

California State Assembly



Agenda

Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, April 28, 2026

1:30 P.M. – State Capitol, Room 447

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

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Vote-Only Items

0160 Legislative Counsel Bureau

Vote-Only Issue 1: April 1 Fiscal Letter Technical Adjustment

The Department of Finance issued an April 1 Fiscal Letter requesting the 2026 budget for the Legislative Counsel Bureau be increased by \$77,000 ongoing to make a technical correction and provide sufficient resources to cover retirement rate adjustments included in the Governor’s Budget.

Staff Comment

The April 1 allows the Legislative Council Bureau to comply with increased Department of Finance pension contribution costs without reducing services.

Vote Only Recommendation: Adopt Spring Fiscal Letter

0840 State Controller

Vote-Only Issue 2: Broadcom Computer Associates (CA) Integrated Database Management System (IDMS) Software Licensing Costs

The State Controller's Office (SCO) requests \$9,963,000 [\$6,077,000 General Fund (GF), \$3,886,000 and Central Service Cost Recovery Fund (CSCRF) in 2026-27 for the contracted costs for Broadcom Computer Associates (CA) Integrated Database Management System (IDMS) software, including

SCO relies on the Integrated Database Management System (IDMS) software to operate its mission-critical applications on the mainframe hosted by the California Department of Technology (CDT). IDMS is a legacy mainframe database management system developed in the 1960s and 1970s. Today, 10 SCO systems (three core systems and seven sub-systems) rely on IDMS and are scheduled for eventual replacement by the California State Payroll System (CSPS) project. However, until that transition is complete, IDMS remains essential to SCO’s operations. The current three-year license agreement for IDMS is set to expire on March 31, 2026, and its renewal is projected to incur a 35-percent cost increase.

Staff Comment

SCO depends on these remaining IDMS-based systems to carry out core fiduciary responsibilities, including payroll, personnel, auditing, and financial functions. Many of these systems are large, complex, and high-volume, integrating with other systems through direct interfaces to support state operations.

Vote Only Recommendation: Approve as budgeted

Items To Be Heard

9210 Local Government Financing

Issue 1: San Mateo County Vehicle License Fee Funding

San Mateo County requests that the \$156,989,744 in-lieu Vehicle License Fee (VLF) shortfall for San Mateo County and its cities be included in this year's State budget. This amount covers a \$119,238,751 shortfall for FY 24-25 and an unpaid \$37,750,993 shortfall from 2023-24.

The State's in-lieu VLF payment obligation stems from the VLF "Swap," an integral part of the 2004 Budget compromise. Under that compromise, the State permanently reduced the annual VLF rate, significantly reducing counties' and cities' revenues and, for two fiscal years, shifted an additional \$1.3 billion in property taxes from counties, cities, and special districts to pay the State's school funding obligations and address the State's budget deficit. In exchange, the State guaranteed counties and cities a mandatory "in-lieu" VLF payment for the lost revenues, adjusted annually based on growth in assessed property value. The payment is drawn from non-basic aid school districts' ERAF and property taxes, with the State backfilling the school districts for each dollar so they do not suffer any loss from the in-lieu VLF payment.

San Mateo County is one of three counties that are "Insufficient ERAF" where the local property taxes generated do not provide enough revenue to backfill the VLF. The state budget has historically covered the full amount of the shortfall. Backfill funding is provided two years in arrears. Due to the state's fiscal condition, however, the amount provided covers two-thirds of these counties' respective shortfalls. The actual shortfall reported by San Mateo, Mono, and Alpine for 2023-24 totaled \$118 million.

According to the County, the core source of general fund revenue, VLF covers 18 percent of all County services funded with general fund dollars, from public safety to health and social services to parks. If the State does not pay its VLF obligation to the County, San Mateo County will have to make substantial cuts to programs and services not mandated by state or federal law, such as:

- \$25 Million to Shelter Operations, *closing 8 shelters and displacing nearly 3,000 people*;
- \$34 Million to Housing Outreach, Support, and Development, *eliminating rental assistance to 5,500 families and seniors at risk of eviction and homelessness, and cutting funding for 437 units of affordable housing production*;
- \$20 Million to Senior, Veteran, and Youth Services, *eliminating benefit assistance to 3,000 veterans, early literacy program for 7,400 youth and transportation services and financial exploitation prevention for 3,000 seniors*;
- \$13 Million to Public Safety, *eliminating domestic violence prevention program, gun violence prevention, and wildfire mitigation*;

- \$24 Million to Food Security Services, *eliminating meal and grocery services to low-income residents;*
- \$5 Million to Parks Operations, *eliminating maintenance and repair of fire roads and ten playgrounds;* and
- \$7 Million to Mental Health Services, *eliminating psychiatric services for 600 homeless individuals and 500 youth.*

In addition to San Mateo County’s request for 2024-25, the County of Alpine's requested \$181,000 and Mono County requested \$2,869,000 for VLF backfill for that fiscal year.

Panel

- Assemblymember Diane Papan
- Supervisor Noelia Corzo, San Mateo County
- Supervisor Jackie Speier, San Mateo County
- Chris Hill, Department of Finance

Staff Comments

San Mateo County has challenged the state budget action with litigation. This challenge may set precedents around state funding for schools, counties, cities, community colleges, and special districts in the future.

Staff recommends the Assembly not provide any new funding to any county for any new purpose until this litigation is settled. This includes the proposed state support for new indigent health costs counties are requesting due to the expected impact of HR 1. If counties view litigation as the appropriate path forward for settling financial differences with the state, then they should use that path moving forward and not involve the Legislature.

Staff Recommendation: Hold Open

0511 Government Operations Agency

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

Issue 2: California Education Learning Lab

The Administration proposes to move the California Education Learning Lab (Learning Lab) from the Governor's Office of Land Use and Climate Innovation to the Government Operations Agency (GovOps). Specifically, the Budget proposes \$4 million General Fund in 2026-27, and ongoing, and one position, as well as statutory changes, via proposed trailer bill language, to reinstate the Learning Lab, eliminated by the 2025 Budget Act.

Background. The Learning Lab, established in 2018, funds faculty-led innovations in teaching and learning across California's public higher education segments, with a focus on STEM, equity, and workforce readiness. Its recent grantmaking has centered on improving student success in the calculus pathway and supporting faculty in AI instruction.

The Administration is proposing to transfer the Learning Lab from the Governor's Office of Land Use and Climate Innovation (LCI) to the Government Operations Agency (GovOps). According to the Administration, the move reflects a better programmatic fit: GovOps leads on generative AI integration in state government, oversees the Office of Data and Innovation and the Cradle-to-Career System, and partners with over 150 departments to develop California's workforce — all areas that align closely with the Learning Lab's mission. LCI, by contrast, focuses primarily on land use, climate resilience, and infrastructure planning.

The transfer takes effect in 2026-27.

The 2025-26 budget maintained funding for the Learning Lab at \$5.5 million but indicated intent to eliminate the program in 2026-27. (The 2025-26 May Revision had proposed eliminating the program in 2025-26 to achieve budget savings.)

BCP: California Education Learning Lab

The Government Operations Agency (GovOps) is requesting \$4 million General Fund in 2026-27, and ongoing, for the California Education Learning Lab (Learning Lab).

The Learning Lab was previously supported by the Governor's Office of Land Use and Climate Innovation.

Proposed Trailer Bill Language: The proposed trailer bill language reestablishes the California Education Learning Laboratory and moves it from the Office of Land Use and Climate Innovation and to the Governmental Operations Agency (GovOPs). In addition, the TBL moves Learning Lab from Government Code to Education Code. Additionally, the language does make some minor changes to the program.

Panel

- Lark Park, Director, California Education Learning Lab
- Kayla Landman, Department of Finance
- Danielle Brandon, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office

Staff Comments

1. What changed? How did the program go from being phased out to ongoing funding?
2. Why is GovOps the best fit?
3. Why was it moved to Education Code?

Staff Recommendation: Hold both proposals open

Issue 3: BCP: Office of the California Education Interagency Council

GovOps is requesting 4 new permanent positions to staff up the newly created Office of the California Education Interagency Council (CEIC). The positions are to be absorbed within GovOps' existing resources, as the 2025 – 26 Budget provided \$1.5 million GF ongoing for CEIC dependent on the final bill. AB 1098 and SB 638 were subsequently signed. This request is to establish the necessary position authority for CEIC.

Background The Office of the California Education Interagency Council was established by AB 1098 (Fong and Padilla, 2025) and SB 638 (Padilla and Fong, 2025) within GovOps. CEIC was created as a coordinating body to implement the state's *Master Plan for Career Education*. The core problem the BCP identifies is that California's education and workforce development programs are fragmented — spread across numerous agencies with separate funding streams, separate applications, and separate planning requirements — even when they're pursuing the same goals. Meanwhile, the income gap between college-educated and non-college households has widened dramatically since 1980.

The CEIC is meant to serve as a neutral cross-sector convener to align TK-12, higher education, and workforce development agencies around common goals, particularly around career pathways, upskilling for adult learners, and preparing for AI-driven labor market changes. It builds on Governor Newsom's 2023 Executive Order N-11-23 on career education.

The four positions requested are an Executive Officer, Supervisor I, Analyst II, and Office Technician — to get the council operational.

Panel

- Justyn Howard, Governmental Operations Agency
- Kayla Landman, Department of Finance
- Danielle Brandon, Department of Finance
- Alex Bentz, Legislative Analyst's Office

Staff Comments

1. How will the Council be staffed? Will staff from GovOps be moved to the Council permanently or will they be shared?
2. Is GovOps the right fit?
3. When will the Council be fully staffed, membership filled and its first meeting by?
4. Are the duties of the Council repetitive of existing programs? How is it different?

Staff Recommendation: Hold open

Issue 4: Budget Change Proposal: Office of Civil Rights (AB 715, SB 48)

The Government Operations Agency is requesting \$3,581,000 General Fund and 10.0 positions in 2026-27 and \$2,806,000 General Fund in 2027-28, and ongoing, to implement AB 715 and SB 48 —bills establishing a new Office of Civil Rights (OCR) within GovOps. The 2026-27 request includes \$750,000 for contract services, \$2,271,000 for salaries and benefits for 10.0 new positions, and \$560,000 for operating expenses.

Background

AB 715 establishes an Office of Civil Rights (OCR) at the Government Operations Agency (GovOps), and establishes an Antisemitism Prevention Coordinator within the OCR; requires that all instruction be factually accurate, aligned to state curriculum, and consistent with accepted standards of professional responsibility, rather than advocacy, personal opinion, bias, or partisanship; requires that any organization contracted with a local education agency (LEA) to provide curriculum, instructional materials, or professional development which is found by an LEA or the Superintendent of Public Instruction (SPI) to have violated specified anti-discrimination statutes to reimburse all funds received for their services from the LEA, and notify every LEA with which they contract of this finding.

SB 48 required, the Office of Civil Rights (OCR), as established by AB 715 within the Government Operations Agency (GovOps), to employ a Religious Discrimination Prevention Coordinator, a Race and Ethnicity Discrimination Prevention Coordinator, a Gender Discrimination Prevention Coordinator, and an LGBTQ Discrimination Prevention Coordinator, all to be appointed by the Governor and confirmed by the Senate.

Panel

- Justyn Howard, Government Operations Agency
- Kayla Landman Department of Finance
- Danielle Brandon, Department of Finance
- Alex Bentz, Legislative Analyst's Office

Staff Comments

1. How does this program work with existing programs (i.e. State of Hate Commission, the Civil Rights Department, etc.)?
2. Have the appointees been filled yet?
3. Should it be housed in GovOps or with ones of the existing programs/departments?
4. How will this office interact with other agencies, departments, commissions, etc.?

Staff Recommendation: Hold open

Issue 5: Update on Artificial Intelligence Pilots and Procurement

On March 30, 2026, Governor Newsom issued Executive Order N-5-26, directing state agencies to establish new AI vendor certification standards, reshape AI procurement, and build out the state's AI governance infrastructure. The Order applies to vendors nationwide seeking to do business with California but is forward-looking and does not affect existing contracts. While lacking the force of law, it uses California's purchasing power to shape market behavior — a notable counterweight to recent federal efforts to roll back AI regulation and limit state AI policy.

The five directives in the EO N-5-26:

1. **New vendor certifications** — DGS and CDT must recommend new contracting attestations requiring AI vendors to demonstrate safeguards against things like CSAM, harmful algorithmic bias, and civil rights violations (free speech, voting, surveillance, discrimination).
2. **Federal supply chain pushback** — The state CISO must review any new federal designations of companies as supply chain risks, and if the CISO finds a designation improper, DGS/CDT will issue guidance allowing state agencies to keep buying from that company. This is a notable provision giving California explicit authority to override federal procurement restrictions.
3. **Contractor responsibility reforms** — GovOps must recommend updates to suspension/debarment rules to bar contractors judicially found to have violated privacy or civil liberties.
4. **Internal government AI adoption** — GovOps, CDT, ODI, DGS, and CalHR must: give state employees access to vetted GenAI tools; update the State Digital Strategy; build a life-event-based government services portal using GenAI; expand AI training; and publish a data minimization toolkit.
5. **AI content watermarking** — CDT must issue guidance on watermarking AI-generated or manipulated images and video consistent with existing California law.

Executive Order N-12-23 and State Department Deliverables

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

The Executive Order specifically mandated the following:

Procurement

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

Reports and Guidelines

1. Draft a report to the Governor examining the most significant, potentially beneficial use cases for deployment of GenAI tools by the State, as well as potential risks to individuals, communities, and government and state government workers.
2. Perform a joint risk analysis of potential threats to and vulnerabilities of California's critical energy infrastructure by the use of GenAI, and develop, in consultation with stakeholders, a strategy to assess similar potential threats to other critical infrastructure. Issue public recommendations for further administrative actions and/or collaboration with the Legislature to guard against these potential threats and vulnerabilities.
3. Submit an inventory of all current high-risk uses of GenAI within agencies and departments.

4. Develop guidelines for State agencies and departments to analyze the impact that adopting a GenAI tool may have on vulnerable communities, including criteria to evaluate equitable outcomes in deployment and implementation of high-risk use cases.
5. Establish criteria to evaluate the impact of GenAI to the state government workforce, and provide guidelines on how State agencies and departments can support state government employees to use these tools effectively and respond to these technological advancements.
6. Pursue a formal partnership with the University of California, Berkeley, College of Computing, Data Science, and Society and Stanford University's Institute for Human-Centered Artificial Intelligence to consider and evaluate the impacts of GenAI on California and what efforts the State should undertake to advance its leadership in this industry.
7. Engage with the Legislature and relevant stakeholders, including historically vulnerable and marginalized communities, and organizations that represent state government employees, in the development of any guidelines, criteria, reports, and/or training included in the Executive Order.

Reports Published to Date

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

1. ***"Benefits and Risks of Generative Artificial Intelligence Report"*** – Published by the Government Operations Agency on November 2023, the report provides an initial analysis of the potential benefits to individuals, communities, government and State government workers, with a focus on where GenAI may be used to improve access to essential goods and services. Additionally, the report assesses the risks of GenAI, including but not limited to risks stemming from bad actors, insufficiently guarded governmental systems, unintended or emergent effects, and potential risks toward democratic and legal processes, public health and safety, and the economy.
2. ***"State of California GenAI Guidelines for Public Sector Procurement, Uses and Training"*** – Published by the Government Operations Agency, the Department of Technology, the Department of General Services, the Office of Data Innovation, and CalHR in March 2024, the address procurement, uses, and training related to deploying GenAI in California state government and include best practices and parameters to safely and effectively use the technology.

3. **“State of California Generative AI Toolkit for Procurement, Use, and Training”** – This toolkit was published to support and state entities to be able to self-assess risk levels, collaborate with control agencies on higher risk use cases, and document and share learnings with GenAI experimentation.
4. **“State of California Guidelines for Evaluating Impacts of Generative AI on Vulnerable and Marginalized Communities”** – Published by the Government Operations Agency (GovOps), in December 2024, addresses guidelines to ensure that California state government is well-positioned to equitably spread the benefits and opportunities of this technology across all communities, while safeguarding the state’s most vulnerable communities.
5. **“EO3c Executive Summary”** – published by the Government Operations Agency, the California Department of General Services, and the California Department of Technology, published in February 2025. The summary provides an update on the State’s project approval, procurement and contract terms as directed by Executive order N-12-23.
6. **“Supporting a GenAI-ready State Workforce”** – published by the Government Operations Agency, the California Department of General Services, and the Department of Technology in July 2025. This document addresses the approach that the Government Operations Agency (GovOps), the Labor and Workforce Development Agency (LWDA), the California Department of Human Resources (CalHR), and the Office of Data and Innovation (ODI) took to 1) build upon the Building a GenAI-Ready State Workforce Report published in July 2024, 2) develop a set of criteria for departments to use to evaluate their GenAI efforts that build on the foundation set by the State of California: Benefits and Risks of Generative Artificial Intelligence Report published in November 2023, the State of California GenAI Guidelines for Public Sector, Procurement, Uses and Training initially published in March 2024, with updated policies and guidelines released in February 2025, and 3) provide recommended strategies to set the existing state workforce up for success in working with GenAI solutions.

Procurement Efforts: Request for Innovative Ideas (RFI2)

To meet the procurement goals laid out by the EO N-12-23, the California Department of Technology established a GenAI “sandbox” to conduct pilots of GenAI projects. This sandbox environment aims to provide a safe digital environment to test various applications of GenAI for state government operations.

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

1. California Department of Tax and Fee Administration:

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

2. CalTrans: Vulnerable Roadway User Safety

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

3. CalTrans: Traffic Mobility Insights

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

4. CalHHS: Language Access

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

5. CDPH: Health Care Facility Inspections

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

In 2025 the Administration proposed a second round of new pilots using their new procurement process PDL. They were:

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

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

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

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

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

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

Panel

- Miles Burnett, California Department of Technology
- Justyn Howard, Governmental Operations Agency
- Ryan Bender, Department of Finance
- Danielle Brandon, Department of Finance
- Xin Ma, Legislative Analyst's Office

Staff Comments

1. What was the final outcomes for the first 5 pilots?
2. What is the status of the 3 new pilots?
3. Can GovOps or CDT provide an overview of Executive Order reporting requirements?
4. Do you anticipate any Statutory Changes?
5. How will the State handle the Presidential Executive Order? – Dealing with the presidents demand to have no regulation of AI – does that hurt the state? Could we potentially lose any funding?
6. How will the department keep the legislature in the loop – folks still say we don't get enough. And this is a common grip with CDT with the members and staff that we don't know till after the fact – it makes it very hard for the legislature to defend or help if there are issues.

Staff Recommendation: This item is presented as information only

7502 California Department of Technology

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

Issue 6: Update on the Middle-Mile Broadband Initiative

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

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

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

Under state and federal definitions, a household is considered to be “unserved” if it lacks access to service capable of providing at least 25 Megabits per second (Mbps) download and 3 Mbps upload (25/3Mbps). A household which only has access to service below 100 Mbps download and 20Mbps upload is considered to be “underserved”. According to recent figures published by the California Public Utilities Commission in 2023, there are at least 362,517 unserved households across the state. However, that number can increase depending on the specific definitions used. For example, the CPUC has also published official figures that estimate nearly 1 million households are unserved and underserved when also taking into account the reliability of the service available.

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

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

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

Specifically, the 2024-25 Budget Act did the following:

- Reduced \$700M General Fund from the Loan Loss Reserve Fund (last-mile financing support)
- Delayed \$550M in last-mile project grants to 2027-28
- Maintained \$250M General Fund for middle-mile construction, with a conditional additional \$250M contingent on a November 2024 report and JLBC approval
- Appropriated \$1.9B in federal BEAD program funds for last-mile grants

As of March 2026, CDT with its partners have accomplished 8,137 Miles in various states of construction. Specifically:

- 2,188 Miles in Preconstruction
- 5,526 Miles in states of Installation
 - 2,177 Miles in Construction
 - 3,349 Miles Construction Complete
- 423 Miles are Ready-to-Connect

- CalTrans is now permitting about 200 miles per month.

Of the 8,137 miles, 5,949 miles (73%) are permitted, a total of 3,772 miles (46%) have been constructed, and about 23% remains in preconstruction, including permitting. The Project was supposed to be completed by December 2026, but due to several permitting delays will not meet that deadline. Funding authority for the project ends in December of 2028.

Third party Administrator

SB 156 required the Office of Broadband and Digital Literacy to retain a **California-based nonprofit entity** as the third-party administrator to manage the development, acquisition, construction, maintenance, and operation of the broadband network.

Originally, CDT had selected CENIC/GoldenStateNet in 2021 — it fit the nonprofit requirement written into the statute.

CDT decided the Operator and the Third-Party Administrator (TPA) should be two distinct and separate functions: the TPA provides sales and marketing as well as management and oversight of network operations, whereas the Operator handles day-to-day 24x7 network, security, and field operations for the network.

As such, CDT determined it is necessary to leverage a competitive procurement process to secure an Operator capable of operating the nation's largest middle-mile network and provide best value for the state and began the first attempt to procure an Operator in May 2024. In October 2025, CDT issued a second solicitation for an Operator due to a lack of qualified respondents in the original 2024 attempt. CDT awarded an agreement to Skyline Technology Solutions as the MMBI Network Operator.

However, the separate "network operator" contract that CDT issued an RFP for in October 2025 is a different, later procurement not specifically required by SB 156 — it appears to be CDT's own administrative decision to bring in an experienced operator to handle day-to-day maintenance and operations as the network goes live, distinct from GoldenStateNet's TPA role.

The duties of the three parties as defined by CDT:

California Department of Technology (CDT)

- Program Oversight: Owns and manages the overall program, establishes policies and standards and ensures compliance.
- Contracting & Financial Management: Approves contracts, ensures contractor compliance, service offerings, and rates; manages budgets and audits.

- Performance Monitoring: Defines Service Level Agreements (SLAs), evaluates network performance, and facilitates audits.

Summary: CDT provides governance, oversight, and ultimate accountability for the entire initiative.

GoldenStateNet (GSN) – Third-Party Administrator (TPA)

- Operations Management: Coordinates service provisioning, maintains service catalog, and validates network and operator performance.
- Sales & Marketing: Conducts market research, develops service offerings, and manages customer connectivity agreements.
- Technical Support: Performs root cause analysis, engineering reviews, and hut maintenance.

Summary: GSN brings industry expertise to manage and oversee operational and development activities without directly operating the network.

Skyline – Third Party Network Operator

- Network Operations: Provides day-to-day network and security monitoring, incident response, and field dispatch.
- Maintenance & Repairs: Handles physical network maintenance and service modifications.
- Customer Management: Manages provisioning and customer support.
- Compliance: Reports on performance metrics, ensuring SLA adherence.

Summary: The Operator is responsible for the hands-on, day-to-day operation and maintenance of the network.

Panel

- Mark Monroe, California Department of Technology
- Ryan Bender, Department of Finance
- Danielle Brandon, Department of Finance
- Xin Ma, Legislative Analyst's Office

Staff Comments

1. How is CDT planning to formalize the three-party relationship between CDT, TPA, and the Operator to avoid role-conflict and enable efficiency?
2. Given the delay, what are the next project milestones by Dec 2026, and in 2027-2028?
3. Is there a new estimate for completion of permitting, and completion of the network?
4. What are the annual revenue estimates for the work, and annual maintenance and operations costs?

Staff Recommendation: This item was presented for information only

Issue 7: Middle Mile Network Proposals

The Administration has two proposals regarding the Middle Mile Broadband Initiative, a Budget Change Proposal and Proposed Trailer Bill discussed below.

Budget Change Proposal: Middle Mile Broadband Initiative Encumbrance Extension

The California Department of Technology (CDT) requests an extension of the encumbrance period for two General Fund appropriations from December 31, 2026, to December 31, 2028. This request is cost-neutral and does not involve new funding. The extension is needed to allow CDT to manage multi-year contracts and vendor agreements critical to completing and operationalizing the Middle Mile Broadband Initiative (MMBI) network.

According to CDT:

“However, while most of the \$3.873 billion budget is currently under contract and encumbered, CDT is requesting that the encumbrance period for the \$550 million in Budget Act appropriations from 2023 and 2024 be extended to the liquidation deadline of December 31, 2028:

- Some of these funds may need to be moved between contracts after December 31, 2026, as CDT moves towards network completion. As CDT’s partners finalize completion of the network in 2026-27, CDT may need to move authority between its partners to complete the remaining workload components. Without the extension of the encumbrance period, CDT would be unable to make any adjustments after December 31, 2026.
- Any of the unused contingency funds from the project will need to be available to help fund operating costs in the early years. During the early years, CDT anticipates using any unused project contingency to help fund operations as service starts to ramp up in 2026-27 and 2027-28. Without the extension of the encumbrance period, CDT would be unable to access any unused contingency to help fund operations after December 31, 2026.

Extending the encumbrance period to December 31, 2028, will help facilitate CDT’s completion of the network as well as funding of operations.”

The BCP effectively would extend CDT’s ability to move constructions funds through 2028.

Proposed Trailer Bill Language:

The Department of Technology proposed trailer bill language proposes to extend the continuous appropriation of the State Middle-Mile Broadband Enterprise Fund from July 1, 2027 to July 1, 2031.

The Enterprise Fund is how the network sustains itself operationally — it collects fees from ISPs, government entities, and other users who connect to the network, and those revenues are used exclusively for maintenance, operations, repair, and expansion. Under existing law, those funds are continuously appropriated (meaning CDT could spend them without coming back to the Legislature each year) only through July 1, 2027. After that, the funds would sit in the fund but CDT would need legislative approval via appropriation.

This proposal would extend that automatic spending authority out four more years to 2031, giving CDT uninterrupted access to network revenues as the network ramps up and matures.

According to CDT this proposal will ensure that once the network is generating revenue, CDT doesn't face a situation in 2027 where it suddenly needs legislative action just to pay its operating bills. The two proposals are essentially building a financial runway for the network to get through its early operational years without constant budget process interruptions.

Panel

- Mark Monroe, California Department of Technology
- Ryan Bender, Department of Finance
- Danielle Brandon, Department of Finance
- Xin Ma, Legislative Analyst's Office

Staff Comments

Regarding the Trailer bill Language Proposal:

1. What expansions are expected by the Department that would need the funding authority as in the TBL Proposal?
2. What other purposes will the funds be used for?
3. Why does the funding authorization go out far beyond the expected completion deadline?

Staff Recommendation: Hold open

Non-Presentation Items

7502- California Department of Technology

1. BCP: Sustained Support for Local Government Domain Services

The California Department of Technology (CDT) is asking for \$147,000 General Fund per year for three years (FY 2026-27 through 2028-29) — a total of \$441,000 — to hire external consultants to manage growing workload in its Local Government Domain Services program.

AB 1637 (Chapter 586, Statutes of 2023) requires all California local governments and counties to transition their websites to ".gov" or ".ca.gov" domains by 2029. As that deadline approaches, CDT is seeing a sharp rise in requests — active domains under management grew from zero to 900+ in just two years, with new domain requests exceeding 100 annually. CDT's current team is only two people (one ITS I analyst and one Web Services Manager), which is insufficient to handle the volume.

Without additional capacity, CDT faces growing backlogs, longer processing times (currently ~8 weeks per request), and reduced ability to enforce cybersecurity standards like DMARC and DDoS protections. There are also downstream risks for noncompliance with SAM Section 5195 naming standards and delays in handling exemption requests that flow through the Governor's Office and GovOps.

The funding is entirely for external consulting services (object 5340). Consultants would:

- Clear the backlog of domain registration and renewal requests
- Support cybersecurity compliance enforcement
- Help manage CDT's Domain Name Request System (DNRS), a custom-built platform that handles statewide domain submissions and renewals
- Free up the existing two-person staff to focus on oversight, GovOps liaison work, and legislative reporting

CDT projects that approval would cut processing times from 8 weeks down to 2 weeks, improve cybersecurity posture statewide, and ensure local governments meet the 2029 AB 1637 deadline.

2. BCP: Scale Statewide Digital Identity Program

The California Department of Technology (CDT) requests \$3 million in Technology Services Revolving Fund (TSRF) budget authority in 2026-27 and ongoing for cost recovery of customer-related expenses for integrating and leveraging the digital identity services through the statewide California Identity Gateway platform. In addition, CDT

requests to convert one position and \$265,000 of General Fund to TSRF beginning in 2027-28.

3. BCP: Artificial Intelligence Models – Large Developers (SB 53, Wiener)

The California Department of Technology (CDT) requests General Fund (GF) budget authority (ongoing) for 1.0 Information Technology Manager II (ITM II) and \$360,000 (one-time) for temp help/consultants in Fiscal Year (FY) 2026-27 to implement Chapter 138, Statutes of 2025 (SB 53).

The requested resources will ensure CDT meets statutory deadlines, builds durable in-house expertise, and delivers on the Governor's goal of establishing commonsense guardrails that balance innovation with public safety and reinforce public trust for California.

4. BCP: CalTabs Modernization

The California Department of Technology (CDT) requests an augmentation of \$1 million in Technology Services Revolving Fund (TSRF) in 2026-27 and \$550,000 in 2027-28 and ongoing to modernize the California Technology Agency Billing System (CalTABS), the 20+ year old billing system used by CDT's customers to receive monthly invoices and review billing data and billing reports. CalTABS is a proprietary, highly customized solution that no longer meets the business and technical needs of CDT or its customers.

5. BCP: California Cybersecurity Integration Center: Artificial Intelligence (AB 979)

To support the goals of Chapter 285, Statutes of 2025 (AB 979) and ensure effective statewide security oversight of Artificial Intelligence (AI) systems, the Office of Information Security (OIS) requires \$408,000 General Fund (GF) in Fiscal Year (FY) 2026-27 and \$286,000 in FY 2027-28. Funding will support temporary help that will reside within the Security Risk and Governance (SRG) unit.

AB 979 (Irwin, Chapter 285, Statutes of 2025) directs the California Cybersecurity Integration Center (Cal-CSIC) to develop a **California AI Cybersecurity Playbook** — a statewide resource to facilitate information sharing across the AI community and strengthen collective cyber defenses against AI-related threats. The playbook must be completed by **January 2027**.

OIS plans to have the temporary position trained and working with Cal-CSIC by September 2026, leaving four months of dedicated work to meet the January 2027 playbook deadline. After that, the position winds down — hence zero cost from FY 2028-29 onward.

6. BCP: Statewide Contract Procurement Workload Adjustment

The California Department of Technology (CDT) requests an augmentation of \$560,000 dollars in Technology Services Revolving Fund (TSRF) to redirect 5.0 existing positions to address a significant and sustained increase in statewide technology procurement workload related to Generative AI (EO N-12-23), Innovation Procurement (EO N-04-19), and Efficient and Effective Government (EO N-30-25). These added mandates have significantly increased workload and require CDT to establish a variety of statewide contracts to satisfy Government Code (GC) 11546(b)(4), requiring additional resources to ensure timely, compliant, and effective statewide technology procurements that advance California's innovation, efficiency, and modernization goals.

OSTP is the state's central technology procurement authority, and its workload has increased significantly without any staffing increase since 2021.

Three executive orders have fundamentally expanded OSTP's mission beyond traditional IT procurement:

1. **EO N-12-23 (GenAI)** — OSTP is the primary statewide gatekeeper for all GenAI procurements, requiring risk assessments (SIMM 5305-F) and CDT consultation for any moderate or high-risk acquisition. Since March 2025 alone, 193 GenAI cases have come in.
2. **EO N-04-19 (Innovation Procurement)** — The RFI² model (Request for Innovative Ideas) is becoming the preferred procurement method for complex AI, data, and climate tech projects — but it requires **3.25 positions of staff effort per engagement**, versus 0.625 for a standard RFx. That's more than five times the workload per case.
3. **EO N-30-25 (Government Efficiency/Climate)** — Requires OSTP to stand up an entirely new procurement function: statewide contracts for climate resilience, energy efficiency, carbon data reporting, and an enterprise AI marketplace. This work category doesn't exist in OSTP's current structure.

7. Proposed Trailer bill Language: Onboarding Deferred Departments

The Governor's budget requests technical trailer bill language to sunset the existing exemption process that runs through the California Department of Technology (State Administrative Manual 7260), as FI\$Cal is no longer an IT project, and most departments have onboarded. For the few remaining deferred departments which have not yet undergone onboarding, the new language simply clarifies that FISCal will continue to work closely with the Department of Technology and the Department of Finance to determine whether a department will onboard or interface their system with the FI\$Cal system.

1703 – California Privacy Protection Agency**8. BCP: Procurement Support**

The California Privacy Protection Agency requests \$178,000 General Fund and 1.0 position in 2026-27 and \$164,000 in 2027-28 and ongoing to support increased contracts and procurement workload.

9. BCP: Enforcement Resources

The California Privacy Protection Agency requests an increase in expenditure authority of \$1.6 million in 2026-27 and \$1.5 million in 2027-28 split between the Data Brokers' Registry Fund and the Consumer Privacy Fund for 6.0 positions to enforce the provisions of the California Consumer Privacy Act and the Delete Act.

7760 – California Department of General Services**10. BCP: Printer Acquisition Purchase Authority**

The Department of General Services, Office of State Publishing, requests \$1.5 million Service Revolving Fund in 2026-27 through 2032-33 to acquire two digital inkjet presses.

11. BCP: Local Jurisdiction Reporting Unit Workload

The Department of General Services Real Estate Services Division, Asset Management Branch requests Property Acquisition Law Money Account authority in the amount of \$518,000 one-time in 2026-27, and \$391,000 in 2027-28 and ongoing to reconcile and maintain the Statewide Property Inventory with county assessors' real property records.

12. BCP: Extend Limited Term Maintenance & Repair Cost Expenditure Authority for Fleet Operations

The Department of General Services, Office of Fleet and Asset Management is requesting to increase and extend limited term authority of \$1.2 million to \$3.3 million in ongoing expenditure authority from the Service Revolving Fund to cover increased vehicle Maintenance and Repair expenses. The request involves \$2.1 million in increased authority in 2026-27 and \$3.3 million ongoing thereafter.

13. BCP: Division of the State Architect Construction Oversight Program

The Department of General Services, Division of State Architect requests \$1.4 million from the Public School Planning, Design, and Construction Review Revolving Fund (Fund 0328) limited-term for 4 years in 2026-27 through 2029-30 and 4 positions to address the increased workload in the Construction Oversight Program.

14.BCP: Extend Limited Term Material Purchase Authority to Ongoing

The Department of General Services, Office of State Publishing, requests to increase and extend limited-term authority scheduled to end in 2025-26 from \$4 million to \$5 million from the Service Revolving Fund in 2026-27 and ongoing to support the increased cost of paper and commodities ordered in response to the extended lead times and reduction in production capacity in the commodities market.

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