

California State Assembly



Assembly Budget Agenda

Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Wednesday, May 21, 2025

1:30 P.M. – State Capitol, Room 444

May Revision Hearing

Items To Be Heard		
Item	Description	Page
7502	California Department of Technology	4
Issues	1. GenAI – Update – State Cost – CDPH	4
0559	Labor and Workforce Development Agency, Secretary	7
Issue	2. Labor and Workforce Development Fund	7
7350	Department of Industrial Relations	9
Issues	3. Public Works Information Technology System Enhancements	9
7100	Employment Development Department	10
Issues	4. EDDNext Reappropriation	10
7760	Department of General Services	11
	5. New parking Facilities	11
7501	Department of Human Resources	12
Issues	6. May Revise Trailer Bill Language	12
	7. Update on RTO	13
	8. Employee Compensation and Collective Bargaining.	14
9800	Employee Compensation, Pensions, and Retirement	17
7900	California Public Employees Retirement System	
7920	California State Teachers' Retirement System	
	9. May Revise Trailer Bill Language	17

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		
0511	GovOps	18
Issues	1. Cradle-to-Career Data System: Career Passport Resources	18
	2. California Education Learning Lab	18
	3. California Education Interagency Council	18
	4. Office of Data and Innovation	18
7502	Department of Technology	19
Issues	5. 2025-26 Mission-Critical Collaborate Tools	19
	6. Accountability.ca.gov Funding	19
	7. California Compliance and Security Incident Reporting System (CalCSIRS) Replacement	19
0890	Secretary of State	19
Issues	8. Help America Vote Act- 2025 Election Security Federal Grant Award	19
	9. Office of State Publishing Warehouse and Voter Registration Card Printing Cost	19
	10.Reappropriation: Voting System Replacement for Counties	20
	11.Voter Information Guide	20
0559	Labor Workforce Development Agency	20
Issue	12.Regional Coordination for Career Education	20
7120	California Workforce Development Board	20
Issues	13.Continuing Grant Workload	20
	14.Extensions of Liquidation for Grant Funding	20
7320	Public Employment Relations Board	21
Issue	15.Amendment to Budget Bill Item 7320-001-001	21
7350	Department of Industrial Relations	21
Issues	16.Apprentice Training Grant Augmentation	21
	17.California Department of Technology Rate Increases	21
7100	Employment Development Department	21
Issues	18.Continuation of Operating System License Agreement	21
	19.Workforce Innovation and Opportunity Act Allocations	21
	20.Unemployment Insurance Loan Interest Payment	21

7760	Department of General Services	22
Issue	21. Updates to the Facility Inspection Tool	22
7501	Department of Human Resources	22
Issues	22. Classification Audit	22
	23. Withdraw funding request for AB 1511 Implementation at CalHR	22
9800	Employee Compensation, Pensions, and Retirement	22
7900	California Public Employees Retirement System	
7920	California State Teachers' Retirement System	
Issues	24. Augmentation of Bill Item 9650-496, Health and Dental Benefits for Annuitants	22
	25. Augmentation for Employee Compensation, Amendments to Budget Items 9800-001-001, 9800-001-0494, and 9800-001-0988	22
	26. Amendment to Budget Bill Control Section 3.60	22

Items To Be Heard

7502 Department of Technology

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

Issue: 1 GenAI – Update – State Cost – CDPH

On September 6, 2023, the Governor signed Executive Order N-12-23 (EO), which directed the Government Operations Agency (GovOps), the California Department of General Services (DGS), and the California Department of Technology (CDT) to update the state's project approval, procurement, and contracting processes for Generative Artificial Intelligence (GenAI) related efforts using results from potential GenAI pilot projects. Since the release of the Governor's Budget, the first cohort of projects are either completing procurement or developing the Minimum Viable Product (MVP).

In February 2025, CDT updated its statewide policies, which includes required safeguard measures to ensure the responsible use of GenAI. CDT also designed the Project Delivery Lifecycle (PDL) to update the state's project approval process for GenAI projects pursuant to the requirements of the EO. The Administration intends to pilot PDL with the second round of GenAI projects and may also explore opportunities to incorporate the use of PDL for non-GenAI projects.

In January 2024, the Administration issued five "Request of Innovating Ideas," or RF12, to competitively solicit, bid, and procure GenAI pilot solutions. Four state entities piloted these GenAI solutions: the California Department of Tax and Fee Administration (CDTFA), the California Department of Transportation (CalTrans), the California Health and Human Services Agency (CalHHS), and the California Department of Public Health (CDPH). Earlier in the year the administration proposed 3 new pilots using their new procurement process PDL.

The May Revision includes up to \$8 million one-time Internal Department Quality Improvement Account to support the development of GenAI MVP to streamline data collection and analysis, survey development and reporting for health facility quality and safety inspection at the Department of Public Health.

The Legislature Continues to Remain Concerned

The Legislature is concerned there is not enough oversight or transparency. The Legislature was originally told these projects would have no impacts to the state's general fund but as of the May Revise, there were several proposals that contained funding for different portions of the state's roll out of GenAI, including an \$8 million request for CDHP.

In April 2024, the Legislative Analyst's Office (LAO) produced a report with these three recommendations:

- 1. Require Administration to Provide Report on Outcomes of First Round of GenAI POCs.**

We recommend the Legislature approve provisional budget bill language in the 2025-26 Budget Act requiring the administration to provide a report on outcomes and lessons learned from the first round of GenAI POCs. Outcomes information about the first round of GenAI POCs will allow the Legislature to make a preliminary assessment of how the new PDL process works. This is because the POC process is a central component of the new PDL process. The Legislature also could consider requiring reporting on the funding sources for any POCs with subsequent contracts for GenAI technology. Knowing if and when additional funding might be requested through the annual budget process for GenAI POCs will better help the Legislature assess and prepare for discussions on these types of projects. We recommend the reporting be provided no later than the end of the calendar year, to inform the next annual budget process and any potential requests for funding for subsequent GenAI POCs and MVPs.

- 2. Limit Use of New PDL Process to Current GenAI POCs, and Require Reporting on Outcomes From the Pilot.**

In addition, we recommend that the Legislature direct the administration to limit the use of its new PDL process to only the first and second round GenAI POCs through the end of 2025-26. The Legislature could consider requiring reporting on the outcomes of this "PDL pilot" and any lessons learned. This limitation on the use of the new PDL process would give the administration and the Legislature more time to evaluate and refine the PDL process based on experience and information from GenAI POCs and subsequent contracts for GenAI technology. In particular, the Legislature may want to consider whether changes to the PDL process are necessary to enable effective legislative oversight of the technology projects to which the process applies.

3. **Require Administration to Continue Monthly Legislative Staff Meetings.**

We recommend the Legislature continue to require monthly meetings with the administration in 2025-26 on the GenAI POCs and any other forthcoming GenAI-related changes. These monthly meetings will provide an opportunity for the administration to explain its evaluation and refinements of the PDL process, as well as address other important topics such as state workforce readiness and training for adoption of GenAI technology.

Panel

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

Staff Comments

The Legislature may wish to put further requirements on all GenAI projects going forward since there is now clearly in need of state funding.

1. Will any of the other GenAI pilot projects require funding in order to be implemented?
2. What resources are being used (i.e. Staff, State Computers/Networks, etc...)?

Staff Recommendation: This Item is informational only.

0559 Labor and Workforce Development Agency

The Labor and Workforce Development Agency oversees seven departments, boards and panels that serve California workers and employers. The Departments include the Agricultural Labor Relations Board, the Department of Industrial Relations, the Employment Development Department, the Employment Training Panel, the Public Employment Relations Board, the Unemployment Insurance Appeals Board, and the Workforce Development Board.

Issue 2: Labor and Workforce Development Fund

As a budget shortfall solution, the Administration proposes a loan of \$400 million from the Labor and Workforce Development Fund to the General Fund from resources not currently projected to be used for operational and programmatic purposes.

The Labor and Workforce Development Fund currently provides operations support to the Labor and Workforce Development Agency, the Department of Industrial Relations, and the Agricultural Labor Relations Board, as well as one-time funding for the Rural Strategic Engagement Program and IT enhancements for Cal/OSHA, the Division of Workers' Compensation, and the Labor Enforcement Task Force.

According to DOF, the projected fund balance at the end of 2024-25 is approximately \$484 million, with projected 2025-26 revenues of \$126 million and proposed 2025-26 expenditures of \$91 million. The projected 2025-26 ending fund balance with inclusion of the proposed loan and all proposed expenditure requests plus the fund's current service level is approximately \$119 million. The loan proposal is premised on the fact that the LWDF is structurally integral and can sustain the loan while maintaining a prudent operating reserve. Additionally, provisional language is proposed to allow earlier repayment of the loan if the LWDF has need of the funds (See below).

Item 0559-011-3078 – the transfer by the Controller, upon order of the Director of Finance, from the Labor and Workforce Development Fund, to the General Fund (\$400,000,000).

Provisions:

1. The Director of Finance may transfer up to \$400,000,000 as a loan to the General Fund. The director shall order the repayment of all or a portion of the loan if the director determines that either of the following circumstances exists: (a) the fund or account from which the loan was made has a need for the moneys, or (b) there is no longer a need for the moneys in the fund or account that received the loan. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer.

Panel

- Jay Sturges, Deputy Secretary, Labor and Workforce Agency
- Grace Henry, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Program Budget Analyst, Department of Finance
- Chas Alamo, Legislative Analysts' Office

Staff Comments

1. How is the fund funded?
2. What is its annual accumulation?

Staff Recommendation: Hold Open

7350 Department of Industrial Relations

The Department of Industrial Relations (DIR) administers and enforces laws governing wages, hours and breaks, overtime, retaliation, workplace safety and health, apprenticeship training programs, and medical care and other benefits for injured workers, including worker and public health safety amongst the states various Oil Refineries. Within the DIR is several divisions and boards, included in those are the Division of Occupational Safety & Health (Cal/OSHA), the Division of Workers' Compensation and the Commission on Health & Safety & Workers' Compensation.

Issue 3: Public Works Information Technology System Enhancements

The Department is requesting \$19.1 million in 2025-26 from the Labor and Workforce Development Fund to perform information technology system enhancements and provide maintenance and support to DIR's public works data systems.

According to the Department of Finance (DOF), this request is for the second phase of DIR's public works IT system enhancement, which is focused on two key areas: labor law enforcement and apprenticeship registration. The Labor Enforcement Task Force (LETf) inspects public works construction sites to ensure labor laws are met and is a coalition of California State government enforcement agencies that work together and in partnership with local agencies to combat the underground economy. The LETf includes Cal/OSHA, the Division of Labor Standards Enforcement, EDD, CSLB, CDI, CDTFA, BAR, DOJ, and ABC. The project's next step will create a core database from all the individual public works systems to enable automatic flagging, data mining, and strategic lead insights for priority enforcement for the LETf. The system updates here will also improve functionality for the Division of Apprenticeship Standards by combining prevailing wage databases and building in flexibility for expanded data capture on trades and projects not currently tracked.

Panel

- Joshua Iverson, DIR Chief Financial Officer, Department of Industrial Relations
- Grace Henry, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Program Budget Analyst, Department of Finance
- Chas Alamo, Legislative Analysts' Office

Staff Comments

1. When is the expected completion date for this project? And has it been on time?

Staff Recommendation: Hold Open

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).

Issue 4: EDDNext Reappropriation

The Governor's May Revision requests to reappropriate \$163,415,000 Unemployment Compensation Disability Fund included in the 2024 Budget Act for the EDDNext modernization projects to make funds available for an additional year, through June 30, 2026. According to the Department of Finance this is needed to correct a technical error reflected in the 2024 Budget Act and align the encumbrance availability with the corresponding General Fund appropriation for EDDNext.

In February of 2025, the LAO recommended that the legislature adopt additional oversight tools be required.

Panel

- Caleb Horel, Chief Fiscal Services, Employment Development Department
- Grace Henry, Finance Budget Analyst, Department of Finance
- Allison Hewitt, Principal Program Budget Analyst, Department of Finance
- Chas Alamo, Legislative Analysts' Office

Staff Comments

1. What was the technical error?
2. Were any of the projects put behind schedule because of this error?
3. What will the reappropriated funds be used for?

Staff Recommendation: Hold Open

7760 Department of General Services

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

Issue 5: New Parking Facilities

The Department of General Services, Office of Fleet and Asset Management requests \$1.535 million Motor Vehicle Parking Facilities Money Account in FY 2025-26 and \$1.019 million in FY 2026-27 and ongoing to support the opening of two parking facilities in Sacramento.

Currently, DGS operates 15 parking garages and lots in the Sacramento region. DGS seeks to increase the amount of parking available to state employees by activating a garage in a currently vacant building downtown, and one or more surface lots near the recently opened May Lee State Office Complex (MLSOC) slightly north of downtown. Demand for parking spaces exceeds supply at all DGS managed facilities.

The funding would go to reopening the Downtown Parking Lot, DGS Lot 60 and to purchasing a vacant parcel to provide additional parking at the May Lee State Office Complex Building, DGS lot 10.

According to the department, there are currently about 5000 state employees waiting to obtain parking through the online lottery system. Reopening the downtown parking lot would provide an additional 690 parking spots in the downtown area. In addition at the May lee Building, there are 1,327 state employees on a parking waitlist. Purchasing the vacant lot at the May Lee building would provide another 350 parking spots.

Panel

- Department of General Services
- Natalie Griswold, Finance Budget Analyst, Department of Finance
- Heather Gonzalez, legislative Analyst Office

Staff Comments

1. How will the demand increase when the return-to-work order takes effect in July?

Staff Recommendation: Hold Open

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 6: May Revise Trailer Bill Language

The Governors May Revise proposes two Trailer Bills for CalHR:

1. *Telework Policy Move* – according to the administration the draft TBL is to relocate the telework policy from Title 2, Division 3, Part 5 of the Government Code to Title 2, Division, 5 Part 2.6 and clean up the language by revising and removing certain outdated information.
2. *Non-Industrial Disability Insurance (NDI) Technical Fix* - The pending TBL is meant to clarify the definition of “employee” covered under this benefit by adding Career Executive Assignment individuals, who were unintentionally omitted from the coverage.

Panel

- Eraina Ortega, Director, Department of Human Resources
- Henzhao, Feng, Department of Finance
- Nick Schroeder, Legislative Analyst’s Office

Staff Comments

1. Does the Telework Policy move affect Return to office? What does it do exactly?
2. The Telework TBL makes a changes the definition of “telework” to “employees residing in California...” How does that apply to state employees that are teleworking out of state that the state hired knowing they resided out of state? Is there a need for that change?
3. According to both state employee unions and Assembly Policy Staff this language appears to undermine the Dills Act and could potentially side step future collective bargaining negotiation process in the future. Does it?
4. When will the final language for the NDI Technical Fix be available?

Staff Recommendation: Hold Open

Issue 7: Update on Return-to-Work Orders with DGS

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.

On April 22, 2025, this Subcommittee heard the issue and had many questions about the CalHR and DGS plans on implementing the Governors executive order in July. Such as, would there be sufficient parking space, would there be adequate work spaces provided, is there enough office space to accommodate returning staff, how many people would be affected by the Governors executive order? The committee would like an update on the department's plans on implementing the Governor's executive order.

Panel

- Eraina Ortega, Director, Department of Human Resources
- Jennifer Osbourne, Chief Deputy Director, Department of General Services
- Danielle Brandon, Principal Program Budget Analyst, Department of Finance
- Heather Gonzalez, Legislative Analyst's Office
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

With the Executive Order to go in affect in little over a month, the Subcommittee should consider the following questions:

5. How many State employees will be affected by the Governor's executive order?
6. Will all employee classifications/titles (i.e. Directors, Agency Secretary, etc...) be required to return 4 days a week?
7. Will there be a need for more offices? Will the state have to lease office space from third parties?
8. Will post pandemic health precautions be put in the place to help stop the spread of any potential outbreaks?
9. Have employees who may need special accommodations or are seeking special considerations been given any information yet?

Staff Recommendation: Informational Only

Issue 8: Employees Compensation and Collective Bargaining.

As part of the Governor's May Revision the Governor proposes "adjustments to prior investment to assist in closing the projected shortfall and this requires that employee compensation be part of the budget solution."

The Governor is hoping to achieve roughly \$767 Million (\$283.3 Million General Fund) in savings through collective bargaining negotiations by the July 2025 pay period. Additionally, the Governor has proposed budget provisions to "impose reductions if the state cannot reach an agreement with the each of the state's bargaining units. The May Revision assumes these savings from salaries and wages, but maintains funding for all negotiated 2026 calendar year increases in health care premiums and enrollment for active state employees.

Augmentation for Employee Compensation, Control Section 31.00

Control Section 31.00: Administrative Procedures for Salaries and Wages— the Administration is requesting that Control Section 31.00 be amended to reflect the proper salary threshold as a result of suspending employee compensation adjustments

As part of that savings, the Governor requests the following items be amended in the fiscal year of 20-25-26 and 2026-27 to reflect the net of assumed suspension of various compensation increases and changes in estimated health and dental premiums:

- Item 9800-001-0001 to be decreased by \$266,252,000.00.
- Item 9800-001-0494 to be decreased by \$269,473,000.00.
- Item 9800-001-0988 to be decreased by \$134,736,000.00.

It is noted that while these items include estimated health premium contributions, Finance notes the health rates will be finalized and adopted by the California Public Employees' Retirement System (CalPERS) Board of Administration until summer 2025.

New Provisions Regarding Employee Compensation, Control Sections 3.90 and 3.91

In addition to the changes made to Control Section 31.00, the Governor proposes two new budget provisions control sections 3.90 and 3.91. Control section 3.90 would affect those bargaining units currently negotiating new contracts. Control Section 3.91 would affect those bargaining units currently under contract and would "suspend certain collectively bargained salary increases that were to become effective during 2025-26."

Control Section 3.90: Reduction for Employee Compensation—the Administration requests that Control Section 3.90 be added to provide Finance with the authority to adjust departmental budgets to reflect the expenditure of funds for employee compensation pursuant to agreements reached through collective bargaining.

Control Section 3.91: Suspension for Employee Compensation (Suspensions) — the Administration requests that Control Section 3.91 be added to suspend certain collectively bargained salary increases that were to become effective during 2025-26. In addition this new control section could allow pay suspensions without any negotiation between the Bargaining Units and the administration, and does not require Legislative ratification of a new or amended MOUs between the bargaining units and state.

In total, there are 21 collective bargaining units that represent the nearly 220,000 employees that work for the state of California.

Specifically, Control section 3.90 would affect these 7 bargaining units, who are currently in negotiations and contracts expire in July 2025:

- BU 2 – California Attorneys, Administration, Law Judges and Hearing Officers in State Employment (CASE)
- BU 6 – California Correctional Peace Officers Association (CCPOA)
- BU 9 – Professional Engineers in California Government (PECG)
- BU 13 – International Union of Operating Engineers (IUOE)
- BU 16 – Union of American Physicians and Dentists (UAPD)
- BU 18 – California Association of Psychiatric Technicians (CAPT)
- BU 19 – American Federation of State, County and Municipal Employees (AFSCME) – Health and Social Services/Professionals

Control section 3.91 would affect these 14 Bargaining Units, all of which collectively bargained pay increases, in which are scheduled to take effect on July 1, 2025:

- BU 1, 3, 4, 11, 14, 15, 17, 20, 21 – Service Employees International Union
- BU 5 – California Association of Highway Patrolmen
- BU 7 – California Statewide Law Enforcement Association
- BU 8 – California Department of Forestry Firefighters
- BU 10 – California Association of Professional Scientists
- BU 12 – Internal Union of Operating Engineers (IUOE) – Craft and Maintenance

In addition, bargaining units 1, 3, 4, 11, 14, 15, 17, 20 and 21 were eligible for a 1% increase in addition to the 3% raise they are slated to receive in July. Under these new provisions, they would not receive that increase.

The State Has Done This Before

In 2020, to help balance a budget deficit at the time, the Governor negotiated with bargaining units to cut most state employee pays by 9.23% in exchange for two days off a month and suspended employee contributions towards health care and retirement to help ease the impact it had on take home pay.

Will This Have an Impact on State Worker Recruitment and Retention?

Given that the Governor, in addition to the proposed pay cut, is also ordering all state employees back to work 4 days a week in July. This could have a negative impact on the state's workforce. Many could opt to leave state employment, retire early, or not seek state employment at all. This would have serious impacts on the state's ability to carry out day to day machinations required to keep the state running, not to mention severely limit the response times in the case of a natural disaster or future pandemic.

Panel

- Hanzhao Meng, Principal Program Budget Analyst, Department of Finance
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

1. How will savings be achieved from the changes to Control Section 31.00?
2. Besides freezing pay increases, what other options is the Administration considering?
3. Would a hiring freeze have the same savings?
4. Has the administration considered the impact on retention and recruitment this would have?

Staff Recommendation: Hold Open

Employee Compensation, Pensions, and Retirement
7900 California Public Employees' Retirement System
7920 California State Teachers' Retirement System

Issue 9: May Revise Trailer Bill

Proposition 2 (Prop. 2) Supplemental Pension

In the May Revise, the Governor proposes trailer bill language regarding the Prop. 2 Supplemental Pension Payments. According to the Department of Finance, the purpose of the TBL is to provide updated Prop. 2 amounts to the CalPERS 2025 Supplemental Pension Payment. Trailer Bill Language was not available and is pending.

The California Public Employees' Retirement System (CalPERS) administers retirement benefits for active employees and retirees of state and local agencies in California. Benefits include retirement, disability, and survivor retirement benefits. CalPERS also provides health benefits for active and retired state, local government, and school employees and their family members. CalPERS develops, negotiates, and administers contracts with health maintenance organizations, group hospitals, and medical insurance plans. In addition, CalPERS administers a long-term care program for members and eligible individuals.

Proposition 2, adopted by California voters in 2014, created new rules regarding deposits into the state's rainy-day fund and accelerating payments toward certain eligible debts. A formula dictates these requirements on an annual basis. In general, the requirements tend to increase when revenues are growing more quickly and decline when revenue growth is lower.

Panel

- CalPERS
- Noelle Fa-Kaji, Finance Budget Analyst, Department of Finance
- Nick Schroeder, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold Open

Non-Presentation Items

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0511 Gov Ops

1. *Cradle-to-Carrer Data System: Career Passport Resources.* The agency is requesting 1.0 new position, \$687,000 General Fund in fiscal year 2025-26, and \$187,000 General Fund in fiscal year 2026-27 and ongoing, to manage workload related to the Cradle-to-Career Data System. Approval of this request will provide C2C with a dedicated resource to support the development of the Career Passport.
2. *California Education Learning Lab.* The May Revise proposes to withdraw the Governor's Budget proposal to transfer the California Education Learning Lab from the Governor's Office of Land Use and Climate Innovation to GovOps and instead eliminate the program over two years. This proposal maintains \$250,000 General Fund and 1 position for one additional year in 2025-26 to manage phasing out of the program and reduces \$5.3 million General Fund in 2025-26 and \$4 million and 1 position in 2026-27 and ongoing, fully eliminating the program in 2026-27.
3. *California Education Interagency Council.* The May Revise proposes to withdraw the \$5 million ongoing General Fund for the California Education Interagency Council, which was proposed at Governor's Budget as part of the implementation of the Master Plan for Career Education. See the Labor and Workforce Development and Higher Education Chapters for more information on investments in the Master Plan for Career Education.
4. *Data and Innovation Services Revolving Fund.* In the May Revise the Office of Data and Innovation (ODI) requests an appropriation of \$7,300,000 Data and Innovation Services Revolving Fund (DIF) to continue support for new and ongoing projects.

This allocation directly supports ODI's mission to deliver better government services to the people of California through innovative technology and design projects. ODI has partnered with 32 state departments and agencies on more than 60 projects to rethink, rebuild, and create programs, services, processes, and policies that improve service delivery and efficiency, and engage Californians.

7502 Department of Technology

5. *2025-26 Mission-Critical Collaborative Tools.* The department requests \$327,000 General Fund (GF) in Fiscal Year (FY) 2025-26 and \$202,000 on-going to support increased demands on essential cloud-based collaboration and design tools critical in supporting statewide technology initiatives, including high-priority efforts directed by CDT, the Government Operations Agency, and the Governor's Office.
6. *Accountability.ca.gov Funding.* The Department requests \$185,000 in General Fund in Fiscal Year (FY) 2025-26 and 2026-27, for Accountability.ca.gov, which is a Governor's Office-prioritized digital transparency initiative designed to track and report local government performance on housing, homelessness, and behavioral health.
7. *California Compliance and Security Incident Reporting System (Cal-CSIRS) Replacement.* The department requests \$2.03 million in General Fund (GF) in Fiscal Year (FY) 2025-26 and \$316 thousand in FY 2026-27 (ongoing) for the Office of Information Security (OIS) to replace the end-of-life and end of support California Compliance and Security Incident Reporting System (Cal-CSIRS), a critical information security system for California used to report and track critical cyber risks and incidents.

0890 Secretary of State

8. *Help America Vote Act – 2025 Election Security Federal Grant Award.* The Secretary of State received a grant award from the U.S. Election Assistance Commission authorized under the Full-Year Continuing Appropriations and Extensions Act 2025 to improve the administration of elections for Federal office, including to enhance technology and make election security improvements. To adhere to all federal applicable requirements, the Secretary of State requests \$647,000 Federal Trust Fund in 2025-26 to accept and expend the grant award, and \$130,000 General Fund in 2026-27 to meet the 20 percent state match requirement. This request will enable the Secretary of State to continue implementation of the statewide mandates of the Help America Vote Act of 2002.
9. *Office of State Publishing Warehouse and Voter Registration Card Printing Costs.* The SOS requests an augmentation of \$2.143 million General Fund in 2025-26, 2026-27, and 2027-28 for the associated Department of General Services, Office of State Publishing lease cost for the storage of paper used for the publication of the state Voter Information Guide and the costs for assuming the printing of the Voter Registration Cards. This request provides the Secretary of State with additional resources to align with the three-year lease agreement.

10. *Reappropriation: Voting System Replacement for Counties.* The SOS requests the reappropriation of \$10.2 million General Fund in 2025-2026 to continue the support of counties' efforts to upgrade or replace voting system equipment.
11. *Voter Information Guide.* The Secretary of State requests a new program be created to fund the election-related activities of parallel monitoring, printing and mailing of Voter Information Guides, Voter Registration Cards and Voter Notification Cards, and election night reporting and to transfer the associated \$15.1 million General Fund (\$10.6 million of baseline funding and the \$4.5 million included at Governor's Budget) from the Elections program to the Special Items of Expense program. This is a net zero transfer. In addition, provisional language is requested to allow for augmentation of the item, to cover the total costs of the election-related activities.

0559 Labor Workforce Development Agency

12. *Regional Coordination for Career Education.* In the May Revise, the Governor requests that Item 0559-002-0001 be decreased by \$3 million one-time in fiscal year 2025-26. The 2025-26 Governor's Budget included \$4 million one-time General Fund in 2025-26 to support an evaluation of the expansion of regional collaboration models as part of the Master Plan for Career Education. This proposal will reduce the amount available for this purpose to \$1 million one-time General Fund, with the goal of leveraging additional philanthropic funding to support these activities.

7120 California Workforce Development Board

13. *Continuing Grant Workload.* The Board requests reversion and new appropriation of \$1,500,000 General Fund included in the 2021 Budget Act to continue grant implementation and evaluation workload from one-time grant programs in 2025-26, including \$150 million in local assistance as part of the Job and Economic Resilience grant package funded in the 2021 Budget Act.
14. *Extensions of Liquidation for Grant Funding.* The Board requests liquidation deadline extensions for the Prison to Employment, Oil and Gas Well Capping Pilot, High Road Training Partnerships Health and Human Services, Statewide Reentry Employment, and Breaking Barriers to Employment grant programs in response to statewide natural disasters and other unanticipated delays.

7320 Public Employment Relations Board

15. *Amendment to Budget Bill Item 7320-001-0001, Support, Public Employment Relations Board.* In the May Revise, the Governor requests that Item 7320-001-0001 be decreased by \$115,000 in fiscal year 2025-26 and ongoing. This request proposes adjustments to the 2025-26 Governor's Budget proposal which would have provided funding to improve the organizational structure and supervision of the Office of the General Counsel in line with the 2023 Attorney Class consolidation

7350 Department of Industrial Relations

16. *Apprentice Training Grant Augmentation.* The Department requests \$18.2 million in additional spending authority from the Apprentice Training Contribution (ATC) Fund for 2025-2026, to increase grant distributions to approved Division of Apprenticeship Standards (DAS) apprenticeship programs in the building and construction trades by \$17 million and cover \$1.2 million in related operational costs at DIR.

17. *California Department of Technology Rate Increases.* The Department requests \$1 million in 2025-26 and ongoing from various special funds to address fee increases issued by the California Department of Technology.

7100 Employment Development Department

18. *Continuation of Operating System License Agreement.* The Department requests \$5,596,000 in 2025-26 and \$5,882,000 in 2026-27 and ongoing, split between the EDD Contingent Fund and the Unemployment Compensation Disability Fund, for annual licensing costs associated with the Microsoft 365 Enterprise License Agreement.

19. *Workforce Innovation and Opportunity Act Allocations.* In the May Revise, the Administration requested allocations to the Workforce Innovation and Opportunity Act. It is requested that Items 7100-001-0869 and 7100-021-0890 be increased by \$22,848,000 one-time and Items 7120-101-0869 and 7100-101-0890 be increased by \$96,720,000 one-time to align Workforce Innovation and Opportunity Act funding authority with estimated federal allocations.

20. *Unemployment Insurance Loan Interest Payment.* In the May Revise, the Governor requests that Item 7100-002-0001 be increased by \$8,529,000 one-time to reflect an updated Unemployment Insurance loan interest payment estimate. In conjunction with the amount proposed at Governor's Budget, this will be used to fund the estimated interest payment of \$642,822,000.

7760 Department of General Services

21. *Updates to the Facility Inspection Tool.* The Department requests \$50,000 one-time General Fund in 2025-26 with a two year encumbrance period to implement the California State Auditor recommendations to update the Facility Inspection Tool.

7501 Department of Human Resources

22. *Classification Audit* - the Department is requesting a one-time \$650,000 General Fund augmentation in Fiscal Year 2025-26. These resources are requested to conduct an audit of work performed by the California Association of Professional Scientists, Bargaining Unit 10.
23. *Withdraw of Statewide Recruitment, Outreach and Education Paid Media Campaign (AB 1511).* The May Revise proposes to withdraw the January funding request.

9800	Employee Compensation, Pensions, and Retirement
7900	California Public Employees Retirement System
7920	California State Teachers' Retirement System

24. *Addition of Budget Bill Item 9650-496, Health and Dental Benefits for Annuitants* – in the May Revise, the Administration requests that Item 9650-496 be added to revert the unencumbered balances of the appropriations in Item 9650-001-0001, Budget Act of 2022 to the General Fund as of June 30, 2025. The program is sufficiently funded without the reappropriation amount.
25. *Augmentation for Employee Compensation, Amendments to Budget Items 9800-001-001, 9800-001-0494, and 9800-001-0988* – In the May Revise the Administration request that Item 9800-001-0001 be increased by \$17,070,000 ongoing, Item 9800-001-0494 be increased by \$52,765,000 ongoing, and Item 9800-001-0988 be increased by \$26,383,000 ongoing, to reflect updated expenditures for collectively bargained pay increases and health and dental premiums. Additionally, while these amounts reflect estimated health premium rates, Finance notes the health rates will be finalized and adopted by the California Public Employees' Retirement System (CalPERS) Board of Administration in the summer of 2025.
26. *Amendment to Budget Bill Control Section 3.60* – in the May Revise, the Administration requests that Control Section 3.60 be amended to reflect changes in state retirement contribution rates for state members of the California Public Employees' Retirement System (CalPERS), and the Judges' Retirement System II (JRS II), as adopted by the CalPERS Board of Administration on April 15, 2025.

The newly adopted state employer contribution rates result in net decrease in state contributions of \$103,856,000 ongoing from the \$2,180,976,000 increase included in the Governor's Budget. The \$103,856,000 ongoing decrease consists of a decrease of \$23,121,000 General Fund, a decrease of \$58,025,000 special funds, and a decrease of \$22,710,000 other nongovernmental cost funds. The decrease in state employer contributions for CalPERS members is due to the integration of CalPERS valuation results as of June 30, 2024, which were not available at Governor's Budget. The decrease in the state employer contribution rate for JRS II members is attributed to a lower JRS II rate than Governor's Budget.

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.

May Revise Trailer Bill Language, Finance Letters and Budget Change Proposals that were referred to in this analysis can be found at www.dof.ca.gov.