

# California State Assembly



## Hearing Agenda

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

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, May 19, 2026

1:30 P.M. – State Capitol, Room 447

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

## Items To Be Heard

### 0680 – Governor’s Office of Service and Community Engagement (GoServe)

#### Issue 1: May Revision Proposals

GoServe will provide an overview of their May Revision budget proposals.

#### Panel

- Governor’s Office of Service and Community Engagement
- Department of Finance
- Legislative Analyst’s Office

1. **Technical Adjustment.** Proposes a Technical Adjustment for the College Corps Admin Funding Realignment— in which that Item 0680-001-0001 will be increased by \$1,779,000 ongoing, and Item 0680-102-0001 be decreased by \$1,779,000 ongoing. This is a net-zero technical adjustment to correct the expenditure authority for the implementation of the College Corps program and would go towards state operations of the College Corps Program.

**Staff Recommendation:** Hold Open.

## 0890 – Secretary of State

### Issue 2: May Revision Proposals

The Department will provide an overview of their May Revision budget proposals.

#### Panel

- Secretary of State
- Department of Finance
- Legislative Analyst's Office

- 1. Secretary of State Building Security Improvements.** Proposes a one-time augmentation of \$5,962,000 (\$2,185,000 General Fund and \$3,777,000 Business Fees Fund) for the completion of a multi-phased security improvement project, being implemented at the March Fong Eu Secretary of State Building Complex. These improvements are based on an updated security assessment by the California Highway Patrol (CHP).
- 2. Help America Vote Act – 2026 Election Security Federal Grant Award.** The Secretary of State received a grant award from the U.S. Election Assistance Commission authorized under the Consolidated Appropriations Act of 2026 to improve the administration of elections for Federal office, including to enhance election technology and make election security improvements. To adhere to all federal applicable requirements, the Secretary of State request \$1.93 million Federal Trust Fund in 2026-27 to accept and extend the grant award, and \$386,000 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.
- 3. California State Payroll System.** Proposes that Item 0890-001-0001 (Support for the Secretary of State) be amended to increase reimbursement authority by \$55,000 and Item 0890-001-0228 (the Secretary of States Business Fees Fund) be amended to increase reimbursement authority by \$96,000 in 2026-27 and ongoing to receive payments from the State Controller's Office to implement the California State Payroll System.

**Staff Recommendation:** Hold Open.

## 1111 – Department of Consumer Affairs

### Issue 3: May Revision Proposals

The Department will provide an overview of their May Revision budget proposals.

#### Panel

- Department of Consumer Affairs
- Department of Finance
- Legislative Analyst's Office

- 1. California State Board of Pharmacy – Business Modernization.** Proposes a one-time increase in expenditure authority of \$1,732,000 Pharmacy Board Contingent Fund, Professions and Vocations Fund and 1.1 positions in 2026-27, and 4.0 positions in 2027-28 and ongoing to support the Board's business modernization activities. These resources will support initial software purchases and setup for an updated system that will allow applicants and licensees to pay fees via a credit card, submit application documents online, and allow for self-management of licensing information. The Board also requests provisional Budget Bill language be added to authorize funding for project implementation contingent upon approval of the California Department of Technology of Stage 4 of the Project Approval Lifecycle process.

Add Provision 2 to Item 1111-001-0767 as follows:

Up to \$1,732,000 of the amount in this item for the business modernization implementation costs is contingent upon approval by the California Department of Technology of Stage 4 of the Project Approval Lifecycle process.

- 2. Bureau for Private Postsecondary Education – 2026-27 General Fund Backfill.** The Bureau is requesting \$10 million General Fund to stabilize the Admin Fund. Approval of this request will allow the Bureau to pay back its outstanding CS 14.00 loan to the Bureau of Automotive Repair and provide time to consider policy, operational, and fiscal matters during the legislative sunset review process.

This proposal also adds provisional language that would provide the Bureau with flexibility to address the additional pending legal costs that are currently unknown but anticipated to be incurred in 2026-27.

1111-011-0001—For transfer by the Controller to the Private Postsecondary Education Administration Fund.....10,000,000

Provisions:

1. Upon order of the Department of Finance, the Controller shall transfer up to \$10,000,000 to backfill the Private Postsecondary Education Administration Fund.
2. The transfer amount shall be used to repay a 2025-26 loan of the same amount to the Private Postsecondary Education Administration Fund from the High Polluter Repair or Removal Account Fund, that was made available pursuant to Provision 3 of Item 1111-002-0305 and used to pay for legal costs and expenses.

**Staff Recommendation:** Hold Open.

## 7100 – Employment Development Department (EDD)

### Issue 4: May Revision Proposals

The Department will provide an overview of their May Revision budget proposals.

#### Panel

- Employment Development Department
- Department of Finance
- Legislative Analyst's Office

- 1. EDDNext Modernization – Document Management System Spring Update.** Proposes \$20 million (\$10 million General Fund and \$10 million Unemployment Compensation Disability Fund) in 2026-27 to continue the Document Management System (DMS) project, a reportable project under the EDDNext Modernization project. The resources requested in this proposal will enable EDD to deliver expanded system capabilities and operational workflows encompassed in the upcoming DMS releases.

In addition, proposes to make the following changes to the Budget Bill:

Amend Subdivision (a) of Provision 1 of Item 7100-001-0001 as follows:

“1. (a) Of the amount appropriated in Schedule (3), up to \$60,937,000 \$70,937,000 shall be available for the support of the EDDNext modernization projects and vendor services contracts. Up to \$9,190,000 of this amount shall be available, upon order of the Department of Finance, for the Document Management System project following approval of a Special Project Report or equivalent document by the California Department of Technology.”

Amend Subdivision (a) of Provision 2 of Item 7100-001-0588 as follows:

“2. (a) Of the amount appropriated in Schedule (2), up to \$84,583,000 \$94,583,000 shall be available for the support of the EDDNext modernization projects and vendor services contracts. Up to \$9,190,000 of this amount shall be available, upon order of the Department of Finance, for the Document Management System project following approval of a Special Project Report or equivalent document by the California Department of Technology.”

- 2. Unemployment Insurance Loan Interest Payment.** Proposes that Item 7100-002-0001 be increased by \$6,086,000 one-time to reflect an updated unemployment insurance loan interest payment estimate. In conjunction with the amount proposed at the 2026-27

Governor's Budget, this will be used to fund the estimated interest payment of \$668,291,000.

- 3. Disability Insurance Program Benefits and Administration Adjustments.** Proposes that Item 7100-101-0588 be increased by \$2,294,865,000 ongoing to align with updated projections for disability insurance program benefit payments. Additionally, Item 7100-101-0588, Budget Act of 2025, pursuant to Provision 1, is increased by \$1,271,571,000 one-time in fiscal year 2025-26 to align with estimated current year increases in disability program benefit payments. In addition, it proposes that Item 7100-001-0588 be increased by \$4,340,000 ongoing to align with updated estimates for disability program administration needs.
- 4. Workforce Innovation and Opportunity Act Allocations.** Proposes that Items 7100-001-0869 and 7100-021-0890 be increased by \$74,325,000 ongoing and Items 7100-101-0869 and 7100-101-0890 be increased by \$95,621,000 ongoing to align Workforce Innovation and Opportunity Act funding authority with estimated federal allocations.
- 5. Unemployment Insurance Program Benefits and Administration Adjustments.** Unemployment Insurance Program Benefits and Administration Adjustments—It is requested that Item 7100-101-0871 and Item 7100-111-0890 be increased by \$65,746,000 ongoing to align with updated projections for unemployment insurance program benefit payments. Additionally, Item 7100-101-0871, Budget Act of 2025, pursuant to Provision 2, is decreased by \$307,974,000 in 2025-26 to align with an estimated current year increase in unemployment insurance program benefit payments. It is further requested that Item 7100-001-0870 and Item 7100-011-0890 be decreased by \$31,991,000 ongoing for Employee Development Department to align with updated estimates for unemployment insurance program administration needs.
- 6. School Employees Fund Benefits Adjustment.** Proposes that Item 7100-101-0908 be increased by \$12,260,000 ongoing, and technical Items 7100-601-0890 and 7100-602-0871 be decreased by \$12,260,000 ongoing, to align with updated projections for School Employees Fund benefit payments. Additionally, Item 7100-101-0908, Budget Act of 2025, is increased by \$8,506,000 one-time in 2025-26, pursuant to Provision 1 of the item, to align with estimated current year increases in School Employee Fund benefit payments.
- 7. Emergency Medical Technician Training Reappropriation.** Proposes a reappropriation of \$883,000 General Fund to provide adequate time to encumber and liquidate contract funds associated with the Targeted Emergency Medical Technician (EMT) Training funding appropriated in 2022-23.

7100-491—Reappropriation, Employment Development Department. The amount specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2027, and liquidation until June 30, 2029: 0001—General Fund (1) Up to \$883,000 in Provision 8 of Item 7100-001-0001, Budget Act of 2022 (Chs. 43, 45, 249, Stats. 2022).

- 8. EDDNext Modernization – Technical Correction to Add Budget Bill Language.** Proposes a technical correction to effectuate a reversion of \$70,570,000 previously appropriated for the EDDNext project. This item was proposed in the Governor’s Budget but was inadvertently omitted from the budget bills (AB 1563 and SB 879).

7100-495—Reversion, Employment Development Department. As of June 30, 2026, the balances specified below of the appropriations provided in the following citations shall revert to the balances in the funds from which the appropriations were made.

0001—General Fund

(1) Up to \$70,570,000 appropriated in Schedule 2 of Item 7100-001-0001, Budget Act of 2025 (Chs. 4 and 5, Stats. 2025), for support of the EDDNext modernization projects.

**Staff Recommendation:** Hold Open.

## 7120 – California Workforce Development Board

### Issue 5: BCP: Additional Operational Resources – Spring Adjustment

The Department will provide an overview of their budget change proposal.

#### Panel

- California Workforce Development Board
- Department of Finance
- Legislative Analyst's Office

The California Workforce Development Board (CWDB) requests various adjustments of the reimbursement authority included in the 2026-27 Governor's Budget Additional Operational Resources BCP, including an increase in reimbursement authority of \$7.5 million one-time in 2026-27 and a decrease in reimbursement authority of \$500,000 one-time in 2028-29 and \$1 million in 2029-30. This will align the amounts included in the BCP to the interagency agreement with the Department of Transportation (Caltrans) for the High Road Construction Career (HRCC) Program.

The adjustments requested in this proposal will align CWDB's reimbursement levels in 2026-27 and the out-years with the funding plan reflected in the pending interagency agreement with Caltrans. The Governor's Budget included a total of \$30 million in reimbursement authority in anticipation of an interagency agreement with Caltrans, and this adjustment maintains the total level of funding. However, the fiscal plan identified in the interagency agreement differs from the point-in-time estimates included in the 2026-27 Governor's Budget. Under the interagency agreement, funding will be frontloaded in 2025-26 and 2026-27 to support HRCC grantee activities.

**Staff Recommendation:** Hold Open.

## 7320 – Public Employment Relations Board (PERB)

### Issue 6: May Revision Proposals

The Board will provide an overview of their May Revision budget proposals.

#### Panel

- Public Employment Relations Board
- Department of Finance
- Legislative Analyst’s Office

1. **Unfair Labor Practices (AB 288) – Spring Adjustment.** Proposes a reduction of \$5.0 million and 22 positions in fiscal year 2026-27, \$6.5 million and 31 positions in 2027-28, and 31 positions ongoing as compared to the 2026-27 Governor’s Budget for implementation of Chapter 139, Statutes of 2025 (AB 288). This will bring PERB’s total request to \$500,000 in 2026-27 and 2027-28 to support the litigation workload associated with AB 288.
2. **Implementation of the Legislature Employer-Employee Relations Act (AB 1).** Proposes \$165,000 General Fund and 1 position in fiscal year 2026-27 and ongoing to implement the requirements of Chapter 313, Statutes of 2023 (AB 1).

**Staff Recommendation:** Hold Open.

## 7350 – Department of Industrial Relations (DIR)

### Issue 7: May Revision Proposals

The Department will provide an overview of their May Revision proposals

#### Panel

- Department of Industrial Relations
- Department of Finance
- Legislative Analyst's Office

1. **Office of the Director Legal Unit Reclassifications.** \$388,000 in 2026-27 and ongoing from various special funds to support the reclassification of 8 existing positions in the Office of the Director, Legal Unit, to increase management and support capacity and establish a new office in Southern California to align with workload needs.
2. **Electronic Adjudication Management System Modernization.** Proposes \$44.1 million one-time in 2026-27 from the Labor and Workforce Development Fund to continue the replacement of the Division of Workers' Compensation's (DWC) aging Electronic Adjudication Management System (EAMS) whose 17-year technology is nearing its end of life. Additionally, DIR requests a reappropriation to extend the encumbrance availability of the unencumbered balance of the amount included in the 2025 Budget Act for the EAMS Project by an additional year, through June 30, 2027, to support project activities.

Add Provision 5 to Item 7350-001-3078:

5. Of the amount appropriated in Schedule (1) of this item, \$44,096,000 is allocated for project activities associated with the Electronic Adjudication Management System Modernization project. Of this amount, up to \$16,000,000 shall be available upon order of the Department of Finance and contingent upon updated project approval or other project documents by the California Department of Technology.

Add Item 7350-490 as follows:

Item 7350-490—Reappropriation, Department of Industrial Relations. The balance of the appropriation provided in Schedule (1) of Item 7350-001-3078, Budget Act of 2025 (Chs. 4 and 5, Stats. 2025), is reappropriated for project activities associated with the Electronic Adjudication Management System Modernization project and shall be available for encumbrance or expenditure until June 30, 2027.

3. **Cal/OSHA Data Modernization Project.** \$28.4 million Labor and Workforce Development Fund in 2026-27 to continue the development of the Division of Occupational Safety and Health's information technology system to meet federal and state-mandated requirements, consolidate information into a central database/repository, interface to other DIR systems, automate manual processes across its units and support the training, and post go-live assistance needs.

Add Provision 6 to Item 7350-001-3078:

6. Of the amount appropriated in Schedule (2) of this item, \$28,442,000 is available for the Cal/OSHA Data Modernization Project. Of this amount, upon order of the Department of Finance, \$3,000,000 shall be available upon approval of a Special Project Report or equivalent document by the California Department of Technology.

4. **Emerging Technologies Unit.** Proposes requests 5.0 positions and \$1.8 million in 2026-27 and \$1.2 million ongoing from the Occupational Safety and Health Fund to research, evaluate, and develop regulations and industry guidance related to rapidly developing workplace technologies, as well as work with employers on experimental variance applications for emerging equipment and technology.
5. **California Opportunity Youth Apprenticeship (COYA) Reappropriation.** Proposes an extension of \$2.3 million in General Fund of existing funds from the 2024 Budget Act with provisional language to extend the encumbrance/expenditure date to align with the liquidation/reversion date of June 30, 2028.

Add Item 7350-491 as follows:

Item 7350-491—Reappropriation, Department of Industrial Relations. The balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2028:

0001—General Fund

(1) \$2,300,000 appropriated in Item 7350-001-0001, Budget Act of 2024

(Chs. 22, 35, and 994, Stats. 2024).

6. **Assessment Payment via Electronic Funds Transfer.** Proposes trailer bill language that will require payment of the annual employer assessment by electronic funds transfer (EFT). This language is modeled after EFT requirements in statute for FTB (RTC 19011(c)) and CDTFA (RTC 6479.3(e)). The vast majority of insurers and self-insured employers already transmit their payment via EFT, but there are still a few using paper checks. With some annual payments up to \$20 million, payment via check can be

cumbersome for the employer and presents risks for DIR. The proposed TBL is expected to create efficiencies for DIR related to payment processing through EFT as compared to paper checks. The department Director has discretion to reduce or waive the penalty.

- 7. Division of Workers' Compensation Administrative Director Salary Amendment.** Proposes trailer bill language will remove the salary cap for the Administrative Director of the Division of Workers' Compensation (DWC) within DIR to establish parity among leadership in the compensation structures for the DWC and DIR, and to support recruitment and retention following the retirement of DWC's prior Administrative Director. The current monthly salary of \$16,015.47 under Government Code 11553 is well below the other executive leadership positions in DWC and DIR.

According to the Department, "The salary for the DWC Administrative Director is listed in statute with the Chairs of various regulatory boards rather than with similar division leads (e.g., the Division of Occupational Safety and Health and the Division of Labor Standards Enforcement). This statute caps the salary and eliminates vacation accrual for this exempt appointee, to which other appointed division chiefs at DIR are not subject. To correct this issue, DIR and the Labor and Workforce Development Agency propose to remove DWC from Government Code section 11553 and instead establish the position similar to the Chiefs of DLSE and DOSH in Labor Code."

**Staff Recommendation:** Hold Open.

**Issue 8: Proposed TBL: Workers Compensation Appeals Board**

The Workers' Compensation Appeals Board, a seven-member, judicial body appointed by the Governor and confirmed by the Senate, exercises all judicial powers vested in it by the Labor Code. Its major functions include issuing judicial opinions in response to petitions for removal and reconsideration of decisions by workers' compensation administrative law judges, representing the WCAB in appellate proceedings, and regulation of the adjudication process by adopting rules of practice and procedure. By way of its published opinions and regulations, it provides guidance and leadership to the workers' compensation community.

The department has proposed trailer bill language that would remove the sunset for appeal timeline provisions.

**Staff Recommendation: Hold Open**

## 7501 – Department of Human Resources (CalHR)

### Issue 9: May Revision Proposals

CalHR will provide an overview of their May Revision budget proposals.

#### Panel

- California Department of Human Resources
- Department of Finance
- Legislative Analyst’s Office

1. **Employee Assistance Program (EAP).** Proposes 1.0 permanent position and \$12,320,000 in reimbursement authority in fiscal year 2026-27 and \$12,313,000 in reimbursement authority in 2027-28 and ongoing to transition to a new Employee Assistance Program (EAP) service provider with a more robust and comprehensive model, and to establish a dedicated program manager focused on supporting first responders and their support staff, including employees within California Highway Patrol (CHP), the California Department of Forestry and Fire Protection (CALFIRE), the California Department of Corrections and Rehabilitation (CDCR), the California Department of Parks and Recreation (Parks) and other high-impact public safety departments.

**Staff Recommendation:** Hold Open.

## 7502 – Department of Technology (CDT)

### Issue 10: May Revision Proposals

The California Department of Technology will provide an overview of their May Revision budget proposals.

#### Panel

- California Department of Technology
- Department of Finance
- Legislative Analyst's Office

1. **Poppy: California Digital Assistant.** Proposes \$1 million from the Technology Services Revolving Fund (TSRF) for Fiscal Year 2026–27 to support the scale-up and ongoing operation of Poppy, California's Digital Assistant, as a shared statewide platform for broader adoption across state departments. According to the Department, "To fully implement Poppy to meet the expanding needs of the state, CDT requests \$1 million from the TSRF for Fiscal Year 2026–27 to offer Poppy to departments within the State.
2. **Office Space Facilities Request.** Proposes a budget augmentation for lease and facility cost increases to consolidate staff in Rancho Cordova. The request includes Technology Services Revolving Fund (TSRF), General Fund, and Central Service Cost Recovery Fund (CSCRF) components as follows: 2026-27: \$999,000 (\$878,000 TSRF, \$113,000 GF, \$8,000 CSCRF); 2027-28: \$555,000 (\$466,000 TSRF, \$84,000 GF, \$5,000 CSCRF) with annual increases due to lease and security cost increases. Although CDT can absorb some lease and moving costs in 2025-26, it cannot continue in budget year and beyond.

According to the Department, "relocating staff from the Ziggurat building to CDT's Rancho Cordova facilities required the acquisition of additional space at CDT's White Rock campus. It will also require tenant improvements and moving other staff to meet CDT's functional business requirements."

3. **Middle Mile Broadband Initiative – Reimbursement Authority.** Proposes the addition of budgetary authority to receive reimbursements up to \$25 million from some of its joint build partners. This request is cost-neutral and does not involve new funding. For several of CDT's Middle Mile Broadband Network (MMBN) projects where construction costs have been shared as part of last mile projects, CDT has initially paid for the full cost of construction and the partners need to reimburse CDT for the partners' share of these construction costs, per the joint build contract agreements.

- 4. Middle Mile Broadband Initiative –Contingency Funding.** Proposes budget bill language authorizing the Department of Finance to augment CDT’s budget by up to \$30 million in General Fund to serve as a backstop to fund CDT’s first year of operating costs, should the first year of revenues be delayed due to the delayed network completion.

*The amount appropriated in this item may be increased by the California Department of Finance by up to \$30 million upon approval of the Director of Finance for the purpose of funding operation of the Middle-Mile Broadband Initiative network. The Department of Finance shall notify the Joint Legislative Budget Committee within 30 days of making such an augmentation.*

**Staff Recommendation:** Hold Open.

**Issue 11: May Revise Budget Bill Language Proposal: American Rescue Plan Act – Coronavirus Capital Projects Fund**

The Department will provide an overview of their May Revise Budget Bill Language Proposal.

**Panel**

- Department of Technology
- Department of Finance
- Legislative Analyst’s Office

1. **Addition of Budget Bill Control Section 11.94, American Rescue Plan Act – Coronavirus Capital Projects Fund, Allocation and Expenditure Authority.** Proposes that Control Section 11.94 be added to provide necessary flexibility for administrative adjustments to fully spend the \$540.2 million in federal funds allocated from the Coronavirus Capital Projects Fund (CPF) as authorized by the federal American Rescue Plan Act of 2021 that supports last mile broadband infrastructure projects.

To date, California has drawn down approximately \$57 million, or 10 percent of its CPF allocation. To optimize California’s use of the CPF and the General Fund (GF), Control Section 11.94 would allow the Director of Finance to use the CPF to fund costs incurred by the state for completed middle mile broadband infrastructure projects, rather than for future costs related to last mile broadband infrastructure projects that may not reach substantial completion by the December 31, 2026 federal deadline.

**Staff Recommendation:** Hold Open.

## 7504 – Office of Data and Innovation (ODI)

### Issue 12: May Revision Proposal

The Office of Data and Innovation will provide an overview of their May Revision Proposals

#### Panel

- Office of Data and Innovation
- Department of Finance
- Legislative Analyst's Office

- 1. Extended Encumbrance for the DIF.** Proposes that provisional language be added to Item 7504-001-9753 to extend the expenditure and encumbrance period for the Data and Innovation Services Revolving Fund (DIF) to June 30, 2030, and to authorize Finance to augment the Office of Data and Innovation's DIF appropriation by the amount of resources available in the fund.

Amend Provision 1 from Item 7504-001-9753:

1. ~~The amounts in this item shall only be available for expenditure upon authorization by the Director of the Office of Data and Innovation~~

1. The amount appropriated in this item shall be available for encumbrance or expenditure until June 30, 2030.

2. Upon approval of the Department of Finance, the amount available for expenditure in this item may be augmented by the amount of resources available in the Data and Innovation Services Revolving Fund through June 30, 2030.

**Issue 13: BCP: Scaling the State's Innovation Capacity: Building a Centralized Digital Experience Team**

The Office of Data and Innovation works collaboratively with state agencies to improve services for Californians. They use data, human-centered design training, and technology to create services that are easier for everyone to use. Their work uses qualitative and quantitative user research and puts Californians at the heart of service design. The Statewide Chief Data Officer and CalAcademy are housed within ODI.

According to ODI, "California spends billions of dollars each year on technology and service delivery, but too often departments enter procurements with poorly defined problems. The result is misaligned solutions, costly change orders, and delayed benefits to the public. The Office of Data and Innovation (ODI) offers a proven alternative: in-house, end-to-end design and delivery capacity that helps departments define problems early, test solutions quickly, and build sustainable digital and data services. By scaling this capacity, ODI can help California avoid wasteful contracts, cut project timelines, and deliver modern services at a fraction of the cost."

To achieve those saving and efficiencies, ODI has the following BCP:

1. **Scaling the State's Innovation Capacity: Building a Centralized Digital Experience Team.** ODI is requesting \$1,250,000 in reimbursement authority in 2026-27, and ongoing, and 5 full-time staff roles to scale ODI's ability to support the growth of the state's design, development, data, and digital services capabilities. Please see the attached organizational charts and workload justifications.

**Staff Recommendation: Hold Open**

## 7760 – Department of General Services (DGS)

### Issue 14: May Revision Proposals

DGS will provide an overview of their May Revision proposals.

#### Panel

- Department of General Services
- Department of Finance
- Legislative Analyst's Office

- 1. 10th and O Streets Reconfiguration.** Proposes \$14,346,000 Public Buildings Construction Fund (lease revenue bonds) in 2026-27 for the preconstruction phase of the 10th and O Streets Reconfiguration project located at 1021 O Street in Sacramento, via the progressive design-build delivery method. This project involves interior demolition and reconstruction to reconfigure the space for future Executive Branch tenants once the Capitol Annex is complete.
- 2. O Street State Parking Garage.** Proposes \$1,292,000 from the Public Building Construction Fund (lease revenue bonds) in 2026-27 for the preconstruction phase of the O Street State Parking Garage project. The budget for the preconstruction phase is estimated to be \$1,292,000, with \$44,934,000 for the progressive design-build phase. The garage will be located at an existing state-owned surface parking lot located on the southeast corner of O Street and 12th Street. The project will expand the parking capacity at this property from 145 spaces to approximately 750 spaces. Users of the garage will include Executive Branch tenants of the 1021 O Street office staff, state workers working in the downtown area, and the existing parkers of the surface lot.
- 3. Additional Provisional Language.** Proposes that provisional language be added as follows: (1) Authorize DGS to execute documents necessary to sell State Public Works Board lease revenue bonds and, (2) Authorize DGS to utilize the progressive design-build procurement method for both projects:
  1. The Department of General Services is authorized to execute and deliver any and all leases, contracts, agreements, or other documents necessary or advisable to consummate the sale and issuance of bonds by the State Public Works Board in accordance with the State Building Construction Act of 1955 (Part 10b [commencing with Section 15800] of Division 3 of Title 2 of the Government Code) or otherwise to effectuate the financing of the scheduled project.

- 2. Notwithstanding paragraph (2) of subdivision (a) of Section 10198.1 of the Public Contract Code, the projects identified in this item are authorized to be delivered using the progressive design-build method.

7760-301-0660—For capital outlay, Department of General Services, payable from the Public Buildings Construction Fund  
..... 15,638,000

Schedule:

(1) 0016980-O Street State Parking Garage.....1,292,000

(a) Preconstruction ..... 1,292,000

(2) 0017000-10th and O Street Reconfiguration.....14,346,000

(a) Preconstruction ..... 14,346,000

Provisions:

1.The Department of General Services is authorized to execute and deliver any and all leases, contracts, agreements, or other documents necessary or advisable to consummate the sale and issuance of bonds by the State Public Works Board in accordance with the State Building Construction Act of 1955 (Part 10b [commencing with Section 15800] of Division 3 of Title 2 of the Government Code) or otherwise to effectuate the financing of the scheduled project.

2.Notwithstanding paragraph (2) of subdivision (a) of Section 10198.1 of the Public Contract Code, projects identified in this item are authorized to be delivered using the progressive design-build method.

- 4. **Lease Revenue Debt Service Transfer Adjustments.** Proposes that Item 7760-015-0001 be decreased by \$126,485,000 ongoing to adjust the amount transferred to the Service Revolving Fund for the Department of General Services’ lease revenue debt service payments. The decrease in authority in this transfer item will provide the department with the precise amount of funding to make rental payments for the Clifford L. Allenby, New Natural Resources Headquarters, May Lee State Office Complex, Gregory Bateson, Resources, and Jesse Unruh buildings pursuant to Item 7760-092-0666.

- 5. **Department of General Services Efficiencies.** Proposes trailer bill language that would:

- 1) Modernize Payment for Routine Software License Purchases. By creating a clear statutory allowance for advance payments for software contracts that meet specific

conditions (cannot exceed three years and cannot be advance payment for contract personnel defined as consulting services, instructor-led training, and other personal services). This proposal would ensure that there is clear statutory authority for state agencies to purchase software in accordance with industry norms, speeding the time to acquire the software. This will streamline payments for vendors and could result in steeper volume discounts.

- 2) Authorize Electronic Submission for State Procurements. When California's procurement laws and procedures were written, they were generally written assuming a paper-based system that no longer aligns with the tools and technology available for procurement. This proposal would modernize the applicable language in statute to reflect and support modern digital and online procurement practices.
- 3) Reduce Required Certifications by streamlining the procurement process and would eliminate the need for specified certifications to be submitted as separate documents. By eliminating the need for separate certification forms to be filled out and signed, the state anticipates this will reduce the number of disqualified bids/bidders due to the failure to submit a certification. Additionally, to the extent that competition is limited because of otherwise qualifying bidders being disqualified over these certifications, the state is potentially paying higher prices.
- 4) Increase Departmental Access to Architectural / Engineering (A&E) Services. Gov Code Section 4525 et. seq. (not the Public Contract Code) allows all departments to contract for architectural/engineering services (A&E). However, prior to doing so, each department is required to establish - through the formal regulations process - procedures to do so. As a result, the vast majority of state departments cannot contract for A&E services and are reliant upon DGS to contract on their behalf. This reliance creates backlogs, greatly slows the ability for simpler projects to be completed, and forces DGS to undertake simpler projects instead of focusing on more complex ones. This statutory change would allow departments to use DGS established, tested procedures, until such time as they implement their own regulations.

**Staff Recommendation:** Hold Open.

## 7900 – California Public Employees’ Retirement System

### Issue 15: May Revision Proposals

The California Public Employees’ Retirement System will provide an overview of their May Revision proposals.

#### Panel

- California Public Employees’ Retirement System
- Department of Finance
- Legislative Analyst’s Office

**1. Operational Budget.** Proposes that various Budget Bill items be amended to reflect the changes to the 2026-27 operational budget of the California Public Employees’ Retirement System (CalPERS) that was approved by the CalPERS Board on April 14, 2026. The budget proposed by CalPERS reflects a net increase of \$482,473,000, primarily attributed to increased administrative and investment operating costs, investment external management fees, and third-party administrator fees. The request is comprised of the following changes:

- Item 7900-003-0830 be increased by \$459,149,000
- Item 7900-015-0815 be decreased by \$146,000
- Item 7900-015-0820 be increased by \$11,000
- Item 7900-015-0830 be increased by \$23,297,000
- Item 7900-015-0833 be decreased by \$130,000
- Item 7900-015-0849 be increased by \$66,000
- Item 7900-015-0884 be increased by \$202,000
- Item 7900-015-9251 be increased by \$24,000

The Budget Bill items noted above are display items for informational purposes to reflect the corresponding changes in CalPERS’ continuous appropriation authority.

**Staff Recommendation:** Hold Open.

## 7920 – State Teachers’ Retirement System

### Issue 16: May Revision Proposals

The State Teachers’ Retirement System will provide an overview of their May Revision proposals.

#### Panel

- State Teachers’ Retirement System
- Department of Finance
- Legislative Analyst’s Office

1. **State Contributions to CalSTRS.** Proposes that Item 7920-011-0001 be increased by \$6,463,000 ongoing to reflect an increase in the state’s contributions to the California State Teachers’ Retirement System’s (CalSTRS) Defined Benefit (DB) Program and Supplemental Benefit Maintenance Account (SBMA). The state’s contributions to the DB Program and SBMA are calculated using creditable compensation provided by the Teachers’ Retirement Board (Board) for the fiscal year immediately preceding June 30; the report is published annually by the Board by October 25, with a subsequent report due by April 15, displaying necessary revisions to creditable compensation. Based on the Board’s April 15, 2026 creditable compensation report, the DB contribution will be increased by \$4,971,000 and the SBMA contribution will be increased by \$1,492,000, as compared to the Governor’s Budget.
2. **Benefit Payment Revisions.** Proposes that Item 7920-011-0001 be increased by \$1,025,000 one-time, to reflect the state’s share of benefit overpayments identified by CalSTRS from the prior fiscal year as required by Education Code Section 24616.2. The adjustment results in an increase of \$1,025,000, as compared to \$0 in the Governor’s Budget.

**Staff Recommendation:** Hold Open.

## 8615 – California Privacy Protection Agency (CPPA)

### Issue 17: May Revision Proposals

The California Privacy Protection Agency will provide an overview of their May Revision proposals.

#### Panel

- California Privacy Protection Agency
- Department of Finance
- Legislative Analyst's Office

1. **Data Broker Delete Request and Opt-Out Platform (DROP) – Post Launch.** Proposes an increase in expenditure authority of \$2.2 million Data Brokers' Registry Fund in 2026-27 and 2.0 positions to address increased costs and workload from the release of the Delete Request Opt-Out Platform (DROP) pursuant to Chapter 709, Statutes of 2023 (SB 362).

Additionally, it is requested that provisional language be added to Item 8615-001-3372 to authorize an augmentation to address potential increased information technology costs associated with DROP's system utilization, including supporting additional identify verifications of consumers that request their data be deleted, which is difficult to predict (see Attachment 1). It is also requested that provisional language be added to Item 8615-001-3372 authorizing short-term cash flow loans, totaling no more than \$1 million from the Consumer Privacy Fund to the Data Brokers' Registry Fund, that is to be repaid no later than 12 months after the loans are taken (see Attachment 1). CalPrivacy collects data broker registration revenues annually in January and estimates there will be a shortfall in cash available in the Data Brokers' Registry Fund for the first six months of 2026-27 to cover the increased DROP expenditures. The requested authority for short-term cash loans will support CalPrivacy's operational cash flow needs without interrupting its operations.

Add Provisions 1 and 2 to Item 8615-001-3372 as follows:

1. Upon order of the Department of Finance, the amount available in this item may be augmented by an amount necessary to cover information technology-related costs associated with system utilization of the Delete Request Opt-Out Platform, pursuant to Chapter 709, Statutes of 2023 (SB 362).

2. The Department of Finance may authorize one or more short-term cash loans, not to exceed a cumulative total of \$1,000,000 from the Consumer Privacy Fund to the Data Brokers' Registry Fund to support operational cashflow needs resulting from registration revenues collected mid fiscal year. The cash loans shall be repaid no later than 12 months after the loans are taken. Interest charges may be waived pursuant to subdivision (e) of Section 16314 of the Government Code. For purposes of the budgetary and legal bases of accounting and budgeting, the principal amount of any loans made pursuant to this provision shall not be considered part of the balance of the fund that receives the loan, nor shall it be deducted from the balance of the fund from which the loan is made. These loans are considered cashflow loans for temporary cash shortages and shall not constitute budgetary loans, revenues, or expenditures. The Department of Finance shall make the final determination of the budgetary and accounting transactions and treatments to ensure proper implementation of this provision pursuant to Section 13344 of the Government Code.

**Staff Recommendation:** Hold Open.

## Various Retirement, Benefits and Compensation

### Issue 18: May Revision Proposals

The Department of Finance will provide an overview of their May Revision proposals.

#### Panel

- Department of Finance
- Legislative Analyst's Office

1. **Revised Estimates for Health and Dental Benefits for Annuitants.** Proposes that Item 9650-001-0001 be increased by \$17,606,000 ongoing to reflect increases in health and dental premiums for annuitants.
2. **Augmentation for Employee Compensation.** Proposes that Item 9800-001-0001 be increased by \$15,177,000, Item 9800-001-0494 be increased by \$17,395,000, and Item 9800-001-0988 be increased by \$7,852,000 in fiscal year 2026-27, and ongoing, to reflect changes in estimated health and dental premiums. Additionally, while these amounts reflect estimated health premium rates, we note the health rates will be finalized and adopted by the California Public Employees' Retirement System (CalPERS) Board of Administration in summer 2026.
3. **Revised Control Section 3.60 Retirement Rate Adjustments.** Proposes that Control Section 3.60 be decreased by \$2,605,338,000 ongoing from the \$2,819,064,000 included in the Governor's Budget. This decrease reflects the following adjustments:
  - A decrease of \$107,245,000 ongoing to reflect the changes in state retirement contribution rates (see Attachment 1) for members of California Public Employees' Retirement System (CalPERS), as adopted by the CalPERS' Board of Administration in April 2026. This \$107,245,000 decrease consists of a \$66,816,000 decrease in General Fund, a \$42,180,000 decrease in special funds, and a \$1,751,000 increase in other non-governmental cost funds.
  - A decrease of \$2,498,093,000 in 2026-27 as a technical adjustment to reconcile the set-aside for retirement contribution estimates. This \$2,498,093,000 decrease consists of a \$1,581,416,000 decrease in General Fund, a \$599,057,000 decrease in special funds, and a \$317,620,000 decrease in other non-governmental cost funds.

**Staff Recommendation:** Hold Open.

## 1115 – Department of Cannabis Control

### Issue 19: May Revision Proposal

The Department of Cannabis Control will provide an overview of their May Revision budget proposal.

#### Panel

- Department of Cannabis Control
- Department of Finance
- Legislative Analyst's Office

1. **Short-term Cash Loan.** Proposes provisional language be added to the budget to allow a short-term cash loan of up to \$52 million from the Cannabis Control Fund to the Cannabis Tax Fund in 2026-27 and ongoing, which will be repaid before the end of the fiscal year.

The first quarter of cannabis excise tax revenues are collected and allocated to the department annually in November. This temporary cashflow loan will support enforcement staff and operations costs, including track and trace contract costs, for the first five months of the fiscal year before the department receives its Cannabis Tax Fund allocation. Upon receiving the allocation, the cash loan from the Cannabis Control Fund will be repaid, allowing its operations to continue without interruption.

Add Provision 6 to Item 1115-001-3288 as follows:

6. The Department of Finance may authorize a short-term cash loan of up to \$52,000,000 from the Cannabis Control Fund to the Cannabis Tax Fund – Department of Cannabis Control to provide cashflow needed to support operational costs that will be covered by tax revenue received beginning in November of the fiscal year. The cash loan shall be repaid before the end of the fiscal year. Interest charges may be waived pursuant to subdivision (e) of Section 16314 of the Government Code. For purposes of the budgetary and legal bases of accounting and budgeting, the principal amount of any loans made pursuant to this provision shall not be considered part of the balance of the fund that receives the loan, nor shall it be deducted from the balance of the fund from which the loan is made. These loans are considered cashflow loans for temporary cash shortages and shall not constitute budgetary loans, revenues, or expenditures. The Department of Finance shall make the final determinization of the budgetary and accounting transactions and treatments to ensure proper implementation of this provision pursuant to Section 13344 of the Government Code.

**Staff Recommendation:** Hold Open.

## 8955 – Department of Veterans Affairs

### Issue 20: May Revision Proposals

The Department of Veterans Affairs will provide an overview of their May Revision budget proposals.

#### Panel

- Department of Veterans Affairs
- Department of Finance
- Legislative Analyst's Office

1. **CalVet Electronic Health Records Project.** Requests \$2.4 million one-time General Fund to support the final implementation and configuration of Phase 3 of the CalVet Electronic Health Record Project in the Yountville Veterans Home.
2. **Reappropriation of CalVet Electronic Health Record (CEHR) Project.** Requests the reappropriation of \$2,390,000 from the 2023 Budget Act, to extend the liquidation date to fulfill contractual obligations and pay invoices related to the completion of the CEHR Project.

Amendment to the Budget Act:

“8955-491—Reappropriation, Department of Veterans Affairs. Notwithstanding any other law, the period to liquidate encumbrances of the following citations is extended to June 30, 2027:

0001—General Fund

(1) Up to \$2,390,000 in Item 8955-001-0001, Budget Act of 2023 (Chs. 12, 38 and 189, Stats. 2023) for the CalVet Electronics Health Record Project.”

**Staff Recommendation:** Hold Open.

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 Genevieve Morelos, Guy Strahl, and Bernie Orozco.