

# California State Assembly



## Agenda

### Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, May 20, 2025  
9:30 A.M. – State Capitol, Room 444

### May Revision Hearing

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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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## Items To Be Heard

### 0515 Business, Consumer Services and Housing Agency

#### Issue 1: BCSH Agency Government Reorganization Resources

The May Revision includes resources to support the 2025 Governor's Reorganization Plan submitted to the Little Hoover Commission on April 4, 2025. BCSH will be split into two agencies: the Business and Consumer Services Agency (BCSA) and the California Housing and Homelessness Agency (CHHA). In addition, this reorganization establishes the Housing Development and Finance Committee (HDFC) and California Interagency Council on Homelessness (Cal-ICH) as business units.

Current Year (2024-25) BCSH Budget Authority: \$6,478,000 (\$2,465,000 General Fund, \$4,013,000 various special funds and reimbursements) and 27.0 positions.

***Proposes Changes included in this proposal are shown in the chart below:***

	<u>Funding</u>						<u>Positions</u>			
	2025-26		2026-27		2027-28 & Ongoing		2025-26		2026-27 & Ongoing	
	Existing	New	Existing	New	Existing	New	Existing	New	Existing	New
BCSA*	\$ 3,044	\$ 456	\$ 3,044	\$ 456	\$ 3,044	\$ 456	15		15	
CHHA	1,692	3,727	1,692	3,963	1,692	3,813	11	1.5	11	6
Cal ICH	13,720	-	11,654	-	11,654	-	45		45	
HDFC	-	322	1,552	2,253	1,552	2,253		1	9	6
(Total New GF)		(4,049)		(6,216)		(6,066)				
Totals	18,456	4,505	17,942	6,672	17,942	6,522	71	2.5	80	12
Total Combined (Existing + New)		22,961		24,614		24,464				

\*Special Funds and Reimbursements

#### ***Business and Consumer Services Agency (BCSA)***

BCSH will transfer 15 positions and \$3,044,000 in reimbursements and from various special funds to BCSA. This BCP requests an additional \$456,000 increase in reimbursement authority to provide ongoing support for BCSA. This includes funding for existing permanent positions previously approved with limited-term funding. This proposal also reflects a decrease in expenditure authority across various special funds, totaling \$222,000 to reflect the appropriate funding share of BCSA's proposed costs. The total resources that will support the BCSA is \$3.5 million.

According to BCSH, the proposal reflects a slight decrease in costs to special funded departments as demonstrated below:

BU	Fund	Department	2024-25 Funding Level	2025-26 Proposed
1701	Various	Dept Financial Protection and Innovation	\$476	\$390
2100	3036	Department of Alcoholic Beverage Control	\$341	\$282
1750	3153	Horse Racing Board	\$67	\$44
1045	3288	Cannabis Control Appeals Panel	\$102	\$98
1111	Various	Department of Consumer Affairs	\$1,917	\$1,848
1115	3288	Department of Cannabis Control	\$503	\$485
2120	3036	Alcoholic Beverage Control Appeals Board	\$102	\$98
2320	0317	Department of Real Estate	\$308	\$255
<b>Totals</b>			<b>\$3,816</b>	<b>\$3,500</b>

### ***California Housing and Homeless Agency (CHHA)***

BCSH will transfer 11 positions, \$420,000 in General Fund, and \$1,272,000 in reimbursement authority to CHHA. This BCP also requests:

- Funding to support 3 existing permanent positions, previously approved with limited-term funding
- 1.5 new positions in 2025-26 to support the internal transition work necessary to stand up CHHA and HDFC
  - Deputy Secretary of Fiscal Policy and Administration (1.0 position)
  - Business Operations Analyst (0.5 position)
- 6 new positions beginning in 2026-27 and ongoing (including the two listed above)
  - Secretary
  - Undersecretary
  - General Counsel
  - Assistant General Counsel
- \$1,410,000 in 2025-26 and \$150,000 in 2026-27 for one-time contracting costs related to standing up and operating CHHA
- \$1,218,000 in 2025-26 and \$1,335,000 in 26-27 and ongoing to support CHHA operating expenses and equipment

***Housing Development and Finance Committee (HDFC)***

Beginning in 2026-27, HCD will transfer 9 positions and \$1,552,000 to HDFC to effectuate the Committee's work. This proposal also requests:

- \$322,000 in 2025-26 to support two 0.5 positions (total of 1.0 position) for the work required to establish HDFC
  - Executive Director
  - General Counsel
- 6 new positions beginning in 2026-27 and ongoing (including the two listed above)
  - CEA – Asset Management
  - Assistant Deputy Director of Administration
  - Budget Manager (SSM I)
  - Business Operations Analyst (AGPA)

According to BCSH, this proposal lays a foundation for the new Committee. Thereafter, CHHA will begin the process of migrating specified programs from HCD to HDFC, subject to appropriation.

***California Interagency Council on Homelessness (Cal-ICH)***

This proposal includes establishing Cal-ICH as a separate business unit within CHHA beginning July 1, 2026. It will require no new resources.

**LAO Comments**

Statute lays out a process and timeline for the Legislature to consider Little Hoover Commission (LHC) recommendations on Governor's proposed reorganizations. Under this timeline, the LHC has until June 4 to provide recommendations to the Legislature. Similarly, the Legislature has until July to consider the plan and the LHC recommendations. Given (1) that the review of the plan is still in process—meaning the Legislature may change it (or reject it)—and (2) the general budget condition and cost of this spending proposal, we recommend rejecting the proposal without prejudice and deferring any reorganization-related spending decisions to next year.

**Panel**

- Tomiquia Moss, Secretary, BCSH
- Amy Manasero, Deputy Secretary of Fiscal Policy and Administration, BCSH
- Gustavo Velazquez, Director, HCD
- Meagan Tokunaga Block, Assistant Program Budget Manager, DOF
- Charlene Manning, Principal Program Budget Analyst, DOF

- Paul Steenhausen, LAO
- Heather Gonzalez, LAO

**Staff Comments**

The Subcommittee may wish to ask the following:

1. What is the timeline for approval of the reorganization by the Legislature? How can the Legislature approve resources before the reorganization is approved by the full Legislature?
2. What is the timeline for implementation?
3. What is the overall increase in cost for creating the two new agencies? What is anticipated for costs after implementation?

**Staff Recommendation: Hold Open**



## 2240 Department of Housing and Community Development

### Issue 2: Housing and Homelessness Funding

After incorporating the May Revision, the Governor's proposed 2025-26 state budget for Housing and Homelessness:

- Contains no new funding for the affordable housing and homelessness programs.
- Does not include a supplemental state Low-Income Housing Tax Credits (LIHTC), unlike the past five budgets, which funded this key affordable housing production resource at an annual level of \$500 million;
- Puts into question the status of the current funding levels for the Affordable Housing and Sustainable Communities (AHSC) program, a key source of ongoing affordable housing funding. AHSC is funded by a continuous appropriation of 20 percent of the Greenhouse Gas Reduction Fund (GGRF). The May Revision proposes to shift some fire and high speed rail costs onto the GGRF without providing assurance that the existing funding levels for the remaining continuously appropriate funds would be maintained, including AHSC.

Additionally, proposes General Fund Solutions of Reversion of Unexpended Affordable Housing Program Funding as follows:

- Reverts \$31,731,000 General Fund appropriated in the 2021, 2022, and 2023 Budget Acts for the Infill Infrastructure Grant Program (\$7.2 million), Commercial Property Pilot Program (\$10M), and the Infill Infrastructure Grant Catalytic Program (\$14.5 million) that has not been expended

### Panel

- Matt Schueller, Deputy Director, Administration and Management, HCD
- Megan Kirkeby, Deputy Director, Housing Policy Development, HCD
- Jennifer Seeger, Deputy Director, Financial Assistance-State Programs, HCD
- Meagan Tokunaga Block, Assistant Program Budget Management, DOF
- Chris Hill – Principal Program Budget Analyst, DOF
- Paul Steenhausen, LAO

**Staff Comments**

Housing and Homeless funding remains a priority for the Assembly. Throughout this year, there has been a lot of discussion about the lack of housing and homelessness funding investments especially in light of the Governor's proposal to reorganize and create a new agency dedicated to Housing and Homelessness. The funding pots that existed in January, mainly the AHSC program has a cloud of uncertainty around it since the May Revision. It is unclear what the impact that new GGRF priorities outlined by the Governor will have on GGRF funding especially for housing.

Although no trailer bill language is proposed for the continuous appropriation pot of GGRF funding at this time, TBL will be needed to make the changes that the Governor has proposed, if approved by the Legislature, which will impact the continuous appropriations.

**Staff Recommendation: Hold Open**

**Issue 3: Statewide Homelessness Accountability and Compliance Unit**

The May Revision provides \$902,000 in both 2025-26, and 2026-27, and \$560,000 annually thereafter (General Fund) for two attorney positions--one focused on Public Records Act-related workload and the other on department (defensive) litigation. Of the \$902,000 provided in 2025-26, and 2026-27, \$342,000 is for a consulting contract to address a backlog in workload associated with accessory dwelling unit compliance monitoring. Also provides position authority for a third attorney position related to codes and standards. (The attorney position would be funded through fees collected by HCD in its Codes and Standards Division, as opposed to state General Fund.)

**LAO Comments**

Despite the budget change proposal's title (and summary), this proposal is not focused on oversight of homelessness spending and monitoring how cities and counties use state homelessness funds. Even so, documentation from the administration in its proposal indicates a notable increase in recent years in Public Records Act and other department legal workload, which--given HCD's current attorney staffing level--suggests the additional positions and funding requested have merit.

**Panel**

- Matt Schueller, Deputy Director, Administration and Management, HCD
- Megan Kirkeby, Deputy Director, Housing Policy Development, HCD
- Chris Hill, Principal Program Budget Analyst, DOF
- Kaily Yap, Finance Budget Analyst, DOF
- Paul Steenhausen, LAO

**Staff Comments**

The Subcommittee may wish to ask the following:

1. The BCP discusses HCD moving to begin the guideline process for the Accountability Unit, when will this happen and what is likely to be included in the guidelines.

Staff has no concerns with the resources for the increase in work related to ADUs and PRA.

**Staff Recommendation: Hold Open**

**Issue 4: Trailer Bill Language Proposals**

The May Revision includes budget trailer bill proposals related to climate-aligned Housing and Economic Development:

- **Coastal Commission.** The Permit Streamlining Act sets clear deadlines to accelerate project approvals, the California Coastal Commission is currently exempt from deadlines for housing permits when acting as a responsible agency. This proposal requires the Coastal Commission to comply with the same permitting timelines as other agencies, helping streamline housing approvals and reduce unnecessary bureaucratic delays in the Coastal Zone.
- **Vehicle miles traveled (VMT) mitigation bank.** Creates a statewide VMT mitigation banking program as a flexible option for a project applicant or lead agency that is required to mitigate transportation impacts, to elect to contribute an amount, at a price per VMT, toward funding the Transit Oriented Development (TOD) Implementation program to meet existing CEQA obligations.
- **Judicial streamlining.** Expands and updates existing law to improve the CEQA judicial streamlining process for large housing projects. Specifically, it would allow housing developments over \$100 million to use the same streamlined CEQA pathway currently available to smaller housing projects, while retaining the option to apply as large infill projects.

Additionally, provides housing applicants an alternative compliance option by allowing them to demonstrate consistency with the California Air Resources Board's Scoping Plan in lieu of a quantitative net-zero GHG analysis.

- **Additional Legislation.** The May Revision Summary states that the Administration is “also committed to partnering with the Legislature to include key legislation into the budget that advances these goals, which are essential to accelerating infill development but does not provide any additional details.”

**LAO Comments**

The Legislative Analyst's Office (LAO) recommends deferring consideration of this proposal to “allow the Legislature more time and capacity for sufficient consideration of the potential benefits, implications, and trade-offs [...]”.

**Panel**

- Megan Kirkeby, Deputy Director, Housing Policy Development, HCD
- Sasha Kergan, Deputy Secretary of Housing, BCSH
- Natalie Kuffel – Deputy Director, Office of Land Use and Climate Innovation
- Meagan Tokunaga Block, Assistant Program Budget Management, DOF
- Chris Hill, Principal Program Budget Analyst, DOF
- Paul Steenhausen, LAO

**Staff Comments**

Staff is still in the process of reviewing TBLs.

**Staff Recommendation: Hold Open**

**Issue 5: Technical Adjustments and Budget Solutions**

The Governor's May Revision also includes:

- **2023 and 2024 CDBG Disaster Recovery Grant Adjustment.** Increased Federal Trust Fund authority to receive \$417 million in additional Community Development Block Grant – Disaster Recovery funds for long-term recovery efforts relate to 2023 and 2024 winter storms, flooding, and mudslides.
- **Homekey + Clarification.** Proposes budget trailer bill language to exempt projects funded through Proposition 1 of 2024 from the California Constitution Article 34 requirement to subject approval of specified affordable housing development projects to a public vote.
- Other technical adjustments, including requests to:
  - Direct \$24 million in remaining Transit-Oriented Development (TOD) Proposition 1 (2017) and Proposition 1C (2006) bond funds to Multifamily Super NOFA in 2025-26;
  - Utilize \$20.5 million in Infill Infrastructure Grant (IIG) Proposition 1C (2006) bond funds for the 2025 Tribal Super NOFA in 2025-26, and
  - Extend the liquidation deadline for specified Infill Infrastructure Grant (IIG) awardees for an additional three years from June 30, 2026 to June 30, 2029, to fully liquidate the funds they received.

**Panel**

- Matt Schueller, Deputy Director, Administration and Management, HCD
- Meagan Tokunaga Block, Assistant Program Budget Management, DOF
- Blair Huxman, Finance Budget Analyst, DOF
- Paul Steenhausen, LAO

**Staff Comments**

The Subcommittee may wish to ask the following:

1. Are any other HCD administered funds that are in jeopardy of expiring and would need an extension?
2. The May Revision proposes to move existing funds to other programs, can HCD explain the rationale behind this?

**Staff Recommendation: Hold Open.**

## 9210 Local Government Financing

### Issue 6: Vehicle License Fee Backfill

In 2004, when the State reduced the Vehicle License Fee from 2 percent to 0.65 percent of value, the State uses an Education Revenue Augmentation Fund (ERAF) mechanism to backfill cities and counties for the lost revenue. To compensate for the lost VLF tax revenue to local governments from the state action, the State allowed local governments to retain more of the ERAF property tax base, the funding mechanism for K-12 schools would automatically replace the shifted tax revenue with Proposition 98 funding from the State General Fund.

However, over the last several years, several counties have seen their VLF revenues backfill needs exceed their total ERAF, resulting in a shortfall. This shortfall is referred to as “insufficient ERAF”. The State has intervened to make one-time augmentation to address this revenue gap in past years, including \$36 million in the 2023-24 budget to address the shortfall from the 2021-22 fiscal year and \$72.5 million in the final 2024 budget for claims from the 2022-23 fiscal year.

The Proposed 2025 Budget does not include funding for Vehicle License Fee revenues accrued during the 2023-24 fiscal year. The Department of Finance estimates that it would cost \$118.1 million to backfill the lost revenues in the three counties with insufficient ERAF, San Mateo (\$114.3 million), Alpine (\$ 175,000), and Mono (\$43.6 million).

#### Panel

- Chris Hill, DOF

#### Staff Comments

In addition to the three impacted counties, Napa County has expressed concern that it will soon become an insufficient ERAF county and will also face the same challenges in the near future.

**Staff Recommendation: No Action Possible at an Informational Hearing**



## 0840 State Controller

### Issue 7: May Revision Proposals

The State Controller's Office has four May Revision proposals:

1. *Annual Comprehensive Financial Report (ACFR) Engagement Team.* The May Revision requests \$3.9 million (\$2.4 million General Fund) to provide Generally Accepted Accounting Principles financial reporting assistance to various state departments to restore and sustain on-time publication of the state's ACFR.
2. *California State Payroll System Project.* The May Revision includes \$73.7 million (\$71.4 million General Fund) and 7.8 positions ongoing to support project implementation of the new state payroll system.
3. *Unclaimed Property Management System Replacement Project Funding Realignment.* The May Revision includes \$1 million special fund for support and operations of this new system.
4. *2024 State School Facilities Fund Technical Adjustment.* The May Revision adds \$300,000 Special Fund ongoing for program administrative costs related to the School Facilities Program.

#### Panel

- State Controller's Office
- Department of Finance
- Brian Metzker, LAO

#### Staff Comments

The Controller's ACFR Engagement Team proposal reflects feedback given by the Subcommittee during oversight of state accounting in previous years. The ACFR document is essentially the State's balance sheet, and is used to evaluate our fiscal health for credit rating and lending decisions. The Controller has been hindered at filing our ACFR document in a timely manner because some state departments lacked the accounting expertise to close their fiscal books for the year on time. Prior to this proposal, this was remedied by experts in other departments, the Controller's Office, and Finance diverting resources towards a short term fix needed for the ACFR. This team allows the Controller to be proactive at not only getting the ACFR released on time, but helping departments struggling with closing their books overcome their limitations.

Last year, the Subcommittee approved the reversion of \$70.1 million in funding in the 2023 Budget for the California State Payroll System Project, reflecting the revisit the approach of the project through a new procurement. The funding provided for in the May Revision reflects the expected cost for the new contract for this project, which was anticipated by the Subcommittee.

**Staff Recommendation: No Action Possible at an Informational Hearing**

## 1115 Department of Cannabis Control

### Issue 8: Shift of Enforcement Expenditure Authority to the Cannabis Tax Fund

The May Revision proposes statutory changes to allow the Department of Cannabis Control's illicit enforcement activities and California Track-and-Trace program costs to be funded from the Cannabis Tax Fund (cannabis state excise sales tax). According to the Administration, without the proposed changes, the Cannabis Control Fund (state licensees fees) would be unable to support additional enforcement activities without increasing fees on existing licensees.

The May Revision proposal includes:

- Shift \$57 million in existing Cannabis Control Fund (CCF) enforcement expenditures to the Cannabis Tax Fund in 2025-26 (increasing to \$71 million in 2026-27 and ongoing) in order to address a deficit in the Cannabis Control Fund.
- Increase enforcement expenditures from the Cannabis Tax Fund by \$4.8 million in 2025-26 (declining to \$2.2 million in 2026-27 and ongoing) to support the legal market by reducing illegal cannabis activity.
- Increase compliance expenditures from the Cannabis Control Fund by \$2.3 million in 2025-25 (generally increasing to \$4 million annually in 2028-29 and ongoing) to support the legal market by reducing illegal cannabis activity by licensees.
- Budget trailer bill to make the statutory changes necessary to implement this fund shift proposal. A copy of the TBL can be found [here](#).

The Department has provided a single chart (on the next page) displaying the shift of the illicit enforcement function. The following categories are described here:

- **Enforcement:** This includes the Department's entire Law Enforcement Division, which is focused solely on illicit market activity.
- **Compliance:** This refers to the Investigative Services Branch within the Department's Compliance Division. While their work centers on complaints within the licensed market, it is largely aimed at addressing gray market activity—where operators use their licenses to divert or invert illicit cannabis into the legal market.
- **Legal:** This includes the legal team that supports the compliance-related enforcement work in the bullet above.

- **Support:** This represents an overhead rate (18% based on current costs) applied to the costs listed above. It reflects the work done by the Executive, Administrative, and IT Divisions to support the resources above.
- **Track and Trace:** This includes software and plant tag costs associated with the track and trace system.

## Detailed View of Funding Shift

Division	Currently in Cannabis Control Fund	Shift to Cannabis Tax Fund	Remaining in Cannabis Control Fund
Position Total	634.0	171.0	463.0
Enforcement	87.0	87.0	0.0
Compliance	173.0	75.0	98.0
Legal	27.0	9.0	18.0
All Other Divisions	347.0	0.0	347.0
Budget Authority	\$156,878,000	\$70,947,000	\$85,931,000
Personnel Costs	\$91,750,000	\$32,726,000	\$59,024,000
OE&E	\$36,656,000	\$9,749,000	\$26,907,000
CCTT	\$28,472,000	\$28,472,000	--

### Proposed Cannabis Tax Fund Costs:

Category	Personnel	OE&E	TOTAL
Enforcement	\$14,210,000	\$7,022,000	\$21,232,000
Compliance	\$11,222,000	\$1,376,000	\$12,598,000
Legal	\$2,091,000	\$70,000	\$2,161,000
Support	\$5,203,000	\$1,281,000	\$6,484,000
Track and Trace	--	\$28,472,000	\$28,472,000
TOTAL	\$32,726,000	\$38,221,000	\$70,947,000

**Background.** The Department of Cannabis Control (Department), established in July 2021 through the enactment of Chapter 70, Statutes of 2021 (AB 141), unified the regulatory frameworks of three distinct cannabis programs, which includes the Bureau of Cannabis Control from the Department of Consumer Affairs, the CalCannabis Cultivation Licensing Division from the California Department of Food and Agriculture, and the Manufactured Cannabis Safety Branch from the California Department of Public Health. This consolidation aimed to centralize oversight, streamline licensing, and bolster program expertise to regulate California's commercial cannabis industry more effectively.

As the Department has evolved and the number of licensed operators has begun to stabilize, the Department has identified critical programmatic, operational, and administrative gaps. According to the Department, these gaps pose significant risks to state objectives, including operational oversight, licensee compliance, consumer safety, employee health and safety, and enforcement actions against the illegal cannabis market to support the legal market. Addressing these gaps is essential to enhancing the Department's capacity to meet its mandates and safeguard public health and safety.

This May Revise proposal focuses on strengthening key aspects of the Department's administrative and programmatic structures and addresses immediate workload gaps, while the Department continues to assess its resources needs in an evolving regulatory landscape.

**Panel**

- Clint Kellum, Chief Deputy, DCC
- Christina Dempsey, Deputy Director of Government Affairs, DCC
- Melissa Eidson, Deputy Director of Administration, DCC
- Natalie Sheeran, Budget Officer, DCC
- Charlene Manning, DOF
- John Parsons, DOF
- Drew Soderborg, LAO
- Heather Gonzalez, LAO
- Seth Kerstein, LAO

**Staff Recommendation: Hold Open**

**Issue 9: Statutory Changes to Strengthen Enforcement**

The May Revision proposes statutory changes be made to authorize the Department of Cannabis Control to close businesses that are found to be conducting illegal activity on premises being inspected by existing compliance and enforcement staff.

Additionally, the May Revision proposes that statutory changes be made to authorize the Board of State and Community Corrections' (BSCC) Proposition 64 Public Health and Safety Grant Program to award grants to local governments that prohibit cannabis cultivation if they authorize retail cannabis sales and requires the BSCC to prioritize grants to be directed to local illicit cannabis enforcement efforts.

According to the Department, these two statutory changes collectively would provide additional enforcement tools to the Department, expand collaboration with local law enforcement, and encourage retail participation to stabilize the legal cannabis market and promote consumer safety. A copy of the TBL can be found [here](#).

***Legal Concerns Regarding the Department's Ability to Close Businesses.*** The California Public Defenders Association are of the opinion that the proposed statutory authority to allow the Department to shut down a business "likely violates the Fourth Amendment as well as the California Constitutional protection against unreasonable search and seizure, and has insufficient protections against overreach or abuse." The Association argues that such a large policy change should not be approved as a budget trailer bill but should be considered in "the appropriate policy committees in order that this bill be assessed for constitutional deficiencies and so that all stakeholders may receive notice and a chance to be heard on the issue."

**Panel**

- Clint Kellum, Chief Deputy, DCC
- Christina Dempsey, Deputy Director of Government Affairs, DCC
- Charlene Manning, Principal Program Budget Analyst, DOF
- John Parsons, Staff Finance Budget Analyst, DOF
- Drew Soderborg, LAO
- Heather Gonzalez, LAO
- Seth Kerstein, LAO

**Staff Comments**

The Committee may wish to reject the statutory proposal to authorize the Department to shut down and seal a commercial property for illicit commercial cannabis activity and defer the issue to the appropriate policy committees.

**Staff Recommendation: Hold Open**

**0509 Governor's Office of Business and Economic Development****Issue 10: State Trade Expansion Program**

The May Revision requests provisional language to allow the Department of Finance to increase the General Fund appropriation by up to \$650,000 to meet the matching requirements of the federal funds award for the State Trade Expansion Program. The State Trade Expansion Program's objective is to help small businesses cover costs associated with entering international markets and overcoming obstacles to grow their export.

**Panel**

- Philip Chen, Budget Officer, GO-Biz
- Tara Lynn Gray, Director, Office of the Small Business Advocate
- Charles LaSalle, Finance Budget Analyst, DOF
- Jessie Romine, Principal Program Budget Analyst, DOF
- Rowan Isaaks, LAO

**Staff Comments**

The Subcommittee may wish to ask GO-Biz the following:

1. Can Go-Biz provide more information on the State Trade Expansion Program?
2. How will this this proposal affect the General Fund in 2025-26?
3. Is it possible for Go-Biz to return to the Legislature after the grant is secured and then request funding? Why does this have to happen now?

**Staff Recommendation: Hold Open**



**Issue 11: Reappropriations**

The Governor's May Revision makes the following reappropriations:

- **Containerized Ports Operability Grant Program:** Reappropriates up to \$700,000 from Item 0509-101-0001, 2022 Budget Act to complete the necessary reporting requirements for the Containerized Interoperability grant program. The original administrative set aside was \$900,000.
- **Zero Emission Vehicles Operation:** Reappropriates \$2,153,000 from Item 0509-001-0001, 2024 Budget Act to provide Go-Biz an extension to expend resources for the Zero Emission Vehicles Program. The 2024 Budget Act moved these resources to Go-Biz from the Governor's Office of Land Use and Climate Innovation. Go-Biz states that this reappropriation provides an encumbrance period through June 30, 2026, consistent with the initial appropriation.
- **Women's Business Center Enhancement.** Reappropriates Item 0509-49 up to \$240,000 from Item 0509-001-0001, 2022 Budget Act to cover administrative costs for this grant program. According to Go-Biz, the resources will allow Go-Biz to provide technical assistance to underserved small business owners who are facing capital and opportunity gaps and have limited access to small business resources. The Budget Act of 2022 allocated \$8 million for the Women's Business Center Enhancement grant program.

**Panel**

- Philip Chen, Budget Officer, GO-Biz
- Tara Lynn Gray, Director, Office of the Small Business Advocate
- Charles LaSalle, Finance Budget Analyst, DOF
- Jessie Romine, Principal Program Budget Analyst, DOF
- Rowan Isaaks, LAO

**Staff Comments**

On the containerized ports reappropriation, staff requested the proposed uses of the \$700,000. From 2022 to today, only \$200,000 of the administrative costs have been used, can Go-Biz explain how they will use \$700,000 in administrative costs in one year, if previously they only used \$200,000 over multiple years.

On the Women's Business Center Enhancements, staff has no concerns with this reappropriation. However, the Subcommittee may wish to ask CalOSBA why multiple centers have not yet spent down their award?

**Staff Recommendation. Hold Open**

**Issue 12: Budget Solutions**

The May Revision includes the following budget solutions:

- Withdraws the January Proposal to fund CA Competes Grant Program at \$60 million.
- Reverts up to \$11.5 million of unspent funds in 2023-24 for the Performing Arts Equitable Payroll Fund that was reappropriated in previous budgets.

**Panel**

- Philip Chen, Budget Officer, GO-Biz
- Tara Lynn Gray, Director, Office of the Small Business Advocate
- Charles LaSalle, Finance Budget Analyst, DOF
- Jessie Romine, Principal Program Budget Analyst, DOF
- Rowan Isaaks, LAO

**Staff Comments**

As part of the 2024-25 budget solutions, funding for the California Competes Grant Program was also eliminated at the May Revision.

**Staff Recommendation. Hold Open**

## 1700 Civil Rights Department

### Issue 13: California vs. Hate Contract Exemption

The May Revision includes provisional language be added to Item 1700-001-0001 to exempt the Civil Rights Department from certain specified state contracting requirements for \$2,383,000 million one-time General Fund included in the Governor's Budget for continuation of the California vs. Hate Resource Line. This exemption will support continuity for the resource line in fiscal year 2025-26 and avoid gaps or delays in service.

### LAO Comments

Using a competitive bid process for state contracts has many public benefits, including an opportunity to compare price quotes and vendor capabilities against each other and mitigating the perception that the state is unfairly favoring a certain vendor over others. Yet, if this proposal were to be approved, the state would be providing a contract exemption for this initiative for a second time, which is not consistent with good public policy practice. (The department also received a contract exemption in 2021-22, when it was seeking to stand up the newly funded multiyear initiative on an expedited timeline.) Were the Legislature to approve the Governor's budget's funding proposal but not approve the May Revision's request for a contract exemption, though, the state would not have a funded resource line for much of, or all of, 2025-26 given how long the state contracting processes take. This situation puts the Legislature in a tough position. If Legislature approves the funding request in the Governor's budget and May Revision's contracting exemption request, and has an interest in potentially funding the initiative another year (funding is proposed only for the budget year), the Legislature could consider instructing the administration to initiate a competitive bid process immediately--so that a vendor has been selected in the event the Legislature has the resources and the interest in funding the initiative again in 2026-27.

### Panel

- Mary Wheat, Chief Deputy, CRD
- Meagan Tokunaga Block, Assistant Program Budget Management, DOF
- Blair Huxman, Finance Budget Analyst, DOF
- Paul Steenhausn, LAO

### Staff Comments

CRD claims that without exempting this program from the state contracting requirements, the delay to go out to bid for a contract would take about a year and result in a delay in implementation of the program.

The way that this program is designed, it would appear that any additional funding put into this program would result in a year delay if it followed the state contracting requirements. The Legislature will have to consider if enacting this program is more important than the state contracting requirements. Also if the Legislature extends this program, CRD should work now to plan for future funding to include using the state contracting requirements.

## 8885 Commission on State Mandates

### Issue 14: Mandates to Suspend

**The May Revision proposes to suspend three new mandates:**

1. California Regional Water Quality Control Board, San Diego (11-TC-03)
2. California Regional Water Quality Control Board, San Diego (10-TC-11)
3. California Regional Water Quality Control Board, Santa Ana (10-TC-07)

According to the COSM, these mandates involve activities arising from National Pollutant Discharge Elimination System Program permits adopted by the California Regional Water Quality Control Boards. These amendments would relieve the state of the need to reimburse impacted local agencies for the state-reimbursable costs identified by the Commission.

**Additionally, the May Revision clarifies the Reimbursement Period for Suspended Mandates.** Amends Item 8885-295-0001 to specify the reimbursement period for the California Regional Water Quality Board, Santa Ana Mandate (09-TC-03). This amendment is necessary to ensure that the suspension applies to the specified reimbursement period identified by the Commission on State Mandates.

### LAO Comments

***Reject and Instead Reimburse Local Governments' Past Costs.*** Consistent with our recent budget analysis of a similar stormwater mandate, we recommend funding these three mandates for three key reasons: (1) an appellate court has already found that local governments lacked sufficient authority to raise stormwater-related fees prior to 2018, (2) the Commission on State Mandates determined these were state-reimbursable mandates, and (3) local governments already incurred the costs to comply with the permit requirements and cannot go back in time and choose to avoid these costs. Final costs will total about \$3 million (one time). Funding this mandate does not have direct out-year fiscal implications for the state.

### Panel

- Kaily Yap, DOF
- LAO Representative

### Staff Comments

Staff has concerns about providing adequate time for review when suspending mandates.

**Staff Recommendation: Hold Open**

## 7730 Franchise Tax Board

### Issue 15: Court Order Debt TBL

The May Revision includes trailer bill language to increase FTB's administrative set aside from 15 percent to 20 percent, to allow FTB to continue operating the program at the current service level.

**Background.** Under FTB's Court Ordered Debt (COD) Program, FTB collects money owed to state and local agencies pursuant to judicial determinations from debtors. FTB achieves this by withholding tax refunds, by arranging with employers for the garnishment of wages, and by seizing funds from bank accounts.

Pursuant to Revenue and Taxation Code section 19282, 15 percent of the collected funds are set aside for program administration.

Recently enacted legislation limits FTB's ability to garnish debtors' wages (Chapter 849, Statutes of 2022 (SB 1477)), causing a decline in FTB's COD collections from \$131 million in 2019-20 to an estimated \$70 million in 2024-25 and thereafter. While revenues have declined over the past five years, workload has been stable. Consequently, FTB will receive only \$10.5 million in administrative fees for the COD Program in 2024-25, while actual costs are \$11.7 million.

To address the gap in funding, FTB modified processes to minimize costs. This is not a long-term solution, however, and continued modifications will prevent the program from operating efficiently. Addressing the funding gap by redirecting resources from tax administration programs is not an option, because revenue losses will be significantly greater than the redirected resources.

### Panel

- Representative, FTB
- Cynthia Elmore, DOF
- Rowan Isaaks, LAO

### Staff Comments

The Subcommittee may wish to ask FTB what their standard administrative set aside is for programs? Why does this program need an additional set aside?

**Staff Recommendation: Hold Open.**

## 7600 California Department of Tax and Fee Administration

### Issue 16: Generation and Handling Fee Shortfall Reform

The May Revision includes \$500,000 in reimbursement authority for fiscal year 2025-26 and ongoing to maintain the current administrative services as it relates to Department of Toxic Substances Control's (DTSC) Generation and Handling Fee Shortfall Solutions BCP that was approved in the 2024 May Revision (3960-107-BCP-2024-MR). To increase oversight and feepayer compliance associated with DTSC's new fee structure, DTSC requested \$500,000 from the Hazardous Waste Control Account to reimburse CDTFA for increased workload associated with Generation and Handling Fee enforcement and auditing activities. CDTFA's request herein aligns with the DTSC's 2024-25 Solutions BCP and the increased authority will enable CDTFA to address the workload associated with the Generation and Handling Fee structure.

CDTFA administered the Hazardous Substances Tax Programs within its reimbursement contract amount. However, due to greater than anticipated complexities related with implementing SB 158, CDTFA experienced an increase in workload costs and has exceeded reimbursement contract amounts. Changes made to reporting and penalty structure have resulted in higher taxpayer call volume, tax return reporting errors, and an increase in petitions.

As part of DTSC's Solutions BCP, DTSC designated \$500,000 to CDTFA to address the increased workload associated with Generation and Handling enforcement and auditing activities. These additional funds will support maintaining current audit and compliance activities, without exceeding the reimbursement contract amount. To operationalize the increased contract, CDTFA worked with Department of Finance on a Budget Revision augmentation for the additional reimbursement authority in 2024-25. This request will make the \$500,000 increase in CDTFA's reimbursement authority permanent and conform with DTSC's Solutions BCP.

#### Panel

- Representative, CDTFA
- Cynthia Elmore, DOF
- Seth Kerstein, LAO

#### Staff Comments

The Subcommittee may wish to ask the following:

1. Are the increases in workload temporary or ongoing?

**Staff Recommendation: Hold Open**



**Issue 17: Trailer Bill Proposals**

The May Revision includes the following trailer bill proposals for consideration:

1. **Sales and Use Tax Remittances by Used Car Dealers.** Allows CDTFA and DMV to jointly agree to exempt large used car dealers from the AB 85 Program which requires reporting of sales information. The trailer bill also addresses duplicative reporting requirements for dealers that unnecessarily increase workload at CDTFA.

Pursuant to AB 85 (Chapter 89, Statutes of 2020), used car retailers (dealers) must remit sales and use taxes (SUT) on car sales to the Department of Motor Vehicles (DMV) within 30 days of each sale. The AB 85 Program also requires dealers to report sales information to both DMV and CDTFA. The purposes of the reporting is to ensure that dealers are not underreporting SUT on their car sales. While the program has enrolled small dealer, large dealers (sell over 1,000 cars per year) are set to be enrolled January 1, 2026.

The trailer bill would allow CDTFA and DMV to jointly agree to exempt these large dealers from the AB 85 Program, given that the risk of under-reporting SUT by these dealers is extremely low and the annual cost of their enrollment would \$1.8 million.

2. **Covered Battery Embedded Waste Recycling Fee TBL.** Includes technical clean up to strike “covered electronic waste recycling fee pursuant to” and instead replaces it with “fee imposed pursuant to the Electronic Waste Recycling Act of 2003”.
3. **CDTFA Federal Background TBL.** The California Department of Justice (DOJ) informed CDTFA that it needs specific authority language in statute to continue to use the DOJ to help conduct essential background checks for employees, prospective employees, volunteers, contractors, or subcontractors of the Homes. This directive is coming from the federal government to the California DOJ; part of the background check process uses federal databases. This statutory change must be in place by 12/31/26.

**Panel**

- Representative, CDTFA
- Cynthia Elmore, DOF
- Seth Kerstein, LAO

**Staff Comments**

Staff is still reviewing all trailer bill proposals.

**Staff Recommendation: Hold Open**

## Non-Presentation Items

**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.

### 7730 Franchise Tax Board

- 1. Enterprise Data To Revenue Project Phase 2 (EDR2) Unplanned Funding Expected Usage.** The FTB requests to utilize the EDR2 Project appropriated funds reserved for unplanned work as described in Provision 11 of the Budget Act of 2024; no additional funding is requested. The estimated cost for the unplanned work in 2024-25 is \$8,400,000. The cost of the unplanned work that will be required in 2025-26 will not be known in time for the enactment of the 2025 Budget Act. However, the total combined cost of unplanned work will not exceed the reserved funds of \$27,873,000. This will allow FTB to implement the EDR2 Objectives, retire legacy systems, and avoid introducing new inefficiencies with the new technology.

As part of a large project contract, the Department of Technology requires each contract should have 5 percent of the total amount should be set aside for unplanned tasks, which is available for the life of the project. According to FTB, at the end of 2023-24, FTB had not used any of the reserved funds.

- 2. Reappropriations.** The Franchise Tax Board includes two May Revision which includes two requests for reappropriations as follows:
  - Enterprise Data to Revenue 2 Reappropriation. Requests to extend the encumbrance period of funding allocated in the 2024 Budget Act for the Enterprise Data to Revenue 2 project. The language would extend the encumbrance period for \$21,314,000 of Item 7730-001-0001, Budget Act of 2024 from June 30, 2025, to June 30, 2026. The funds will be used for vendor compensation payments and necessary project work not originally anticipated.
  - High Speed Printer Reappropriation. Requests that Item 7730-490 be added to extend the encumbrance period for funding needed to replace the high-speed printer systems and software that Franchise Tax Board uses to print notices, bills, and correspondence. Specifically, this would extend the encumbrance period from June 30, 2025, to June 30,

2026, for \$2,283,000 from Item 7730-001-0001, Item 7730-001-0044, Item 7730-001-0064, and Item 7730-001-0242, Budget Act of 2024.

### 0870 Office of Tax Appeals

- 3. Reimbursement Authority for Shared Office Space.** The May Revision requests an increase in reimbursement authority by \$30,000 ongoing to the Office of Tax Appeals to share Fresno office space with the California Department of Human Resources.

### 0957 HOPE Children Trust Account Program Board

- 4. Budget Solution.** The May Revision proposes that \$50 million from the California Hope, Opportunity, Perseverance, and Empowerment (HOPE) Children Trust Fund Account Fund be transferred to the General Fund as a budget solution. The HOPE for Children Trust Account was established by the 2022 Budget Act with \$100 million budget allocation as an initial investment for the new department. The HOPE program receives \$15 million General Fund ongoing for program development. With accrued interest, the fund balance is roughly \$138 million and since its inception only \$2 million has been expended. The program is designed to launch in late 2025 or the 1<sup>st</sup> quarter of 2026. The program projects about 10,000 income eligible COVID bereaved children and approximately 45,000 long-term foster youths could participate at the onset of the program.

### 8860 Department of Finance

- 5.** The May Revision includes \$20 million to allow the Department to contract with consultants to assist and advise the director and Department of Finance on analyzing and creating process improvements within state government. The proposed language for this item would exempt this funding from public contract code

### 9210 Local Government Financing

**6. May Revision Proposals:**

- Adds a technical item to the budget bill to provide secured roll property tax backfills for losses incurred due to the 2025 Los Angeles County Wildfires, pursuant to subdivision (g) of Control Section 90.00 as added by Chapter 2, Statutes of 2025 (A B 100).
- Provides \$17,000 to reimburse Orange County for property tax losses incurred in the 2024-25 fiscal year as a result of the 2024 Orange County Airport Fire.

**0110, 0120, 0130 Legislature**

7. The May Revision adjusts the budget for the Assembly, Senate, and LAO to account for the annual State Appropriation Limit (SAL) amount, pursuant to Proposition 140 of 1990.

**8885 Commission on State Mandates**

8. **County of Los Angeles Redistricting Commission Mandate.** Amends Item 8885-295-0001 to add the County of Los Angeles Citizen Redistricting Commission mandate to the funded mandates list. This mandate was unintentionally left out of the Funded Mandates list included at the 2025-26 Governor's Budget.
9. **Adjustments to Funded Mandates to Correct Appropriation Levels.** Increases Item 8885-295-0001 by \$2,193,000 ongoing and increases Item 8885-295-0044 by \$454,000 ongoing to reflect revised state mandate estimates. These adjustments are necessary to provide the proper amounts for each mandate.

Also adds the following provisional language to Item 8885-295-0044 to conform to this action as follows: Of the amount appropriated in this item, \$454,000 is to reimburse local entities for the costs incurred through the 2022-23 fiscal year.

**0509 Governor's Office of Business and Economic Development**

10. **Outsmart Disaster Program.** The Governor's Office of Business and Economic Development, Office of the Small Business Advocate (CalOSBA) requests \$230,000 in reimbursement authority for 2025-26 for additional support for the Outsmart Disaster program.

There are four distinct phases of emergency management: mitigation, preparedness, response and recovery. This proposal requests funding targeted to continue to support small business owners during the preparedness phase and for supporting our partnership with the Governor's Office of Emergency Services.

This proposal requests budget authority be created to accept approximately \$230,000 as a sub-recipient of CARES Act funding so that we can be reimbursed for Outsmart Disaster personnel and related costs. The current CalOSBA Resiliency team consists of two Limited Term positions, both of which will expire in calendar year 2025. The Southern California position is defined as a bilingual position in Spanish.

**1700 Civil Rights Department**

**11. Housing Equity Outreach and Enforcement Budget Reinstatement.** The May Revision requests that Item 1700-001-0001 be increased by \$1,692,000 and 8 positions ongoing to correct a technical error and reflect funding and positions previously approved as ongoing in the 2021 Budget Act.

This proposal is consistent with previous legislative action.

**8260 California Arts Council**

**12. Withdrawal of January Proposal.** The May Revision proposes to withdraw the January proposal of \$153,000 ongoing, General Fund and 1 position to provide staffing support for human resources at the California Arts Council. This decreases the fund from \$10,804,000 to \$10,651,000.

**1111 Department of Consumer Services****13. Bureau of Private Postsecondary Education – Funding Shift Trailer Bill**

This trailer bill amends Section 94923 of the Education Code to expand the permissible uses of the Student Tuition Recovery Fund (STRF), allowing the Bureau for Private Postsecondary Education (BPPE) to use STRF funds not only to compensate students who suffer economic loss due to institutional closures or misconduct, but also to support the administration of STRF claims and staffing for the Office of Student Assistance and Relief. It broadens eligibility for student claims, including certain former students of Corinthian Colleges, and clarifies what constitutes economic loss, including tuition, student loans, and third-party payments, while allowing up to \$500 in reimbursement for legal fees related to loan cancellations. The bill also includes provisions to ensure that satisfied loans are reported as paid in full and permits recovery of STRF payments from institutions in violation. By expanding the use of a continuously appropriated fund, the bill constitutes an appropriation.

**14. Other Proposals for DCA**

*The May Revision redistributes the Department of Consumer Affairs' existing Pro Rata costs among the following items, its boards and bureaus, to reflect budget changes from Control Sections 4.05 and 4.12, with no net change in total funding as follows:*

- Decreases the State Board of Barbering and Cosmetology, funded by the Barbering and Cosmetology Contingent Fund by \$11,000. This decreases the fund from \$22,326,000 to \$22,315,000.

- Increases the Acupuncture Board, funded by the Acupuncture Fund by \$7,000. This increases the fund from \$3,905,000 to \$3,912,000.
- Decreases the State Board of Chiropractic Examiners, funded by the State Board of Chiropractic Examiner's Fund by \$9,000. This decreases the fund from \$5,593,000 to \$5,584,000.
- Increases the Osteopathic Medical Board of California, funded by the Osteopathic Medical Board of California Contingent Fund by \$9,000. This increases the fund from \$4,355,000 to \$4,364,000.
- Increases the Physician Assistant Board, funded by the Physician Assistant Fund, by \$7,000. This increases the fund from \$3,148,000 to \$3,155,000.
- Increases the Podiatric Medical Board of California, funded by the Podiatric Medical Board Fund, by \$2,000. This increases the fund from \$1,660,000 to \$1,662,000.
- Increases the State Athletic Commission, funded by the Athletic Commission Fund, by \$7,000. This increases the fund from \$1,962,000 to \$1,969,000.
- Increases to the Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board, funded by the Speech-Language Pathology and Audiology and Hearing Aid Dispensers Fund, by \$11,000. This increases the fund from \$3,117,000 to \$3,128,000.
- Decreases the California Board of Accountancy, funded by the Accountancy Fund, by \$5,000. This reduces the fund from \$19,881,000 to \$19,876,000.
- Increases the Dental Board of California, funded by the State Dentistry Fund, by \$10,000. This increases the fund from \$20,296,000 to \$20,306,000.
- Increases the California Architects Board, funded by the California Architects Board–Landscape Architects Fund, by \$17,000. This increases the fund from \$1,253,000 to \$1,270,000.
- Increases the Medical Board of California, funded by the Contingent Fund of the Medical Board of California, by \$11,000. This increases the fund from \$82,088,000 to \$82,099,000.
- Increases the Physical Therapy Board of California, funded by the Physical Therapy Fund, by \$18,000. This increases the fund from \$7,267,000 to \$7,285,000.

- Increases the Court Reporters Board of California, funded by the Court Reporters' Fund, by \$2,000. This increases the fund from \$1,295,000 to \$1,297,000.
- Increases the Board of Behavioral Sciences, funded by the Behavioral Sciences Fund, Professions and Vocations Fund, by \$40,000. This increases the fund from \$14,626,000 to \$14,666,000.
- Increases the California Board of Naturopathic Medicine, funded by the Naturopathic Doctor's Fund, by \$2,000. This increases the fund from \$652,000 to \$654,000.
- Increases the Bureau of Automotive Repair, Department of Consumer Affairs, funded by the Vehicle Inspection and Repair Fund, by \$127,000. This increases the fund from \$133,682,000 to \$133,809,000.
- Increases the Bureau of Automotive Repair, Department of Consumer Affairs, funded by the High Polluter Repair or Removal Account, by \$10,000. This increases the fund from \$51,513,000 to \$51,523,000.
- Increases the Cemetery and Funeral Bureau, Department of Consumer Affairs, funded by the Cemetery and Funeral Fund, Professions and Vocations Fund, by \$16,000. This increases the fund from \$6,914,000 to \$6,930,000.
- Decreases the Board of Psychology, funded by the Psychology Fund, by \$6,000. This reduces the fund from \$8,135,000 to \$8,129,000.
- Decreases the Respiratory Care Board of California, funded by the Respiratory Care Fund, by \$12,000. This reduces the fund from \$4,190,000 to \$4,178,000.
- Decreases the California Architects Board, funded by the California Architects Board Fund, by \$8,000. This reduces the fund from \$4,935,000 to \$4,927,000.
- Increases the Contractors State License Board, funded by the Contractors License Fund, by \$394,000. This increases the fund from \$83,334,000 to \$83,728,000.
- Decreases the Board of Registered Nursing, funded by the Board of Registered Nursing Fund, by \$293,000. This reduces the fund from \$63,337,000 to \$63,044,000.
- Decreases the State Board of Optometry, funded by the Optometry Fund, by \$23,000. This reduces the fund from \$4,003,000 to \$3,980,000.

- Decreases the California State Board of Pharmacy, funded by the Pharmacy Board Contingent Fund, by \$7,000. This reduces the fund from \$35,781,000 to \$35,774,000.
- Decreases the Board for Professional Engineers, Land Surveyors, and Geologists, funded by the Professional Engineer's, Land Surveyor's, and Geologist's Fund, by \$16,000. This reduces the fund from \$13,882,000 to \$13,866,000.
- Decreases the Structural Pest Control Board, funded by the Structural Pest Control Fund, by \$5,000. This reduces the fund from \$6,693,000 to \$6,688,000.
- Decreases the Veterinary Medical Board, funded by the Veterinary Medical Board Contingent Fund, by \$1,000. This reduces the fund from \$9,215,000 to \$9,214,000.
- Decreases the Board of Vocational Nursing and Psychiatric Technicians of the State of California, funded by the Vocational Nursing and Psychiatric Technicians Fund, by \$12,000. This reduces the fund from \$18,702,000 to \$18,690,000.
- Decreases California Board of Occupational Therapy, funded by the Occupational Therapy Fund, by \$12,000. This reduces the fund from \$3,285,000 to \$3,273,000.
- Decreases the Dental Hygiene Board of California, funded by the State Dental Hygiene Fund, by \$18,000. This reduces the fund from \$2,974,000 to \$2,956,000.
- Decreases the Arbitration Certification Program, Department of Consumer Affairs, funded by the Certification Account in the Consumer Affairs Fund, by \$19,000. This reduces the fund from \$1,675,000 to \$1,656,000.
- Decreases the Bureau of Security and Investigative Services, Department of Consumer Affairs, funded by the Private Security Services Fund, by \$44,000. This reduces the fund from \$19,262,000 to \$19,218,000.
- Decreases the Bureau for Private Postsecondary Education, Department of Consumer Affairs, funded by the Private Postsecondary Education Administration Fund, by \$67,000. This reduces the fund from \$21,203,000 to \$21,136,000.
- Decreases the Bureau of Real Estate Appraisers, Department of Consumer Affairs, funded by the Real Estate Appraisers Regulation Fund, by \$4,000. This reduces the fund from \$6,473,000 to \$6,469,000.
- Decreases the Professional Fiduciaries Bureau, Department of Consumer Affairs, funded by the Professional Fiduciary Fund, by \$10,000. This reduces the fund from \$1,122,000 to \$1,112,000.



- The May Revision proposes to decrease the Bureau of Automotive Repair, Department of Consumer Affairs, funded by the Enhanced Fleet Modernization Subaccount in the High Polluter Repair or Removal Account, by \$18,000. This reduces the fund from \$30,638,000 to \$30,620,000.
- Decreases the Bureau of Household Goods and Services, funded by the Household Goods and Services Fund, Professions and Vocations Fund, by \$47,000. This reduces the fund from \$13,654,000 to \$13,607,000.
- Decreases the State Athletic Commission, funded by the Boxers' Pension Fund, by \$9,000. This reduces the fund from \$128,000 to \$119,000.

**This request decreases funding by \$29,000 ongoing to adjust the Department of Consumer Affairs' baseline Pro Rata costs based on Control Section 4.12 efficiencies in the Business, Consumer Services, and Housing Agency's budget as follows:**

- Decreases the State Board of Barbering and Cosmetology, funded by the Barbering and Cosmetology Contingent Fund, by \$1,000. This reduces the fund from \$22,326,000 to \$22,325,000.
- Decreases the California Board of Accountancy, funded by the Accountancy Fund, by \$1,000. This reduces the fund from \$19,881,000 to \$19,880,000.
- Decreases the Contractors State License Board, funded by the Contractors' License Fund, by \$6,000. This reduces the fund from \$83,334,000 to \$83,328,000.
- Decreases the Dental Board of California, funded by the State Dentistry Fund, by \$1,000. This reduces the fund from \$20,296,000 to \$20,295,000.
- Decreases the Medical Board of California, funded by the Contingent Fund of the Medical Board of California, by \$2,000. This reduces the fund from \$82,088,000 to \$82,086,000.
- Decreases the Board of Registered Nursing, funded by the Board of Registered Nursing Fund, by \$2,000. This reduces the fund from \$63,337,000 to \$63,335,000.
- Decreases the California State Board of Pharmacy, funded by the Pharmacy Board Contingent Fund, by \$1,000. This reduces the fund from \$35,781,000 to \$35,780,000.
- Decreases the Board for Professional Engineers, Land Surveyors, and Geologists, funded by the Professional Engineer's, Land Surveyor's, and Geologist's Fund, by \$1,000. This reduces the fund from \$13,882,000 to \$13,881,000.

- Decreases the Board of Behavioral Sciences, funded by the Behavioral Sciences Fund, Professions and Vocations Fund, by \$1,000. This reduces the fund from \$14,626,000 to \$14,625,000.
- Decreases the Board of Vocational Nursing and Psychiatric Technicians of the State of California, funded by the Vocational Nursing and Psychiatric Technicians Fund, by \$1,000. This reduces the fund from \$18,702,000 to \$18,701,000.
- Decreases the Bureau of Security and Investigative Services, Department of Consumer Affairs, funded by the Private Security Services Fund, by \$1,000. This reduces the fund from \$19,262,000 to \$19,261,000.
- Decreases the Bureau for Private Postsecondary Education, Department of Consumer Affairs, funded by the Private Postsecondary Education Administration Fund, by \$1,000. This reduces the fund from \$21,203,000 to \$21,202,000.
- Decreases the Bureau of Automotive Repair, Department of Consumer Affairs, funded by the Vehicle Inspection and Repair Fund, by \$7,000. This reduces the fund from \$133,682,000 to \$133,675,000.
- Decreases the Bureau of Automotive Repair, Department of Consumer Affairs, funded by the High Polluter Repair or Removal Account, by \$1,000. This reduces the fund from \$51,513,000 to \$51,512,000.
- Decreases the Bureau of Household Goods and Services, funded by the Household Goods and Services Fund, Professions and Vocations Fund, by \$2,000. This reduces the fund from \$13,654,000 to \$13,652,000.

#### **8955 California Department of Veterans Affairs**

**15. CalVet Electronic Health Record (CEHR) Project Phase 3.** The May Revision includes a request for a one-time augmentation of \$5,225,000 General Fund for the implementation of a new long term care electronic health record system in the Veterans Homes of California and Headquarters and for partial system handover – M&O for Homes in Production costs.

The Department's clinical, financial, and administrative aspects of the Homes have historically relied heavily on paper records. Completing Phase 3 of the CEHR Project will provide CalVet with a modern data system that will enable the Homes to maintain all health records and personal health information within one system. Finishing Phase 3 will eliminate the need for paper records. And the digitization of all active health records will provide CalVet with the ability to track and

report, have complete comprehensive audit logs, and maximize the technical safeguards as they pertain to HIPAA compliance. The anticipated completion date is October 2026.

**16. Veterans Homes Deferred Maintenance.** The May Revise withdraws the Department's January Budget request for \$819,000 General Fund for deferred maintenance expenditures.

The Governor's January Proposed Budget requested \$819,000 General Fund in 2025-26 and ongoing for deferred maintenance for the Veterans Homes of California. The approval of the \$819,000 in 2025-26 and ongoing would have increased the ongoing annual budget for deferred maintenance in the Headquarters Homes Division budget from \$681,000 to \$1,500,000.

The Department estimates approximately \$43.3 million in necessary repairs for all the Veterans Homes, as well as an additional 51 other deferred maintenance projects with yet to be determined costs that will likely be in the tens of millions of dollars

**17. Administrative Services Staff.** The May Revise withdraws the Department's January Budget request for \$285,000 General Fund for additional administrative staff support.

The Governor's January Proposed Budget requested two positions and \$285,000 General Fund in 2025-26 and ongoing to augment staffing resources within the Administrative Services Division to meet the increased demands of the Budget Office. These positions would have addressed the increased workload that resulted from the addition of the Redding and Fresno Veterans homes.

**18. Federal Background Check Trailer Bill.** The May Revise includes CalVets' Federal Background Check trailer bill. A copy of the TBL language can be found [here](#).

The California Department of Justice (DOJ) informed CalVet that the Department needs specific authority language in statute to continue to use the DOJ to help conduct essential background checks for employees, prospective employees, volunteers, contractors, or subcontractors of the Homes. This directive is coming from the federal government to the California DOJ; part of the background check process uses federal databases. This statutory change must be in place by 12/31/26.

### 1750 California Horse Racing Board

**19. Golden Gate Fields Permanent Closure.** The May Revision includes a request decrease of the California Horse Racing Board budget by \$308,000 and 3 positions in fiscal year 2025-26 and \$369,000 in 2026-27 and ongoing to align operational expenditures with a loss of regulatory activities associated with the permanent closure of the Golden Gate Fields racing and training

facility. The facility closure decision was driven by substantial declines in participation, resulting in economic challenges and reduced wagering revenue.

## 7600 California Department of Tax and Fee Administration

**20. Legislative Resources.** The May Revision requests for resources for the following bills:

- **SB 1215 (Chapter 370, Statutes of 2022)** expands the Electronic Waste Recycling Fee Program by imposing a new Covered Battery-Embedded (CBE) Recycling Fee on the consumer upon the purchase of new or refurbished CBE products. SB 1215 requires the retailer of such products to collect the new fee and remit it to California Department of Tax and Fee Administration (CDTFA). The revenue collected will be tracked in a newly created fund, separate from other types of electronic waste fees.

CDTFA requests \$1.1 million and 0.5 positions in 2025-26, \$862,000 and 0.5 positions in 2026-27, and \$828,000 and 0.5 positions in 2027-28, and \$1.4 million and 0.5 positions in 2028-29 and ongoing once audits commence, from the new Covered Battery-Embedded Waste Recycling Fee Subaccount, Electronic Waste Recovery and Recycling Account (CBE Fund) for the implementation and ongoing administration of the expanded Electronic Waste and Recycling Fee Program. CDTFA will receive a loan for the first two years (i.e., \$1.9 million) from the Department of Resources and Recycling and Recovery's (CalRecycle) Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund (E-Waste Fund) to the CBE Fund in 2025-26 and 2026-27. Revenues may begin as late as fall 2026.

- **SB 54 (Chapter 75, Statutes of 2022)** enacts the Plastic Pollution Prevention and Packaging Producer Responsibility Act, which imposes a surcharge upon producers of specified single-use packaging and plastic single-use food service ware. Starting in 2027, SB 54 requires a Producer Responsibility Organization (PRO), which is an organization of multiple producers of single-use packaging and plastic food service ware sold, distributed, or imported into California, to remit an annual surcharge of \$500 million.

CDTFA requests \$698,000 and 0.5 positions in fiscal year 2025-26, \$609,000 and 1 position in 2026-27, and \$230,000 and 1 position in 2027-28 and ongoing from the California Plastic Pollution Mitigation Fund. CDTFA will receive a loan for the first two years (i.e., \$1.3 million) from the Department of Resources, Recycling, and Recovery's (CalRecycle) California Beverage Container Recycling Fund to the California Plastic Pollution Mitigation Fund in 2025-26 and 2026-27. Revenue is anticipated to begin in July 2027.

**0855 California Gambling Control Commission**

**21. Indian Gaming Special District Fund TBL.** The May Revise includes trailer bill language that deletes authorization for Indian Gaming Special District Funds to be appropriated for support of state and local government agencies impacted by tribal gaming. In addition, the proposal would authorize funds to be appropriated for compensation for regulatory costs incurred in connection with implementing and administering Class III gaming secretarial procedures. And finally, the proposal would delete the current statutory order of priority for funding. The trailer bill language can be found [here](#).

**0950 State Treasurer's Office**

**22. Jesse Unruh Building Rent Increase.** The May Revision includes a General Fund increase of \$512,000 for 2025-26, followed by an increase of \$1,575,000 in 2026-27 and ongoing, to address the annual rent increase resulting from the renovation of its state-owned headquarters.

According to the STO, as part of the Department of General Services (DGS) Ten-Year Sequencing Plan for renovating or replacing state office buildings in Sacramento, the JUB rehabilitation project began in April 2022. During this time, STO staff have been temporarily relocated to the Paul Bonderson Building at 901 P Street, Sacramento. STO staff are expected to return to the renovated JUB in November 2025.

According to the DGS Price Book, the current year annual rent for the JUB would be \$4,373,000 based on the space previously occupied by the STO. The projected rent for the newly renovated JUB is expected to be approximately \$5,948,000 in FY 2025-26, reflecting an increase of \$1,575,000 annually. This increase is due to a higher price per square foot and additional square footage being charged to the STO, other than tenant area and tenant amenity area.

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 Christian Griffith, Genevieve McCloy, Genevieve Morelos, and Bernie Orozco.