risk of being cut, or have been cut, and have to let staff go.

California could be faced with another wave of mass and prolonged unemployment due to the Trump Administration’s economic and domestic policies.

Is EDD Prepared For It?

In anticipation of another economic downturn, EDD has embarked on the EDDNext project. In 2016, EDD began exploring a modernization effort to replace its legacy UI and SDI online application, as well as the PFL application system. Modernization efforts were halted during the pandemic at the recommendation of the Governor’s strike team, in order to assess options for reform. In September of 2021, the Department relaunched its modernization analysis and incorporated lessons-learned from the pandemic to develop an updated modernization roadmap. This multi-year project aims to improve customer service and accessibility for the UI, SDI, and PFL programs. While not fully completed, the EDDNext project has completed several milestones and is nearing its final phase. The department continues to advance both the IT and non-IT projects in its EDDNext portfolio. For example, phase one of the Shared Customer Portal (SCP) IT project created a new online portal for workers to log in to and access their DI, PFL, and UI benefits in six new languages (in addition to English and Spanish). Also, EDD is nearing completion of form redesign and research/analysis, fraud and data analytics, integrated contact center non-IT projects at the end of 2025-26, and nearing its approval of the proposed ICMS/IDM IT project through CDT’s PAL process in the summer of 2025.

Panel

- Nancy Farias, Director, Employment Development Department
- Nathan Gillie, Unemployment Insurance Branch Deputy Director, Employment Development Department
- Ajit Girn, Chief Informational Officer, Employment Development Department
- Chas Alamo, Legislative Analyst’s Office

Staff Comments

The Subcommittee may wish to ask:

1. What steps will or has EDD taken to prepare the department for an uptick in unemployment claims?

2. Even though the EDDNext project is not complete, are there components of it that can be utilized now, or when needed to help streamline claims?

3. What lessons from the pandemic did EDD learn that they are instituting now, or have used to help alleviate any backlog to the system?

Staff Recommendation – Informational Only

0840 State Controller

The State Controller is the chief fiscal officer of California. Principally responsible for transparency and accountability of the state's financial resources, the Controller ensures the appropriate disbursement and tracking of taxpayer dollars. The Controller serves on dozens of state boards, commissions, and committees with duties ranging from administrative oversight of the nation's two largest public pension funds, to protection of state lands and coastlines, to modernization and financing of major infrastructure.

Issue 7: FI$Cal Update and SCO Migration

The State Controller’s Office has a January Budget proposal to continue to authorize resources associated with migrating the Book of Record to the FI$Cal system. This agenda item will explore that request while also revisiting the lessons learned from the FI$Cal project’s development, current and future plans for system optimization.

FI$Cal Project

The planning efforts for what would be the Financial Information System for California (FI$Cal) began with the Feasible Study Report in 2005 with the goal of replacing the state government’s aging and decentralized financial information technology systems with a new IT system- FI$Cal. In 2012, the project launched and efforts began to integrate the state’s accounting, budgeting, cash management, and procurement processes into a single system, eliminating the need for over 2,500 department-specific applications. FI$Cal also designed to automate manual processes, improve tracking of statewide expenditures, provide greater transparency into the state’s financial data and management, and standardize state financial practices. With the exception of a small number of departments that are deferred or exempted from the project, the vast majority of state departments will manage their finances through FI$Cal. FI$Cal is one of the largest IT projects undertaken by the state - with a final estimated cost of $965 million total funds ($543 million General Fund).

Most of the functionality for the system has been online and working for over five years. FI$Cal is used by 150 departments and nearly 16,000 state employees who process more than $453 billion in expenditures each year. FI$Cal is the procurement system utilized by all state departments and has over 201,000 suppliers tracked in the system that sell goods and services to the state. Departments are paying their bills and balancing their budgets every single day using the FI$Cal system. FI$Cal is the system utilized by the State Treasurer’s Office to track more than $2 trillion in banking transactions annually; and it is the budgetary system used by the governor, the Department of Finance, and the Legislature in the preparation, proposal, and enactment of the state’s annual spending plan.

FI$Cal was designed in partnership with four control agencies - The Department of Finance, Department of General Services, the State Treasurer's Office, and the State Controller's Office. The State Controller has functionality that is now in the process of migrating to the FI$Cal system, after being delayed several times over the last twenty years. The Legislature required the last step, migrating the Book of Record (BOR) for Accounting and Financial Reporting to FI$Cal to be completed by July 1, 2026. The State Controller's Office provided the Legislature with a plan for achieving this deadline, which was received on December 15, 2023 that outline the approach the Controller would use to meet this deadline.

State Controller Budget Request

The State Controller's Office requests $9.1 million ($5.6 million General Fund and $3.5 million Central Service Cost Recovery Fund) to continue the work of the Book of Record migrant to FI$Cal. In 2024-25, SCO received funding to support the SCO BOR Functionality Migration (BFM) to FI$Cal, on a one-year basis and is requesting an additional year of consulting services funding to continue to achieve SCO's desired outcomes for the BFM implementation including the transformation of SCO's operational processes.

Panel

- Jennifer Urban, State Controller's Office
- Laura Taylor Krbecek, State Controller's Office
- Bret Ladine, FI$Cal
- Danielle Brandon, Department of Finance
- Kayla Landman, Department of Finance
- Dominick Guidera, Department of Finance
- Tuyen Le, Department of Finance
- Brian Metzker, Legislative Analysts' Office

Staff Comments

After two decades, the FI$Cal project is within sight of incorporating all of the functionality originally envisioned when the project was established. The Subcommittee can use this opportunity to consider lessons learned from the journey to this point, which was longer, bumpier, and more expensive than first estimated but did ultimately standardize most financial and accounting procedures across state government.

As the State Controller's Office finalizes the Book of Record, the FI$Cal system will be complete, but it will also be based on a thirteen-year-old design. The system should be considering next steps on how and a refresh could improve functionality and reduce maintenance costs in the next decade. The Subcommittee may wish to ask if any such planning has occurred.

Subcommittee staff have strongly supported the migration of the Book of Record into the FI$Cal system as a key step necessary to improve the knowledge of information related to state spending. Currently the state's checkbook, the Book of Record, is hard to reconcile to the budget, which is an income statement that is largely based on accrual accounting. The lack of integration of these two fundamental financial documents makes it difficult to obtain expenditure data to evaluate budget items.

For example, the Department of Housing and Community Development recently unveiled a dashboard on housing and homeless grant funding spending that helps the public see the amount, speed, and location of housing and homeless funding. This special dashboard required integrating budget, grant contract data, and expenditure data in one single location, at considerable effort. However, other states, like Ohio and Texas, have integrated these function for every expenditure in their base accounting systems. This gives the public, and the Legislature, real and current financial information for decision making. When the Book of Record is fully implemented it would remove a technology barrier that prohibits the state from considering its own initiatives to make state government spending more open and transparent across all program areas.

The Subcommittee may wish to explore the following questions:

1. Please provide a current update on the Book of Record Migration.

2. Why was the 2023 ACFR released so much earlier than in prior years and do you expect a similar timeframe for the 2024 ACFR?

3. Have all state departments migrated to FI$Cal?

4. What are the common challenges that FI$Cal users report to department?

5. Is FI$Cal considering a system refresh in the future?

6. How will the FI$Cal System integrate with the State Payroll project?

Staff Recommendation: Hold Open

Non-Presentation Items

Staff Recommendation – Hold Open

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.

0890 – Secretary of State (SOS)

1. Budget Change Proposal: California Voter's Choice Act Taskforce (SB 1450)

The SOS requests $244,000 General Fund and $426,000 Business Fees Fund in 2025-26 and $238,000 General Fund and $417,000 Business Fees Fund in 2026-27 and annually thereafter to implement and administer the provisions of Chapter 480, Statutes of 2024 (SB 1450), which reestablishes the California Voter's Choice Act Taskforce.

SB 1450 reinstates the VCA Taskforce, introduces additional legislative reporting requirements, and modifies existing VCA statute provisions. Additional staff is needed to execute the tasks associated with the reinstatement of the Taskforce including selecting taskforce members developing membership applications, setting membership criteria, reviewing applications, making selections, preparing agendas, facilitating meetings, and managing various taskforce related activities. Additionally, staff would create and maintain a new VCA Taskforce webpage, produce reports for the Legislature, revise existing toolkits, review and approve outreach and education plans, and draft regulations.

Currently, the VCA program is administered by three staff under the Office of Policy, Planning, and Implementation. The staff have key roles in managing the existing workload of providing support to the 29 VCA counties. Absent the additional staff resources, it would be impossible to meet the additional legislative requirements of SB 1450, potentially delaying the Taskforce's progress and reducing its ability to provide timely and actionable recommendations to the Legislature. Furthermore, the lack of resources could undermine public trust in the state's election administration by reducing transparency and responsiveness.

2. *Budget Change Proposal: Department of Justice Legal Services Augmentation*

The SOS requests an augmentation of $500,000 General Fund in 2025-26, and annually thereafter, for the payment of increased annual billings from the Department of Justice for Legal Services. Pursuant to Government Code Section 12512, the Attorney General "shall attend the Supreme Court and prosecute or defend all causes to which the State, or any State officer is a party in his or her official capacity."

Upon the inception of the DOJ billing process in 2012-13, an appropriation of $333,000 was provided to the SOS. As early as 2015-16, the charges began exceeding the available appropriation. In 2018-19, the SOS was granted an augmentation, bringing the appropriation to $633,000, which still was not sufficient to cover the costs billed. In 2019-20 and 2020-21 augmentations were provided for legal rate increases resulting in appropriations of $816,000 and $852,000, respectively, where it has remained.

With the inclusion of the provisional language in the Budget Act of 2022, the SOS was able to request a one-time augmentation of $1.48 million which allowed for full payment of costs billed for the first time since 2015-16. A request for a one-time augmentation was also submitted for 2023-24 in the amount of $247,833.

This augmentation will allow the SOS to cover the costs for annual billings from DOJ which have become more expensive in recent years. To the extent the appropriation is insufficient in 2025-26 and ongoing, existing provisional language allows for this appropriation to be augmented for SOS to cover the costs for legal services.

3. *Budget Change Proposal: Notary Automation Program Replacement Project (NAP 2.0)*

The SOS requests $13,500,000.000 one-time funding from the Business Fees Fund to continue implementation of its Notary Automation Program (NAP) Replacement Project.

The SOS requests $13.533 million from the Business Fees Fund in 2025-26 to continue the Notary Automation Program Replacement Project (NAP 2.0), including 7.0 new IT positions and continued funding for 8.0 positions previously approved and temporary staff to backfill program positions redirected to the project. An additional $2.449 million in project costs will be funded with existing resources for a total project cost of $15.982 million.

The SOS is responsible for the appointment of California notaries public. Prior to appointment, a notary public applicant must complete an education course and pass both a notary public examination and a background investigation from both the California Department of Justice and the Federal Bureau of Investigation. The SOS currently utilizes a legacy NAP system to store and maintain notary public commission data. According to the

SOS, the NAP system is approximately 30 years old and needs replacing, and current technology has evolved significantly since the NAP system was created. Creating a new system, nicknamed NAP 2.0, would allow the SOS to update the system and allow for easier amendments in the future should the Notary laws change.

The Budget Act of 2023 provided $3,607,000 in one-time funding in 2023-24 from the Business Fees Fund for planning resources. The budget act of 2024 allocated $4,019,000 one-time from the Secretary of State Business Fees Fund to continue the Notary Automation Program Replacement Project. The project aims to modernize the platform used to store and maintain notary public commission data and process requests.

4. Budget Change Proposal: Secretary of State Building Security

The SOS requests an augmentation of $1.5 million ($545,000 General Fund and $955,000 Business Fees Fund) in 2025-26, and annually thereafter, for increased facilities operations costs for security services.

In the past decade, the annual cost of unarmed security at the March Fong Eu Secretary of State (SOS) Building has steadily risen, creating a growing financial strain and potential ongoing burden to the SOS budget. Since 2015-16, costs for unarmed security have increased by $1 million due to state and local wage and benefit increases in accordance with Government Code (GC) 19134. Additionally, upon completion of the SOS Physical Security Infrastructure Project – Phase 3 in 2025-26, additional guards will be required at security screening devices located at public entries to further mitigate identified security vulnerabilities which will further increase the SOS security costs by $500,000 annually. The combination of cost increases and additional guards creates an annual $1.5 million financial burden on the SOS's Overhead budget which the SOS is unable to absorb.

5. Budget Change Proposal: Vote Centers Continued Position Funding

The SOS requests $616,000 from the Voting Systems, Security Measures, and Elections Administration Special Deposit Fund in 2025-26 and 2026-27, for staff needed to continue to implement and administer the provisions set forth in Chapter 832, Statutes of 2016 (SB 450).

SB 450 created the new VCA vote model which has increased civic participation and made our democracy stronger by modernizing California elections. Under the VCA model, a county is authorized to conduct any election as an all-mailed ballot election if certain conditions are satisfied, including conditions related to ballot drop-off locations, vote centers, and plans for the administration of all-mailed ballot elections. A vote center is an alternative to traditional polling places where voters can vote in person at fewer voting locations, and up to 10 days before the election. SB 450 has the potential to be fully deployed statewide. Currently 29 counties have opted into the VCA model, which represents over 17 million registered voters. A total of 17.2 million voters live in VCA counties and represent more than 78 percent of all registered voters in California.

To continue to implement the provisions of SB 450, the SOS will provide ongoing guidance in the administration of elections conducted under the provisions of SB 450. The SOS will need to work closely with county elections officials to assist with the development of standards and best practices.

The SOS will continue the use of the funding for staff (1.0 CEA, 1.0 AGPA, 1.0 ITS I) to perform the duties required under SB 450, election needs, and maintain oversight and administration of the VCA in California for future elections

6. Budget Change Proposal: Voter Information Guide Resources

The Secretary of State requests a General Fund augmentation in the amount of $4.534 million in 2025-26, and annually thereafter, to fund increased costs associated with the publication and distribution of Voter Registration Cards, Voter Notification Cards, and the state Voter Information Guide for each statewide election.

The Secretary of State (SOS) receives baseline funding of $10,615,000 to fund the election-related activities of parallel monitoring, printing and mailing of Voter Information Guides (VIG), Voter Registration Cards (VRC) and Voter Notification Cards (VNC), and election night reporting. The State Administrative Manual (SAM) Section 2800(B) requires printing services to be procured through the Department of General Services (DGS) Office of State Printing (OSP), unless granted a waiver.

The cost for the printing services is dependent on factors such as the enactment of election laws dictating the contents of the VIG or the number of ballot measures included which increase the number of pages required to be printed. Due to the aforementioned factors and timing of the receipt of the final invoicing for these printing services from OSP, the SOS consistently finds itself at the end of a fiscal year submitting a request for augmentation in order to cover the costs. The augmentation has been historically provided through an Unanticipated Cost Funding Request.

8620 – Fair Political Practices Commission (FPPC)

7. Budget Change Proposal: 2024 Chaptered Legislation Resources (Various Bills)

The FPPC requests $555,000 General Fund for 2025-2026 and ongoing and three permanent positions to implement and to address the workload identified below for AB 2355, AB 2041, SB 1156, SB 1111, SB 1181, and SB 1243. For AB 2355, the costs for the artificial intelligence detection software and licenses cannot be determined at this time, so the FPPC may submit a subsequent BCP to cover the associated software costs.

The proposal would add three permanent positions at the FPPC to manage the increased workload mentioned above. It is important to note that this proposal does not include additional costs for artificial intelligence detection software or licenses for AB 2355. As discussed during the bill’s fiscal analysis, these costs were communicated upfront as undetermined. Because of the limited resources in the current market, the costs for artificial intelligence detection software or licenses remain unknown. The FPPC will continue to seek effective tools; future BCP requests may follow to cover software costs.

7501 – Department of Human Resources (CalHR)

8. Budget Change Proposal: CalHR Intern Content Management System/Intranet

CalHR is requesting $1,520,000 General Fund in fiscal year 2025-26 and $500,000 General Fund in 2026-27 to replace CalHR's Internal Content Management System/Intranet.

The proposed budget request for fiscal year 2025/2026 is $1,520,000 including $900,000 for contracting resources that will assist CalHR to migrate from SharePoint 2016 to SharePoint Online.

9. Budget Change Proposal: Learning Management System (LMS) Consolidation with CalHR and DGS.

The Department of Human Resources is requesting 1.0 position and a total of $399,000 General Fund for Fiscal Year 2025-26 and $392,000 General Fund ongoing to address the consolidation of three statewide training systems into one Statewide LMS.

CalHR and the Department of General Services (DGS) have identified opportunities to more efficiently and effectively utilize state resources through the consolidation of the following three (3) statewide learning management systems (LMS) that house training for state employees: 1. DGS' statewide procurement LMS. 2. DGS' statewide LMS offering Defensive Driver training. 3. CalHR's statewide LMS (CalLearns).

10. Budget Change Proposal: Recruitment System Enhancements

CalHR is requesting $300,000 General Fund in the fiscal year 2025-26, $450,000 General Fund in 2026-27, and $400,000 General Fund in 2027-28 and ongoing to invest in the State Recruitment platform and Examination and Certification Online System (ECOS) to continue to support Anonymous Hiring.

In 2022, Governor Newsom signed into law Executive Order N-16-22, which focused on advancing equity and tackling disparities and discrimination within the hiring process. Among other hiring reforms, the Executive Order calls for creating an anonymous hiring capability in the Examination and Certification Online System (ECOS) for job applicants. Anonymous hiring aims to eliminate bias and ensure privacy of personally identifiable information (PII) in the hiring process. The critical element to achieve anonymous hiring is the redaction of personally identifying information in an individual's application, including form fields, resumes, cover letters, and other documents submitted as part of the recruitment process.

The proposed budget request will cover software licensing and services essential to advancing our strategic initiatives to enhance system functionality, capabilities, and overall user experience supporting Anonymous Hiring to redact free-form data such as resumes

11. *Budget Change Proposal: Savings Plus' Education & Outreach Travel Reimbursement*

CalHR is requesting an augmentation of $79,000 to Savings Plus' Deferred Compensation (DC) fund for Fiscal Year 2025-26 and ongoing to fund travel costs that are currently prefunded by Savings Plus' Third-Party Administrator (TPA) Nationwide Retirement Solutions (Nationwide) and reimbursed by the Program's contracted Investment Managers.

At the current budget level, the program's approved spending authority will not be sufficient to administer the Program's annual Education and Outreach initiatives nor any essential due diligence travel. This will jeopardize the Program's ability to administer the plan in accordance with governing laws and regulations and jeopardize its fiduciary responsibilities for which CalHR, Savings Plus is responsible. Savings Plus is self-funded and does not receive revenue from the State of California's General Fund.

Savings Plus generates majority of its revenue to pay for plan administration from its participant administrative and asset-based fees that are assessed quarterly from participant account balances.

2320 – Department of Real Estate

12. Budget Change Proposal: 2024 Chaptered Legislation Resources (24 bills)

The Department requests 3.0 positions and an increase in expenditure authority of $997,000 Real Estate Fund in 2025-2026, $873,000 in 2026-2027, and $578,000 in 2027-2028 and ongoing to implement the provisions of various recently chaptered legislation.

13. Budget Change Proposal: Rent Increase – New May Lee State Office Complex

Five departments request increases for rent at the May Lee State Office Complex (MLSOC), and incremental increases thereafter. Specifically, for 2025-26, the Civil Rights Department requests $2,266,000 General Fund; the Department of Housing and Community Development requests $5,678,000 General Fund; the Department of Real Estate requests $2,644,000 Real Estate Fund; the Department of Health Care Access and Information requests $2,447,000 ($839,000 General Fund) in 2025-26 for MLSOC rent and moving costs, and $1,164,000 ($399,000 General Fund) in 2026-27, for rent; and the Commission on Teacher Credentialing requests $1,101,000 Teacher Credentials Fund.

The Department is one of the five and is requesting $2,644,000 from the Real Estate Fund. The relocation of the CRD, HCD, DRE, HCAI, and the Commission have increased leasing costs for all departments, as the projected cost of MLSOC office space at $3.71 per square foot in 2025-26, plus changes in leased square footage for several departments, exceeds the amount departments were previously spending at their respective privately leased locations.

This agenda and other publications are available on the Assembly Budget Committee's website at: Sub 5 Hearing Agendas | California State Assembly. You may contact the Committee at (916) 319-2099. This agenda was prepared by Guy Strahl and Christian Griffith.